

## **Environmental and Social Review Summary (ESRS) [Tiendas Tía – 12789-01] - [Ecuador]**

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

Tiendas Industriales Asociadas TÍA S.A. (hereinafter "the Company" or "Tía"), was incorporated in Guayaquil (Ecuador) in 1960 and has since expanded throughout the country, with 239 stores (157 on the coast, 72 in the highlands and 10 in the Amazon) and more than seven thousand employees. The Company's main activity is the wholesale and retail of food, clothing and merchandise in general through its stores under the commercial brand "Tía". Thirty-five percent of its stores are owned and 65% are long-term leased (10 to 15 years in most cases, with no purchase options).

The scope of IDB Invest's environmental and social review included the analysis of updated information on the Company's environmental and social management, deliverables described in the original Project ESAP, and follow-up and supervisory meetings with the Company's representatives.

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

The Project has been classified as a Category B operation according with BID Invest's Environmental and Social Sustainability Policy, because the risks and impacts generated are limited, reversible and can be managed by implementing socio-environmental programs and plans and readily available technologies.

The original Project was intended to finance Tía's 2020-2021 growth plan, and the implementation of technological projects aimed at installing express payment and autopayment in all its stores, automating administrative processes and developing the TÍA application.

This Project (hereinafter "the Project") is a modification of the original Project and consists of including a committed tranche funded by the Clean Technology Fund (CTF) in the loan signed with Tía in 2020 to finance the development of photovoltaic self-generation projects by Tía.

Tía's Energy Transition Plan starts with the installation of photovoltaic systems at the Loma del Sargentillo (Guayas) and Calacalí (Pichincha) Distribution Centers. The solar panels will be installed parallel to the roof surface of the distribution centers, with a separation of between 0.10 and 0.15 meters from the flat surface.

The Project's potential environmental and social risks and impacts include: (i) the generation or increase of occupational health and safety risks for workers in the installation stage of the photovoltaic systems and (ii) possible risk of forced labor in the panel supply chain, beyond the second level of the chain.

The Performance Standards (PS) triggered by the Project are: i) PS1: Environmental and Social Assessment and Management System; ii) PS2: Labor and Working Conditions; and iii) PS3: Pollution Prevention and Abatement.

The environmental and social risks and impacts associated with the original Project activities, as well as the corresponding actions and deliverables that are not associated with this Project's activities are covered in the original Project's ESRS and ESAP.<sup>1</sup>

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

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

Tía is the fourth largest private employer in Ecuador, the seventh company with the highest revenues at the end of 2018 and has a loyalty program with the largest number of partners across the country. Its 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.

Tía's operations comprise a network of commercial branches (239), administrative offices, a National Distribution Center (NDC) and a Regional Distribution Center (RDC). The NDC has associated facilities comprising an electrical substation and its corresponding electrical distribution line.

The competent Environmental Authority, through the Unified Environmental Information System (*Sistema Único de Información Ambiental - SUIA*), grants the environmental administrative authorization. Until the end of 2020, Tía was classified as a low environmental impact activity, which required an Environmental Registration and an Environmental Management Plan (EMP). However, in 2021, the Environmental Authority updated its permit catalogs, classifying Tía as an activity that generates a non-significant impact on the environment. For projects, works or activities of this classification, the Environmental Authority grants the Environmental Certificate, which is a voluntary environmental permit.

Currently, Tía's facilities that have already been granted their environmental registration continue to maintain internal control and monitor their compliance with the measures stipulated in the EMP. Tía's other facilities have already been granted the Environmental Certificate.

Tía's stores require two types of permits related to environmental and social issues: a fire department permit and an operating permit from the municipality.

The regulation covering the introduction of photovoltaic systems in Ecuador is Regulation No. ARCONEL - 003/18: Photovoltaic generation for self-supply of final consumers of electricity and Resolution No. ARCONEL - 042/18, which gives a transitory provision to Regulation No. ARCONEL 003/18.

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<sup>1</sup> Available at: <https://idbinvest.org/en/projects/tiendas-tia>.

The company has an environmental team, which is responsible for monitoring and managing the commitments undertaken, as well as ensuring that all locations are aligned in their environmental and social management.

