

Environmental and Social Review Summary (ESRS) METROTEL CAPEX FINANCING – ARGENTINA

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

METROTEL Argentina is a company that provides Internet connection services through a fiber optic network in the city of Buenos Aires and the Buenos Aires Metropolitan Area (BAMA). It provides services in the cities of Rosario, Mendoza, Córdoba and Neuquén.

The Project consists of financing to Metrotel to support the deployment of its fiber optic network and expansion of its operations. The Project is expected to help increase the availability of high-quality fixed broadband and reduce the digital divide in Argentina.

Given the conditions imposed by the COVID-19 pandemic, personnel responsible for the IDB Invest Social, Environmental, and Corporate Governance Division (SEG) conducted a virtual environmental and social due diligence on this transaction during the months of June and August 2022.

2. Environmental and Social Categorization and Rationale

Considering the results of the assessment and IDB Invest's Environmental and Social Sustainability Policy, the transaction is classified as a Category B operation. The possible environmental, social, health, safety, and security risks and impacts can feasibly be adequately managed by means of plans, programs, and procedures whose content is known and use is widespread in the sector.

The following IFC performance standards apply to the Project (1): PS1 (Assessment and Management of Environmental and Social Risks and Impacts), PS2 (Labor and Working Conditions), PS3 (Resource Efficiency and Pollution Prevention) and PS4 (Community Health, Safety, and Security). PS 5, 6, 7, and 8 are not considered to be directly applicable to the transaction.

3. Environmental and Social Context

3.1 General Characteristics of the Project's site

Metrotel operates commercially in the area of the Autonomous City of Buenos Aires, BAMA, Rosario, Córdoba, Mendoza, and Neuquén. It has its own fiber optic network (High Speed Network) of more than

¹ International Finance Corporation (World Bank Group).

6,400 km, which allows it to offer high availability services and data transport speeds. It includes an Operations Center and 38 nodes with their own equipment. Metrotel provides services to 14 industrial parks within the Buenos Aires Metropolitan Area (BAMA).²

The areas where the Project facilities are located are highly anthropized. Administrative facilities and warehouses are located in urban areas; likewise, most of the underground or overhead networks are laid in the public area.

3.2 Contextual Risks

The main contextual risk relates to acts of theft against individuals, robbery of commercial premises, vandalism of facilities, and other crimes. In general terms, this type of risk is considered medium, and may be higher in specific areas (as is the case of the western and southern areas of Greater Buenos Aires).

4. Environmental Risks and Impacts and Proposed Mitigation Measures

4.1 Assessment and Management of Environmental and Social Risks and Impacts

4.1.a E&S Assessment and Management System

Although Metrotel has a Socio-environmental Management System, it is not aligned with the structure and content required by PS1. The Company will implement an Integrated Environmental, Social and Health and Safety Management System (IMS), following the guidelines of PS1. This system will consider the results and experience gathered to date and will include general (or administrative) and operational plans, programs, and procedures. Metrotel will establish an environmental, social, and health and safety management division, and will appoint a professional from its permanent staff to lead the implementation and maintenance of the IMS.

The IMS will be implemented with the support of an external consultancy firm contracted specifically for this purpose. Metrotel will appoint a professional responsible for leading the implementation, dissemination, and maintenance of the IMS as a member of its permanent staff.

4.1.b Policy

Metrotel will integrate an Environmental, Social, and Health and Safety Management Policy to the IMS, considering the provisions of Metrotel's current Socio-environmental Policy, the applicable concepts of IFC Performance Standard 1, the results of the IMS impact and risk identification processes, as well as the goals and targets identified during the IMS implementation process.

² The BAMA is the common urban area comprising the City of Buenos Aires and the following 40 municipalities of the Province of Buenos Aires: Almirante Brown, Avellaneda, Berazatagui, Berisso, Brandsen, Campana, Cañuelas, Ensenada, Escobar, Esteban Echeverría, Exaltación de la Cruz, Ezeiza, Florencio Varela, General Las Heras, General Rodríguez, General San Martín, Hurlingham, Ituzaingó, José C. Paz, La Matanza, Lanús, La Plata, Lomas de Zamora, Luján, Marcos Paz, Malvinas Argentinas, Moreno, Merlo, Morón, Pilar, Presidente Perón, Quilmes, San Fernando, San Isidro, San Miguel, San Vicente, Tigre, Tres de Febrero, Vicente López, and Zárate.

