

B. Environmental and Social Review Summary

1. Scope of the Environmental and Social Review

The operation consists of financing a series of investments in technology and innovation, industry, new premises, adaptation of existing premises, equipment, logistics, clean and renewable energy generation, environmental management and CF value-sharing programs in Ecuador (“The Project”).

The Environmental and Social Due Diligence (ESDD) process included analyzing the Project's environmental license; face-to-face meetings with representatives of Corporate Management, Prevention and Safety Management, Maintenance Management, and the Client Distribution Center (CD); the review of documents associated with manuals, procedures, licenses and permits, and operation reports; and a visit to the DC, to the Megamaxi San Luis hypermarket operation and the Supermaxi San Rafael supermarket under construction in the metropolitan area of Quito, Ecuador.

2. Environmental and Social Categorization and Rationale

The Project is a Category B operation under the IDB Invest Environmental and Social Sustainability Policy, as its possible environmental and social (E&S) risks and impacts are, overall, limited, mostly reversible, and can be alleviated via readily available measures that make use of current technologies and whose implementation is feasible within the context of the operation.

Possible environmental, social, and occupational health and safety impacts and risks identified for the Project during construction, renovation or adequacy activities for its branches relate to: (i) the generation of both hazardous and non-hazardous solid waste; (ii) air emissions; (iii) noise pollution; (iv) wastewater generation; (v) earthworks; (vi) soil vibrations; (vii) vegetation removal; (viii) possible alteration and displacement of wildlife; (ix) worker occupational health and safety impacts, and (x) community health and safety concerns regarding increased heavy transit. During the operation and maintenance (O&M) phase of the Project's branches, the risks and impacts tend to relate to: (i) occupational health and safety, (ii) both hazardous and non-hazardous solid waste generation, and (iii) the use of resources such as energy, water, and local services.

Natural hazards, such as earthquakes, fires, floods and thunderstorms, may also pose risks for the Project, not only because of possible impacts on workers, but also due to possible damage to the physical infrastructure of the Project's branches, which may result in commercial losses.

The Project will trigger the following Performance Standards (PS):

- PS 1: Environmental and Social Assessment and Management System;
- PS 2: Labor and Working Conditions;
- PS 3: Pollution Prevention and Abatement;
- PS 6: Biodiversity Conservation and Sustainable Management of Natural Resources; and
- PS 8: Cultural Heritage.

3. Environmental and Social Context

CF has operated since 1949, when its founder, Guillermo Wright Vallarino, began distributing products from the “La Favorita” factory in Quito. It opened its first supermarket in the city center in 1957, and it has been listed on the country's stock exchanges since 1975; since then, its operations in Ecuador have experienced sustained growth.

In the 1980s, CF began to diversify its business, with industrial operations (bread industry, poultry and meat industries) and specialty shops (household items, toys, technology, baby items, hardware stores, cooking items, Christmas items, telesales, automotive accessories), continuing in the 90s and 2000s, when it entered the real estate sector (malls), expanded the formats of its supermarkets (Megamaxi, Supermaxi and AKÍ) to serve all the country's economic segments, and developed its national Distribution Center (DC) located in Amaguaña, 1 hour from Quito. Today, CF has 312 national commercial premises in different formats (from commercial premises to hypermarkets), 7 industrial plants, 14 commercial centers and 122 international commercial premises, distributed in Costa Rica, Colombia, Panama, Peru, Paraguay and Chile. All these premises or branches are in possession of environmental licenses issued by each country's Environmental Authority, as well as licenses issued by municipal and other institutions (fire or civil protection, depending on the country) required for their operation.

At the heart of CF's activities is its DC, a commercial operations complex with a 110-hectare area that centralizes the supply of goods for its different chains of shops and supermarkets. The DC also has industrial processes for packaging and processing products such as meat products, poultry, fruit and vegetables, and ice, all of which have been certified under Good Manufacturing Practices (GMP).