#### **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 had Good Manufacturing Practices (GMP) certification since 2017 and Occupational Health and Safety Management OHSAS 18001:2007 for the National Distribution Center (NDC) and the Cold Storage Distribution Center (CSDC) since December 2018. In 2021, the Occupational Health and Safety Management System of the two Distribution Centers NDC, CSDC and RDC was certified under ISO 45001:2018. In addition, in 2020 the Lomas de Sargentillo NDC obtained the "Punto Verde a construcciones sostenibles" certification granted by the Ministry of Environment, Water and Ecological Transition of Ecuador.

Tía has an Environmental and Social Management System Manual that is aligned with the requirements of the Performance Standards. Tía's Environmental and Social Management System (ESMS) consolidates all elements of its environmental and social management, developed and described in its respective "ESMS Manual". The Manual includes the following topics: (i) environmental and social policy; (ii) risk and impact matrix; (iii) management programs; (iv) organizational capacity and competency; (v) emergency preparedness and response; (vi) stakeholder engagement; (vii) external communication and grievance mechanisms; (viii) monitoring and review; (ix) labor and working conditions; (x) resource efficiency and pollution prevention; and (xi) health and safety.

###### 4.1.b Policy

Since 2014, Tía has been committed to reporting its sustainability actions in line with the Global Reporting Initiative (GRI) and the Sustainable Development Goals (SDGs-UNDP).<sup>2</sup>

Tía's Board of Directors approved the Tiendas Tía Sustainability Policy in February 2020, which defines the environmental and social objectives and principles that guide the company.

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

The identification, evaluation and recording of Tía's significant environmental aspects and impacts is carried out in accordance with element 6.1. 2 of NTC ISO 14001:2015, which states that the

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<sup>2</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'.

company must: determine the environmental aspects of its activities, products and services that it can control and those that it can influence, and their associated environmental impacts, from a life cycle perspective; when determining environmental aspects, the organization must take into account: changes, including new or planned developments, and new or modified activities, products and services; as well as abnormal conditions and reasonably foreseeable 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 and/or processes, assessing and prioritizing their significance. Environmental aspects and impacts, as well as occupational risks generated by each of the processes and/or activities carried out by the company, are identified and evaluated.

The methodology to identify and evaluate these aspects, impacts and risks, as well as the Environmental Aspects and Impacts Identification and Evaluation 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 7.9 thousand employees, 37% of whom are women. As part of its Code of Ethics, the Company has included a chapter entitled "Chapter XII - Harassment-Free Workplace", which commits to a work environment free of discrimination and harassment, establishing sanctions in case of violations.

The human resources department implements communication campaigns that include gender violence, belonging and self-improvement, innovation and corporate coexistence among its main themes.

At Tía, pregnant women enjoy the benefits provided by the company, such as: a daily nutritious snack, reduced working hours from the seventh month (5 hours of work), 15 days of paid leave prior to delivery, medical check-ups, and three months of paid maternity leave. The Company also has a Pro-Gender Equality Policy, which focuses on female employment, strengthening of micro-entrepreneurs and stores (training of shopkeepers: 80% of the participants are women, owners of their own businesses and enterprises) and support for innovative women. In addition, it has promoted the incorporation of women in the processing-cutting area and electrical equipment (forklift) operators. Finally, the calls for applications and personnel selection processes seek to ensure that at least three female applicants are included in the process.

#### 4.1.d Management Programs

Tía's management programs are described in the ESMS Manual and are aimed at ensuring adequate environmental management during construction or remodeling, during the operation of the facilities, distribution centers, supply chain and during the closure and abandonment phase.

The different levels of impact have been considered when defining the environmental management plans for the premises according to their type of operation and Distribution Centers. The environmental management plans cover aspects relevant to this Project, such as the impact prevention and mitigation plan and the program for efficient energy use and savings.

#### 4.1.e Organizational Capacity and Competency

Tía consists of 10 divisions, which in turn are led by a General Management. The Finance, Operations, Marketing and Human Resources Departments have strategic positions that manage programs and activities related to social development, resource optimization and environmental impact management. These positions fulfill the functions that directly address the needs of the ESMS, thus comprising the ESMS team.

The Company's ESMS team currently includes an ESMS Team Leader Director; an Industrial Safety and Environmental Manager and an Environmental Analyst; a Manager and a Head of Maintenance-Resource Efficiency; a Head of Corporate Relations; and a Head and Assistant of Recruitment.

