

## Environmental and Social Review Summary (ESRS) TIA Trade Finance - Ecuador

**Original language of the document:** Spanish  
**Issuance date:** May 2022

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

Tiendas Industriales Asociadas TIA S.A. (hereinafter “the Company” or “Tía”) was incorporated in Guayaquil, Ecuador, in 1959. It has since expanded throughout the country, and to date has 242 stores (158 on the coast, 73 in the highlands, and 11 in the Amazon) and more than 8,000 employees. The Company's main activity is the wholesale and retail sale of food, clothing, and goods in general through its stores, under the trade name "Tía". Thirty-five percent of its stores are owned and 60% are long-term leased (10 to 15 years in most cases, with no purchase options). Tía's main focus is customer service, and in recent years it has participated in several business roundtables for small and medium-sized entrepreneurs to add them to its supply chain. It currently has 789 domestic suppliers, of which 580 are small and medium-sized enterprises (MSMEs).

This transaction (the “Transaction”) consists of an uncommitted revolving reverse factoring facility for the Company. The purpose of this credit facility is to facilitate access to financing at competitive prices for Tía's suppliers in Ecuador, most of which MSMEs.

The scope of IDB Invest's environmental and social review included an analysis of Company information and documents, as well as remote meetings with its representatives and personnel responsible for its management systems, 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) increased solid waste (ordinary and recyclable) and hazardous waste generation; (ii) supply chain-related environmental risks; (iii) generation or increase of traffic, noise, and pollution in areas near the distribution centers and branches; and (iv) generation or increase of occupational health and safety risks for workers (in-house, outsourced, and suppliers). These impacts and risks are deemed to be of low intensity.

The Performance Standards (PS) triggered by the Project are: 1) PS1: Assessment and Management of Environmental and Social Risks and Impacts; ii) PS2: Labor and Working Conditions; iii) PS3: Resource Efficiency and Pollution Prevention; iv) PS4: Community Health, Safety, and Security; and v) PS6: Biodiversity Conservation and Sustainable Management of Living Natural Resources.

### **3. Environmental and Social Context**

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

Tía is the fourth largest private employer in Ecuador and the ninth with the highest income in 2020. The Company, which also has the largest loyalty program in the country in terms of members, was the first company to introduce online shopping in Ecuador.

As part of its local development strategy, Tía promotes the participation and inclusion of MSMEs in its supply chain. The Company has been implementing a program to downsize the fruit and vegetable supply chain since 2018. The main areas where its agricultural products are purchased are located in the central and northern highlands (provinces of Tungurahua, Cotopaxi, Chimborazo, Pichincha) and on the coast (Manabí, Los Ríos, Santa Elena and Santo Domingo de los Tsáchilas).

Tía's operations comprise a network of 242 commercial branches, administrative offices, a National Distribution Center ("NDC") in Lomas de Sargentillo, a Regional Distribution Center ("RDC") in Quito, and a Produce Distribution Center ("PDC") in Guayaquil. The NDC has associated facilities comprising an electric substation and its corresponding power distribution line. Products that are mainly (98%) sourced from suppliers are delivered and stored there. The NDC has ample space for loading and unloading products, which allows 18 trucks to be unloaded at the same time. The RDC, PDC, and branches also have loading and unloading bays and parking areas.

Until year-end 2020, Tía was classified as a low-environmental-impact company and therefore, as provided for in the Unified Environmental Information System ("UEIS"), it only required an Environmental Registry and an Environmental Management Plan ("EMP") to operate. In 2021, however, the Environmental Authority updated its permit criteria and classified Tía as an activity that generates negligible environmental impact, which means that the Company can voluntarily apply for an Environmental Certificate issued by the competent authority.

The electric substation and its respective distribution line have a specific EMP, which describes environmental risk prevention and management activities (dielectric oil spill collection system and lightning rod for transmission structures), as well as contingency, OHS, communication, training and environmental education, closure, abandonment and handover of the area, and monitoring and follow-up plans.

Tía's facilities that have obtained their Environmental Registration continue to control and monitor compliance with the measures stipulated in the corresponding EMPs. In this regard, Tía submitted to the Environmental Authority the Environmental Compliance Reports 2021 for the EMPs of all its branches. Tía's other facilities have already obtained the Environmental Certificate.

There are currently 225 premises that are regulated under the Environmental Registration category and 18 premises with Environmental Certificates. Tía's stores require two types of environmental and social permits to operate: a permit from the fire department and an operating permit issued by the municipality of the city where they are located. The Company has an environmental team that is in charge of monitoring and managing the commitments made, as well as ensuring that all locations are aligned with corporate environmental and social management guidelines.