In 2013, CF's Board of Directors decided to begin taking their business abroad. It began by opening stores for its Tadoo outdoors brand in Colombia and Peru in 2013, followed by the expansion of its specialized stores in Costa Rica, Paraguay, and Peru. After 6 years, starting in February 2019, CF acquired a controlling stake in Grupo Rey, a supermarket, pharmacy, and convenience store chain in Panama, with 98 sales branches in the country, in five different formats: Supermercados Rey, which have national coverage; Romero supermarkets, with regional coverage mainly in the provinces of Chiriquí and Bocas del Toro; discount supermarket Mr. Precio; Metro Plus pharmacies; and Zaz Food Store convenience stores, located inside Delta gas stations.

Today, CF is in the initial assimilation stage of the business in Panama, taking over its full ownership, supporting the executive team's management, exporting knowledge, equipment and services, and exchanging best practices. During 2020, construction of a new distribution center with an estimated cost of US\$50 million will begin, which is expected to begin operations one year later. Thus, by 2021, CF plans to enter a second phase of efficiency and consolidation in Panama.

The third stage of growth is expected to take place in subsequent years. The Panamanian business also generates possibilities to export Ecuadorian products to that country, which is to become a new line of business that would complement current domestic production exports, mainly of its own brand.

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

CF is currently developing and testing its own Environmental Management System (EMS), aimed at ensuring compliance with environmental regulations and all its operations' Environmental Management Plans. It also intends to develop good practices that allow it to support environmental conservation efforts. To fully comply with PS-1, however, it will develop a project-specific EMS whose integrity will be evaluated in accordance with the IFC implementation Manual and Tools.² The results of this evaluation would enable strengthening or updating the components of the EMS according to the applicable environmental, social, health, and safety requirements of the environmental (Environmental Management Act and the Organic Code of the Environment) and labor (Labor Code) legislation of the Republic of Ecuador.

4.1.b Policy

CF has an Environmental Policy that sets forth: (i) compliance with the regulatory and policy framework of the country in which it operates; (ii) waste management, to reduce its generation and to increase the recovery of recyclable materials; and (iii) efficient management of resources such as water and energy, by seeking alternatives to optimize its productive activities so as to reduce its carbon footprint and impact on climate change.

CF also has a Health and Safety Policy in which it states its commitment to protect and promote the safety and health of all its employees, establishing a culture of occupational hazards prevention to avoid occupational accidents and diseases.

Both policies have been disclosed and disseminated to all company employees, either through its Annual Reports or through the CF Employee Portal.

4.1.c Identification of Risks and Impacts

CF identifies the E&S risks and impacts for its projects as part of the environmental impact assessment processes required to obtain an environmental license, or bases itself on environmental records within the Unified Environmental Information System (SUJA, for its acronym in Spanish).

To identify the risks associated with its primary supply chains, CF will expand the risks and impacts identification and assessment process to include its main suppliers and will subsequently take any appropriate corrective measures.

Given that the execution and operation of the Project is dynamic, CF will continuously update the E&S and OHS risk matrix for each phase of the Project (Design, Construction, O&M, and Closure or Decommissioning) for all its operations, in order to obtain, monitor, and control operating/business permits or licenses.

² Environmental and Social Management System, Implementation Manual - General, IFC, version 2.1, November 2015. Environmental and Social Management System Tools – General, IFC, version 1.2, November 2015.

4.1.d Management Programs

CF has an Environmental Management Plan (EMP) in each branch for all its existing operations, which have been duly approved by the Ministry of Environment (MAE, for its acronym in Spanish) of the Republic of Ecuador.

However, CF will develop specific EMPs for the Construction phase of each new branch—and, in general, for each new construction work—which will include the following measures: (i) an Impact Management Program for the physical, biological, and visual environment, which will include mitigation measures for any earthmoving or earthworks impacts; hazardous and non-hazardous solid waste management; control of pollutant gas emissions by construction machinery and equipment; disturbance of the environment due to the increased generation of dust and noise; control of liquid effluents, both industrial and domestic, in compliance with local legislation; (ii) an Impact Management Program for the socioeconomic environment, which will include safety measures for the communities/dwellings in the vicinity of the Project; E&S and OHS training for construction managers and workers; measures for inter-institutional coordination; and measures to ensure safe and hygienic-sanitary conditions for workers during construction.

