

## Environmental and Social Review Summary (ESRS) Project: Cálidda

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

Gas Natural de Lima y Callao, S.A. (“Cálidda” or “The Company”) is the sole concessionaire for the pipeline distribution of natural gas in the Department of Lima and the Constitutional Province of Callao. Its main shareholder is Grupo de Energía de Bogotá (“GEB”), a business leader in the energy sector with operations in Colombia, Brazil, Peru, and Guatemala. The operation consists of an unsecured corporate loan for up to US\$100 million (one hundred million United States dollars) with an 8-year repayment period. The funds will finance the expansion of the Natural Gas Distribution System (“NGDS”) in 2020–2021 (the “Project”) in order to reach more users, mainly households and small and medium-sized enterprises (SMEs).

The scope of the IDB Invest Environmental and Social Review included a documentary review of the Company's environmental and social performance and occupational health and safety (“OHS”) over time; online meetings with Cálidda representatives; analysis of the documents associated with environmental and social (“E&S”) and OHS manuals, procedures, licenses, and permits of the Project, and operational reports of the NGDS.

### 2 Environmental and Social Categorization and Rationale

This has been classified as a **Category B** operation under the IDB Invest Environmental and Social Sustainability Policy, given that its environmental and social risks and impacts are generally expected to be reversible and mitigable through available measures and existing technologies.

For those activities related to the Project’s construction and expansion, possible E&S and OHS risks and impacts include: (i) earthworks and soil compaction; (ii) noise pollution and vibration generation; (iii) hazardous and non-hazardous waste generation; (iv) pollutant emissions to the atmosphere, mainly combustion gases from construction machinery and equipment; (v) wastewater generation; (vi) worker health and safety risks; and (vii) impacts on the health, safety, and security of the community arising from increased traffic and partial road closures.

During operation and maintenance (“O&M”), the most important E&S and OHS risks and impacts relate to: (i) risks to workers’ health and safety; (ii) hazardous and non-hazardous solid waste generation; (iii) air emissions from possible natural gas leaks; (iv) benefits to the local economy within the concession area; (v) impacts on the health and safety of communities within the concession area due to possible emergencies; and (vi) use of resources, mainly energy.

Due to its location, the Project is subject to natural hazards such as earthquakes and subsidence, and social hazards such as vandalism. However, they represent a moderate to low risk, in terms of both possible damage to the physical infrastructure of the service area, and for users.

The Project will trigger the following International Finance Corporation (IFC) Performance Standards (PS): PS 1: Assessment and Management of Environmental and Social Risks and Impacts; PS 2: Labor and

Working Conditions; PS 3: Resource Efficiency and Pollution Prevention; PS 4: Community Health, Safety and Security; and PS 8: Cultural Heritage.

### **3 Environmental and Social Context**

Cálidda is a concessionary company for the design, construction, and operation of the Natural Gas Distribution System (“NGDS”) in the Department of Lima and the Constitutional Province of Callao (concession area). Since 2002, it has supplied natural gas to homes, shops, service stations, and industries within the concession area. By the end of 2019, its distribution network was 11,166 km long, crossing fifty districts of the Department of Lima and the Constitutional Province of Callao and connecting almost one million clients.

Cálidda's Five-Year Plan (2018–2022), approved under resolution OSINERGMIN 129-2019-OS/CD, considers the expansion of the distribution network in the city of Lima, including the Imperial and Chilca districts of the Cañete province. The Project considers the expansion of the NGDS to districts where the service is currently present and others the Company has yet to enter, such as Breña, Chaclacayo, Rímac, Surquillo, and Santa Anita.

In terms of sustainability, since 2011, the Company has been a signatory to the UN Global Compact and reports its activities as per the 10 Principles on Human Rights, Labor Rights, Environment, and the Fight against Corruption. It is also a member of the Board of Trustees of Peru 2021, whose objective is to raise awareness, train, and mobilize business leaders around sustainability, and of the Association of Good Employers (“ABE”) of the American Chamber of Commerce of Peru, which promotes and certifies the Social Labor Responsibility of Peruvian companies.

In terms of workforce composition, at the end of 2019 the Company had 377 employees, 26% of whom were women, and 6,944 workers engaged by third parties (contractors) who were involved in the expansion and maintenance of the network.