The Environmental, Social, and Health and Safety Management Policy will promote compliance with national environmental legislation and the Performance Standards applicable to the Project.

4.1.c Identification of Risks and Impacts

Metrotel will prepare matrices for identifying and evaluating environmental and social aspects and occupational hazards, integrating them into the IMS. Legal aspects will be compiled and evaluated in a dedicated matrix. These matrices shall consider, among other aspects, the specifications for identifying and evaluating aspects and risks set out in PS1.

4.1.c.i Direct and Indirect Impacts and Risks

Metrotel's facilities include administrative offices, warehouses and the fiber optic network, which is laid underground in the city of Buenos Aires and in some municipalities of the BAMA, and mostly overhead in the rest of the BAMA. The network is laid by means of manual open-air conduits on sidewalks, streets or across the urban grid, requiring the installation of intermediate underground chambers.³ When required by the municipality or installation conditions, mechanical tunnel boring machines are used to cross streets without breaking the pavement. The overhead wiring is done by installing self-supporting cables on poles owned by the Company or third parties, or on municipal lighting columns when permitted. The entire network is electrically passive (i.e., not subject to electrical stress) and dielectric (properly insulated). A crew of 6 excavators and 3 sidewalk repair workers are typically employed to lay the underground network, with 100 m of network installed every 4 days. For overhead installations, an average of 3 workers are employed to lay the cable and 3 workers to install the poles, achieving a progress of 1,000 meters every 6 days. The machinery typically used are trucks for transporting materials and hydraulic cranes to facilitate the work at heights.

In general terms, the Project's most significant risks and potential environmental impacts include the following: (i) potential soil contamination due to possible deficiencies in the management of electronic waste, packaging, construction site waste, and materials from the fiber optic network; (ii) occupational risks such as risk of falls, electrocution, ergonomic risks in office work, and health risks (among others, due to COVID-19); (iii) fire risks in warehouses and administrative facilities; (iv) risks of road or third party accidents associated with possible failures in the signage of work areas on public roads.

4.1.c.ii Analysis of Alternatives

Since the Project does not foresee substantial modifications to the types or magnitude of risks and impacts associated with Metrotel's activities, an analysis of alternatives was not performed.

4.1.c.iii Cumulative Impacts

The Project will not generate incremental material impacts. Nevertheless, the Project is expected to contribute to an increase in: i) traffic interruptions due to detours or narrowing of areas where vehicles pass; ii) the visual impact associated with overhead cable laying in urban areas.

³ The underground chambers are mostly rectangular, 1.2m or 0.6m by 0.8m.

4.1.c.iv Gender Risks

In Latin America and the Caribbean, there is a significant gender gap, defined as differential and unequal access to economic, educational, occupational and political participation opportunities based on sex or gender. This gap is reinforced by pervasive cultural norms regarding acceptable roles for men and women and exacerbated by weak legal protections or inadequate social response. The gender gap leads to gender discrimination, unequal access to public services, educational differences, wage and employment gaps, and lagging political participation rates. The gender gap index for Argentina is tied with three other countries at 0.75.⁴

Gender-based violence and harassment ("GBVH") is also a significant problem in Latin America and the Caribbean, which has the highest rate in the world. In 2021 there were 256 reported femicides in Argentina, surpassed only by Mexico (958) and Brazil (1738).⁵ GBVH has been exacerbated by the COVID-19 pandemic. The most recent report on Argentina by the United Nations Committee on the Elimination of Discrimination against Women indicates that the country has made progress in recent years in terms of laws and government programs, although there are still areas of concern.⁶

According to the information provided by Metrotel during the Due Diligence: (i) women hold 43.05% of administrative positions, 33.33% of middle management positions, and 19.23% of managerial positions; (ii) personal protective equipment is purchased without gender distinction; (iii) Metrotel does not have dedicated lactation rooms; (iv) personnel are hired without any discrimination with respect to gender or race, prioritizing only their ability and suitability for the position to be performed; (v) Metrotel has a procedure for handling reports of sexual harassment, discrimination, or any type of gender-based violence, which are confidential, which prevents any form of retaliation. This mechanism will be incorporated to the IMS.

