

## Environmental and Social Review Summary (ESRS) EL ROSADO II (BOND) - ECUADOR

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

Corporación El Rosado S.A. (“CER”, the “Company” or the “Client”) is mainly focused on the retail business, but it is also active in the entertainment, restaurant and real estate sectors<sup>1</sup>. Even though it is headquartered in Guayaquil, Ecuador, it is present nationwide, with commercial outlets mainly on the country’s coastal region. In the last few years, as part of its strategy to become a more sustainable business and a more relevant actor in the retail sector, CER has launched several green projects to generate renewable electrical power from solar photovoltaic sources and to get energy efficient in its main supermarkets and shopping centers.

CER is currently going ahead with a transaction that involves: i) installing photovoltaic (PV) panels in their shopping centers and supermarkets for self-consumption; ii) fitting and automating a new distribution center for the highland region; iii) expanding the new commercial outlets and refurbishing the existing stores; iv) acquiring land for future developments; and v) financing projects included in its 2021-2022 investment plan.

The proceeds from this financing facility<sup>2</sup>, which will materialize through the purchase of most of the green bonds to be issued by CER, will be earmarked to carry out the actions contained in the Company’s sustainable investment plan for 2023-2024, in relation to: i) the increased generation of clean energy by setting up PV panels; and ii) enhanced energy efficiency by replacing hydrofluorocarbon (HFC)<sup>3</sup> refrigeration systems with transcritical CO<sub>2</sub>-based systems<sup>4</sup> and leveraging more efficient air-conditioning technologies<sup>5</sup> for its shopping centers.

The environmental and social due diligence (“ESDD”) was based on the review of the relevant environmental and social information, as well as a visit paid to the Company facilities as part of the current loan operation supervision process. The review included, among others, analyzing the following: i) Environmental and Social Management System (ESMS); ii) ESMS procedures; iii) legal requirements matrices; iv) environmental management plans; v) aspects/impacts and hazards/risks matrices; vi) environmental monitoring plans; and vii) certifications and awards.

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<sup>1</sup> As of September 2022, the Company had 145 stores and 259 outlets distributed in 11 provinces and 37 cities in Ecuador, turning it into the group with the second largest share in the retail market in Ecuador (26% in 2021).

<sup>2</sup> Details about the first transaction are included in the Environmental and Social Review Summary (ESRS) and the Environmental and Social Action Plan (ESAP); both can be found at <https://idbinvest.org/es/proyectos/el-rosado-ecuador>.

<sup>3</sup> Hydrofluorocarbons (HFCs) are the most common fluorinated gases, used as refrigerants in several sectors and equipment.

<sup>4</sup> HFC-free refrigeration systems that use CO<sub>2</sub> over the critical temperature (30.04° C) as refrigerant. Transcritical CO<sub>2</sub> systems generate energy savings by 30% over a standard unit of R404A and by 10% over an inverter unit of that refrigerant.

<sup>5</sup> Repowering the refrigeration systems at Hipermercado Machala, which will involve changing the direct expansion system for a water-cooled one for thermal comfort.

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

Pursuant to IDB Invest’s Environmental and Social Sustainability Policy, the Project has been classified as of category B, given the fact that it will generate risks and impacts of low to medium-low intensity, mainly related to: i) the generation of liquid and solid waste, both hazardous and non-hazardous; and ii) potential worker accidents during the installation of the PV panels and AC systems.

The Performance Standards (“PS”) triggered by the Project are: i) PS1: Assessment and Management of Environmental and Social Risks and Impacts; ii) PS 2: Labor and Working Conditions; iii) PS 3: Resource Efficiency and Pollution Prevention; and (iv) PS 4: Community Health, Safety and Security.

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

### **3.1 General characteristics of the Project’s site**

The Company started operating in 1936 in a small bakery in the center of Guayaquil, which in no time became a well-known restaurant. The business kept flourishing into a store selling imported products first to later venture into the self-service sale of food and sundries until it finally became “Supermercados El Rosado”.