#### 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 at the branches (robbery, fire, earthquake, etc.). The emergency plan contains a risk analysis that considers probability, consequences and risk estimation in case the identified hazards occur in the natural environment (earthquake, storms), social environment (theft, strikes, sabotage, arson, etc.), construction environment (water damage), activities (falls, electricity, lighting, etc.). It identifies the corresponding controls and the work procedure that addresses them in order to control the risk, and for those where the risk is not controlled, it identifies the required actions and those responsible for them.

All of Tía's facilities have trained emergency brigades, implement drills with the participation of external entities, and have an emergency intervention protocol. There are different brigades for each emergency, for example, the NDC has evacuation, fire and first aid brigades, each with different members. The Emergency Plan also defines the inter-institutional coordination and communication protocol.

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 (IAC, *in Spanish*) to monitor and measure ESMS performance are prepared in accordance with the Strategic Indicator Matrix and the IAC Evidence Instructions, as described in Tía's ESMS Manual.

The Strategic Indicator Matrix considers indicators that include qualitative and quantitative measures of environmental and social aspects. 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 in the branches, and evidence relating to the company's industrial safety and environment department. The latter documents are kept on file at Tía's main office in order to be able to respond to any request from the authorities.

In terms of legal compliance, Tía maintains a legal requirements checklist, which details those responsible for each of the aspects required by Ecuadorian regulations. This document records the results of the inspections (compliance or not), evidence and observations.

#### 4.1.h Stakeholder Engagement

Tía maps stakeholders into different interest groups, identified as different entities or individuals who are reasonably affected by the company's activities, products and services, or whose actions could affect Tía's ability to successfully develop its strategy and/or achieve its objectives. Stakeholders are grouped into: (i) customers; (ii) community and third sector; (iii) shareholders; (iv) collaborators; (v) authorities; (vi) media; and (vii) suppliers. These groups have access to different communication and participation channels, suitable to 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. In addition, representatives of the different stakeholders were included in the materiality surveys, conducted in accordance with GRI Standards methodology, in order to validate and assess the most relevant economic, environmental and social impacts from the perspective of each group.

The materiality results and analysis were also used as the basis to develop the "Tía Effect" sustainability strategy, which defined the strategic aspects of Tía's sustainability management, including commitments and objectives. The four main lines of action of the strategy are: Community, Value Proposition, Team and Planet. Each pillar has sub-pillars, general objectives and SDGs to which they contribute.

The activities implemented by Tía as part of its Corporate Social Responsibility (CSR) include actions aimed at education, improvement of green areas, entrepreneurship, contributions to social projects, health, and festivities.

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

The grievance mechanism is incorporated into Tía's ESMS and consists of two distinct procedures: the Complaint and Grievance Resolution Mechanism for employees and the Mechanism for Receiving and Resolving Customer Requests.

The Mechanism allows employees to report complaints or grievances via email, WhatsApp messaging, or phone calls. The HR manager is responsible for receiving complaints or grievances,

identifying the source of the problem, solving the identified problem, communicating the resolution, recording, and following up on the solution to prevent the same problem from recurring. The Mechanism establishes a response time of 24 to 72 hours depending on the complexity of the complaint or grievance. The human resources controller must evaluate the complaints and grievances indicators on a monthly basis.

The channels available to channel requests, queries, complaints or suggestions from customers are: telephone, WhatsApp, corporate website, web chat, official emails from Consumo Empresarial, CrediTía and Tía online, social media, Company branches and direct attention at the Head Office. Requests are received by the Customer Service department. In cases where the requirement cannot be resolved by the Customer Service department, it is referred to the appropriate department, which may be: Tía online, CrediTía, Customer Loyalty, Human Resources, Industrial Safety and Environment, Maintenance, Business Consumption, Operations and 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; 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. The Customer Service department must measure the Requirements Management indicators (resolution time, requirements received, requirements closed) on a monthly basis.

## **4.2 Labor and Working Conditions**

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

The Company reports a low turnover rate (2.7%) and has been implementing work environment surveys for five years. The company's policies promote internal promotion, so personnel have career development opportunities and the salaries offered are above the minimum wage in Ecuador.