The Company requires that products from suppliers comply with the technical standards<sup>1</sup> of the Ecuadorian Institute for Standardization (“INEN”, for its acronym in Spanish) and the Organic Law on Consumer Protection. Supplier management is handled by its Logistics Department, which has a team that monitors delivery specifications, quality, frequency, and replacement terms. The security, maintenance, and development areas are in charge of storage and centralization processes related to products purchased from suppliers.

### **3.2 Contextual Risks**

By developing its operations in urban areas and major cities, the Company is exposed to possible citizen protests, which, on occasion, have been repressed by the National Police with the use of force.<sup>2</sup> Events such as these motivated, for example, that in 2019 the National Government declared a state of emergency to prevent the proliferation of criminal acts that occurred during the protests.<sup>3</sup>

## **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 E&S Assessment and Management System**

Tía has been certified under Good Manufacturing Practices (“GMP”)<sup>4</sup> since 2017 and the NDC and PDC have been certified under OHSAS 18001:2007<sup>5</sup> Occupational Health and Safety Management since December 2018. In 2021, the Company certified the Occupational Health and Safety Management System of the two NDC, PDC and RDC Distribution Centers under ISO 45001:2018.<sup>6</sup> In addition, in 2020 the NDC obtained the "Punto Verde a Construcciones Sostenibles" certification granted by Ecuador’s Ministry of Environment, Water and Ecological Transition.

Tía has an Environmental and Social Management System (“ESMS”) with its corresponding ESMS Manual. The system consolidates environmental management elements and includes: (i) an environmental and social policy; (ii) a risk and impact matrix; (iii) management programs; (iv) required organizational capacity and competence; (v) emergency preparedness and response protocols; (vi) means for stakeholder participation; (vii) details on how to conduct external communications and how the grievance mechanism works; (viii) monitoring and evaluation requirements; (ix) provisions on labor and working conditions; (x) resource efficiency and pollution prevention guidelines; and (xi) health and safety provisions.

---

<sup>1</sup> Standard 2687:2013 (NTE INEN 2687:2013) sets out the requirements and practices to be followed by retail stores to market or process food for human consumption.

<sup>2</sup> <https://www.hrw.org/es/news/2020/04/06/ecuador-lecciones-de-las-protestas-de-2019>.

<sup>3</sup> <https://www.eluniverso.com/noticias/2019/10/03/nota/7545451/policia-impide-protestas-alrededores-palacio-carondelet/>

<sup>4</sup> The Good Manufacturing Practices (GMP) Certification verifies compliance with the basic principles and general hygiene practices that guarantee that food is manufactured under adequate sanitary conditions to reduce inherent production risks. The Certification is issued by the National Agency for Sanitary Regulation, Surveillance, and Control (“ARCSA”, for its acronym in Spanish).

<sup>5</sup> OHSAS 18001 is an international occupational health and safety management standard.

<sup>6</sup> ISO 45001 is the international standard for Occupational Health and Safety Management Systems. Certification is granted by accredited certifying agencies.

#### 4.1.b Policy

Since 2014, Tía has reported its sustainability actions in line with the Global Reporting Initiative (GRI)<sup>7</sup> and the United Nations Sustainable Development Goals (SDGs-UNDP).<sup>8</sup>

Since February 2020, Tía has formally adopted a Tiendas Tía Sustainability Policy, which defines the environmental and social objectives and principles that guide the Company, including the promotion of an equitable, transparent, and fair relationship with suppliers.

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

The identification, evaluation, and registration of Tía's significant environmental aspects and impacts are done following the ISO 14001:2015 standard, which requires the Company to: determine the environmental aspects of its activities, products, and services that it can control and those that it can influence, as well as the associated environmental impacts, from a life cycle perspective; take into account the impacts generated by changes in its processes, including new or planned developments, and activities, products, and services; and identify (and act accordingly) reasonably foreseeable abnormal conditions and emergency situations.

As part of the environmental management diagnostic process, Tía applies a methodology that allows it to know and evaluate the aspects and impacts generated by its activities or processes, assessing and prioritizing their significance. Such identification includes environmental aspects and impacts, as well as occupational risks generated by each of the processes and/or activities carried out by the Company. The methodology to identify and evaluate these aspects, impacts, and risks, as well as the Identification and Evaluation of Environmental Aspects and Impacts Matrix and the Significant Environmental Aspects and Impacts Evaluation Results are described in Tía's ESMS Manual.

#### 4.1.c.i Gender Risks

Tía has 8,105 thousand employees, 38% of whom are women. As part of its Code of Ethics, the Company declares its commitment to maintaining a work environment free of discrimination and harassment, including gender-based discrimination, and imposes sanctions for any type of transgression in this regard.

The Human Resources Department implements communication campaigns that include gender violence, belonging and self-improvement, innovation and corporate coexistence among its main themes.

Pregnant women at Tía have the following benefits: a daily nutritious snack; a reduced workday starting in the seventh month (5 hours of work); 15 days of paid leave prior to delivery; regular

---

<sup>7</sup> The GRI is an international non-governmental organization that aims to promote Sustainability Reporting. The organization sets the GRI Standards, which represent global best practices for publicly reporting an organization's economic, environmental, and social impacts.