### **3.2 Contextual Risks**

As per the data from the Dirección Nacional de Delitos contra la Vida, Muertes Violentas, Desapariciones, Extorsión y Secuestros (DINASED)<sup>6</sup>, the province of Guayas is one of the five most insecure provinces in Ecuador, with 11.4 deaths every 100,000 inhabitants. The capital, Guayaquil, with a population of 2.7 million, endures acts of violence and insecurity: the city has seen its crime rate significantly increased since 2017 and has become a territory disputed by drug-dealing groups. According to the Ecuadorian Ministry of Interior<sup>7</sup>, intentional homicides increased by 15.82% in 2019.

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

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

#### **4.1.a Environmental and Social Management System**

The Company has prepared rulebooks, manuals, and procedures in compliance with its legal environmental obligations throughout its lines of business. Therefore, the formal Environmental and Social Management System (“ESMS”) is in the process of being implemented.

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<sup>6</sup> Ecuador’s national agency that deals with crimes against life, violent deaths, people disappearances, extortion and abductions (DINASED).

<sup>7</sup> <https://www.primicias.ec/noticias/sociedad/homicidios-suben-primera-vez-desde-2010/>

#### 4.1.b Policy

As part of its regulations, CER has an occupational health and safety (OHS) policy in which it states its commitment to: i) complying with all the legal OHS requirements currently in force; ii) allocating the necessary resources for its enforcement; iii) improving continuously; and iv) providing safe conditions for workers, customers, and the public in general.

CER has prepared its environmental, social, and human resources policies, and is starting to distribute them to the stakeholders.

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

Direct risks and impacts are identified as part of the environmental regularization processes, by assessing the environmental impact of the projects, works or activities performed by CER. The environmental management plans (“EMP”) resulting from those environmental impact assessments (“EIAs”) establish the measures to prevent and mitigate the identified impacts according to their level of risk. The Company has developed environmental risk and impact matrices for the retail lines and shopping centers and is developing them as well for the remaining lines of business.

The Company has 39 environmental control instruments granted to several companies owned by CER as well as their legal representatives. The Company has implemented a system to track compliance with the obligations arising from each permit and has appointed the necessary staff to fulfill them.

In order to manage the direct OHS risks derived from its activities (retail stores, entertainment venues and restaurants), the Company has appointed specific industrial safety staff and is developing the following for each line of business: i) an occupational risk matrix for each position or activity; ii) an emergency plan; and iii) a health monitoring plan. Furthermore, CER is working on identifying and assessing other indirect OHS risks associated to its supply chain, transport fleet and staff engaged by third parties<sup>8</sup>.

#### 4.1.c.i Gender risks

In 2019, the province of Guayas, where CER holds most of its operations, recorded a gender violence rate (physical, psychological, sexual, financial, from ob-gyn professionals) of 63.1%. In other words, 6 out of 10 women older than 15 years of age have suffered some form of violence<sup>9</sup>.

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<sup>8</sup> Workers hired by contractors and suppliers.

<sup>9</sup> National Statistics and Census Institute (INEC). 2019 Survey on Gender Violence. [https://www.ecuadorencifras.gob.ec/documentos/webinec/Estadisticas\\_Sociales/Violencia\\_de\\_genero\\_2019/Principales%20resultados%20ENVIGMU%202019.pdf](https://www.ecuadorencifras.gob.ec/documentos/webinec/Estadisticas_Sociales/Violencia_de_genero_2019/Principales%20resultados%20ENVIGMU%202019.pdf)

The Constitution of the Republic of Ecuador<sup>10</sup> states that every Ecuadorian shall have a life without violence and includes the necessary measures to prevent, eliminate and punish all forms of violence, especially against women, girls, boys and teenagers, the elderly and people with disabilities. The National Plan to Eradicate Gender Violence towards Children, Teenagers and Women, as approved in 2015, as well as the Comprehensive Law to Prevent and Eradicate Violence against Women, issued in 2018, are other instruments to fight gender violence.

The Company employs 3,128 women, most of whom are in operational positions. However, 341 are in middle management and 27 are executives<sup>11</sup>.

CER provides people with personal protective equipment (PPE) and work uniforms, suitable under the regulations in force and for the workers' gender. The Company is managing the risks of its female workers, including those who are pregnant, considering this population in the measurements of population exposed to occupational risk. Also, it is developing a gender risk and impact matrix and is about to implement IDB Invest's Gender Risk Assessment Tool<sup>12</sup> (GRAT) to prevent and manage the gender-related risks of its operations.

