

Environmental and Social Strategy
Tenda Atacado, Ltda
“Mundo Vox Tenda”
(BR-L1270)

I. Transaction Overview

1. The proposed program is composed of an OMJ loan of up to US\$10 million and a US\$270,000 technical assistance training grant to the Brazilian company *Tenda Atacado Ltda*, presently one of the major companies in the food/beverage warehousing business in the State of Sao Paulo.
2. The objective of the Opportunities for the Majority (OMJ) loan is to provide credit and training for small food service providers that buy products in *Tenda*’s Cash & Carry warehouses, which are *Tenda*’s stores specialized in selling products to final consumers and to formal and informal micro-entrepreneurs in the outskirts of the city of São Paulo. Together, the credit and training components will form a new loyalty program – “*Mundo Vox Tenda*” (or the Program) to support the growth and increased economic well-being of *Tenda*’s food services clients from the base of the pyramid.
3. The program will be implemented by *Vox Cred S/A*, a company of the *Tenda Group* that is responsible for credit operations and risk management.
4. A grant will finance the training component of the program, i.e. the development of a training program for *Tenda*’s clients to help them improve their business skills, stimulate their formalization, and enhance their hygiene practices.

II. Environmental and Social Impacts and Risks

The operation is expected to generate positive social impacts for the beneficiary micro-entrepreneurs, through business development, higher profits and investments, and capital increase and improvement, as well as through the formalization of their businesses, in the case of informal clients. There are some social risks associated with the interest rate, which is relatively high compared to those offered by commercial banks and could affect the borrowers’ capital, or at least limit their profits.

5. Possible negative impacts would be mainly on health and safety and would be associated to the warehouses’ as well as to the clients’ facilities, equipment and working practices (i.e., food preparation, conservation and delivery). Impacts on safety could result from an unsafe facility and/or lack of an emergency procedure. Impacts on health could result from improper storage and conservation of fresh products (risks of not maintaining previously frozen, refrigerated or cooked foods at sufficiently cold or hot temperatures, which can lead to the presence of bacteria that result in food poisoning), and from unhygienic practices or lack of hygienic practices such as washing food and equipment, etc). Such impacts are expected to be minor if any given the size of the businesses and the low cost or easy adoption of preventive measures. They should be further limited by the proposed training in hygiene practices for *Tenda* clients. The impact associated to the

cash & carry warehouses are also anticipated to be minor as long as the security and sanitary management are adequate and comply with the applicable laws and regulations.

6. There are social and labor risks associated with the potential discrimination against informal clients compared to formal clients, and with the potential use of child labor, for example in the case of those clients that are informal street vendors. Finally, there is a risk that *Tenda* might sell in its Cash & Carry Warehouses products that are covered by IDB's list of excluded activities for Non-Sovereign Guaranteed operations.

III. Strategy for Environmental and Social Due Diligence

7. Since the proposed Project is a financial intermediation, it is classified as an under Directive B.13 of the IDB's Environment and Safeguards Compliance Policy, and no classification is required.
8. The Bank, as part of the due diligence process, will analyze the environmental and social aspects of this transaction to determine any potential environmental, social, health and safety, and labor requirements. The environmental and social due-diligence will focus on the components listed below and will attempt to identify areas where the Bank's participation could result in additionality by promoting better management and good practices:
 - a. An assessment of *Tenda* group's involvement in projects, companies or activities considered unacceptable to the IDB in case it could represent a reputational issue.
 - b. An assessment of *Tenda* group's compliance with all ESHS and labor legislation applicable in Brazil.
 - c. An evaluation of *Tenda* group's compliance with the Fundamental Principles and Rights at Work and with any other international labor organization conventions and treaties which, to assess potential labor issues associated with microenterprises.
 - d. An evaluation to ensure an appropriate inventory of present environmental and occupational safety liabilities in *Tenda Group's* facilities and operations, and if so, assess the adequacy of the action plan to properly resolve them.
 - e. An assessment of products sold in *Tenda Group's* stores focused on any products that might be in the IDB list of excluded activities for non-sovereign guaranteed operations.
 - f. An evaluation to ensure that the Cash & Carry warehouses have adequate Contingency Plans and procedures (i.e. emergency response programs, building evacuation drills, etc) as well as an adequate sanitary management including their technical adequacy, adequate level of training, and sufficient resources to ensure adequate implementation.

- g. An assessment of the adequacy of *Vox Cred* evaluation to ensure that extension of credit is equitable, fair, and unbiased in terms of social factors (e.g. age, gender, cultural heritage, micro-business formality/informality).
 - h. An assessment of the justification for the final interest rate that will apply to individual borrowers to ensure that it is commensurate with the risk profile of the client base and the operational costs and reasonable profit margins for the provider, in-line with market practices, and consistent with the Bank's objectives to support least cost solutions to poverty alleviation bottlenecks.
9. The Environmental and Social Management Report and a section of the Loan Proposal will report on the team's environmental and social due diligence activities and show how the environmental and social risks and impacts will be managed.