<sup>8</sup> Tía has set out to work on programs that target seven particular Sustainable Development Goals: SDG 2: 'Zero Hunger', SDG 3: 'Health and Well-Being', SDG 4: 'Quality Education', SDG 8: 'Decent Work and Economic Growth', SDG 12: 'Responsible Consumption and Production', SDG 13: 'Climate Action' and SDG 17: 'Partnerships to Achieve Goals'.

medical check-ups; and three months of paid maternity leave. The Company also has a Pro-Gender Equity Policy whose main pillars are female employment, the strengthening of micro-entrepreneurs, training stores for shopkeepers (80% of the participants are women who own their own businesses and enterprises), and support for innovative women. It also promotes the incorporation of women in the process and cutting area, and as power equipment operators (forklift operators). Personnel recruitment and selection processes require the participation of at least three female applicants.

#### 4.1.d Management Programs

Tía's management programs, described in the ESMS Manual, are designed to ensure proper environmental management during construction or remodeling work at the Company's premises and Distribution Centers.

To define the environmental management plans for its facilities, Tía has considered different levels of impact depending on the type of operation that takes place in them, including aspects and impacts related to unloading and reception of goods.

The Logistics Department has adopted a Supplier Business and Logistics Management and Control Policy, which defines the measures governing business and logistics relations between the Company and its suppliers. It has also introduced the Transportation Supplier Operating Policy, which establishes operating and control guidelines for transportation companies to ensure that Tía's goods is loaded, transported, and unloaded correctly. These policies, however, have yet to be integrated into the ESMS.

#### 4.1.e Organizational Capacity and Competency

Tía consists of 10 divisions, which are led by General Management. The Finance, Operations, Marketing, and Human Resources departments manage programs and activities related to social development, resource optimization, and environmental impact management.

The Company's ESMS has recently updated its committee, made up of an ESMS Team Manager, an Industrial Safety and Environment Coordinator, a Safety and Environment Coordinator, a Safety and Environment Analyst, a Maintenance Manager, a Head of Corporate Relations, a Head of Recruitment, a Head of Logistics, a Sales Officer, and a Head of Social Services.

Tía also has: (i) a Logistics Department, in charge of supplier management; (ii) Safety and Development Departments, which are in charge of goods storage and centralization; and a (iii) Transportation Department which, with the support of the Safety and Logistics Area, manages the transportation companies to ensure the correct loading, transport, and unloading of goods.

#### 4.1.f Emergency Preparedness and Response

Each branch has an emergency plan describing the procedure to be followed in the event of any contingency (robbery, fire, earthquake, etc.). The plan includes a risk analysis considering the probability, consequences, and estimated damage should any of the natural (earthquake, storms), social (theft, strikes, sabotage, arson, etc.), and constructive (falls, electric shock, etc.) hazards

identified materialize. The plan contains controls and procedures to control or transfer risk, as well as the necessary actions to be taken and the responsibilities of the persons in charge of their execution.

All of Tía's facilities have emergency brigades that have an intervention protocol and have been trained to respond to each type of emergency: for example, the NDC has evacuation, fire, and first aid brigades, each with different members. The Emergency Plan also defines inter-institutional coordination requirements and the communication protocols to be used.

Tía implements drills in all its facilities, with the participation of external organizations. The drills are recorded in a Drill Report, registering and evaluating the results of the exercise and planning recommendations to improve management. All Tía's facilities are also equipped with: emergency warning and detection systems; signaling and warning systems; fire protection and extinguishing systems; chemical spill kits; and first aid resources.

#### 4.1.g Monitoring and Review

Environmental compliance reports ("ECR") to monitor and measure ESMS performance are prepared in accordance with the Strategic Indicator Matrix and the ECR Evidence Instructions, as described in Tía's ESMS Manual.

The Strategic Indicator Matrix considers qualitative and quantitative measures for the environmental and social aspects being monitored. The matrix also evaluates the degree of compliance with ESMS objectives and provides indicators related to recording monitoring and measurement results. The instructions contain specific guidelines as to the types of evidence required, including evidence generated at branch offices and evidence related to the Company's Industrial Safety and Environment Department. The latter documents are kept at Tía's main office to respond to any request from the authorities.

In terms of legal compliance, Tía has a legal requirements checklist, which outlines the parties overseeing each of the aspects required by Ecuadorian regulations. This list records the results of the inspections, as well as the evidence required and the observations made.

In 2022, Tía developed and established the "Procedure for the Creation, Revision and Updating of the Occupational Health and Safety Policy and the Environmental and Social Management System Policy". This procedure requires that the ESMS policies be reviewed every two years or whenever the organization's internal regulations are updated. It also identifies the responsible parties and establishes the means of approval and dissemination of the revised policies.