#### 4.1.c.ii Climate change exposure

Natural threats and risks associated to climate change at CER's supermarkets in the coastal region tend to worsen as a result of climate change, especially in terms of moderate to high rain, flooding and heatwave patterns. Given this exposure profile, the Company is reviewing and updating its emergency preparedness and response plans, as well as the measures to manage those risks at its facilities, including procedures to define, transfer and include them in the environmental and social (E&S) management of the supply chain.

#### 4.1.d Management Programs

CER has EMPs in place to control and handle undesired environmental impacts in each of its places of business. These plans have been approved by the competent entities: Ecuador's Ministry of Environment, the Municipality of Guayaquil, the Environmental Agency of the province of Guayas and the provincial agencies that correspond to each place of business.

In general terms, the activities carried out by CER have been categorized as of middle-low impact; therefore, a type II environmental license that corresponds to an environmental register (environmental permit for projects, works or activities with low environmental impact). EMPs include: i) a plan to prevent and mitigate impacts; ii) a contingency plan; iii) a communication and training plan; iv) a monitoring and tracking plan; v) a plan to manage the relations with the

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<sup>10</sup> Constitution of the Republic of Ecuador, Art. 66(3)(b) A violence-free life in public and in private. The State shall adopt the necessary measures to prevent, eliminate and punish all forms of violence, especially against women, girls, boys and teenagers, the elderly, people with disabilities, and any other person in a disadvantaged or vulnerable situation; identical measures will be taken against sexual exploitation, slavery and violence.

<sup>11</sup> As of October 31, 2022.

<sup>12</sup> The document can be downloaded from <https://www.idbinvest.org/es/publications/herramienta-de-evaluacion-de-riesgos-de-genero>

community; vi) an occupational health and safety plan; vii) a rehabilitation plan; and viii) a sign-off and abandonment plan.

The Client is developing the following corporate management programs: i) environmental monitoring and tracking; ii) integral management of liquid and solid waste, focusing on measures for the storage and environmentally friendly disposal of any waste that cannot be reduced, reused or recycled; and special management measures for hazardous waste, such as oils, grease, paint, solvents, medicines, disinfectants, or any other special handling product that is used during the operation and maintenance activities at any venue, based on national environmental and sanitary standards; iii) management and prevention of occupational risks in all its lines of business; iv) operation procedures for contractors and suppliers; and v) a community risk plan during work execution.

#### 4.1.e Organizational Capacity and Competency

The Sustainability Department is responsible for the Company's E&S issues; which i) leads the ESMS integration by developing, implementing and monitoring all environmental, social and health and safety management plans, programs and procedures, which include contractors and suppliers; ii) defines and assures the provision of the necessary financial and human resources to develop and implement the ESMS, according to the size of the current and future operations; and iii) periodically assesses the effectiveness and suitability of the assigned competencies and capabilities.

#### 4.1.f Emergency Preparedness and Response

Each one of CER's retail stores, cinemas, restaurants and shopping centers has an emergency plan, approved by the fire brigade of each jurisdiction. This plan is mainly aimed at identifying, preventing, acting upon and responding to any possible emergencies. Each plan identifies the teams, machinery and electrical systems that may cause possible fire hazards; defines the alarm systems, intervention protocols, how brigades will be made up and the available resources to deal with emergencies; identifies the most probable natural (earthquakes, floods, etc.) and anthropogenic (fires, sabotage, etc.) emergencies; and describes the type of interinstitutional coordination needed to face them.

For each commercial outlet and line of business (stores, cinemas, restaurants), the Company is: i) creating emergency brigades based on the risk level and the scenarios at each operation; ii) developing a brigade training program; and iii) implementing a simulation schedule, for each emergency plan.

#### 4.1.g Monitoring and Review

For each store or retail outlet and in compliance with the measures described in the EMPs, the Company has in place plans to monitor and track: i) effluents; ii) solid waste; iii) water quality; iv) environmental noise; v) air emissions; vi) energy consumption; vii) water consumption; viii) hazardous materials; and ix) hazardous waste. Moreover, in compliance with its environmental legal obligations, CER periodically submits the following documents to the related authority: i) the environmental compliance reports for the stores or retail outlets with an Environmental Register";

or ii) an environmental compliance audit report for stores or retail outlets with an Environmental License (an environmental permit for projects, works or activities with medium to high environmental impact).