Metrotel will promote the participation of women and will periodically monitor their representation in the workforce, and whenever possible, it will purchase personal protective equipment specifically for women, and will provide lactation rooms in its facilities, where appropriate.

4.1.c.v Climate Change Exposure

The financial risk associated with Metrotel's transition to operations and practices that involve less carbon generation is considered low, considering the emissions produced by Metrotel's own activity (mainly associated with vehicle movement). On the other hand, Metrotel's risk of exposure to adverse events associated with climate change (mainly floods and heat waves) is considered moderate, with an increasing trend.

⁴ <https://www.statista.com/statistics/803494/latin-america-gender-gap-index-country/>

⁵ Number of femicides in Latin America by country 2019 | Statista.

⁶ CEDAW ARGENTINA.

4.1.d Management Programs

In light of the new environmental and social aspects and, eventually, of the new occupational hazards that may be identified through the use of the respective risk and impact identification and assessment matrices, Metrotel will review and improve the existing operating procedures or prepare new procedures to achieve an adequate management of such risks and impacts.

Metrotel requires its contractors to comply with the health, safety, and industrial hygiene requirements set forth in the labor legislation in force, which are included in the Contractors' Management Plan and in the Technical Specifications Manual on the Execution of Civil Works, which is mandatory for all contracted companies.

Nevertheless, considering that under PS1 no person or personnel of a contracted firm should be considered as a third party, but as an integral part of its own management, Metrotel will prepare a Regulation for Suppliers of Goods and Services, in which it will specify the environmental, social, and health and safety requirements of the IMS applicable to each supplier. Each existing supplier will be required to provide a documented commitment to comply with the aforementioned Regulation; for new suppliers the Regulation will be an appendix to the contract for the provision of goods or services.

4.1.e Organizational Capacity and Competency

Metrotel requires that all its personnel be trained in safety and equipment handling for the sector to which they are assigned. On the other hand, it requires that all members of contracting companies be trained in current safety standards as a requirement for their qualification.

In order to systematize its training activities, Metrotel will prepare a Training Plan that includes preventive actions on the main Project risks and impacts; this plan will be applied to its own personnel and eventually to contracted personnel (when necessary to complement the training plans of the contracted companies). Personnel training and awareness-raising activities associated with the implementation of the IMS will be company-wide, and will include members of management, operational leaders, and the staff in general.

4.1.f Emergency Preparedness and Response

Metrotel has an instruction manual for action in the event of declared emergency situations that is part of the current Socio-environmental Management System. In order to systematize and standardize criteria on the preparation of emergency prevention and response plans, Metrotel will prepare a general Emergency Prevention and Response Plan, which will state the minimum elements to be contained in the specific plans of each administrative office or warehouse. Such specific plans will be based on emergency scenarios specific to each administrative office or warehouse, and on the type, characteristics, and equipment of each.

4.1.g Accident Management

In terms of accident prevention and response, Metrotel has prepared a document detailing basic actions to be undertaken in the event of accidents at construction sites. As part of the IMS, Metrotel will develop an

Accident Management procedure, which will include medical assistance measures, as well as the methodology applicable to the investigation, root cause identification, communication, and recording of any accident that may take place. This procedure will apply to both in-house and contracted personnel.

4.1.h Monitoring and Review

Metrotel's Human Resources Management keeps a monthly follow-up of accident and incidence rates (Incidence Rate and Accident Rate)⁷. Likewise, noise and lighting levels are monitored annually, and drinking water quality is measured every six months.