The Company has developed the environmental management instruments required by the sectoral environmental legislation (Supreme Decree No. 039-2014-EM) for the Project’s execution, complying with the requirements of the competent sector authority, the Regional Energy and Mines Directorate of the Regional Government of Lima and the Directorate of Hydrocarbon Environmental Affairs of the Ministry of Energy and Mines (“MEM”), both for the construction of the network expansion and for its subsequent operation and maintenance (“O&M”).

## **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**

Cálidda has established, documented, implemented, and maintained a Comprehensive Management System (“CMS”) in keeping with the requirements of International Standards ISO 9001:2015 Environmental Quality System; ISO 14001:2015 Environmental Management System, and OHSAS 18001:2007 Occupational Health and Safety System. This CMS is documented in the CMS Handbook, the Sustainability Policy, the Environmental Management Manual, and the environmental management standards, procedures, instructions, records, and instruments submitted to the competent sectoral authority.

The CMS satisfies the requirements of PS-1. Its implementation, monitoring, follow-up, control and ongoing improvement is under the responsibility of the Company's Sustainability Department, who regularly distributes CMS content with the help of the Communications Department to all levels of the organization and to external stakeholders.

#### **4.1.b Policy**

Cálidda has a Sustainability Policy based on 10 commitments to contribute to social progress and well-being, minimizing environmental impacts. This policy fulfills the requirements of PS-1 and, like the CMS, its implementation, monitoring, follow-up, control, and ongoing improvement is underseen by the Company's Sustainability Department. Similarly, its disclosure to all levels of the organization and to external stakeholder groups is done by the Communications Department.

The Company also has an Environmental Statement, in which it undertakes, as part of its management, to contribute to three of the United Nations Sustainable Development Goals ("SDGs"): (i) SDG 13, Action for Climate, by periodically conducting a greenhouse gas ("GHG") inventory and implementing measures to reduce its carbon footprint; (ii) SDG 7, Affordable and Clean Energy, by providing access to cleaner energy, contributing to the reduction of GHG emissions by its customers; (iii) SDG 11, Sustainable Cities and Communities, by providing a safe and accessible service, improving air quality, and protecting cultural heritage within its concession area.

#### **4.1.c Identification of Risks and Impacts**

All the environmental management instruments developed by the Company for the Project contain a chapter that characterizes the E&S risks and impacts for each phase of the scope of the works and activities, including the construction, repair, and refurbishment of various structures, commissioning (execution of non-destructive tests, etc.), O&M, and close-out and abandonment of work fronts.

The CMS's Environmental Management Manual establishes that all those responsible for the construction and expansion of the Project, prior to the start of work, must manage Cálidda's approval of multiple works evaluation sheets (Environmental Checklist), according to the Procedure for the Review, Approval, and Monitoring of the Status of the Multiple Works Evaluation Sheet (Environmental Checklist). In addition, the contractors that will execute the works must align their procedures with the methodology established in the Procedure for the Identification of Aspects and Evaluation of Environmental Impacts in this Manual.

In addition, prior to the execution of the works, contractors must update the social risk profile of the works they are responsible for. To do this, they must generate: (i) a social report and submit it 15 days prior to the start of each work, identifying the institutions and social organizations present, the risks inherent in each role, the detail of the risk and the mitigation actions; and (ii) a "social traffic light", where the social risk levels of the work are updated weekly, identifying the existence of significant risk events or a given crisis.

#### **4.1.d Management Programs**

The CMS Environmental Management Manual provides guidelines for managing E&S aspects of the project at all stages (construction, O&M, and close-out) and describes tools for monitoring and measuring these aspects. In addition, it establishes the Project E&S management hierarchy according to: (i) the commitments made in the Environmental Management Instruments; (ii) the commitments approved by the competent sectoral authorities; (iii) the Company's own commitments signed with Corporate and its

shareholders; and (iv) good E&S practices and legal compliance with applicable environmental matters currently in force.

All the above mentioned E&S guidelines must be duly complied with and are aimed at the constructor or executor of the Project (contractors), its subcontractors, suppliers, and each of the people who work for them, and do not exempt them from complying with other corporate procedures of the Company, future modifications to the environmental and sectoral regulations of the country, or new procedures issued or modified in the future by the competent sectoral authority.