The human resources department has a social welfare area with qualified personnel; it provides infirmary services in the NDC and administrative office and facilitates loans through the Works Committee. Contracts are initially for three months and then indefinite, personnel are hired preferably locally, induction is provided, and workers enjoy all legal benefits.

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

Ecuadorian labor law governs Tía's labor activities. 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 (RIT, *in Spanish*), approved in July 2017 by the Ministry of Labor. The RIT consolidates aspects of ethics and working conditions because it defines hiring, working hours, confidentiality, obligations, rights and prohibitions for the employee and for the company, the disciplinary regime, etc. Tía also has a Code of Ethics and Conduct, which sets out the guidelines for internal employee relations and external relations with customers, suppliers, and competitors. The Code of Ethics and Conduct, the Safety Regulations and the RIT are shared with the workers for their review and application, and a record is kept of this delivery.

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

Tía's operations have an Occupational Health and Safety Joint Committee comprised of twelve people (six company representatives and six employee representatives). The Committee is in charge of dealing with matters related to the Health and Safety of the company's employees. There is a Central Committee, which is formed every year, whose management is complemented by security subcommittees at each Tía site, which report to the central committee on a monthly basis. In general, freedom of assembly is permitted for all workers and supervisors.

There are no construction unions in Ecuador and Tía has no unions. The current institutional framework is the "Tía Company Workers' Committee", to which 99.98% of the payroll is affiliated. In 2020, it launched the "Protected Family" solidarity campaign to meet the needs of employees and the community during the critical months of the pandemic; in this same period, during the school season, it conducted a campaign to purchase laptops for virtual education, which was channeled via loans to members with an extended payment term. It continued to provide assistance in the event of death of family members, sickness loans and social assistance, all for the benefit of employees. In addition, as part of the Committee's membership benefits, workers receive a gift in May or June for being mothers or fathers; in September, the family subsidy; in November, an additional percentage of their salary; and in December, they receive a card with their contributions and Tía's contribution.

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

Tía's Code of Ethics is committed to a work environment free of discrimination and harassment, establishing sanctions in case of violations. At Tía, discrimination is considered as inappropriate behavior, verbally or physically, with respect to race, color, religion, sex, nationality, age, disability. Tía respects the ethnic identity of its employees, provides opportunities for interns in the company and has worked with members of illiterate peoples using their fingerprint.

#### 4.2.a.v Retrenchment

Tía's experience in emergency and disaster situations has shown that it has responsible practices with its employees, who, for example, after an earthquake in Ecuador, were relocated to other nearby unaffected locations. Similarly, when the operations of the former Distribution Center were



closed, the staff was moved to the NDC, for which several policies were implemented, e.g. staff mobility, relocation to new stores, etc. Tía carried out a change management process at the NDC to adapt roles to a larger work area with automated processes, strengthening training for the transition from proprietary systems to stricter and more complex standardized systems. Tía ensured that staff were trained and adapted to the processes through apprenticeship schools.

#### 4.2.a.vi Grievance Mechanism

Employees have at their disposal an email, WhatsApp messages, a phone line, the corporate page or social media to report their complaints or grievances. Complaints and/or claims are received by the HR department, which is responsible for identifying the problem, solving it, 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.

In the case of contractors, the contracted company is responsible for addressing any complaints filed by its workers.

#### 4.2.b Protecting the Workforce

Tía is prohibited from child labor, requiring to be of legal age to be hired. All company and contractor personnel have contractual support and are governed by Tía's internal work regulations.

#### 4.2.c Occupational Health and Safety

Tía has an Occupational Health and Safety (OHS) Policy and an ISO 45001 certified OHS Management System for the NDC and CSDC. The OHSMS contains both proactive and reactive programs and indicators for occupational health and safety issues. Accident and incident control considers following up on proposed and implemented corrective measures. It also establishes occupational safety training, monitoring with indicators the employees expected and those trained.

As part of its OHS management, Tía has a workers' Health and safety regulation and a general occupational risk insurance regulation; it also implements Ecuadorian technical standards regarding safety colors, signage and symbols, precautionary labeling, portable and stationary fire extinguishers, transportation, storage, and handling of hazardous chemicals.

