

Environmental and Social Review Summary (ESRS)

FYCO Telecom Amazon Financing

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

This transaction consists of a revolving working capital credit facility for subsidiaries of the FYCO group ("FYCO" or the "Company"), which operates in several Latin American and Caribbean countries and is headquartered in Medellin, Colombia. FYCO specializes in supplying equipment, materials, and services to the telecommunications industry, with a primary focus on fiber optic network deployment projects. The Company's main services include: (i) integrated supply chain management, including international logistics, deliveries, and the maintenance of a substantial inventory of materials and equipment for fiber optic networks; (ii) engineering services, providing technical support and customized product design; and (iii) financial services with financing options for operating and capital expenditures. As part of its strategic plan, FYCO also seeks to expand its business line that offers comprehensive fiber optic network design, construction, and maintenance services (the "Project").

The Project's environmental and social due diligence ("ESDD") consisted of an evaluation of the Company's technical, environmental, health, occupational health and safety, and labor documentation. It also included virtual interviews with the head of the Integrated Management System department and other members of the Company's senior management.

2. Environmental and Social Categorization and Rationale

The Project has been classified as a Category B operation according with IDB Invest's Environmental and Social Sustainability Policy since it will likely generate the following impacts and risks among others: (i) risks to the occupational health and safety ("OHS"); (ii) waste generation; (iii) risks associated with the supply chain; and (iv) risks to the health and safety of communities during the construction and maintenance of the networks. These impacts and risks are deemed to be of medium-low intensity, and can be effectively managed through the implementation of environmental and social ("E&S") management programs and plans that incorporate industry best practices.

The Performance Standards (PS) triggered by the Project are: i) PS1: Assessment and Management of Environmental and Social Risks and Impacts; ii) PS2: Labor and Working Conditions; iii) PS3: Resource Efficiency and Pollution Prevention; and iv) PS4: Community Health, Safety, and Security.

3. Environmental and Social Context

3.1 General Characteristics of the Project's site

FYCO's headquarters are located in Medellín, Colombia. The Company also has offices in the capitals of Panama, Peru, Ecuador, the Dominican Republic, and Chile, as well as in the city of Santiago de Querétaro, Mexico, and has warehouses and distribution centers for the supply of materials and equipment to its customers in the telecommunications sector in the countries in which it operates. All these facilities are located in urban areas, most of them within industrial parks or zones.

Using this logistics infrastructure, the first two projects in which FYCO will use the proposed revolving credit facility involve the deployment of fiber optic networks in small and medium-sized cities in Ecuador, as well as in the Peruvian Amazon region. In the Ecuador project, FYCO will be responsible for the supply of materials and equipment, as well as the design and construction of the network, which will be implemented using overhead cabling and largely utilizing the existing infrastructure, while in the Peru project, its participation will be limited exclusively to the supply of materials and equipment.

3.2 Contextual Risks

The main contextual risks identified for the Project are found in the safety, social cohesion, infrastructure and labor rights components.

The presence of organized crime can pose a risk to employee and asset security for companies operating in certain rural areas of Peru and Ecuador, particularly in regions of the Amazon, and in border areas.

In terms of social cohesion, there are risks associated with the possible presence of vulnerable groups in the Project areas, especially in rural areas and in the Amazon region, where the processes of participation, communication, labor inclusion, and provision of Project services could be limited if these groups fail to be effectively identified and considered.

Contributing to strengthening telecommunications through the installation of fiber optic networks is a positive aspect. However, the lack of basic infrastructure in rural areas, such as housing and food services, could impact workers' well-being during the construction phases, especially with regard to housing and food needs.

Finally, there are labor issues in both Peru and Ecuador that could pose a risk to the Project, such as the possible adoption of informal contracting practices by suppliers or subcontractors, which could result in a failure to comply with local labor regulations.

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

FYCO has policies and procedures in place that have been designed to comply primarily with the requirements of local environmental and occupational health and safety regulations. In addition, the Company holds an ISO 9001:2015 certification for its Quality Management System, obtained in early 2024, with a scope that includes its main operations in Colombia. However, it still lacks an Environmental and Social Management System (“ESMS”) with a comprehensive approach to environmental and social risk management to guide all its business activities. Hence, the Company will consolidate and integrate all existing environmental, social, and OHS policies, plans, and procedures. This consolidated document will constitute the corporate ESMS manual, which will also define the persons responsible for the assessment, management, and monitoring of environmental, social, and occupational health and safety (“ESHS”) risks and impacts associated with the Company's activities.

