

1. Scope of Environmental and Social Review

This review is based on information provided by the company and interviews with senior executives responsible for the areas of finance and human resources that took place during the month of August 2018.

2. Environmental and Social Categorization and Rationale

This is a Category C project (low risk), according to IDB Invest Environmental and Social Sustainability Policy, since its potential impacts and environmental and social risks are very limited and can be mitigated with readily feasible measures.

The International Financial Corporation (IFC) Performance Standards triggered by this operation are the following:

- Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts
- Performance Standard 2: Labor and Working Conditions
- Performance Standard 3: Resource Efficiency and Pollution Prevention
- Performance Standard 4: Community Health, Safety, and Security

3. Environmental and Social Context

Companex is one of the main distributors of mass consumer products (hygiene items, foods and by-products) in Bolivia, where the great majority of final sales of such products are made by retailers. Most of the neighborhood stores are led by women. Companex serves more than 19,000 neighborhood stores nationwide, most of which are concentrated in the cities of La Paz, Santa Cruz and El Alto. Companex also operates in Cochabamba, Tarija, Oruro and Sucre. In addition to stores, Companex distributes its products to supermarkets and wholesalers.

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

4.1 Assessment and Management of Environmental and Social Risks and Impacts

a. Environmental and Social Management System. Companex has put in practice some elements of the Environmental Management System (EMS). As part of the Environmental and Social Action Plan (ESAP), Companex is committed to developing the EMS elements that will allow it to comply with the IDB Group sustainability policies.

b. Policy. The Environmental and Social, Health and Safety Policy will be developed and included in the EMS.

c. Identification of Risks and Impacts. The most important risks and impacts are mainly in the areas of compliance with labor, occupational and community health and safety standards, including waste generation, adequate management of hazardous materials, and pest control.

d. Management Programs. Companex has developed internal operations manuals, with centralized, electronic tracking and traceability systems of its products, including a FIFO (first-in first-out) system in inventory management to verify expiration dates of food in storage. The EMS will include health, safety, community relations, working conditions, resource efficiency and pollution prevention management programs.

e. Organizational Capacity and Competency. The EMS will identify and assign management responsibilities, developing an environmental, social, health and safety management team trained and competent to carry out the EMS.

f. Emergency Preparedness and Response. The company has an alarm and firefighting system. An emergency prevention and response plan identifying potential risks and specific procedures (for events such as accidents, fires, earthquakes, spillages, intoxications, assaults, riots, among others) will be developed by Companex. First aid procedures and evacuation procedures (where applicable) will be included in the plan. An assessment will be made of nearby available emergency medical facilities and related services (ambulances) at each location nationwide. The emergency plan will detail a communications system defining recipients and contents depending on the emergency, as well as the chain of command and the brigade operating the response. Also, a post-emergency analysis will be included to determine the causes of the emergency and the corrective actions to prevent it in the future or mitigate its effects. The emergency plan will include a specific training plan for the staff and an emergency drill plan.

g. Monitoring and Review. Follow-up will be carried out by the company, regarding EMS implementation as well as accidents and incidents, and interaction with the authorities and the community regarding environmental, social or safety issues. Companex will report results periodically to IDB Invest.

h. Stakeholder Engagement. Given the nature of Companex's activities, interaction with the community is low. Companex will develop a stakeholder interaction and communication procedure involving identification mapping, expectations, communication channels, and a grievance mechanism. The appointment of a community liaison officer will be included in this procedure.

4.2 Labor and Working Conditions

a. Working Conditions and Management of Worker Relationships. Companex has confirmed that it has no pending occupational health conflicts (including lawsuits) or labor disputes of any other nature. As part of the EMS, Companex will also develop a Personnel Handbook to establish employer and worker's rights and obligations, including third-party workers, if any. The Handbook will establish selection, hiring and training procedures of human resources, methods of determining remunerations and benefits, as well as grievance mechanisms. The company will establish a grievance mechanism for workers (and their organizations, where they exist) to express their concerns about their workplace. The client will provide the workers with information about the grievance mechanism when they are hired and will facilitate their access to it. The mechanism should be under a reasonable level of management and it should handle complaints swiftly, with a transparent and understandable process that provides timely feedback to interested parties, without retaliation. It must also allow for and address anonymous complaints.

The mechanism must not hinder access to other judicial or administrative remedies that may be available in accordance with existing laws or arbitration procedures, nor substitute the grievance mechanisms provided by collective agreements, among others.

