

Environmental and Social Review Summary (ESRS) Wonder Brands - REGIONAL

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

The transaction consists of an equity investment (the "Transaction" or the "Project") in Wonder Brands (the "Company" or "WB"), an e-commerce aggregator that acquires and optimizes small- and medium-sized enterprises ("e-SMEs") that sell their products through digital channels in Latin America. The Transaction funds will be used to cover the Company's operating expenses, the acquisition of new brands and to fund the working capital of its subsidiaries engaged in the purchase and sale of manufactured products.

The scope of IDB Invest's environmental and social review included: (i) the analysis of the Company's information and documents, and (ii) virtual meetings with the people in charge of WB's management, human resources and operations systems.

2. Environmental and Social Categorization and Rationale

The Transaction has been classified as a Category B transaction as per IDB Invest's Environmental and Social Sustainability Policy, since it will likely generate, among others, the following impacts and risks: (i) workers' occupational and health and safety ("OHS") risks; (ii) the generation of (hazardous and nonhazardous) solid waste, and (iii) the increase in the local community's health and safety risks due to the generation or increase in traffic in the areas near distribution sites. These impacts and risks are deemed to be of low intensity and easily manageable from the Company's perspective.

The Performance Standards (PS) triggered by the Project are: (i) PS 1: 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

Wonder Brands was founded in 2021 and has acquired four e-SMEs since then. Through its subsidiaries, Wonder Brands has leased 10 warehouses: 1 in Bogotá, Colombia; 2 in Montevideo, Uruguay; 6 in State of Mexico, Mexico; and 1 in Santiago de Chile. WB's transport fleet is outsourced.

WB is currently in the process of acquiring a company that manufactures mattresses and foam pillows¹ in Mexico, based in an industrial area of the State of Mexico (hereinafter, "EC").

3.2 Contextual risks

As the Company performs its operations in urban areas and the main cities, it is exposed to potential demonstrations by citizens, which could be repressed by police through the excessive use of force.

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 Environmental and Social Management System

Wonder Brands is a newly created company and, as such, it is in the process of developing most of the components of its Environmental and Social Management System ("ESMS"). To date, WB has adopted certain policies, but is still required to develop certain procedures to identify and manage E&S risks and impacts at holding and subsidiaries' levels. In turn, these policies are based on basic procedures and manuals prepared in compliance with the requirements set forth by local environmental regulations.

4.1.b Policy

Even though WB has developed an environmental, social, and health and safety policy, it has not yet been implemented at subsidiaries' level.

4.1.c Identification of Risks and Impacts

Even though WB's ESMS Manual establishes this need, the Company has not yet developed the procedures to identify and manage the E&S risks related to its activities.

4.1.d Management Programs

Considering that its ESMS is still being prepared, WB is developing the procedures to manage its E&S risks. Even though many of its subsidiaries have documented certain procedures (waste, hazardous materials, emergency response), not all of them have done so, or those having such procedures are required to update them in order to incorporate the best international practices.

¹ The foam main component is polyurethane, obtained by combining isocyanate and polyol to create a fluid that is mixed until a foam is formed and later on put into a mold. It is subsequently taken to a resting area. The company only manufactures the foam required to produce pillows.

4.1.e Organizational Capacity and Competency

The management of E&S matters is mainly decentralized at WB's subsidiaries' level. At holding level, WB has a person in charge of the group's human resources, but it is yet to appoint the staff required to manage its subsidiaries' environmental and OHS risks.

4.1.f Emergency Preparedness and Response

Some of WB's subsidiaries have documented emergency preparedness and response plans ("EPRP"), which deal with different emergency situations. However, WB will develop a corporate EPRP in view of the most likely emergency scenarios (fire, explosions, leaks, floods, earthquakes, etc.), to be implemented by each subsidiary after being adjusted to incorporate specific risks and other provisions under local regulations.

4.1.g Monitoring and Review

Wonder Brands has no E&S monitoring plan at a corporate level. However, its subsidiaries collect and process certain information in compliance with local regulations.

4.1.h Stakeholder Engagement

Even though WB is committed to understanding the interests and concerns of the parties involved in its business, to date it has not developed any plan to reach this goal.

4.1.i External Communication and Grievance Mechanisms

To date WB has no grievance and claim mechanism for its external stakeholders.

4.2 Labor and Working Conditions

4.2.a Working Conditions and Management of Worker Relationships

Wonder Brands and its subsidiaries have 231 workers, out of which 91 (39%) are women.

