

## PUBLIC DISCLOSURE TEMPLATE

Original language of the document: Spanish  
Cut-off date for review: July 3, 2020

### A. Investment Summary tab

<b>Disclosed Date:</b>	July 17, 2020
<b>Project Name:</b>	La Comer
<b>Project Number:</b>	13180-01
<b>Investment Type:</b>	Supply Chain Financing
<b>E&amp;S Category:</b>	C
<b>Projected Board Approval Date:</b>	September 17, 2020
<b>Company Name:</b>	Comercial City Fresko, S. de R.L. de C.V.
<b>Sponsoring Entity:</b>	La Comer, S.A.B. de C.V. ("La Comer")
<b>Sector:</b>	Retail
<b>Financing Requested:</b>	Up to MX\$800 million
<b>Financing Currency:</b>	US Dollars (US\$) or Mexican Pesos (MX\$)
<b>Project Country:</b>	Mexico
<b>Team Leader:</b>	Martha Fernández

### B. Environmental and Social Review Summary

#### 1. General information of the Operation

La Comer S.A.B. de C.V. ("La Comer" or the "Company"), through its subsidiary Comercial City Fresko, S. de R.L. de C.V. ("CCF"), has requested IDB Invest's financial assistance to provide an uncommitted revolving credit facility (the "Facility") to finance La Comer's suppliers through the acquisition of collection rights (the "Project" or the "Operation"). The Operation involves deferred payment for accounts receivable, due to the exceptional measures adopted by the Company to mitigate the impact of COVID-19 on its suppliers.

#### 2. Scope of the IDB Invest's Environmental and Social Review

La Comer is a holding company that operates in the retail sector in Mexico. It runs 71 stores located mainly in the Republic of Mexico's metropolitan area and west, north, and northwest regions, servicing diverse consumer groups through four different store formats under the brands La Comer, Sumesa, City Market, and Fresko. The Company also operates 378 commercial establishments in shopping malls alongside its stores, and it has two distribution centers.

The Operation's environmental and social review consisted of a documentary review of the Client's environmental and social performance over time, emphasizing compliance with the following

Performance Standards (PS): PS 1: Assessment and Management of Environmental and Social Risks and Impacts; PS 2: Labor and Working Conditions; PS 3: Resource Efficiency and Pollution Prevention; and PS 4: Community Health, Safety and Security.

### **3. Environmental and Social Categorization and Rationale**

This operation has been classified as a Category C operation under the IDB Invest Environmental and Social Sustainability Policy, as its adverse environmental or social risks or impacts, if any, will be limited and negligible.

### **4. Environmental and Social Risks and Impacts**

#### **4.1 Assessment and Management of Environmental and Social Risks and Impacts**

As a services company, La Comer's environmental impact is very limited. Despite this, the company has executed actions, introduced changes to its consumption policies, and involved all of its collaborators and customers in the responsible use and reuse of resources. One such action is to promote a culture of awareness of efficient and rational resource management (e.g. reducing the use of plastic bags and single-use packaging, etc.), proper waste disposal and recycling, and saving water and electricity.

As part of its environmental and social commitments, La Comer must regularly submit compliance reports with applicable environmental regulations for all its operations in Mexico to the Secretariat of Environment and Natural Resources ("SEMARNAT", for its acronym in Spanish) and the Federal Environmental Protection Agency ("PROFEPA", for its acronym in Spanish). The Company has consistently and significantly complied with its reporting obligations under the terms and conditions set forth in the Environmental Impact Statements ("EIS") required by the local environmental authorities, regularly obtaining all due Environmental Operating Certificates ("EOC") for its facilities (as applicable).

The Company relies on several digital communication instruments to communicate externally with stakeholders, which also serve as information and accountability tools, such as: Annual reports, social reports, press releases and newsletters, social media, etc. The Company also has a Call Center and a service protocol, through which major observations and grievances are resolved.

#### **4.2 Labor and Working Conditions**

General labor and working conditions are very well regulated under Mexican labor and occupational health, safety, and security ("OHSS") laws<sup>1</sup> as regards working hours, wages, vacations, workers' compensation, work systems, and safe working conditions, among others. La Comer has a Code of Ethics ("the Code") and an Internal Labor Regulation ("ILR") that guide the behavior of all Company members,<sup>2</sup> as well as that of contractors or independent consultants who provide services to the Company, ensuring that the highest standards of personal and professional integrity are followed in all aspects of their activities. In compliance with local laws and international conventions and treaties undersigned by Mexico on labor and human rights issues, the Code and the ILR provide for and ensure dignified treatment, a healthy work environment, good quality of life in the Company, and optimal working conditions for its

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<sup>1</sup> Federal Labor Act and its amendments (Last amendment published in the Official Gazette—DOF—on November 30, 2012), and Federal Regulation on Occupational Health, Safety, and Security (DOF, November 13, 2014)

<sup>2</sup> The personnel or collaborators, executives, directors, and governing bodies of the companies that comprise it.

employees, including key issues such as (i) prohibition of child labor; (ii) prohibition of forced labor; (iii) right to free association; (iv) no harassment or discrimination; and (v) health, safety, and security.

The Company has implemented Internal Civil Protection Programs ("ICPP") in each of its branches, based on the regulations set forth by the Secretariat of Labor and Social Welfare ("STPS", for its acronym in Spanish) and in keeping with the provisions of civil protection legislation.<sup>3</sup> Each ICPP determines preventive mitigation and aid actions in a given establishment, which are intended to safeguard the physical integrity of any collaborators, visitors, suppliers, and people or clients inside said establishments.