The company implements the Accident/Incident Investigation Procedure (Resolution 513 IESS), and risk analysis (IPER matrices by position - NTP 330 method) to evaluate the root cause of accidents and their respective prevention. In addition, the OHSMS includes a health and safety training program, which includes: induction for civil works personnel, OHS induction (Policy, accidents, risks, safe work procedures) for new personnel, emergency brigade training, Behavior Based Safety Program (for the operating personnel of the distribution centers) and virtual OHS training.

Emergency and evacuation signs<sup>3</sup> and fire extinguishers are also available should a hazardous event occur. For example, the NDC's prevention resources include smoke detectors, an alarm center, fire alarm buttons, fire extinguishers, strobe lights, emergency lights, emergency exits, meeting points, emergency stretchers, eye washers and emergency showers, first aid kit, and a medical dispensary. All electronic equipment at the NDC is serviced every 4 months or as required by the device.

Annual planning of OHS activities includes training, brigade practices, drills and campaigns. Safety campaigns such as emergency protocols, prevention of motorcycle accidents, safety during the Christmas season, and prevention of customer accidents are implemented. Various means of communication are used, such as TÍA Radio, EVA (virtual learning environment), Bulletin Board, Tía Comunica and email.

Logistics operations involving the transportation of goods have a safety procedure applicable to articulated trucks, which refers to the reports that the driver must make to the alarm monitoring company. It establishes that the routes correspond to defined routes that must be followed by the driver of the vehicle, and any alteration must be reported to the alarm monitoring company's Command and Control Center. Finally, if a suspicious or dangerous situation is detected during the trip, the driver must press the emergency button once and wait for the response from the alarm monitoring company.

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

Of Tía's 7.9 thousand employees, 4% are people with disabilities. In accordance with labor and social welfare policies, employees with disabilities do not take inventory or perform seasonal counter changes, in order to reduce their operational burden.

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

Tía's contract with contractors has an Occupational Health and Safety Policy appendix designed for contractors providing services to the company. The Appendix specifies contractors' obligations to guarantee that before starting any work, job or service, they will identify the risks to which their personnel will be exposed. In addition, the contractor company that provides services for Tía must ensure that all its personnel are affiliated and active in the social security system and have all the benefits provided by law. It also states that they must provide their personnel with work clothes or personal and collective protection elements in good condition and in accordance with the nature of the risk to be protected against. These elements must comply with safety standards (ANSI, ASME, NIOSH or ICONTEC, etc.) according to the element to be used.

#### 4.2.f Supply Chain

Tía has a supplier selection protocol and encourages the participation of small companies. Child and forced labor are prohibited.

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<sup>3</sup> All signage has been made in accordance with standard INEN 3864.

Recent reports indicate that there is a risk of forced labor in the production of raw materials used to manufacture solar modules (e.g. polysilicon). However, due to the small number of solar panels to be procured, the Project will purchase the solar panels "off the shelf" and will not have a direct contract with any solar module supplier.

In order to mitigate solar supply chain risks, IDB Invest will oversee the client's procurement processes for solar panels, and will continue to monitor new studies and developments related to the topic, providing guidance and technical assistance to the client.

The risk of forced labor in the supply chain is mitigated by the fact that: (i) the Project will comply with the measures proposed by the IDB Group (including IDB Invest) in response to these challenges; (ii) IDB Invest will oversee the client's procurement processes for solar panels, which will be purchased "off the shelf"; and (iii) IDB Invest will continue to dialogue with the client to increase the client's awareness of, and guide the client on, new news and developments related to the issue.

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

#### 4.3.a Resource Efficiency

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 that must be complied with in all Tía's branches. The procedures refer to: the monthly energy consumption register (in the "Tía Check" platform); the Manual of procedures for the management of energy consumption news on its premises; the Program for the efficient water use and saving; and the Programs for the adequate management of waste and residues.

The information obtained monthly is consolidated in an Energy Matrix, as a control panel, where average values are projected by locations and cumulative consumption, with the option of segmenting the information by month, region, province, format and branch. This tool makes it possible to monitor energy consumption, demand and billing at Tía stores, Más Ahorro 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 addition, as part of Tía's energy plan, a series of training sessions are being carried out and planned for the proper management of data entry in the Tía Check platform. Training is provided to maintenance assistants, zonal maintenance technical assistants and Tía site managers at the national level.

The information obtained is also used to measure the Estimated Carbon Footprint in the NDC. However, the generators installed in Tía's stores are generally non-significant fixed sources (<3MW) and receive regular maintenance.