The Client has a compliance matrix in place that summarizes all the legal and contractual obligations to be observed, including: i) the competent authority to issue the authorization, permit or license; ii) the issuance and expiration dates of licenses and permits; and iii) the legal compliance procedure, in order to define the guidelines, responsibilities and methodology to identify, access, update, communicate, assess and monitor the compliance with the legal requirements associated to the business.

The Company will make use of either internal or external audits to check for compliance with all the environmental, social and OHS policies and measures that are applicable to its operation, analyzing predefined key performance indicators (KPIs). CER will produce statistics that include the frequency (LTIFR) and severity (LTISR) rates, as well as the occupational hazard (accident) rates for its operations.

#### 4.1.h Stakeholder Engagement

CER, during its environmental regularization processes, holds social events with the communities in its area of influence. The Company is currently developing a stakeholder engagement procedure that includes: i) a stakeholder map; ii) stakeholder communication records; iii) consultation and informed participation processes; and iv) a stakeholder management plan.

CER works in coordination with the National Police to handle the physical security of its commercial outlets. In all the provinces where it operates, it also actively cooperates with public entities, such as municipal authorities, governors' offices, prefectures, fire brigades and healthcare centers.

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

CER has a Customer Service Department that receives and deals with grievances, suggestions and claims concerning the quality of the service for all its lines of business. The Company has made the following means available to channel concerns: i) in person, at the place where the grievance is filed; ii) on the telephone; iii) by e-mail; and iv) on social media. Grievances are handled by an incident manager, who forwards them to the related department to be analyzed and investigated and are closed with the final response to the customer. This grievance mechanism allows for anonymity.

The Company is adapting the existing procedure to manage external grievances, depending on their nature and seriousness, to include the following elements: (i) grievance reception points; (ii) a documentation system to record, track and analyze grievances and resolutions; (iii) response delivery options and procedures; (iv) mechanisms for communication and disclosure to external stakeholders; (v) review mechanisms to enable senior managers to assess the effectiveness of the system; (vi) inclusion of filed grievances and resolutions in public reports; (vii) mechanisms for extending the procedure to suppliers and contractors; and (viii) formalization of key stakeholder engagement to receive and manage complaints.

CER's Marketing Department (through an outsourced third party), who handles the external communication<sup>13</sup>, is mainly focused on communicating the retail business strategy, as well as the actions and initiatives aimed at preserving the environment, such as the rational use of plastic bags, the generation of clean energy and activities that are part of its corporate social responsibility program.

## **4.2 Labor and Working Conditions**

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

As of October 31, 2022, CER had 8,931 direct employees in: i) clerical work, ii) operations, and iii) maintenance. Of that total, 5,803 were men and 3,128 were women.

CER has in place an Internal Labor Rulebook (ILR)<sup>14</sup>, with provisions related to i) worker hiring process; ii) work schedules in daily rotating shifts, iii) work shifts; iv) shifts, compensation, and overtime; v) annual vacation, absences, time off and leaves; vi) types of offenses and disciplinary actions; and vii) obligations and prohibitions of the employer and the employee.

CER offers transportation and meals for its employees who work night shifts at its warehouses and the distribution center. The Company, which onboards new hires into their duties in the position, is defining a training plan that helps strengthen the skills its employees need, including the development of soft skills for leadership positions.

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

CER is working on new procedures which include the employment benefits, and fair, equitable gender-blind wages through an analysis of the social and economic circumstances, seeking to attract and retain talent. It is also adopting equity, anti-harassment and anti-discrimination policies in line with Ecuadorian legislation, human rights international treaties and the International Labor Organization (ILO) conventions.

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

CER complies with the labor regulations in force in Ecuador, and incorporates the provisions contained in the ILO conventions, its ILR and its Workers' Health and Safety Rulebook, which refer to the standards and conditions for selecting and hiring personnel; work shifts and rest periods; annual vacation; leaves and time off; flexible work schemes to encourage collaboration and productivity; compensation and benefits; rights and obligations of both the employer and the employee; conduct and disciplinary measures; occupational risk management; and workers with disabilities; among other aspects.

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<sup>13</sup> External communications are channeled through i) (digitally) its portal and social media, such as Facebook, Twitter, and Instagram; ii) the institutional spokesperson, and iii) printed publications.

