

Environmental and Social Review Summary (ESRS) FarmaCorp - BOLIVIA

Original language of the document: Spanish

Issuance date: April 2021

1. General information of the Operation

This transaction involves a revolving and uncommitted line of credit in favor of Farmacorp S.A. (hereinafter "Farmacorp" or the "Company") in Bolivia. These funds will be used to import medical and hospital supplies from foreign suppliers.

Farmacorp is the largest and most experienced retail drugstore business in Bolivia. The Company sells drugs (82%), food, cosmetics and miscellaneous personal care and wellness products. Farmacorp sells private or own brand products that represent 5%, however, it mostly represents international brands in Bolivia, including GNC Live Well, About Time, Foster Grant, Jockey, Ubu and Scunci. The Company has 70 years' experience and its market share of the drugstore chain segment is about 46%. Its stores are concentrated in the Santa Cruz and Cochabamba departments, but it also has stores in La Paz, Tarija and Oruro.

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

The environmental and social analysis of the proposed transaction involved a desk review of the Company's environmental and social performance, completing IDB Invest's questionnaire and conducting interviews with the Company's management and operational personnel during the first quarter of 2021. The review did not include physical visits to Farmacorp's facilities.

This review focused on compliance with the following International Finance Corporation (IFC) Performance Standards (PS): PS 1: Assessment and Management of Environmental and Social Risks and Impacts; and 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

According to IDB Invest Environmental and Social Sustainability Policy this project has been classified as Category C, as its incremental impacts are low or null and easily manageable from the Project's perspective.

4. Environmental and Social Risks

4.1 Assessment and Management of Environmental and Social Risks and Impacts

Farmacorp has a central office (corporate area), 155 points of sale ("POS") including 2 Amarket/micromarket, and 3 storage and distribution centers ("CEDIS") in industrial areas within La Paz, Santa Cruz and Cochabamba. The CEDIS in Santa Cruz is owned by Farmacorp and its construction was

finished in the last years. The CEDIS in La Paz and Cochabamba are leased centers and their structures are much older. Farmacorp has a fleet of thirteen vehicles for transporting merchandise and for sales personnel.

The main risks and impacts involved in this transaction are compliance with labor, occupational health and safety standards, waste generation, transport fleet management and fire prevention systems.

Farmacorp does not yet have an Environmental, Social and Occupational Health and Safety Policy or an Environmental and Social Management System. It does, however, have several environmental management programs that include protocols for managing solid waste and final disposal of medicines, and it has fumigation and pest control procedures. The Company has a risk matrix and emergency plans for its three types of facilities, which are its corporate offices, CEDIS, and POS. The emergency plans define evacuation times and escape routes, and contain a list of emergency equipment and brigade members to handle first aid, evacuations, fires and other situations. It has identified emergencies such as occupational accidents, fires, earthquakes, floods, and structural collapses.

Farmacorp has operating licenses issued by the Municipal Government for each of its POS, and permits issued by the Departmental Health Service (SEDES). However, Farmacorp has not yet prepared a matrix for monitoring permits and legal compliance.

The Company hired an external audit firm in 2020 to identify and assess the risks of their operations. It identified several areas for improvement (for example obstructed emergency exits, lack of anchor points for working at heights, etc). It also identified the corresponding mitigation and control measures (for example inspections to avoid obstructions in emergency exits, resistance analysis to correctly locate anchor points, etc.), for its CEDIS, POS and corporate offices, which are being added to an action plan.

4.2 Labor and Working Conditions

Farmacorp has 2,350 employees and the majority are women (68%). It expects to grow its workforce by 16% in 2021. Most of its employees work at its POS, followed by its corporate offices and its CEDIS. Farmacorp won the first and second prize for the best working climate and leading employer in both 2019 and 2020. These prizes were awarded by the nationally recognized Human Value institution.

The Company has internal regulations, a code of conduct, a training plan, and programs to attract and retain talented people. It has implemented grievance mechanisms for its employees to submit complaints, queries or claims.

Although Farmacorp has a call center, it does not have a formal mechanism for capturing and responding to external complaints.

The Company provides its employees with personal protective equipment ("PPE") on an annual basis, which may consist of helmets, steel toe-capped boots, uniforms and other equipment depending on the employee's duties. It also provided biosafety equipment during the COVID-19 pandemic, consisting of respiratory protection, such as surgical shields, KN95 masks, together with protective goggles and face masks.

Farmacorp has an Integrated Occupational Health and Safety Plan ("OHS") that includes training and simulation drills that have been adapted accordingly. The Company has a list of approved suppliers and is developing a procurement procedure to evaluate its supply chain.

Farmacorp has an electronic firefighting system that includes smoke detectors, a 24/7 monitoring center, sirens and strobe lights, as well as a water firefighting network and chemical fire extinguishers.

4.3 Resource Efficiency and Pollution Prevention

The Company has implemented standard operating procedures aimed at encouraging good environmental and social performance. The Project is a retail commercial transaction, so will not generate much pollution and will not require excessive natural resources. However, Farmacorp will develop an Environmental, Social, Health and Safety Management System (ESHSMS), which will include a resource use management plan that provides information on quantities, sources, and appropriate conservation measures. It will calculate the emissions and fuel consumption of the transport fleet, and establish improvement plans.

4.4 Community Health, Safety and Security

Farmacorp's CEDIS are located in industrial areas far from human settlements. The Company has no outstanding environmental and occupational health and safety obligations, nor legal claims. Specialized companies provide physical security services at all of its premises. Their guards do not carry weapons and their main function is to monitor people entering the premises and provide surveillance.

The Company has emergency prevention and response plans in place. The review found that there have been no situations to date that have endangered the health or safety of local residents.

5. Proposed management measures

The reports that the Company regularly sends to SEDES and the authority's random inspections of Farmacorp's facilities indicate that the measures described in the plans and programs approved in its permits are being implemented as planned.

6. Additional Information

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Additionally and as a last resort, affected communities can access the IDB Invest Independent Consultation and Investigation Mechanism (ICIM) as follows:

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