Likewise, CF will develop an EMP for the O&M phase of its new branches, which will include the following: (i) an Environmental Monitoring and Tracking Program, (ii) a Comprehensive Solid and Liquid Waste Management Program, which emphasizes environmentally friendly measures to store and dispose of any waste that cannot be reduced, reused or recycled, and also provides special measures for hazardous waste management, such as oils, greases, paints, solvents, medicines, disinfectants, or any other product that requires special management used during O&M activities in each branch under local environmental and health regulations; and (iii) an Occupational Risk Prevention Management Program.

4.1.e Organizational Capacity and Competency

Building on its competencies, CF shares E&S and OHS responsibilities between Corporate, Prevention and Safety, and Maintenance Management. Corporate Management, with the support of the Head of Regulatory and Environmental Affairs and the Environment Assistant, is responsible for planning, implementing and monitoring the environmental and social actions required under the Organic Environmental Code in force.

Similarly, Prevention and Safety Management, together with the Head of Safety and the Safety and Maintenance Heads and Deputy Heads of each Zone, is responsible for implementing the Health and Safety Management System (HSMS), using the process control and review programs.

4.1.f Emergency Preparedness and Response

Each existing CF branch has an Emergency Plan—approved by the Benemérito Firefighters Corps in each locality—that aims to address and mitigate the consequences of natural hazards and anthropogenic risks that may arise; to adopt more appropriate protective measures; to identify the human and material resources required for its implementation; and to define the coordination scheme for the persons, agencies, and services that must be involved in an emergency. These plans provide for the formation of fire and evacuation brigades, periodicity of drills, safety signage, and evacuation routes. CF also has a Brigades Training Program and encourages the regular execution of evacuation drills.

CF will develop a specific Emergency Plan for each new branch, which will define the guidelines for the actions to be taken in the event of various identified scenarios and disasters, which may be technological (e.g. spills, fires and explosions, spills of non-hazardous and hazardous materials, LPG gas leaks, etc.), natural (e.g. fire, hurricanes or tropical storms, floods, or earthquakes), and human (e.g. civil disturbances) in nature.

4.1.g Monitoring and Review

CF is responsible for ensuring the implementation of the mitigation measures described in the EMPs and Monitoring and Tracking Plans of each branch. In this regard, under the environmental legislation in force, CF will submit its Environmental Compliance Reports (ECR), in the case of branches that have an Environmental Register, or an Environmental Compliance Audit (AAC) report for branches with an Environmental License.

CF has a compliance matrix of all legal and contractual obligations of each existing branch, including: (i) the competent authority that gives the authorization or issues the permit or license; and (ii) the issue and validity dates. It has also developed a Legal Compliance Procedure, with the aim of defining the guidelines, responsibilities, and methodology to be followed to identify, access, update, communicate, evaluate, and track compliance with the legal requirements related to its line of business.

To ensure strict compliance with PS-1, CF will prepare, either through an internal audit or through an independent E&S expert endorsed by the National Environmental Authority (external audit), a consolidated annual report on the compliance status with all environmental, social and OHS policies and measures applicable to the Project works, including the progress of the EMS actions with regard to the defined key performance indicators (KPIs), as well as the compliance status with the IDB Invest Environmental and Social Sustainability Policy.

4.1.h Stakeholder Engagement

CF puts into practice corporate communication that allows open and ongoing dialog with its different stakeholders. In this sense, it has a Corporate Communications Committee comprised of representatives from all Management areas. The communication tools it uses are: (i) institutional spokespersons; (ii) a digital strategy through its website and social media such as Facebook, Twitter and Instagram; (iii) site visits under its open door policy; (iv) print publications, such as its annual report and Maxi magazine; (v) a public relations office; and (vi) participation in social and business events.

4.1.i External Communication and Grievance Mechanisms

CF has a Customer Experience Department, which, together with the “Solution Center” area, uses the Grievance Management and Follow-up System from the Customer Experience Platform (CEP) to receive and manage grievances, suggestions, complaints, etc., from the community and its clients, as well as from its employees.

CF has developed a procedure to carry out the Suggestions or Grievances Process that includes physical (mailboxes located in all stores) and electronic media (social networks, corporate web pages and mobile applications) to receive suggestions or grievances at any time and on any day of the year; however, in order to fulfill PS-1, CF will adapt its procedure to provide an easily accessible and culturally appropriate mechanism that will provide that access to other applicable administrative or legal recourse— as merited by the severity of the violation—is not prevented.