The implementation of the corporate ESMS manual in subsidiaries in different countries will be undertaken through a process of local adaptation to ensure compliance with the specific environmental and social regulations of each jurisdiction. Each subsidiary will integrate the manual's guidelines into its daily operations, adjusting procedures and policies according to local regulatory particularities, while maintaining consistency with corporate standards.

4.1.b Policy

FYCO has an Integrated Environmental, Occupational Health and Safety and Quality Management System (“IMS”) Policy, approved in June 2024, which contains commitments on environmental protection, occupational risk prevention, and quality assurance. Nevertheless, the Company will update this management tool to incorporate a commitment to community health and safety.

4.1.c Identification of Risks and Impacts

4.1.c.i Direct and Indirect Impacts and Risks

Project activities related to the transportation of materials and equipment, as well as the construction of fiber optic networks, could generate the following risks and direct impacts: (i) labor and OHS risks, (ii) air and noise emissions, (iii) waste generation and (iv) risks to the health and safety of communities.

The Company has a procedure for identifying and evaluating environmental risks and impacts applicable to all its operations. Nevertheless, FYCO will update and strengthen this procedure to broaden its scope, incorporating the analysis of risks and impacts derived from climate change, as well as those generated by the Project's activities on the community. Similarly, based on the updated procedure, FYCO will update its environmental and social risk and impact identification matrix.

4.1.c.ii Cumulative Impacts

The Project does not put pressure on natural resources, alter the landscape, or impact biodiversity; therefore, when analyzing the overall cumulative impacts, its aggregate impact is considered not significant.

4.1.c.iii Gender Risks

In Ecuador and Peru, especially in rural areas, gender risks in projects such as the installation of fiber optic networks may include the underrepresentation of women in technical jobs, which leads to unequal access to job opportunities and training. There are also risks related to the pay gap and career development, as well as exposure to sexual harassment in the workplace.

Women represent 56% of FYCO's total direct employees, and 64% of leadership positions are held by women. The Company has a Personnel Selection Policy that promotes the principles of equal opportunity and non-discrimination. It also has a Workplace and Sexual Harassment Prevention Policy that includes a grievance mechanism. Nevertheless, the Company will improve this mechanism to allow for anonymous complaints to be submitted and handled.

4.1.c.iv Climate Change Exposure

The Project faces physical risks from future climatic disturbances. In terms of industry sensitivity, severe storms, extreme winds, and floods can cause delays in construction, especially during the construction phase, and affect fiber optic cables and their supporting infrastructure due to likely disruptions caused by landslides, floods, or storms, which would generate delays in deliveries and could increase logistical costs. Moreover, extreme weather conditions, such as heat waves or torrential rains, can affect the safety and performance of workers installing fiber optic networks.

FYCO's exposure to the above risks will be addressed through measures that will be part of the corporate emergency preparedness and response plan to be developed as part of the ESMS, also considering the results of the updated environmental and social risk and impact identification matrix.

The Project is considered to be aligned with the Paris Agreement based on an analysis conducted in accordance with the IDB Group's Implementation Approach for Alignment with the Paris Agreement.

4.1.d Management Programs

The Company has some plans and procedures in place for its operations in certain countries, such as an Emergency Preparedness and Response Plan in Colombia and Ecuador, an Integrated Waste Management Plan in Colombia, and human resources policies and procedures that apply to all subsidiaries, among others. However, these are not structured or integrated to allow for systematic implementation in all the Company's activities. Therefore, as part of its ESMS, FYCO will develop and implement corporate-level ESHS management plans and procedures to standardize and optimize environmental, social, and occupational health and safety risk management across its local operations.

4.1.e Organizational Capacity and Competency

FYCO has established an Integrated Management System Department ("IMSD"), headed by an OHS and quality management specialist, who reports directly to the CEO. This department is supported

by the Company's administrative and operational units, especially in project countries, which have OHS personnel on site. The IMSD works closely with the Human Resources Department, mainly on managing staff training on environmental and OHS issues. Currently, the IMSD has a more developed focus on the management of OHS and quality issues, as compared to environmental and social management. Therefore, as part of the ESMS, the Company will define specific roles and responsibilities to strengthen its environmental and social management, and extend the application of this system to all its subsidiaries. Furthermore, FYCO will incorporate the management plans to be developed as part of the ESMS into its employee training program.

