

Environmental and Social Review Summary (ESRS) Cabletica: Credit Facility – COSTA RICA

Original language of the document: Spanish
Issue date: April 2022

1. General Information of the Project and Scope of IDB INVEST's E&S Review

The project consists of a credit facility in favor of Cabletica, S.A. ("Cabletica" or the "Company") in connection with potential transactions with IDB Invest including a sustainable component (the "Project").

The Project's E&S due diligence (ESDD) consisted in assessing the technical, environmental, health, safety and social documentation submitted by Cabletica. To such end, the assessment included telephone calls with the sustainability, human and occupational health, and safety (OHS) team of Cabletica to cover the potential risks and impacts of the Company's transactions. Owing to the mobility restrictions imposed by the COVID-19 pandemic, the ESDD did not include any visits to Cabletica.

2. Environmental and Social Classification, and Rationale

Under IDB Invest's Environmental and Social Sustainability Policy, the Project was classified under Category B since it could generate low- to medium-intensity risks and impacts, which are limited, reversible and manageable by applying plans and procedures known in the sector. Some of these impacts are: (i) potential repercussions on its workers' OHS; (ii) generation of hazardous and nonhazardous solid waste; and (iii) potential safety risks for the local communities owing to road traffic.

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 Project Area Overview

Cabletica, which forms part of the Liberty Latin America ("LLA") group is one of the main internet, telephone, and digital TV service providers in Costa Rica. Telecommunication towers are leased from companies engaged in this business while optical fiber cables are laid in the towers owned by the electric power distribution companies.

3.2 Contextual Risks

Costa Rica is a country with relative social stability in which no major social unrest events have taken place over the last few years.

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

4.1 Assessment and Management of Environmental and Social Risks

4.1.a E&S Management System

Cabletica has an Environmental and Social Management System (ESMS) in place including certain policies and procedures to meet the requirements established under local environmental regulations. The Company is in the process of consolidating its operations and management system with those of Telefónica de Costa Rica (jointly with Cabletica, the “Group”), which it acquired in August 2021. To achieve this, it has started to document and improve certain policies and programs of its management system.

4.1.b Policy

Although the Group has a series of policies defining its commitment to the environment as well as the wellbeing and health and safety of its employees, Cabletica has not yet adopted an overarching policy addressing environmental, labor, social and OHS issues.

4.1.c Identification of Risk and Impacts

The Group has structured procedures to identify the potential adverse environmental and OHS risks and impacts associated to its activities. The OHS risk assessment is carried out by the Occupational Health Committee, while the Group’s Environmental Manager is in charge of analyzing environmental risks. The risks identified are documented in matrices which include the necessary prevention and control measures.

4.1.d Management Programs

The Group’s ESMS procedures include the following aspects, among others: (i) HR management; (ii) OHS for payroll and outsourced personnel; (iii) waste management; and (iv) emergency preparedness and response. Cabletica will develop and implement procedures to (a) ensure environmental and OHS compliance by its contractors, (b) manage road safety, and (c) implement prevention and control measures to minimize bird collisions with the new towers and poles leased by the Group.

4.1.e Organizational Capacity and Competency

The Group has trained personnel with defined responsibilities to manage environmental, social, labor and OHS risks. However, the final organizational structure is still in the process of being defined given the recent acquisition of Telefónica and the subsequent integration process with Cabletica.

The Occupational Health Committee, formed by employee and Company representatives, meets monthly to assess the risks and improvement opportunities of the OHS management system.

4.1.f Emergency Preparedness and Response

The Group has documented emergency preparedness and response plans (EPRPs) that periodically assess the vulnerability and risk level of its corporate offices and telecommunications towers. The emergency scenarios considered in EPRP include earthquakes, volcano eruptions, floods, fires, storms, and IT emergencies. The plans provide for the presence of disabled individuals and include (a) brigade creation instructions, (b) evacuation procedures (including defined meeting points and escape routes), and (c) drill planning. In addition to the EPRPs, the Group has protocols to avoid and manage any potential emergencies caused by leakages or spills of hazardous materials.