Metrotel will develop and implement an Environmental, Social, and Health and Safety Monitoring Plan to follow up on certain parameters. The threshold values of the parameters measured will correspond to those indicated by the legislation in force and also to those indicated in the General Environmental, Health, and Safety Guidelines.⁸

4.1.i Non-conformities and corrective actions

To ensure that deviations are identified and corrected in a timely manner, Metrotel will develop and implement specific procedures to record monitoring results, identify and document preventive or corrective actions and implement them, and evaluate the effectiveness of each action once implemented.

4.1.j Stakeholder Engagement

In the Technical Specifications Manual on Execution of Civil Works, Metrotel requires that all contractors establish a mechanism for registering complaints from the community neighboring the Company's works. Nevertheless, in order to systematically manage social aspects, Metrotel will develop a Community Relationship Plan that will include: (i) stakeholder engagement mapping, analysis, and planning; (ii) a mechanism for information dissemination, consultation, and communication with stakeholders; and (iii) a mechanism for capturing, resolving, and registering complaints, including anonymous complaints.

4.1.j.i Disclosure of Information

The Community Relations Plan will also define the guidelines to allow Metrotel to disclose environmental and social information to stakeholders, including: (i) responses to community concerns; (ii) possible changes in its management programs and emergency prevention and response procedures; and (iii) specific measures to prevent or mitigate environmental or social impacts.

⁷ Incidence Rate, defined as the number of accidents per 1000 exposed workers; Accident Rate, defined as the ratio between the number of occupational accidents in a given period and the average annual number of workers in the same period, measured in percentage terms.

⁸ <https://www.ifc.org/wps/wcm/connect/eb6fddc1-a3e3-4be5-a3da-bc3e0e919b6e/General%2BEHS%2B-%2Bspanish%2B-%2BFinal%2Brev%2Bcc.pdf?MOD=AJPERES&CVID=nPtgG1I>

4.1.j.ii Informed Consultation and Participation

Since the Project is a working capital financing operation, it does not require a consultation and participation process.

4.1.j.iii Indigenous Peoples

The Project is not expected to affect indigenous peoples.

4.1.j.iv Private Sector Responsibilities Under Government-Led Stakeholder Engagement

The Project, given its characteristics, will not involve a government-led stakeholder engagement process.

4.1.k External Communication and Grievance Mechanisms

4.1.k.i External Communication

External environmental and social communications associated with the Project will be included in the Community Relations Plan. Metrotel's Health, Safety, Social and Environmental division (to be formed) will have sufficient capabilities to manage this process.

4.1.k.ii Grievance Mechanisms for Affected Communities

Metrotel will implement a community grievance capture and resolution mechanism under the Community Relations Plan that will be understandable, culturally appropriate, easily accessible, and without cost or potential for retaliation for those who raise the issue or concern.

4.1.k.iii Provisions for addressing vulnerable groups' grievances

Although the Project is not expected to affect vulnerable groups, the grievance and complaint reception and resolution mechanism to be implemented by Metrotel will have procedures to capture possible complaints from vulnerable groups.

4.1.k.iv Ongoing Reporting to Affected Communities

As provided for in the Community Relations Plan, in the event that any communities are affected by Metrotel's activities, the management of the Health, Safety, Social and Environmental division will be responsible for informing such communities about how such activities will be carried out and how the corresponding preventive or corrective measures will be implemented.

4.2 Labor and Working Conditions

4.2.a Working Conditions and Management of Worker Relationships

Metrotel has 433 own employees, 19.17% of whom are women, including one employee with disabilities.

Metrotel's Human Resources Management ensures that its own and third-party personnel are hired in compliance with labor legislation, that the work environment is suitable for the health and safety of its employees, and that their health is monitored through its own medical services and those of occupational risk insurers ("OIRs").

The remuneration of personnel affiliated to labor unions is updated through negotiations conducted by the Human Resources Management with such organizations. Salary scales for personnel not included in collective bargaining agreements are set by the Human Resources Management based on individual performance and salary market studies, taking into account the country's macroeconomic context.