<sup>14</sup> Approved by the Ministry of Labor by Resolution MDT-DRTSP5-2015-2892-R2-ME of February 2015.

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

Ecuador is a signatory of several ILO international conventions and treaties related to workers' rights, including on their freedom of association and the protection of the right to organize, and the right of association and collective bargaining. Although Ecuadorian work legislation does not limit, but rather promotes, this type of association, CER currently has no workers' union.

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

The Company makes no gender-based distinctions; on the contrary, it offers its workers equal opportunity to reach their objectives and goals. It currently employs 8,931 workers, 35% of whom are women and 65% are men; they are evenly distributed across managerial positions.

Likewise, it does not discriminate against based on nationality either; to guarantee this, CER has implemented a work inclusion program for foreigners of different nationalities.<sup>15</sup>

#### 4.2.a.v Grievance Mechanism

CER currently has the following channels to capture internal grievances: i) directly through the human resources recruiting personnel, and ii) through social workers. When a grievance is received, the stores are visited to check the information, follow up on it and resolve it.

The Company is developing and implementing an internal grievance procedure which describes: i) how and through which channel a grievance is received from a worker, including contractors and subcontractors; ii) how it is assessed; iii) how the responses are delivered and tracked, to subsequently close it; iv) how the mechanism is assessed and improved; and v) how it is communicated and disclosed. This mechanism will allow for filing anonymous grievances, will be independent and will guarantee confidential treatment. CER is implementing a program to train its personnel on the use of this mechanism; the action includes contractors and subcontractors.

#### 4.2.b Protecting the Workforce

CER, through its ILR and in compliance with the legislation in force and the international treaties and conventions ratified by Ecuador, regulates the labor relationship, stating the minimum rights and obligations for employers and employees. The Company is implementing, as part of its ILR, specific rules that enforce the prohibition of child labor, and other provisions contained in the ILO conventions ratified by Ecuador<sup>16</sup>. Likewise, through its ILR, the Company will extend the prohibition of child and forced labor to the hiring processes of third parties (contractors, subcontractors and suppliers) and guarantee it is observed.

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<sup>15</sup> In 2022, the Company was recognized by the United Nations High Commissioner for Refugees, Pacto Global - Red Ecuador, the Sin Fronteras program and Fundación Crisfe for its stance in favor of social and economic inclusion of refugees and human mobility in Ecuador.

<sup>16</sup> Some examples: Convention 138 on minimum age (to work); Convention 182 on worst forms of child labor and specific rules that prohibit forced labor; Convention 29 on forced labor; and Convention 105 on the abolition of forced labor.



#### 4.2.c Occupational Health and Safety

CER has an occupational health and safety policy as well as an Occupational Health and Safety Rulebook, which include the following: i) the employer's general obligations; ii) the workers' rights and obligations; iii) prohibitions for the employer and the workers; iv) the obligations of the person responsible for the occupational health and safety; v) the obligations of those engaged in ancillary activities; vi) responsibilities in spaces shared by companies and institutions; vii) how occupational risk prevention is managed; viii) joint committees; ix) how its own occupational risk is managed by means of identification, measurement, assessment, control, planning, execution, monitoring and continuous improvement; x) risk management of high-risk jobs; xi) prevention of natural threats and anthropogenic risks; xii) occupational health management; xiii) prevention programs; xiv) record, investigation and notification of occupational diseases and accidents; and xv) information, training, certification of competences and training in risk prevention.

At the distribution center there is a work plan that includes the following OHS actions: i) monitoring the contractors' occupational safety compliance; ii) creating and training emergency brigades; iii) assessing the current availability of resources to deal with emergencies; iv) planning simulations and training sessions to handle emergency equipment; v) creating a joint subcommittee; and vi) monitoring the compliance with the Workers' Health and Safety, and Work Environment Improvement Rulebook regarding the installation of signage, training and education, publication of evacuation maps, onboarding new hires, and visitors, etc.

In terms of managing contractors, CER has a Risk Prevention Manual for Contractors in place, which is mainly aimed at the technical requirements and necessary guidelines to execute high-risk jobs safely.