4.2 Labor and Working Conditions

4.2.a Working Conditions and Management of Worker Relationships

4.2.a.i Human Resources Policies and Procedures

CF has Internal Labor Regulations (ILR) approved by the Ministry of Labor (Resolution No. MDT-DRTSP2-2016-6083-R2-SP), which contains provisions relating to: employee classification and admission; working conditions; working hours and attendance control; paid and unpaid leaves of absence; first aid and medical care services in the event of occupational accidents, diseases, or emergencies; conditions for the use of uniforms, changing rooms, and cafeterias; employee obligations and prohibitions; administrative rules with regard to technology; types of violations and their sanctions; paid annual leave; wages and pay periods; discoveries, inventions and improvements; and labor relations. The ILR sets forth the principles of gender equality and non-discrimination, equal opportunity, fair treatment, a contract with suitable working conditions and terms of employment, notice of dismissal and severance pay.

In addition, CF has: (i) a Wages and Employment Benefits Policy that defines wages through a fair and equitable analysis of social and economic reality, regardless of gender, which seeks to attract and retain talent; and (ii) Statements of Purpose for equality, anti-harassment, and anti-discrimination Policies based on national legislation and international Human Rights conventions.

All aspects related to labor and working conditions are managed by the Vice President of Human Talent, with the support of the Human Talent Administrative Deputy Managers and Departmental Managers, Heads and Deputy Heads of Human Talent, plus the Occupational Health and Safety staff, with regard to matters falling under each one's jurisdiction.

4.2.a.ii Working Conditions and Terms of Employment

CF fulfills the provisions of PS-2, the Labor Code,³ and the Occupational Health and Safety Regulations through its ILR and Wages and Employment Benefits Policy,⁴ which sets the rules and conditions for staff selection and recruitment; working days, hours, and breaks; paid annual leave; paid and unpaid leaves of absence; flexible work schemes to promote collaboration and productivity; wages and benefits; employer and employee rights and obligations; behavior and disciplinary measures; asset security; risk prevention; and workers with disabilities, among others.

4.2.a.iii Workers' Organizations

Ecuador is a signatory to a number of international conventions and treaties of the International Labor Organization (ILO) relating to workers' rights, including Convention No. 87 concerning Freedom of Association and Protection of the Right to Organize and Convention No. 98 concerning the Right to Organize and Collective Bargaining. In this sense, CF allows the free association of its employees.

4.2.a.iv Non-discrimination and Equal Opportunity

ILO international conventions and treaties ratified by Ecuador and relating to the rights of workers Convention No. 100 concerning Equal Remuneration for Men and Women Workers for Work of Equal

³ Code No. 17, as amended on September 12, 2014.

⁴ Executive Order No. 2393, as reformed on February 21, 2003.

Value, Convention No. 111 concerning Discrimination in Respect of Employment and Occupation and Convention No. 159 concerning Vocational Rehabilitation and Employment of Disabled Persons. CF fulfills these principles.

4.2.a.v Retrenchment

In its ILR, CF has set forth the conditions for termination of the employment relationship, in accordance with the provisions of the Labor Code of Ecuador.

4.2.a.vi Grievance Mechanism

CF employees can submit grievances and suggestions confidentially if they so require, through its in-house website "Mi Portal Favorito". Employees can also use the Customer Experience Platform (CEP) as an additional channel. Submitted grievances are sent to the respective area for follow-up and resolution.

CF will incorporate improvements to its internal grievance mechanism so that it applies to all its employees and any worker onboarded to a CF facility. This mechanism will determine:(i) how and through what means the grievance is received from employees or any worker engaged by its contractors and their subcontractors; (ii) how these grievances are evaluated; (iii) how responses are provided and followed up, concluding with the closure of the grievance; and (iv) any adjustments or improvements to the EMP, in terms of communication and disclosure and dissemination of information. In addition, CF will implement a Training Program on how to use this mechanism, which will be implemented and informed to all its staff and those engaged by its contractors and their subcontractors.