4.2.a.i Human Resources Policies and Procedures

Metrotel has developed a Human Resources and Labor Conditions Policy, through which the Company undertakes to provide a safe and healthy work environment for its employees, guarantees freedom of association, declares unacceptable all forms of mistreatment and violence, and guarantees equal opportunities and development for all Company employees. In line with the principles of Metrotel's Code of Conduct and Code of Ethics, all forms of discrimination against its employees based on gender, age, sexual orientation, degree of disability, ethnic or social origin, nationality, language, religion, and political or any other kind of inclination is prohibited; it also rejects all forms of child labor and forced labor.

Metrotel will establish and implement a Human Resources Policy for the Project to include, in addition to the basic human rights associated with legal requirements, the requirements set out in PS2.

4.2.a.ii Working Conditions and Terms of Employment

Metrotel's Internal Regulation provide for wage deductions, working hours, overtime and overtime pay agreements, rest days, sick leave, maternity leave, paid annual leave or holidays, as well as prohibitions and disciplinary sanctions, in observance of the legislation in force. Metrotel's permanent contract personnel undergo medical examinations on admission and on an annual basis (annual examinations are performed as indicated by the medical service). The Human Resources Management generates a register of accidents and possible occupational diseases. Employees under permanent contracts have private health insurance, part of the cost of which is covered by Metrotel.

4.2.a.iii Workers' Organizations

Metrotel has a relationship with two labor unions: i) *Unión Obrera de la Construcción de la República Argentina* (UOCRA) and ii) *Sindicato de Empleados de Comercio*. The Company and these unions are working together to improve health and safety management. At these meetings, representatives of the Company and

the unions discuss labor issues (health and safety, work organization, assistance and diversity, education and training) and negotiate the corresponding collective bargaining agreements.

4.2.a.iv Non-discrimination and Equal Opportunity

Metrotel's Human Resources Policy will include the PS2 requirements and will ensure non-discrimination on grounds of sex, age, race, social, cultural, or national origin, or any type of disability, political opinions, or religious beliefs, establishing that the hiring and promotion of workers in the different areas of the Company will be based on their qualities and suitability to fill the position applied for.

Metrotel will promote the participation of women as part of its workforce, and will regularly monitor the results.

4.2.a.v Retrenchment

The Project will not hire additional staff. Consequently, after implementation, it will not generate retrenchment.

4.2.a.vi Grievance Mechanism

In its Civil Works Execution Manual, Metrotel has provided that each contractor must establish a mechanism for registering complaints from its employees.

Metrotel has a mechanism for handling complaints from its own and contracted personnel. In order to systematize the existing grievance management, Metrotel will integrate this mechanism into the IMS.

4.2.b Protecting the Workforce

4.2.b.i Child Labor and Forced Labor

Metrotel's Code of Conduct expressly prohibits any type of child or slave labor.

4.2.c Occupational Health and Safety

As required by Resolution 319/99, Metrotel has prepared the Occupational Health and Safety Program for fiber optic network laying and assembly works, considering different possible scenarios (railroad lines, tunnels, antennas, etc.), which describes the main occupational risks associated with civil works, equipment handling, and specific operations (such as fuel dispensing), indicating for each case the applicable personal protection equipment, specific safety measures, record formats, and the respective assignment of responsibilities. The program also includes a fire safety training program and firefighting tactics.

According to what may be indicated by personnel from the Occupational Risk Insurer (ORI) or Metrotel's Health and Safety specialist, personnel exposed to risks undergo periodic medical examinations, in addition to being treated by the ORI (in the event of accidents) or by contracted private medical professionals (in the event of possible ailments).

Under the IMS structure, both occupational health and safety conditions and the modality of execution of specific tasks will be planned, supervised, and monitored by Metrotel through specific IMS procedures. Supplier and contractor activities will also be supervised by Metrotel on a planned and ongoing basis, in order to ensure compliance with the health and safety conditions stipulated in the IMS.

Metrotel will ensure that any significant risks identified in the health and safety risk identification and assessment matrices are managed through a specific procedure.

4.2.c.i Provisions for People with Disabilities

Metrotel has sanitary facilities available and has adapted its facilities for people with reduced mobility. The Company will develop and adopt a gradual plan to identify possible refurbishment needs in all of its facilities, in order to meet the needs of persons with disabilities or reduced mobility; similarly, Metrotel will include emergency procedures to evacuate these people, before hiring personnel falling under this category.