As to occupational health, CER does not provide direct healthcare services, but holds a contract with a third party<sup>17</sup> that performs pre-employment, periodical and post-employment checks on workers. The Company has a healthcare plan in place that also covers cases of sudden illness or accidents and that is managed by an external service provider.

In order to comply with the requirements set forth in the occupational health regulations in force<sup>18</sup>, the Company shall: i) keep working in close cooperation with the industrial safety area to prevent occupational risks; ii) analyze and monitor the environmental conditions in the workplaces in order to obtain and keep the best possible levels of ventilation, light, temperature and humidity; iii) keep performing pre-employment, periodical, special and post-employment checks; and iv) have an occupational physician according to the size of the company.

The Company is developing and implementing: i) an occupational health and safety management system (OHSMS), which includes procedures, manuals, instructions and records that will allow it to comply with the regulations and keep suitable management practices to identify, measure and control occupational risks; ii) a training and education program for its employees; iii) a plan to monitor the occupational risk factors with allocated resources for suitably handling occupational

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<sup>17</sup> Medigreen S.A., healthcare service provision contract.

<sup>18</sup> Ministerial Agreement 1404, Regulations for Medical Services in Companies, section 7. 7.

emergencies; and iv) a health monitoring plan to prevent occupational diseases and promote good health.

#### 4.2.d Provisions for people with disabilities

To date, the Company has 258 workers with disabilities and is adding to its ILR specific rules and provisions for people with disabilities, in compliance with the content of ILO's Convention 111 on discrimination in employment and occupation, and in line with the regulations in force<sup>19</sup>.

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

In order to minimize any possible effects of high-risk activities on people, equipment, facilities and the environment, CER has developed a Risk Prevention Manual for Contractors, which states the contractors' obligation to comply with occupational health and safety regulations.

#### 4.2.f Supply Chain

CER is constantly promoting market opportunities for micro and large companies. In 2020 the number of suppliers increased by 4.73% and 8.89%, respectively, compared to 2019.

The Company provides training for its employees on the content of its Suppliers' Guide to communicate the basic quality guidelines and to ensure the product or food safety during the logistic journey in the distribution center.

In order to manage the E&S risks associated to its supply chain, CER is developing and implementing a Supplier Policy and a Supplier Management Procedure, which involve: i) identifying and managing its main suppliers' risks and impacts; ii) a training plan to help manage environmental and social issues; iii) monitoring their E&S performance for purchase policy review purposes; and iv) designing programs to build the suppliers' E&S capacity.

This second transaction does not expect manufacturing, designing or using tailored solar panels. Solar panels will be purchased off the shelf and under the Client's responsibility. Because of this and the fact that it is very difficult to find solar panel providers with no allegations of forced labor in their supply chain, IBD Invest will supervise the process the Client goes through to purchase the solar panels and will keep guiding and providing technical support to prevent the purchase of solar panels that may have been manufactured with child or forced labor.

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

#### 4.3.a Resource Efficiency

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<sup>19</sup> According to the Code of Work, Section 42(33), on the obligation to hire people with disabilities.

In the last few years, the Company has turned to self-generating PV renewable energy as a way of reducing the use of energy resources in its operations; this practice has been on since 2019 in 14 locations<sup>20</sup> with an installed capacity of 10.65 MW.

In 2018 the Company was certified in Leadership in Energy and Environmental Design (LEED<sup>21</sup>) in two commercial outlets and it is currently incorporating energy efficiency standards (with 20% savings in electricity, water consumption and material installation) to get the EDGE certification in two new venues under construction<sup>22</sup>

#### 4.3.a.i Greenhouse Gases

CER has launched some actions to reduce its carbon footprint and minimize the greenhouse gases (GHG) emissions. Some examples: i) installing solar panels at the distribution center and retail stores, which is currently saving 2,000 tons of CO<sub>2</sub>; ii) replacing refrigeration equipment with other that uses gases that do not destroy the ozone layer<sup>23</sup>, iii) carrying out marketing campaigns, such as the “eco box”, which promotes the use of recyclable plastic bags; and iv) using packaging materials derived from recycled material.

Moreover, CER has a LEED certification in carbon neutrality for Shopping Babahoyo and Riocentro El Dorado, based on the following assessment criteria: i) sustainability; ii) water efficiency; iii) energy and air impact; iv) materials and resources used; v) interior quality, and innovation and design process.