4.2.b Protecting the Workforce

Ecuador is a signatory to several ILO international conventions and treaties relating to workers' rights, including Convention No. 138 concerning Minimum Age for Admission to Employment, Convention No. 182 concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labor, Convention No. 29 concerning Forced or Compulsory Labor, and Convention No. 105 concerning the Abolition of Forced Labor. In this regard, and in compliance with the Labor Code, the Employee Health and Safety Regulations, and the Childhood and Adolescence Code⁵ of the Republic of Ecuador, CF's ILR regulates working relations, setting forth the minimum rights and obligations of employers and employees and promoting equality and equity in the enjoyment of human, civil, political, economic, social, and cultural rights between women and men.

4.2.c Occupational Health and Safety

In addition to the Health and Safety Policy, CF has the Health and Safety Regulation, approved by the Ministry of Labor in compliance with the Labor Code of Ecuador, which: (i) defines procedures relating to the prevention of occupational accidents and diseases for all workers, (ii) urges the use of all tools to prevent occupational risks the company; (iii) aims to control risks at the source; (iv) prioritizes collective over individual protection; (v) promotes, organizes, and facilitates the operation of the health and safety unit, the medical service, and the health and safety committee; (vi) promotes professional development through ongoing training programs on health and safety issues; and (vii) provides for continuous improvement based on records obtained from the management system.

⁵ Law No. 2002-100, published in the Official Register on July 3, 2003.

In addition, CF has a number of procedures for Occupational Health and Safety (OHS) that are in line with the risk analysis of its operations, as well as a Safety Lectures Training Program and a procedure to keep the prevention and safety folder up to date.

4.2.d Workers Engaged by Third Parties

The ILR sets out the rules and conditions relating to the working conditions of its employees and those engaged by third parties (contractors and subcontractors), in accordance with the Labor Code and ILO international conventions.

4.2.e Supply Chain

In order to avoid any risk of child labor or forced labor in its main supply chain, CF requires all its suppliers to sign the General Supply Manual together with its Logistics and Operating Annex, which sets forth the obligation of the supplier to comply with labor regulations and, in particular, the prohibition of child labor and working conditions.

4.3 Resource Efficiency and Pollution Prevention

4.3.a Resource Efficiency

4.3.a.i Greenhouse Gases

The following actions were implemented by CF in 2018 to reduce its carbon footprint: (i) eliminating the use of liquefied petroleum gas (LPG) to heat water to wash plastic crates, thereby eliminating 46,800 kg of LPG; (ii) installing LED lights, reducing electricity consumption by 6%; and (iii) replacing refrigerant gases with low-impact gases. All these actions have led to a reduction of 2,023 t of CO_{2(e)}.

In addition, CF produces its own energy through 3 hydroelectric plants, preventing the emission of 282,000 t of CO_{2(e)}.

With the aim to obtain a carbon neutral certification in coming years, in 2018 CF inaugurated its first LEED-certified commercial center located in Plaza Batán. CF already has a Carbon Neutral 2020 program in place, which comprises 4 stages: (i) the quantification stage, in which emission sources are identified, the system is framed and information is collected; (ii) an external audit through an independent third party; (iii) reduction, in which a Carbon Management Plan is developed and implemented; and (iv) reduction assessment, in which the 2019 carbon footprint is calculated and evidence of compliance with GHG emission reduction targets is then collected.

4.3.a.ii Water Consumption

CF branches use drinking water provided by the municipality of each locality. However, the DC has a well water use license for up to 189,216 m³ of consumption per year. It also stores and uses rainwater to wash the outside of its trucks. In addition, CF has a Water Quality Control Program, which, in compliance with the national regulations in force, sets forth guidelines to guarantee the quality of the water used at the DC.

As a result of the Cleaner Production Agreement (APL, for its acronym in Spanish) signed by CF and the then Ministry of Industry and Productivity (now the Ministry of Production, Foreign Trade, Investment and Fisheries - MPCEIP, for its acronym in Spanish) and the Association of Food and Beverage

Manufacturers (ANFAB, for its acronym in Spanish), with the support of the Ecuadorian Center for Resource Efficiency (CEER, for its acronym in Spanish), energy, water and fuel saving projects were identified. As part of these, the following water-saving measures were implemented: (i) use of cleaning machines that reduce water consumption (pressure washers); (ii) use of prismatic and automatic flushometers to prevent wasting water in bathrooms, sinks, and sprinklers; (iii) use of eco-toilets that do not utilize water (for the moment, at the Mall Los Andes and Centro Comercial Batán); and (iv) water reuse in some processes (the operation of the plastic pelletizer in the company GIRA).