4.1.g Monitoring and Evaluation

The Group performs internal audits periodically to monitor key area performance considering certain indicators (such as power and water consumption), which are then used to establish environmental and social (E&S) goals. Cabletica will design procedures to measure its E&S performance, as well as to document the relevant controls (such as internal audits) and periodically report to top management on the efficiency of its ESMS.

4.1.h Stakeholder Engagement

When infrastructure works are necessary, the Group identifies the stakeholders with whom it will need to interact and establishes direct communication with the most important groups. This communication is then used by the Company to update its E&S risks matrix. However, Cabletica will develop a procedure for stakeholder engagement including a methodology to identify them and to plan the engagement processes to be implemented in new infrastructure projects.

4.1.i External Communication and Grievance Mechanisms

At present, the Group does not have a formal mechanism to capture and process community grievances and claims. Although in the past 12 months there have been no external grievances or claims, any concerns are received mainly through social media and managed through the Communications area.

Given the above, the Group will develop, document, and implement an external grievance capture and processing mechanism that is culturally appropriate, easy to access for its users and allowing for receiving anonymous grievances.

4.2 Labor and Working Conditions

4.2.a Working Conditions and Management of Worker Relationships

The Cabletica group workforce is formed by 830 payroll employees and 700 outsourced workers.

4.2.a.i Human Resources Policies and Procedures

The Group has in place a series of procedures to address HR aspects such as: hiring, benefits, promotions, disciplinary actions, and dismissal. However, Cabletica will develop its own HR Policy consistent with local legislation and good international practices.

4.2.a.ii Working Conditions and Terms of Employment

The working hours and compensation (including overtime) follow the provisions of local legislation. In addition to the labor legislation requirements, the Group offers a series of additional benefits to its workers, including: i) life and health insurance; ii) training courses; iii) work uniforms; iv) compensation for meals; v) performance bonuses; and vi) the possibility of working remotely or telecommuting up to 3 days per week, among others. The workers' rights and benefits (working hours, breaks, days off, overtime agreements, vacation, disciplinary practices and causes of employment termination, among others) are duly documented in the related contracts and in applicable HR procedures.

4.2.a.iii Worker Organizations

Costa Rican legislation allows freedom of association and collective bargaining rights. Although Cabletica complies with this legislation, at present, there are no worker unions or associations organized to negotiate a collective bargaining agreement with the Company.

4.2.a.iv Non-discrimination and Equal Opportunity

The Group offers equal opportunity to workers without discrimination based on race, color, ethnic origin, culture, community or national origin, religion, sexual orientation or identity, family or marital status, gender, disability, or age. This commitment extends to all the aspects of the employment relationship, including recruiting, hiring, assessment, compensation, training, development, and termination processes.

4.2.a.v Retrenchment

The Group has not reported any collective dismissals and it has no retrenchment plans. Despite the above, the Company will develop a corporate procedure in the event of retrenchment.

4.2.a.vi Grievance Mechanism

The Group's employees may submit (both confidentially and anonymously) grievances related to labor issues, discriminatory actions, harassment and OHS through the reporting channel SpeakUp,

available at <http://www.lla.com/speakup> and +(506) 4000-3876. The reporting channel is managed by an independent third party.

4.2.b Protecting the Workforce

Cabletica does not support, promote, or tolerate child labor nor does it accept forced or compulsory labor.

4.2.c Occupational Health and Safety

Cabletica's OHS Policy states its commitment to protecting the life, health, and safety of its payroll and outsourced workers, and to complying with health and safety laws and regulations effective in Costa Rica. OHS risks are analyzed for both administrative and technical activities. Based on the latter cases, the Group determines measures to prevent them from happening or to respond if they do. The Group's main OHS risks include potential falls from different heights, bumps, cuts or fractures, and electric shocks. The Group's OHS plans document the process to report, investigate, record and control accidents and incidents.