Nevertheless, the Company will: i) prepare an inventory of GHG emissions at all its retail stores, entertainment venues and restaurants; ii) keep an annual record of its GHG emissions; and iii) incorporate energy efficiency notions in the design of the new retail outlets, entertainment venues and restaurants.

#### 4.3.a.ii Water Consumption

The Company’s venues are provided with drinking water and sewage services by the municipalities where they are located. However, two shopping centers<sup>24</sup> have wastewater treatment plants installed and operating on premise. Additionally, in order to comply with the requirements to get the LEED certifications for Babahoyo and El Dorado shopping centers, certain actions to encourage water consumption reduction and efficiency have been started, such as putting up toilets and sinks that save up to 60% of water. Also, at Hipermarket Vía a la Costa, water quality is tested annually to ensure it is suitable for human consumption.

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<sup>20</sup>CEIBOS 2, VIA A LA COSTA, CARNICOS 220V, CARNICOS 480V, COMISARIATO, FERRISARIATO, HIPER DORADO, HIPER DURAN, HIPER NORTE, HIPER SUR, HIPER VIA DAULE, SERVICIOS GENERALES SUR, HIPER PENINSULA, HIPER ALBAN BORJA.

<sup>21</sup> Certification issued by the Green Building Certification Institute (GBCI®).

<sup>22</sup> Hipermarket Mitad del Mundo and Riocentro Ceibos II; audit of the construction phase already completed in October 2022.

<sup>23</sup> To date, almost 350 ‘RTs (refrigeration tons) with fully transcritical CO<sub>2</sub> systems, which result in a permanent reduction in GHG emissions, with a positive impact on the climate.

<sup>24</sup> Riocentro El Dorado and Paseo Shopping Duran Outlet.

The Company is currently working on adding water efficiency standards to the design of its retail stores, distribution center, entertainment venues and maintenance workshop (its own transport fleet).

#### 4.3.b Pollution Prevention

By virtue of its EMPs and in compliance with the environmental regulations in force, CER is taking the following preventive measures: i) domestic wastewater is treated before it is discharged into the public sewer, with phase separation using grease traps; ii) domestic wastewater is treated at a wastewater treatment plant before effluents are discharged into the municipal sewer; iii) air quality is monitored; iv) environmental noise quality is monitored; and v) hazardous and non-hazardous waste is managed.

##### 4.3.b.i Wastes

CER only recycles cardboard paper, which is passed on to authorized external management companies. However, the entertainment venues (movie theatres) have a waste sorting system for its customers. Moreover, the Company has a specific procedure for returning products found in poor condition (wet, bruised, broken, stained, cracked) which are not up to good hygiene and quality standards and conditions; which present physical (pieces of glass, metal, etc.) and chemical (food with traces of pesticides, fertilizers and other similar substances) contamination. Under this procedure those products must be returned to the supplier, who will oversee the treatment and final disposal thereof. Common waste is managed through the public pick-up and disposal service in the related municipality.

CER is developing and implementing a specific program to handle recyclable, non-hazardous, hazardous and special waste for all its retail stores, entertainment venues and restaurants, its distribution center and maintenance workshop, which allows for tracking its waste in each center and increasing the recycling levels of other types of waste. Moreover, it will implement specific points for temporarily storing waste in different areas in the shopping centers.

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

The transportation, treatment and disposal of hazardous waste is handled with qualified waste management companies who are authorized by the Ministry of Environment, Water and Ecological Transition. These waste management companies issue a waybill and a final disposal certificate.

CER is implementing a procedure to keep track of all the hazardous waste generated by each type of commercial outlet, including the city and the province. Additionally, in compliance with the environmental regulations in force, the Company is seeking registration as hazardous waste generators for all its venues generating this type of materials.

##### 4.3.b.iii Management and Use of Pesticides

CER has an integrated pest management procedure that states that only products approved by Ecuador's Ministry of Public Health and the US Environmental Protection Agency can be used as

they must be suitable for the food industry. This procedure is based on the consolidated standards of the National Pest Management Association (“NPMA”) and the AIB international standards<sup>25</sup>, which include the industry best practices and the key requirements for food processing plants and distribution centers to keep the environment and its products harmless and safe.