#### 4.1.h Stakeholder Engagement

Tía conducts stakeholder mapping and classifies them into different stakeholder groups: (i) clients; (ii) community; (iii) shareholders; (iv) employees; (v) authorities; (vi) media; and (vii) suppliers. These groups have access to different communication and participation channels, based on their characteristics and relationship with the Company. For example, customers communicate through

social media, the corporate website, and surveys, while employees have access to meetings and internal communication channels.

Representatives of the different stakeholders were included in the materiality surveys, conducted in accordance with GRI Standards<sup>9</sup> methodology, in order to validate and assess the most relevant economic, environmental and social impacts from the perspective of each group. The results of this exercise were used as the basis to develop the so-called "The Tía Effect" sustainability strategy, which defined the strategic aspects<sup>10</sup> of the Company's sustainability management.

Tía is committed to fostering a sustainable value chain, which includes and promotes small and medium-sized entrepreneurs, generating opportunities for economic progress and sustainable development in Ecuador. As part of this commitment, the Company has implemented several actions to engage MSMEs: in 2021, the Company established an agreement with the Municipality of Portoviejo to set up special exhibitions for local entrepreneurs. Additionally, since 2018, its sourcing program has included two local procurement managers who seek out suppliers in the different productive areas of the country, creating a direct communication channel with farmers and potential local suppliers.

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

The grievance mechanism, which is part of the ESMS, consists of two distinct procedures: the Complaint and Grievance Resolution Mechanism for employees, and the Reception and Resolution Mechanism for customers.

The mechanism allows employees to channel complaints or grievances via email, WhatsApp message, or phone calls. The human resources (HR) manager receives the complaint or grievance, identifies the source of the problem, analyzes it and seeks to resolve it, communicates the result of the analysis, records, and follows up on the solution to prevent future recurrence. The mechanism establishes a 24–72-hour response time depending on the complexity of the complaint or grievance. The HR controller evaluates the complaints and grievances indicators on a monthly basis. Thus, for example, in 2021,<sup>11</sup> Tía registered 28 employee complaints, 100% of which were addressed within an average response time of 2.5 days.

The channels available to channel requests, queries, complaints or suggestions from customers are: telephone, WhatsApp, corporate website, official emails from Consumo Empresarial, social media, Company branches and direct attention at the Head Office. Requests are received by the Customer Service department. In cases where the request cannot be resolved by the latter, the complaint is referred to the appropriate department, such as: Tía online, Customer Loyalty, HR, Industrial Safety and Environment, Maintenance, Business Consumption, Operations, or Systems. It is the responsibility of the Customer Service department to receive the request; analyze its validity; classify and refer it to the corresponding area; follow up on cases managed by other areas;

---

<sup>9</sup> The GRI Standards provide guidance for the materiality process, which consists of identifying and assessing the issues relevant to an organization, considering their direct and indirect impacts, as well as the issues considered important by its stakeholders.

<sup>10</sup> Promoting entrepreneurship, MSMEs, and value chain development.

<sup>11</sup> The data correspond to the period January 1, 2021 to November 10, 2021.

communicate closure or the solution to the customer; and record and close the request. The Mechanism sets a response time of 48 hours for requests, inquiries and suggestions, and 72 hours for complaints. In 2021, Tía responded to 1,851 requests through this mechanism, 100% of which have been resolved.

## **4.2 Labor and Working Conditions**

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

The Company has reported a low turnover rate (3.76%) and conducted work environment surveys for six years. Tía's policies promote internal promotion, so personnel have career development opportunities and the salaries offered are above the minimum wage in Ecuador. Tía provides its employees with training related to its own business activities (supervisor and logistics management training) and external activities (financial education, nutrition, innovation, information technology, and process management). The HR Department has a social wellbeing area staffed with qualified personnel. It provides nursing services at the NDC and administrative offices, and facilitates loans through the Tía Employees' Works Council.<sup>12</sup>

The HR Department has a social wellbeing area staffed with qualified personnel. Personnel is initially hired for three months and then made permanent, and is preferably local. Each new employee undergoes an induction provided by Tía. All employees enjoy the benefits established by law.

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

In terms of labor, Tía conducts its activities as required by Ecuadorian law. In 2020, it reviewed and updated its human resources policies and standards to reflect the Company's current practices. As a result, internal policies and procedures, which complement working conditions, cover a wide range of issues, from working hours (time worked, rest periods and scheduling) to remuneration, as well as physical conditions and workplace environment.

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

The Company is governed by Internal Labor Regulations ("ILR"), approved in 2017 by the Ministry of Labor. The ILR consolidates aspects related to ethics and working conditions and provides for matters related to hiring; working hours; the need for confidentiality; employee obligations, rights and prohibitions; and the disciplinary regime, among other aspects. The Company also has a Code of Ethics and Conduct, which sets out the guidelines for internal relations with employees and external relations with customers, suppliers, and competitors.