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 to avoid wasting water. There is also a wastewater treatment plant and the treated water is used to irrigate the green areas of the NDC.

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

The project is part of Tía's initiatives to improve its energy efficiency. The project will generate a portfolio of 6 MWp solar projects that will contribute to the diversification of Ecuador's energy matrix, which depends mainly on hydroelectric and thermal sources. In addition, the Project will have a demonstrative effect on the Ecuadorian market.

#### 4.3.a.i Greenhouse Gases

In 2017, Tía calculated its carbon footprint for operations related to its distribution center. The calculation considered the NDC and the Fresh Distribution Center (FDC), obtaining 4654.09 Tm CO<sub>2</sub>eq and 5359.26 Tm CO<sub>2</sub>eq respectively. Then, in 2018, implemented a project for the new NDC. The projected one-year estimate for the new NDC was 8652.03 MT of CO<sub>2</sub> equivalent. In this projection, it was determined that the largest contribution to the footprint comes from heavy transport derived from distribution, corresponding to emissions from freight vehicles assigned to the NDC.

As of 2019, Tía had installed 75 KW solar panels, which are used to operate a percentage of the NDC's dry area fans. The Project is estimated to generate a 6 MWp solar project portfolio and reduce up to 89,520 tons of CO<sub>2</sub>eq emitted by Tía.

#### 4.3.a.ii Water Consumption

The premises use water from the public network and in the case of NDC it is drawn from one of the four wells available in the area. Tía has initiated the process to obtain the groundwater use licenses for the well and is currently awaiting the response from the environmental authority that will grant the use license.

As part of the monitoring plans implemented at the NDC, Tía keeps a water use record (volume extracted). Tía installed flow meters in the well, so that water consumption can be measured on a monthly basis. In 2020, the NDC's total water consumption was 20,946 m<sup>3</sup>, with an average monthly rate of 1760 m<sup>3</sup>. In order to follow up on the measurement and monitoring of the correct use of water resources, Tía has implemented the Efficient Water Use and Saving Program at the NDC. The program is conceived as an environmental management tool that contemplates a series of strategies aimed at optimizing water resources and reducing associated environmental impacts, together with the environmental culture of the company's community of workers, suppliers and customers.

#### 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.

The company monitors water quality (domestic waste), noise, particulate matter, air quality, CO2 emissions from trucks at the NDC, and non-ionizing radiation at the electrical substation.

#### 4.3.b.i Waste

In its ESMS, Tía has consolidated a comprehensive plan for common waste management, which allows it to manage, document and ensure the proper handling of common waste from the Distribution Centers, from its generation to its final disposal, in order to minimize environmental impacts and comply with applicable environmental regulations.

Current management considers segregation at source and temporary storage, differentiating between hazardous and non-hazardous waste, with appropriate signage. A record is kept of recyclable waste, identifying cardboard as the most important, followed by plastics, wood and scrap metal.

Tía implements actions to optimize the use of its resources, so since 2015 it has introduced pallet maintenance (instrument used in the logistics procedures of 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), there is an aerobic MBBR (Moving Bed Biofilm Reactor) system with a removal efficiency of 85-95%, which also includes a filtration system to eliminate solids and organic volatiles for reuse in garden irrigation.

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

Tía has incorporated an integrated hazardous waste management plan into its ESMS, which aims to establish criteria and strategies for the proper handling and management of hazardous waste and for the prevention of health impacts on the community and workers, as well as to comply with the legislation in force.

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

PS4, community health, safety and security, is not considered applicable to the operation because the Project does not foresee additional adverse impacts on communities neighboring the operation's premises.

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

PS5, land acquisition and involuntary resettlement, is not considered applicable to the operation because Tía's premises are leased (with an option to purchase) or acquired and then demolished for new construction. The premises are located in urban areas, and the appropriate legal advice and support has been available.

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

PS7, biodiversity conservation and sustainable management of living natural resources, is not applicable to this operation as no adverse impacts on biodiversity or living natural resources are foreseen.

#### **4.7 Indigenous Peoples**

PS7, indigenous peoples, is not applicable to this operation since Tía's premises do not foresee adverse impacts on these populations and it is not located on their lands.

#### **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 link:

<https://www.corporativo.Tía.com.ec>

### **6. Contact Information**

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