4.1.f Emergency Preparedness and Response

The Company has an Emergency Preparedness and Response Plan for its facilities in Colombia and Ecuador and, as required by these plans, it conducts regular drills. However, as part of the ESMS, the Company will develop a corporate Emergency Preparedness and Response Plan ("EPRP") to be implemented in all its subsidiaries, considering the results of the E&S risk and impact identification matrix.

4.1.g Monitoring and review

Although the Company has defined some environmental and OHS performance indicators, it does not have procedures in place to monitor and measure the effectiveness of ESHS management practices at all its facilities. Therefore, as part of the ESMS, FYCO will develop and implement protocols and guidelines to regularly monitor the effectiveness of the ESMS and compliance with applicable ESHS legal requirements.

4.1.h Stakeholder Engagement

The Company will develop a stakeholder engagement framework, which will include a stakeholder identification methodology and will serve as the basis for planning outreach processes.

4.1.i External Communication and Grievance Mechanisms

The Company's external communication is managed primarily through its website and various social media platforms, which provide channels that can be used to receive complaints or requests for information from external stakeholders. FYCO, however, has yet to implement an External Grievance Mechanism ("EGM"), which will be part of its ESMS and will allow it to adequately and promptly record and manage grievances from external stakeholders, especially from local communities. In this regard, the Company will develop and implement an EGM.

4.2 Labor and Working Conditions

4.2.a Working Conditions and Management of Worker Relationships

FYCO has 139 direct employees, 78 of whom are women. Of these, 32 hold management and supervisory positions, representing 64% of the Company's leadership positions. In addition, FYCO

has a well-established Human Resources Department, which acts as the focal point for labor relations between the Company and its employees.

4.2.a.i Human Resources Policies and Procedures

The Company, in line with the labor legislation in force, has several policies for managing human talent (together with its internal regulations), such as a Personnel Selection Policy and a Policy for the Prevention of Workplace Harassment, among others. These policies incorporate principles of non-discrimination, equal opportunity, respect for the rights of association, a safe work environment, and the prohibition of child and forced labor.

4.2.a.ii Working Conditions and Terms of Employment

Working hours and employee remuneration comply with the provisions established by the legislation of each country in which FYCO operates. All employees have a written contract detailing their obligations and rights, as stipulated by local law.

4.2.a.iii Workers' Organizations

FYCO respects its employees' right of association. However, there are currently no formal labor unions or workers' associations formed to negotiate collective bargaining agreements with the Company.

4.2.a.iv Non-discrimination and Equal Opportunity

FYCO implements human resources policies that promote equal opportunities, avoiding any type of discrimination based on age, gender, ethnicity, sexual orientation, or disability. These policies foster an inclusive work environment, based on the recognition of talent, respect, and professional conduct.

4.2.a.v Retrenchment

FYCO has not reported any collective dismissals and has no plans to reduce its workforce in the future.

4.2.a.vi Grievance Mechanism

The Company has a grievance procedure for its employees that establishes how to file a grievance, who is responsible for resolving it, and the corresponding deadline. However, at present, this mechanism does not allow for anonymous complaints. Hence, the Company will update it to include this option and expand its scope, so that it can also be used by its contractors' personnel.

4.2.b Protecting the Workforce

4.2.b.i Child Labor and Forced Labor

The Company's recruitment policy includes provisions prohibiting child labor and forced labor.

4.2.c Occupational Health and Safety

To prevent work-related injuries and health impairment, FYCO's IMS policy establishes its commitment to providing safe and healthy working conditions. To this end, it has a hazard identification matrix and associated controls for intervention, as well as emergency response brigades for its operations in Colombia and Ecuador. FYCO also has occupational health and safety statistics for most of its subsidiaries.

Nevertheless, the Company will improve existing OHS procedures and forms by developing a Corporate OHS Plan, which will be implemented in all its subsidiaries. This plan will identify the risks associated with its main activities, establish control measures, define an OHS training program for workers (both direct and indirect) and include templates and procedures for documentation and record keeping.

4.2.d Provisions for People with Disabilities

FYCO does not discriminate against persons with disabilities in its personnel selection processes, and its human resources policies guarantee the protection of their rights. Nevertheless, the Company will integrate specific requirements related to the hiring of persons with disabilities in each country where it operates into its legal requirements matrix, in order to have centralized control over its legal obligations in this area.

4.2.e Workers Engaged by Third Parties

Most workers engaged by third parties are drivers in the fleet in charge of distributing equipment and fiber optic cables. In cases where FYCO develops projects that include construction or maintenance of the fiber optic network, these jobs would be performed primarily by subcontracted labor. Therefore, the Company will prepare contractual clauses to be included in agreements with third parties that obligate contractors to adhere to its ESHS policies and procedures.