---

<sup>12</sup> The Works Council is a worker's organization similar to a union that also promotes social welfare activities and solidarity campaigns among its members.



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

As required by Ecuadorian law, Tía has established an Occupational Health and Safety Joint Committee composed of twelve people (six Company representatives and six employee representatives). This committee is responsible for handling matters related to the health and safety of the Company's employees.

There is also currently a Tía Employees' Works Council, a workers' organization similar to a union to which almost all (99.98%) employees are affiliated.

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

Through its Code of Ethics, Tía is committed to providing its employees with a work environment free of discrimination (race, color, religion, sex, national origin, age, or disability) and harassment. Discrimination is considered inappropriate behavior. Tía, while respecting the ethnic identity of its employees, provides job opportunities for illiterate members of Indigenous communities.

The Company implements internal diversity and inclusion awareness training. The topics addressed in the respective 2021 trainings include sign language and women's empowerment.

#### 4.2.a.v Retrenchment

Tía has demonstrated responsible practices with its employees during emergencies and disasters. For example, after an earthquake, they were relocated to other nearby unaffected locations and did not lose their jobs. Similarly, when the operations of the former Distribution Center were closed, the personnel were mobilized to the NDC, for which Tía implemented a change management process to allow the migrated workers to adapt to new roles and to a larger work area with more complex processes.

Given the business conditions, except in cases of force majeure, a reduction in the number of Tía employees is not expected in the foreseeable future.

#### 4.2.a.vi Grievance Mechanism

Employees can report complaints or grievances via email, WhatsApp messages, a phone line, Tía's corporate website, and social media. Complaints and/or claims are received by the HR department, which is responsible for identifying the problem, seeking solutions, communicating the resolution, and recording and following up on the solution. This procedure is consolidated as the Resolution Mechanism for Complaints and Grievances from employees, and is integrated into Tía's ESMS. Contractors are directly responsible for dealing with their employees' complaints.

#### 4.2.b Protecting the Workforce

In Ecuador, the 2019 National Survey of Employment, Unemployment and Underemployment identified 521 thousand children and adolescents between 5 and 17 years old involved in child labor and productive activities in the country. Most of them are located in rural areas (85%) and their

activity is related to agricultural activities (82%).<sup>13</sup> Since the beginning of the pandemic in 2020, this figure is estimated to have increased by more than one third in the country.<sup>14</sup>

According to the results of the 2012 National Survey on Child Labor,<sup>15</sup> the Central Sierra has the highest incidence of child labor: in Cotopaxi, 25% of the child population between 5 and 17 years of age is involved in child labor; 21% in Chimborazo; 10% in Tungurahua; and 5% in Pichincha. The percentage of children in labor conditions was also identified in some locations on the coast, being approximately 6% in Los Ríos, 5% in Santa Elena, and 4% in Manabí.<sup>16</sup> These are the main locations where the Company obtains its agricultural products.

Tía fully complies with its ILR, which prohibits child or unpaid labor. At the time of the ESDD, there was no evidence of child or forced labor, whether in relation to direct employees, third parties, or in the supply chain.

#### 4.2.c Occupational Health and Safety

Tía has an Occupational Health and Safety (OHS) Policy and an ISO 45001 certified OHS Management System (“OHSMS”) for the NDC and FDC. The OHSMS contains both proactive and reactive programs and indicators for OHS issues. Accident and incident control considers following up on proposed and implemented corrective measures. Tía conducts safety training in the workplace.

As part of its OHS management, Tía has a Worker Health and Safety Regulation and a general regulation for Occupational Risk Insurance. It also complies with Ecuadorian OHS technical standards (provisions on safety signs and symbols; precautionary labeling; portable and stationary fire extinguishers; transportation, storage, and handling of hazardous chemicals; smoke detectors; alarms; strobe lights; emergency lighting; emergency exits; meeting points; emergency stretchers; emergency eye washers and showers; first aid kit; and medical dispensary).

The Company implements the Accident and Incident Investigation Procedure (IESS Resolution 513), which, based on a risk analysis, identifies possible root causes and their respective preventive actions. The OHSMS also includes a health and safety training program that covers the following topics: civil works personnel induction; new personnel OHS induction (policy, accidents, risks, safe work procedures); emergency brigades; behavior-based safety (for DC operating personnel); and virtual OHS training.

Annual planning of OHS activities includes training, brigade practices, drills, and campaigns. The safety campaigns implemented include: emergency protocols; motorcycle accident prevention;

---

<sup>13</sup> Ecuador's 2019 National Employment, Unemployment and Underemployment Survey, available from Child Labour Statistics of the International Labour Organization (ILO): <https://ilostat.ilo.org/topics/child-labour/>.