The Group prepares statistics and reports of the work-related accidents of its payroll employees. During the past 12 months, the Company has reported a total of 33 accidents (including two vehicle collisions), giving rise to 738 disability days, a lost time injury frequency rate (LTIFR) of 15.81 and a lost time injury severity rate (LTISR) of 353.68. The average LTIFR and LTISR reported by the US Department of Labor for the telecommunications industry¹ (NAIC Code 517) during 2020 are 5.50 and 137.5, respectively. This indicates that the Group's LTIFR and LTISR are higher than the industry average.

4.2.d Provisions for Individuals with Disabilities

Cabletica does not discriminate against people with disabilities and its HR policies entail protecting these individuals' rights. The Company's offices were designed without architectural barriers preventing the mobility of people with disabilities.

4.2.e Workers Engaged by Third Parties

The Group's OHS Plan is applicable to its suppliers and all the outsourced personnel. This plan details the requirements to be met upon incorporating this workforce including (a) the contractors' obligation to be current with the social security taxes related to their employees and (b) personnel training in OHS and in the use of personal protection equipment (PPE). Under the OHS Plan, the Group provides induction training to outsourced workers which includes presenting its OHS policies and procedures, emergency protocols, disciplinary actions for failing to meet OHS standards and safe work procedures. However, the OHS Plan will be updated to include: (i) the registration, investigation, and control process for outsourced employees and (ii) periodic OHS compliance monitoring of high-risk suppliers and contractors.

¹ <https://www.bls.gov/iif/oshsum.htm>

4.3 Resource Efficiency and Pollution Prevention

4.3.a Resource Efficiency

4.3.a.i Greenhouse Gases

The emissions produced by the Group relate mainly to the use of vehicles, back-up electric power generators, and cooling and fire extinguishing systems. The Group is in the process of having its environmental management system homologated. Such system considers the contractual ban on the use of the chlorofluorocarbons (CFC) and hydrochlorofluorocarbons (HCFC) refrigerants both directly and indirectly.

4.3.a.ii Water Consumption

According to the Group's environmental risk matrix, water is mostly consumed at administrative buildings, sanitary units, sinks and water dispensers. At present, since the administrative personnel is working remotely, water consumption is small.

4.3.b Pollution Prevention

4.3.b.i Wastes

The Group's risk matrices mapped the waste generation sources in each area of the business.

Nonhazardous waste is classified into recyclable (cardboard and paper, glass, plastic, metal scraps, wood), non-usable (toilette paper, ceramic, expanded polystyrene) and special (debris, used tires, furniture). This waste is collected by collaborators in charge of cleaning and hygiene tasks, and it is temporarily stored at facilities designed to such end for further collection by the related duly certified waste removal company for final disposal.

Hazardous waste includes oils and used filters, batteries and electric and electronic equipment (computer hardware). These are collected, temporarily stored, and subsequently delivered to authorized companies for appropriate final disposal. As a control measure, the Group always requires that the waste managers issue disposal and treatment certificates to evidence the appropriate management of the waste.

The Group procedures describe the characteristics of temporary solid waste storage as well as the selection of duly authorized managers for disposal.

The Group promotes mobile phone recycling at its stores and warehouses. Once they are collected, they are delivered to the local vendor recycling them.

4.4 Community Health and Safety

4.4.a Community Health and Safety

The infrastructure used by the Group (telecommunication towers and cable towers) is geographically widespread; therefore, its maintenance activities require ground transportation, which gives rise to crashing risks. Consequently, to protect its workers and communities from potential accidents, Cabletica will develop and implement safety programs for the vehicles it uses in its operations.

4.4.b Security Personnel

The group subcontracts unarmed personnel to protect its facilities.

4.5 Land Acquisition and Involuntary Resettlement

The Project does not expect to acquire any new sites or cause resettlements.

4.6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

The Project does not involve building any new towers or infrastructure and, consequently, it will have no material impact on biodiversity or living natural resources.

4.7 Indigenous Peoples

The Project will not affect any indigenous peoples.

4.8 Cultural Heritage

The Project does not involve building new towers or infrastructure; therefore, it will not affect the cultural heritage.

5. Local Access of Project Documentation

The documentation related to the Project is available at:

<https://lla.com/sites/default/files/2020-03/LLA1019-Code-of-Conduct-Spanish-2018.pdf>