4.3.b Pollution Prevention

4.3.b.i Wastes

In compliance with the Environmental Quality and Effluent Discharge Standard (Book VI, Annex 1), liquid effluents produced by CF facilities pass through a wastewater pretreatment system (grease trap) before being discharged into the municipal sanitary sewer systems operated by the drinking water and sewerage service companies (EPS, for its acronym in Spanish) of each locality.

As part of its commitment to sustainability and to improve its environmental performance, CF classifies its solid waste into three components: (i) losses, which correspond to damaged products that are thrown away; (ii) donations, which are those products that are not suitable for sale, but are for consumption, and that are delivered free of charge to different foundations; and three) recyclables, i.e. cardboard, plastics, organic waste, and metals, which are removed by a duly authorized company under a service contract.

CF does not transport (domestic) hazardous and non-hazardous solid waste outside its facilities. This waste is managed by companies certified by the Ministry of the Environment of Ecuador (MAE, for its acronym in Spanish).

4.3.b.ii Hazardous Materials Management

In compliance with the provisions of the Environmental Register as Hazardous Waste Generator No. Suia-03-2017-MAE-DPAPCH-00204, CF submits its Annual Statement on the Generation and Management of Hazardous Waste. It also maintains service contracts with management companies authorized by the MAE, which are responsible for the transportation, handling, and final disposal of these materials, as set out in Technical Standard NTE-INEN-2266, Transport, Storage and Handling of Materials. At the end of the cycle, these companies submit a single manifest or certificate of management or destruction of the material in question.

4.4 Community Health, Safety and Security

4.4.a Community Health, Safety and Security

The new CF supermarkets will be designed and built by competent contractors of renowned experience in the construction and operation of this type of works, which will use industry-recommended best international practices and will comply with the applicable national and international construction and safety guidelines, standards, and codes.

4.4.a.i Infrastructure and Equipment Design and Safety

In keeping with the technical standards of the Ecuadorian Standardization Authority (INEN, for its acronym in Spanish) and the provisions set forth in Ecuador's fire protection legislation ("*Ley de Defensa Contra*

Incendios del Ecuador”), the design of the Life and Fire Safety (L&FS) Systems or Facilities of the Project branches will satisfy the international standards of the National Fire Protection Association (NFPA).

In this regard, CF will provide certification from a qualified professional acceptable to IDB Invest, who will verify that the design of the new branches' fire protection facilities satisfies the L&FS requirements of the IFC General Environmental, Health, and Safety Guidelines, the NFPA's international L&FS codes, and Ecuador's fire safety legislation and INEN standards. After construction, a qualified L&FS professional acceptable to IDB Invest will inspect the project and submit a certificate that the new branches considered in the Project have been built, that they operate in accordance with the approved L&FS design and that all L&FS devices were installed as designed and tested in accordance with international requirements.

4.4.b Security Personnel

CF has its own security personnel or guards, who perform the function of entry verification and control, rounds and surveillance, records, key control, and incident observation and reporting. Under no circumstance is this personnel empowered to carry arms. It also has an electronic security, automation, and vehicle tracking service at the national level provided by the Ecuadorian company CGB.

CF will include in the contracts entered into between each supermarket or the DC and the external security company or companies, provisions that allow it to, among others: (i) conduct reasonable investigations to ensure that security personnel do not have a criminal record and have not been involved in cases of abuse; (ii) verify details of necessary training on the use of force; (iii) verify restrictions on the use of firearms; and (iv) identify details of the environmental and social awareness training, including the subject of respect for human rights.

4.5 Land Acquisition and Involuntary Resettlement

The Project does not involve any development outside of its own land—acquired previously through a private purchase agreement/contract—and does not involve involuntary resettlement or economic displacement of any kind.