4.2.a.i Human Resources Policies and Procedures

To date Wonder Brands does not have a human resources policy or internal labor regulations applicable to each subsidiary. In this sense, the Company will develop and adopt: i) a human resources policy in line with good international practices, to be applied to its subsidiaries as well, and ii) internal labor regulations governing each subsidiary, with procedures on different matters, such as hiring, benefits, promotions, disciplinary actions and labor termination.

4.2.a.ii Working Conditions and Terms of Employment

Even though WB meets local legislation in terms of labor conditions, it has not documented its human resources procedures yet.

4.2.a.iii Workers' Organizations

Even though workers are not unionized, WB and its subsidiaries allow the free association of workers and collective bargaining, in compliance with local labor legislation.

4.2.a.iv Non-discrimination and Equal Opportunity

Wonder Brands does not discriminate its workers for their gender, race, religion, sexual orientation, physical or economic conditions, nationality or any other reason.

4.2.a.v Retrenchment

WB has no workforce retrenchment plans.

4.2.a.vi Grievance Mechanism

WB's workers may file their claims anonymously through a form at the Company's website. However, as part of its ESMS, WB will develop a procedure to document the operation of such mechanism at holding and subsidiary levels.

4.2.b Protecting the Workforce

Neither WB nor its subsidiaries support, promote or tolerate child, compulsory or forced labor.

4.2.c Occupational Health and Safety

The main OHS risks (whose management is decentralized in each subsidiary) are related to stock management at the subsidiaries' warehouses. These risks include ergonomic risks, being hit by falling materials, falling, being hit or stumbling, and being knocked down or run over by handling equipment units. There are other OHS risks at the mattress factory, such as being caught, cut or exposed to chemicals, noise and electric shocks.

However, at a corporate level, WB has not developed any procedure as part of its ESMS to identify, manage, mitigate and monitor OHS risks, including occupational accident registration and follow-up.

4.2.d Provisions for People with Disabilities

Even though WB does not discriminate people with disabilities, to date it has not developed any specific human resources procedure or policy to protect the rights of people with disabilities.

4.2.e Workers Engaged by Third Parties

To date, neither WB nor its subsidiaries have indirect (outsourced) workers.

4.3 Resource Efficiency and Pollution Prevention

4.3.a Resource Efficiency

WB's activities do not imply an intensive use of electric power or water.

4.3.b Pollution Prevention

4.3.b.i Waste

WB's subsidiaries generate ordinary waste (fabric scraps, plastic bags, sanitary and food waste) and recyclable waste (cardboard and wooden pallets). In addition, the mattress plant generates hazardous waste (chemical products used containers), which are managed by an authorized company in Mexico. However, WB and its subsidiaries will document procedures for the comprehensive management and storage of waste in accordance with good international practices.

4.3.b.ii Hazardous Materials Management

EC uses chemical products to manufacture mattresses. Even though it is aware of the risks arising from hazardous substances handling, the Company will improve the storage of chemical products in line with good international practices.

4.4 Community Health, Safety and Security

4.4.a Community Health, Safety and Security

WB's subsidiaries operate in different countries, each of which has its own life and fire safety regulation ("L&FS"). As a result, the L&FS protection at the mattress factory and in leased warehouses vary depending on local jurisdiction requirements. However, the documentary review evidenced certain unsafe working conditions, such as the lack of or inappropriate evacuation routes and improper product piling. These situations will be improved by the Company.

As the transport activities subcontracted by WB's subsidiaries could generate risks for the communities, mainly in terms of road safety, the Company will develop a road safety corporate procedure to be contractually adopted by the companies providing transport services.

4.4.b Security Personnel

Physical security services are subcontracted at the warehouses leased by WB's subsidiaries. Security personnel at the warehouses and the mattress factory are not armed.

4.5 Land Acquisition and Involuntary Resettlement

The Project has no intention to acquire new land or to resettle people.

4.6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

The Project does not involve the construction of new towers and infrastructure; therefore, it will have no material impact on biodiversity or living natural resources.

4.7 Indigenous Peoples

The Project will not affect any indigenous people.

4.8 Cultural Heritage

The Project does not involve the construction of new towers and infrastructure and, therefore, it will not affect cultural heritage.

5. Local Access of Project Documentation

The documentation related to the project may be accessed to using the following link:
<https://traceability.com/wonderbrands/>