The company will provide workers with clear and understandable written information about their rights under labor and employment national laws and any applicable collective agreements, including rights regarding working hours, salaries, overtime, compensations and benefits granted since the beginning of the employment relationship, and any subsequent substantial changes.

The EMS will include a code of ethics and good conduct for employees at all levels, concerning interaction among workers and also interaction with third parties. The company will adopt measures

to prevent and deal with harassment, discrimination, intimidation, threats, violence and other inappropriate behaviors. It will also define prohibited practices and their sanctions, such as corruption, theft, damage to facilities or property, alcohol and drug use, among others. Mechanisms for anonymous reporting will be established.

b. Protecting the Workforce

i. Child labor. Minimum working age is 18 years. The company does not hire minors.

ii. Forced labor. Non-existent.

c. Occupational Health and Safety. Companex complies with health and safety laws and regulations. There is a Joint Labor-management Safety and Health Committee regulated by the Ministry of Labor. This committee, made up of employees and employers, meets periodically and establishes mechanisms to (i) guarantee the right conditions of workplace health, safety and well-being, preventing occupational risks and diseases; (ii) achieve a work environment free of risk to workers' psychophysical health; and (iii) protect people and the environment in general, against direct or indirect health and safety risks. In order to reinforce the above goals, the company will develop a health and safety management plan to help identify risks and determine mitigating steps, as well as specific training and controls.

d. Workers Engaged by Third Parties. The only third-party personnel is from companies providing security services (see 4.4.b).

e. Supply Chain. The company imports products from internationally recognized companies. The only local supplies are those required for warehouses and offices operations. They make up an insignificant percentage of the company's purchases and are sold by established businesses.

4.3 Resource Efficiency and Pollution Prevention

a. Resource Efficiency

i. Greenhouse Gases. Companex has a vehicle fleet for merchandise transportation and for sales personnel. The maintenance of these vehicles is carried out in the company's own facilities. Companex must implement programs to measure and improve vehicle emissions as part of the EMS.

ii. Water Consumption. The company's water consumption is not significant, being used only for staff services and cleaning premises.

b. Pollution Prevention

i. Waste. Waste management is carried out through municipal services. Recyclable products (cardboard, wood, paper, etc.) are sent to processing companies. The EMS will provide for the development of a comprehensive waste plan that includes waste separation, classification and storage until its final destination. Particular emphasis will be placed on hazardous waste (used lubricating oils, batteries, vehicle tires, used filters, contaminated rags, fluorescent tubes, ink cartridges, paint cans, etc.) so that they can be managed safely until their final disposition in compliance with national laws and best practices.

ii. Hazardous Materials Management and Safety. The company handles few hazardous products. The main one is the lubricating oil used in vehicle maintenance. Appropriate procedures will be established for its safe storage.

iii. Pesticide Use and Management. Pest control at Companex warehouses is carried out by a specialized company which provides the necessary pesticides. As part of the EMS, Companex will develop a pest management handbook for contracted companies which will verify the use of authorized products, appropriate application methods including the correct handling and storage of pesticides to avoid potential harm to workers and the community, as well as to the stored merchandise, and is appropriate for the type of pest seeking to control without affecting other non-problematic species.

4.4 Community Health, Safety and Security

a. Community Health and Safety. Companex has no outstanding environmental and occupational health and safety liabilities (including legal claims). A road safety plan will be developed by Companex comprising safe driving standards according to type of vehicle, rules of behavior on the road, needed vehicle inspection and maintenance, road accidents' reporting and analysis, and training for drivers and maintenance staff, among others.

b. Security Personnel. Specialized companies are responsible for the physical security of Companex's premises. Guards do not carry weapons. They are responsible for controlling entrance to the premises and for surveillance. Companex will develop procedures manuals for security companies following best practices established in the Voluntary Principles on Security Forces and Human Rights of the United Nations (PVs).

4.5 Land Acquisition and Involuntary Resettlement

The company facilities are owned by the company and include warehouses and offices, with the only exception being the leased premises in Sucre. There is no displacement of people or economic activities.

4.6 Biodiversity Conservation and Natural Habitats

Due to the nature of the company's activities, there is no impact on biodiversity or living natural resources. There is also no risk of affecting such aspects in the supply chain.

4.7 Indigenous Peoples

There are no affected indigenous peoples.

4.8 Cultural Heritage

There is no impact on cultural heritage.