4.2.f Supply Chain

FYCO's supply chain, by purchase value, consists of 58% of goods from Asian suppliers, mainly from China, South Korea, and Vietnam; 41% from Finland; 2% from the United States; 1% from Brazil; and the remainder distributed among other countries. At present, FYCO has not established specific requirements on environmental management and working conditions in its supply chain. Therefore, it will develop and implement: i) a procedure to identify and assess supply chain risks, mainly linked to child and forced labor; and ii) a Supplier Code of Conduct that, at a minimum, requires compliance with applicable labor, health and safety, and environmental laws of each country where production or manufacturing is carried out, as well as International Labor Organization ("ILO") and United Nations international conventions related to working conditions and rights. This code will be

communicated to all major suppliers¹ in the supply chain and will be included in new contracts with these suppliers, or through a statement of awareness of the Code of Conduct.

4.3 Resource Efficiency and Pollution Prevention

4.3.a Resource Efficiency

4.3.a.i Greenhouse Gases

FYCO has a greenhouse gas inventory (“GHG”) for 2023 that includes most of its subsidiaries and contemplates direct (scope 1) and indirect (scopes 2 and 3) emissions. According to the inventory results, the vast majority of total GHG emissions related to FYCO's operations are Scope 3, generated mainly by maritime and air imports, as well as employees commuting from their homes to the workplace. These emissions are less than 25,000 tons of CO₂ eq.

4.3.a.ii Water Consumption

All FYCO subsidiary facilities are connected to each country's public water system. Overall cumulative consumption was approximately 318 m³ between January and August 2024.

4.3.b Pollution Prevention

4.3.b.i Waste

The Company segregates and temporarily stores waste generated at its facilities, which is subsequently disposed of in municipal landfills through an authorized waste transportation provider. Sanitary wastewater generated in the offices and warehouses is discharged into each city's sewage system.

FYCO has an integrated management procedure for solid waste at its facilities in Colombia; however, the rest of its subsidiaries have yet to adopt a similar procedure. In this regard, the Company will develop and implement an integrated waste management plan at the corporate level to establish responsibilities, segregation and temporary storage protocols, ways to record the amount and type of waste generated, monitoring procedures, and feasible options to reduce, reuse, or recycle waste.

4.3.b.ii Hazardous Materials Management

FYCO's operations do not involve the use of hazardous materials; nevertheless, the Company, as part of its Occupational Health and Safety Plan, will establish basic guidelines for their handling.

¹ The term “major supplier” refers to those suppliers that provide goods and materials that are essential to the core business process of the project.

4.4 Community Health, Safety and Security

4.4.a Community Health and Safety

4.4.a.i Infrastructure and Equipment Design and Safety

The Company has fire detection and safety systems in all its facilities, which mainly include fire extinguishers and alarms for the early detection of these events. It also conducts periodic drills in its administrative offices.

The projects in which FYCO is involved, either as a supplier or as a main contractor, are geographically dispersed, which means that materials and equipment distribution activities are often dependent on ground transportation, with the inherent risk of collisions. In order to protect both its workers and the communities from possible accidents, FYCO will develop a Road Safety Plan ("RSP"), which will be implemented by its contractors and subcontractors in charge of operating the distribution fleet.

4.4.a.ii Hazardous Materials Management and Safety

FYCO operations do not involve the use of hazardous materials.

4.4.a.iii Ecosystem Services

The Project will not generate significant impacts on ecosystem services.

4.4.a.iv Emergency Preparedness and Response

The EPRP that FYCO will develop as part of its ESMS will consider different emergency scenarios that could affect neighboring communities, especially during the construction and maintenance of fiber optic networks.

4.4.b Security Personnel

FYCO does not contract security personnel for its facilities; these services are provided by the management of the buildings and industrial parks where its offices, warehouses, and distribution centers are located.

4.5 Land Acquisition and Involuntary Resettlement

The Project will not require land acquisition so there will be no physical or economic displacement.

4.6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

The Project will generate no significant impacts to biodiversity.

4.7 Indigenous Peoples

The Project will not affect any Indigenous community.

4.8 Cultural Heritage

The Project will not affect any cultural heritage.

5. Local Access of Project Documentation

The documentation relating to the Project can be accessed at the following link:
<https://www.fycotelecom.com/>