4.2.c.ii Workers Engaged by Third Parties

At Metrotel, workers engaged by third parties include cleaning and security personnel and, occasionally, maintenance personnel. Metrotel's Environmental, Social, and Health and Safety Policy will establish that all environmental, social, and health and safety programs will be applicable to Metrotel's employees, as well as to direct and indirectly contracted personnel.

4.2.c.iii Supply Chain

Metrotel will contractually require all its suppliers and contractors to implement human resources policies that ensure respect for the basic rights of workers, as required by national legislation, Argentina's agreements with the ILO, and PS2. Metrotel will establish reasonable monitoring mechanisms of its suppliers and contractors to verify compliance with such requirements.

4.3 Resource Efficiency and Pollution Prevention

4.3.a Resource Efficiency

The electric power consumed by Metrotel is taken from the distribution network. Metrotel will generate records on the monthly consumption of water, electricity, fuel for vehicles, and the amount and destination of waste generated or recycled. The Company will establish and implement the necessary actions to comply with the targets and goals proposed in the Health, Safety, Social and Environmental Management Program.

4.3.a.i Greenhouse Gases

The company's GHG emissions are mostly generated by its own and contractors' vehicles. Metrotel is required to proceed with the annual monitoring of its GHG generation, presenting estimates for the following

period and including the calculation of emissions from the previous period, following the methodology recommended by IDB Invest.

4.3.b Pollution Prevention

4.3.b.i Waste Management and Pollution Prevention

Metrotel generates domestic solid waste from administrative activities, which is removed by the municipal service and disposed of in specific landfills. Sanitary effluents from the offices and warehouses are discharged into the sanitary system. The Company also produces electronic waste and cable scraps, which are disposed of by authorized companies.

Metrotel will develop and implement a specific waste management procedure, in which responsibilities will be assigned and formats will be included to quantify and record the amount and type of waste generated in administrative facilities and fiber optic laying works.

4.3.b.ii Hazardous Materials and Pesticide Management

Metrotel hires qualified companies for pest control, which use pesticide substances whose components are not included in categories Ia and Ib of the World Health Organization. Nevertheless, for future management of the purchase and use of potentially hazardous substances in the scope of its facilities, Metrotel will develop and implement a specific procedure for the management of hazardous substances, which includes the express prohibition of the purchase and use of pesticides or chemical substances that include any Class Ia (extremely hazardous) or Ib (highly hazardous) component according to the WHO classification.

4.4 Community Health, Safety and Security

4.4.a Community Health and Safety

In order to adequately manage potential risks and impacts on the communities neighboring the work areas, Metrotel will develop and implement the Community Relations Plan through which it will implement environmental and social communication strategies on the Company's activities that could generate risks and impacts on these communities, and will enable specific channels that allow the participatory activity of its members.

4.4.a.i Infrastructure and Equipment Design and Safety

Metrotel's administrative facilities and warehouses have fire extinguishing equipment approved by the fire department. It is expected that the specific prevention and emergency plans to be implemented at these facilities will enhance fire prevention and control safety.

4.4.a.ii Ecosystem Services

As Metrotel's facilities are located on land heavily impacted by human actions, the Project will not affect the provision of ecosystem services.

4.4.a.iii Community Exposure to Disease

Metrotel hires companies with stable, low-turnover workforces; the likelihood of the Project generating incremental disease exposure for community members is considered very low.

4.4.a.iv Emergency Preparedness and Response

Although emergency events that could affect Metrotel are not expected to impact the community, the emergency prevention and response plans of each operating unit will include the analysis of the possible effects of an emergency on the neighboring community, as well as the need to involve community institutions to respond to and control such situations (firefighters, medical emergencies, environmental authorities, police, etc.).

4.4.a.v Security Personnel

Metrotel uses security companies regulated by Argentinean legislation for the surveillance of its commercial premises. These companies' personnel have training certificates proving that they have received adequate training for the activity.

The documentation associated with the execution of works submitted by Metrotel to the enforcement authorities can be accessed at sfmonti@metrotel.com.ar.