<sup>14</sup> United Nations Children's Fund Ecuador and Inclusión SAS, 'The COVID-19 Shock on Poverty, Inequality and Social Classes in Ecuador: A look at households with children and adolescents', UNICEF, Quito, 21 October 2020. Available at: [www.unicef.org/ecuador/informes/el-choque-covid-19-en-la-pobreza-desigualdad-clases-sociales-en-el-ecuador](http://www.unicef.org/ecuador/informes/el-choque-covid-19-en-la-pobreza-desigualdad-clases-sociales-en-el-ecuador).

<sup>15</sup> There are no more recent data available on child labor by regions and provinces in the country.

<sup>16</sup> National Child Labor Survey of the National Institute of Statistics and Census (INEC) of Ecuador 2012. Available at: <https://www.ecuadrencifras.gob.ec/trabajo-infantil/>.

safety during the Christmas season; and customer accident prevention. The Company uses various means of communication such as TIA Radio,<sup>17</sup> billboards, and mailings.

The transportation of goods has a safety procedure applicable to articulated trucks and carriers, specified in the policy "Transportation Providers Control and Operation Protocol". Each year Tía requires drivers to be trained in Safe Driving, and instructs the head of Transportation and the Company's Industrial Safety Officer to train and communicate with carriers on current policies, ensuring that drivers are aware of their responsibilities, prohibitions and safety standards in the NDC. The protocol establishes the routes to be followed by the vehicle driver, and any deviation is reported to the company's Command and Control Center. Each driver must submit periodic trip reports and inform about any suspicious or dangerous situations that have occurred during the trip.

#### 4.2.d Provisions for People with Disabilities

Of Tía's 8,105 employees, 320 (3.95%) have some type of disability (intellectual, physical, auditory, visual, or psychological).

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

Tía has several OHS policies designed for contractors that provide services, which require them to identify and manage the risks to which personnel will be exposed. In addition, all contractors providing services for Tía must: (i) keep all their personnel affiliated with the Ecuadorian Social Security Institute; (ii) provide their workers with all legal benefits; and (iii) provide their personnel with work clothes and personal and collective protection elements in good condition and in accordance with the nature of the risk to be protected from.

The Supplier Business and Logistics Management Policy regulate business and logistics relations with suppliers. This policy establishes procedures for: new suppliers and products; communication; purchase orders; shift booking; invoicing; quality criteria; and safety standards, among others. Tía has a supplier web portal, where suppliers must register themselves and their products.<sup>18</sup>

#### 4.2.f Supply Chain

In 2018, Tía implemented a sourcing program that boosts the participation of MSMEs. Currently, 80% of its agricultural products are purchased directly from local farmers and producers.

The program relies on the presence of purchasing managers in the territory who look for suppliers in the different productive areas of the country. In face-to-face contact on the farms, the managers support the process of formalizing the farmers as suppliers to the Company. If the producer needs support, Tía helps them to adopt good product hygiene, handling, and storage practices. The

---

<sup>17</sup> Tía Radio, available on the Company's website (<https://www.tia.com.ec/radiotia>) and YouTube platform, broadcasts music and programs on topics such as nutrition, sports, and promotional videos.

<sup>18</sup> Company data; product data sheet; packaging form (labeling and traffic light system); sanitary notification; valid GMP (Good Manufacturing Practices) certification or license to trade; cost price and commercial conditions; updated price list of its articles; EAN 13, EAN 14 product, packaging, or packing barcodes; certificate of registration at the slaughterhouse (as applicable); and certificate of transport between the slaughterhouse and the sanitary inspection center (as applicable).

Company also offers transportation for on-farm harvesting, which makes it possible for more producers, especially small producers, to integrate into Tía's supply chain.

All suppliers must pass inspection by the Quality Department and field purchasing managers, who certify that the facilities, procedures, and processes are suitable for providing quality products and that they meet the Company's technical requirements. Tía makes regular visits to the production sites.

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

#### **4.3.a Resource Efficiency**

Tía's energy efficiency initiatives have focused on optimizing lighting, air conditioning, refrigeration and outlets at service points.

Tía monitors its electricity consumption and the generation and disposal of recyclable and hazardous waste. To achieve this, it has consolidated a series of procedures in its ESMS, including: the monthly energy consumption register (in the "Tía Check" platform)<sup>19</sup>; the procedures manual for managing new developments in energy consumption in its premises; the program for efficient water use and savings; and the programs for proper waste management.

The information obtained monthly is consolidated in an Energy Matrix, as a control panel, where average values are summarized by locations and cumulative consumption, with the option of segmenting the information by month, region, province, format and branch. This tool allows Tía to monitor energy consumption, demand, and billing at its stores, distribution centers, and offices. On the other hand, the procedure manual for the management of new developments in energy consumption on premises sets out monitoring and reporting activities that allow for the identification of possible incidents.