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

##### 4.4.a Community Health, Safety and Security

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

The retail stores, entertainment venues (cinemas), restaurants, shopping centers and the existing distribution center must comply with the current fire prevention regulations<sup>26</sup> as well as the existing constructions rules.

##### 4.4.a.ii Hazardous Materials Management and Safety

The Company is currently implementing: i) the use of hazardous substances data sheets (MSDS<sup>27</sup>) on site to identify the safety and prevention measures for each product stored; ii) the identification of hazards as indicated in the safety diamond according to NFPA 704 or the globally harmonized system for proper sorting in retail store warehouses; and iii) keeping track of how hazardous products that must be destroyed are handled.

##### 4.4.a.iii Community Exposure to Disease

In order to face the challenges brought about by the COVID-19 pandemic and as required by the national and cantonal emergency operations committee, CER has developed a biosafety protocol to prevent and avoid the spread of the disease. This protocol must be observed by administrators, managers, workers, suppliers, tenants and visitors who access the shopping centers and warehouses; it declares that every venue must have a sanitary checkpoint to take body temperature, check the use of face masks, sanitize footwear and dispense alcohol, and to prohibit access to people presenting COVID-19 symptoms or fail to comply with the biosafety measures. Additionally, CER has implemented an exhaustive vaccination plan for its personnel<sup>28</sup>.

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

CER is currently assessing the community risks of its existing projects and prior to the development of its new projects; and developing and implementing an emergency response plan that includes risks for customers and communities from the area of influence of its operations.

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<sup>25</sup> The American Institute of Baking (AIB) defines the standards against which compliance with certain food safety levels must be assured.

<sup>26</sup> Such as Ecuador’s Fire Protection Law and the standards of the Ecuadorian Normalization Institute (INEN).

<sup>27</sup> Material Safety Data Sheet.

<sup>28</sup> 91% of its personnel was vaccinated in 2021.

#### 4.4.b Security Personnel

The Company has a Physical Security Department, responsible for the security of all its commercial outlets nationwide. Before performing any tasks, the Company's security personnel is trained in the contents of the Physical Security Manual and the emergency and contingency plans. This training, among other things, includes: i) internal procedures for supervisors; ii) procedures involving guards; iii) procedures and recommendations for cinemas; iv) safety measures and procedures in case of fire; v) instructions to be obeyed in all venues; vi) industrial safety, use of fire-fighting equipment, use of extinguishers, etc.; vii) electronic security; viii) procedure in case the panic button is activated; ix) occupational safety, first aid; and x) evacuation procedure in case of natural disasters.

The Department has two heads, one for the coastal region and the other for the highland region; supervisors, who are responsible to keep each retail store safe, report to them. These supervisors are in charge of: i) security guards, who are responsible for security outside the stores, inside the shopping centers; and ii) "door guards", who are responsible for the security inside the stores. For the entertainment venues (cinemas) and restaurants, the Company has signed a contract with an external security company. These workers engaged by third parties are in turn trained in CER's rules, procedures and instructions. These personnel have a permit and is authorized to carry firearms.

To guarantee the good performance of outsourced security personnel, the Company includes topics related to professional ethics and human rights in the training they receive. Moreover, future contracts with security service providers will include provisions that will allow, among others things, for: i) performing reasonable investigations to make sure that the security personnel has no criminal record or has participated in any criminal act; ii) checking for information about the level of training<sup>29</sup> received in connection with the use of force; iii) checking for restrictions on the use of firearms; and iv) checking for information regarding training on environmental and social awareness, including human rights issues.

#### 4.5 Land Acquisition and Involuntary Resettlement

The Project does not expect any involuntary resettlement or economic displacement.

#### 4.6 Biodiversity Conservation and Natural Habitats

All CER branches have their certificate of intersection that informs that the facilities do not intersect the National System of Protected Areas, Protective Forests or State Forest Heritage.

#### 4.7 Indigenous Peoples

The Project will not affect any indigenous people or afro-descendant population.

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<sup>29</sup> According to the "Good Practice Handbook: Use of Security Forces: Assessing and Managing Risks and Impacts, Guidance for the Private Sector" issued by the International Finance Corporation.

#### **4.8 Cultural Heritage**

The Project does not involve any construction or expansion activities; therefore, no cultural heritage will be affected.

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

Information about the Company can be downloaded from <https://www.elrosado.com/>.