4.6 Biodiversity Conservation and Management of Natural Resources

The Project will be developed on previously intervened (mixed use) land, with regenerative vegetation (mainly grasses or randomly scattered individual trees or small groups of two to five trees) of little ecological value, or abandoned facilities (old buildings or locales inside shopping malls). For this reason, no significant impacts on biodiversity, ecosystem services, or natural resources are foreseen.

All existing branches of the Project have their Certificate of Intersection that certifies that the facilities do not intersect the National System of Protected Areas, Protective Forests, and State Forest Heritage.

4.6.a Supply Chain

The provision of products and services in all CF branches and their subsidiaries is supported by a strong value chain of 11,395 national and foreign suppliers. In the Republic of Ecuador, CF has 2,877 suppliers, of which 77% belong to the categories of artisans, organizations of the Popular and Solidarity Economy (EPS, for its acronym in Spanish) of Ecuador, micro and small enterprises.

CF and its subsidiaries have policies relating to suppliers and the promotion of market opportunities as part of their corporate philosophy, whereby, in 2018, purchases from micro and small enterprises increased by 5% in relation to 2017, steadily increasing the number of suppliers, with periods of increased growth and as diversification of categories for smaller and entrepreneur suppliers.

Similarly, in support of national production in Ecuador, 92.53% of CF's acquisitions during the previous year were local purchases. This includes the Supermaxi, AKI and Original own brands, which have turned local suppliers into true trading partners for CF.

As for the treatment of suppliers, CF has streamlined its trade policies and requirements to fulfill the regulatory standards for supermarket chains and their suppliers (the Supermarket Manual of the Superintendence of Market Power Control - SCPM, for its acronym in Spanish, which in 2018 was replaced by Resolution 014). At the start of the business relationship, each supplier signs a General Supply Manual together with its Logistics and Operating Annex, which sets out trade terms and calls for regulatory compliance in all areas applicable to the product; it also sets out the supplier's obligation to comply with: (i) labor regulations and, in particular, the prohibition of child labor; (ii) respect for anti-corruption policies; and (iii) respect for policies regarding lawful origin and destination of funds.

As a complement to the General Supply Manual and to reinforce the commitment of its suppliers, starting in 2012, CF implemented the requirement for each supplier to sign a Statement in which they once again certify compliance with the labor legislation in force and the Childhood and Adolescence Code (Law No. 2002-100) and applicable environmental legislation, to minimize environmental impacts through appropriate waste management and the rational consumption of natural resources in their processes.

Finally, to support its suppliers, CF conducts in-person business training and through a B2B platform (a commercial computer system that allows direct communication with suppliers and sharing documents, procedures and other business-related information) and, when appropriate, in conjunction with public institutions, to improve their business capacity and thus foster economic growth in the country, mainly through support to micro, small and medium enterprises (MSMEs). It is also important to note that, as part of its prioritized axis of work in shared value, CF promotes the participation of women entrepreneurs, as suppliers of products and service providers.

4.7 Indigenous Peoples

The Project is developed within the main cities or urban centers of Ecuador, where there are no indigenous communities.

4.8 Cultural Heritage

4.8.a Protection of Cultural Heritage in Project Design

4.8.a.i Chance Find Procedures

Based on the recommendations of the National Institute of Cultural Heritage (INPC, for its acronym in Spanish) and the Directorate of Cultural Heritage Risks of Ecuador, and as part of the environmental licenses required to execute any additional Project-related work that requires earthworks and/or earthmoving, CF shall develop a Chance Find Procedure⁶ in line with the provisions of PS-8, which will be

⁶ A chance find procedure is a Project specific procedure that describes the measures to be taken in the event of finding previously unknown cultural heritage.

applied, as its name indicates, in the event of archaeological or paleontological chance finds. CF will comply with the other technical provisions of the Directorate of Cultural Heritage Risks.

5. Local Access of Project Documentation

Additional CF sustainability information can be accessed at the following link: <http://www.corporacionfavorita.com/sostenibilidad/>

6. 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. As a last resort, affected communities have access to the IDB Invest Independent Consultation and Investigation Mechanism by writing to mecanismo@iadb.org or MICI@iadb.org, or calling +1(202) 623-3952.

7. Environmental and Social Action Plan

The Project's Environmental and Social Action Plan (ESAP) is summarized in [Annex 1](#).