Regarding service to suppliers, the Code of Ethics sets out healthy business practices and relationships to ensure a work philosophy that is consistent with the Company's ethical principles. Suppliers are chosen following selection and registration policy and procedures under strict fiscal, competency, professional, and quality standards. Even so, to ensure stringent compliance with the provisions of PS-2, the Company will update its supplier selection procedure to include an evaluation of their compliance with labor and OHSS, social responsibility, and environmental standards, as well as with its ethical principles, including the need for each supplier to provide a signed Declaration that certifies (i) compliance with the labor and OHSS legislation in force, especially the prohibition of child labor and forced labor, non-discrimination, gender equality, and ensuring safe working conditions, and (ii) adherence to applicable environmental legislation to minimize environmental impacts by controlling air emissions, ensuring the proper disposal and treatment of liquid and solid waste, and consuming natural resources rationally in its processes. Furthermore, the Company's Sales area maintains ongoing contact with all suppliers, who undergo regular assessments for indicators such as sales volume, inventory turnover, profit margin, and delivery compliance.

With regard to grievances, the Company has provided its personnel, suppliers, and other third-party stakeholders with a direct and confidential channel, whereby they can personally or anonymously report any irregularities or violations of the guidelines contained in the Code of Ethics or other applicable regulations, without fear of retaliation. All grievances received through its communication channels, whether through the dedicated telephone line, e-mail, or its internal and supplier web portal, are attended to and investigated by the Internal Audit Department, which, in turn, reports the results of its investigations to the Audit Committee. The corrective action or actions resulting from these investigations are communicated to the complainant (as applicable) and implemented by the corresponding area, under the supervision of the Internal Audit Department.

### **4.3 Resource Efficiency and Pollution Prevention**

La Comer has pollution prevention and reduction strategies that are implemented by (i) fostering responsible handling and classification of the waste produced in its daily activities; (ii) encouraging its customers and collaborators to choose reusable bags over single-use plastic bags; (iii) implementing internal recycling practices for both cardboard and polyethylene, as well as for leftover burnt oils from its food preparation process; and (iv) developing a sustainable packaging initiative that substitutes plastic for PET to create a circular economy where all packaging is recyclable and all newly purchased packaging is made using a given percentage of recycled materials.

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<sup>3</sup> General Civil Protection Act and its Regulations; and the Integrated Risk Management and Civil Protection Act of Mexico City and its Regulations.

As for efficient resource use, the Company has developed campaigns to save and make efficient use of water through: i) rainwater harvesting systems; ii) water reuse; and iii) wastewater treatment in its own wastewater treatment plants ("WWTPs"). The Company also follows an energy strategy to control energy consumption and reduce its carbon footprint and has entered into an agreement with clean energy generation companies (from renewable sources), thus satisfying the demand of 27 of its stores.

Moreover, given that the operation is a commercial transaction to finance suppliers, it will neither generate pollution nor demand the use of additional natural resources.

#### 4.4 Community Health, Safety and Security

The Company is strongly committed to showing support, empathy, and solidarity with the communities under its Social Responsibility ("SR") and Sustainability practices. In 2019, it helped various non-profit foundations to distribute their products, made donations to charitable institutions, supported foundations for rural development, and participated in the "Tienda Rosa" campaign in favor of women with cancer; among other activities.

#### 5. Local Access of Project Documentation

Additional information on La Comer's sustainability practices may be accessed at the following link: <http://lacomerfinanzas.com.mx/responsabilidad-social/indice-de-sustentabilidad/>

#### 6. Environmental and Social Action Plan

The Environmental and Social Action Plan (ESAP) can be found in [Annex 1](#).

### C. Additional Information

For inquiries about the Project please contact Comercial City Fresko, S. de R.L. de C.V.

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For questions and comments to IDB Invest please contact:

Name: BID Invest Communication Group  
Email: [requestinformation@idbinvest.org](mailto:requestinformation@idbinvest.org)

Additionally, affected communities can access the IIC's Independent Consultation and Investigation Mechanism (ICIM) as follows:

Phone number: +1 (202) 623-3952  
Fax number: +1 (202) 312-4057  
Address: 1350 New York Ave. NW Washington, DC. USA. 20577  
Email: [mecanismo@iadb.org](mailto:mecanismo@iadb.org) o <mailto:MICI@iadb.org>

**Annex 1: Environmental and Social Action Plan (ESAP)**

No.	Reference	Measure	Final product /deliverable	Expected completion date
<b>PS 1: Assessment and Management of Environmental and Social Risks and Impacts</b>				
1.1	Project's regulatory compliance	1. Perform an internal audit or employ an independent external environmental and social expert (external audit) to prepare a consolidated annual report on the environmental and social performance of its activities and their compliance with all national environmental and social, labor, and occupational health, safety, and security ("OHSS") regulations applicable to the Project, including the IDB Invest Environmental and Social Sustainability Policy.	1. Environmental and social compliance report.	1. Annually over the life of the loan.
<b>PS 2: Labor and Working Conditions</b>				
2.1	Supply Chain	1. Update its supplier selection procedure to include an evaluation of their compliance with labor and OHSS, social responsibility, and environmental standards, as well as with its ethical principles, including the need for each supplier to provide a signed Declaration that certifies (i) compliance with the labor and OHSS legislation in force, especially the prohibition of child labor and forced labor, non-discrimination, gender equality, and ensuring safe working conditions, and (ii) adherence to applicable environmental legislation to minimize environmental impacts by controlling air emissions, ensuring the proper disposal and treatment of liquid and solid waste, and consuming natural resources rationally in its processes.	1. Copy of the updated Supplier Selection Procedure.	1. Prior to First Disbursement.