In 2021, Tía began the implementation of an Energy Transition Plan for the Distribution Centers that foresees the installation of photovoltaic systems at the Lomas de Sargentillo DC, located in the Province of Guayas, and the Calacalí DC, located in the Province of Pichincha. This will result in a 33% reduction in energy purchased from the public grid (and its replacement by renewable sources) for Lomas de Sargentillo and 100% for Calacalí.

Moreover, as part of the energy plan, Tía has provided maintenance assistants, zone maintenance technical assistants, and site managers with a series of training courses on how to fill out the energy consumption information in the Tía Check platform.

In its stores, Tía has emergency generators with an installed power of less than 3 megawatts ("MW"), which are serviced on a regular basis.

---

<sup>19</sup> Tía Check is an internal digital platform where store managers must record the energy consumption of the branch.

Tía has improved its equipment as part of its pollution prevention measures and efficient use of resources. In this regard, 2 of the 4 racks in the NDC's refrigerated warehouses operate with glycol, which helps to reduce environmental pollution in the event of leaks. A machine is also used to wash the drawers in order to avoid wasting water. At these sites, Tía has a wastewater treatment plant and the treated water is used to irrigate the green areas of the NDC.

#### 4.3.a.i Greenhouse Gases

In 2017, greenhouse gas emissions from Tía's NDC and PDC reached 4,654.09 and 5,359.26 tons of carbon dioxide equivalent ("CO<sub>2</sub>eq") respectively. In 2018, it forecast 8,652.03 tons of CO<sub>2</sub>eq for the new NDC. This forecast showed that the largest contribution to the footprint came from emissions from freight vehicles assigned to the NDC.

As of 2019, Tía had installed 75-kilowatt ("kW") solar panels, which are used to operate a percentage of the NDC's dry area fans. With the Energy Transition Plan, the Distribution Centers will stop emitting 375,558 tons of CO<sub>2</sub>eq in the 25 years of useful life of the photovoltaic systems.

#### 4.3.a.ii Water Consumption

The premises use water from the public grid. The NDC extracts it from a well located on its land. In 2020, the NDC's total water consumption was 20,946 m<sup>3</sup>, with an average monthly rate of 1,760 m<sup>3</sup>; during 2021, the total water consumption of the NDC was 88,687.

In order to measure and monitor the correct use of water resources, Tía has implemented the Efficient Water Use and Saving Program at the NDC. This program is an environmental management tool that includes strategies for the efficient water use and savings through educational campaigns and the dissemination of information to company employees, suppliers, and customers, related to good water management and saving practices.

#### 4.3.b Pollution Prevention

In accordance with its ESMS, Tía identifies and evaluates the environmental components and impacts of the Company's processes and activities, and proposes and implements action plans or operational controls. In this sense, it monitors water quality (domestic waste), noise, particulate matter, air quality, CO<sub>2</sub> emissions from trucks at the NDC and, at the electrical substation, it monitors non-ionizing radiation.

#### 4.3.b.i Waste

In its ESMS, Tía has consolidated a comprehensive common waste management plan that allows it to manage, document and ensure the handling of common waste at its Distribution Centers, from generation to final disposal. Management considers segregation at source and temporary storage, differentiating between hazardous and non-hazardous waste, with appropriate signage. Recyclable waste is recorded, with cardboard being the most important, followed by plastics, wood and scrap metal.

Tía takes measures to optimize its resource use. Thus, in 2015, it implemented routine maintenance of pallets (a tool used in logistics procedures for storage, dispatch, and transportation of goods) in order to optimize and prolong their useful life.

Tía's facilities use water for bathing and cleaning, so they only generate domestic effluents, while the NDC's operations generate gray water from showers, black water from toilets, and industrial water from washing the meat area. For this type of wastewater (a mixture of gray, black, and industrial water), Tía has an aerobic treatment system ("MBBR" or *Moving Bed Biofilm Reactor*) that has a pollution removal efficiency of between 85% and 95% and includes a filtration system to eliminate solids and volatile organic compounds that allows the use of treated water for garden irrigation.

#### 4.3.b.ii Hazardous Materials Management

Tía has incorporate an integrated hazardous waste management plan into its ESMS. This plan includes guidelines to identify and register hazardous waste; a labeling system to identify the waste; minimum conditions for proper storage; and a procedure for managing or disposing of the hazardous waste (through a collection and management company). The plan defines the roles and responsibilities of the General Management, the Industrial Safety and Environment Division, the Maintenance Division, the Site Managers, and the workers. The plan also addresses contingency procedures in the event of a hazardous liquid waste spill and establishes follow-up and control measures.

### 4.4 Community Health, Safety and Security

#### 4.4.a Community Health and Safety

The Supplier Business and Logistics Management Policy establishes procedures for supplier delivery and appointment booking through a digital platform ([www.corporativo.Tia.com.ec](http://www.corporativo.Tia.com.ec)). This system allows the Company to control the arrival and departure of trucks, and to ensure that it has the capacity to take delivery. This way, Tía avoids excess truck presence both inside and outside the DC, reducing possible risks and inconveniences to neighboring communities.

The goods, once delivered to the DCs, are picked up and transported to the company's branches by transportation companies as required by the Transportation Providers Control and Operation Policy. Tía requires all drivers to be regularly trained in safe driving and to use the necessary personal protective equipment (PPE) (boots and reflective vests). It also requires vehicles to remain turned off inside the DC until their turn to load or unload arrives. The policy also requires drivers to comply with traffic regulations under local legislation and sets out the zones where carriers are allowed to park to unload goods. The vehicle fleet is inspected at least twice a month, or when deemed necessary.

With regard to noise, the Instructions for Evidence of Environmental Compliance Report described in Tía's ESMS Manual provides for noise monitoring at branch offices. When building new premises,

the instructions include, among other issues, the placement of signage and the establishment of communication channels (e-mail and contact numbers) to receive complaints about noise.

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

The engineering designs of Tía's premises follow the Life and Fire Safety ("L&FS") guidelines of the National Fire Protection Association ("NFPA"),<sup>20</sup> as well as the requirements of national construction standards and the regulations of the Ecuadorian Fire Department.

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

Tía has a Fire Prevention, Mitigation and Protection Regulation. The company uses the Meseri<sup>21</sup> method for fire risk analysis on the premises. According to this analysis, the NDC has a low risk level since its protective equipment can effectively control and contain the spread of a fire.

Aside from their corresponding duties, security guards are also involved in fire response actions. Besides knowing the location of firefighting means and resources (fire extinguishers), they are also responsible for acting first and immediately reporting fires to the Fire Department, ensuring that evacuation areas are always free of obstacles in the event of an emergency.

Tía has emergency brigades in all its facilities and provides training in first aid, evacuation and rescue, firefighting, and communication. It also carries out drills that frequently involve the participation of emergency agencies (firefighters, national police, traffic commission), and generates reports that allow improvements to be made to the system.

Tía has an emergency response flow that includes contact numbers and what to do in each situation: work accident, vandalism, fire. There are protocols for response to acts of vandalism, fire, tsunamis, floods, and earthquakes. The NDC has a Physical Security System provided by the company Seguridad Superior, whereby, when the automatic alarm is activated in the event of an emergency, there will be an immediate response from the company in question. The stores have panic buttons that can be activated by the store manager upon detecting acts of vandalism or any other emergency situation, which alert the security company and, if necessary, the National Police.

#### 4.4.b Security Personnel

Private security services are provided by the firm Seguridad Superior, which is duly accredited by the Ecuadorian Ministry of the Interior. All guards have their respective credentials from this Ministry. Tía has Control Policies and Procedures for security personnel and access control and internal security guards for its premises.

---

<sup>20</sup> The NFPA is an organization founded in the United States in 1896, in charge of creating and maintaining the minimum standards and requirements for fire prevention, training, installation, and use of fire protection means.

<sup>21</sup> The Meseri method for fire risk assessment uses a scoring system that rates fire risk generating, aggravating, and protective factors.

In addition to policies, security forces have procedures and protocols that regulate the use of force, call for compliance with local laws, and respect people's human rights, giving the potential aggressor the treatment worthy of a person, without mistreating or injuring him or her.

Security personnel training records include topics such as drug abuse, ISO standards, psychosocial violence, prevention of discrimination, workplace harassment and violence against women, prevention of illicit activities and symptoms of suspicion, physical and chemical risks. The training program will be complemented with human rights issues.

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

This Transaction will not require land acquisition nor generate the involuntary physical or economic relocation of any person.

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

This Transaction will have no material impact on biodiversity conservation and sustainable management of living natural resources, since its inputs come either from duly authorized agricultural farms or from companies that hold their respective environmental operating licenses. Nevertheless, Tía has adopted some measures to prevent impacts to biodiversity such as: (i) the requirement that suppliers be certified by the environmental authority to ensure that the wood used in pallets comes from forests planted for that purpose and not from protected or native areas; and (ii) the contractual requirement that Tía's contractors comply with obligations regarding hygiene, safety, and environmental aspects.

Although the Company still lacks strategies to prevent supply chain environmental impacts, it plans to conduct sustainability training for suppliers by 2022 and is launching a verification process for suppliers operating in environmentally sensitive areas.

#### **4.7 Indigenous Peoples**

This operation will generate no adverse impacts on any Indigenous people.

#### **4.8 Cultural Heritage**

Tía's premises are located in heavily intervened urban areas. Hence, this operation will not generate actual or potential impacts to cultural heritage.

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

The documentation relating to the project can be accessed at the following link:

<https://www.corporativo.Tía.com.ec>.