#### **4.1.e Organizational Capacity and Competency**

Cálidda has a dedicated E&S and OHS organizational structure that satisfies the requirements of PS-1. As established by the CMS, the Director of Sustainability and Reputation is the highest authority delegated by Senior Management to ensure the achievement of the CMS objectives and to report process performance results. This director is supported by a structure composed of an Assistant Sustainability Manager to whom a Community Relations Coordinator, an Environmental Management Coordinator, and a Corporate Responsibility Analyst report.

Cálidda's Community Relations ("CR") Team is supported in the field with a team of outsourced social supervisors, consisting of a Coordinator and three supervisors, whose primary responsibility is to ensure compliance with the "CR Guide for Cálidda Construction Contractors". This guide establishes the Community Relations Profile for contractors, ensuring that a competent professional is incorporated into their team in this role. Furthermore, Cálidda includes a methodology to evaluate its contractors in terms of CR, considering their compliance in time and quality of: social reporting, communication records, social traffic light, and CR lectures to staff.

Cálidda has an OHS committee comprised of representatives appointed by the Company and representatives elected by its collaborators. The committee promotes occupational health and safety and advises and monitors compliance with the provisions of the Internal Regulations on Occupational Health and Safety and national regulations, favoring occupational wellbeing and supporting worker development. As for the structure to address OHS issues, under the General Director there is an Assistant OHS Manager, to whom an OHS Coordinator and a Physical Security Coordinator report.

#### **4.1.f Emergency Preparedness and Response**

Cálidda has a Contingency Plan for Emergencies, which presents the main and specific objectives pursuant to the Peruvian regulations in force (Resolution of the OSINERGMIN Board of Directors No.-240-2010 OS/CD<sup>1</sup>), indicating and describing the organization for emergency response and the types of contingencies that will be addressed. This plan describes: (i) the guidelines, roadmaps, and specific emergency procedures containing the general instructions set with the organization to attend emergencies in the different NGDS facilities or infrastructure, in order to minimize the Company's response time and increase their effectiveness; (ii) the specific materials to address the emergency according to each probable scenario; (iii) a detail of the main actions to be carried out before, during, and after the emergency occurs; (iv) the internal and external communication systems to be used; and (v) the training activities for the plan's execution, which includes conducting drills in order to achieve full functionality and awareness of the plan by employees and workers engaged by third parties.

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<sup>1</sup> Resolution of the Board of Directors of the Supervisory Agency of Investment in Energy and Mining - OSINERGMIN No.-240-2010 OS/CD "Procedure for the Evaluation and Approval of Safety Management Instruments for Hydrocarbon Activities".

Cálidda has an Infrastructure Integrity Management System that includes a Damage Prevention Plan (“DPP”) to prevent and manage the risk associated with possible impacts of the NGDS and its facilities, peoples’ property, the environment, and the regular supply of natural gas. This DPP sets out step-by-step instructions before and during the execution of any work performed near the pipeline network or natural gas facilities and provides a list of actions to be taken in an emergency when there is any damage to the pipeline or its connections.

The Company also has a “Crisis Committee” chaired by the General Director, who may activate it in “medium” or “high” difficulty situations (as defined in its “Communications in Crisis Situations Handbook”). Possible cases that could activate the Committee include: a broken gas pipeline (including explosions), protests, or work stoppages. Part of its crisis response includes having specially trained spokespersons to handle press relations.

#### **4.1.g Monitoring and Review**

To monitor and evaluate the Project’s E&S and OHS performance, Cálidda has set out in the Environmental Management Manual of the CMS that Contractors must submit to the Environmental Management Department a monthly report on compliance with applicable environmental commitments in the period in question. This report should contain all the information required to notify the relevant sectoral authorities of compliance with applicable environmental commitments and regulations. Likewise, this manual provides that each contractor must develop and submit a Training Program and an Awareness Program on a quarterly basis and a Drill Program and an Environmental Document Update Program on an annual basis.

Cálidda is responsible for ensuring the implementation of the follow-up, monitoring, and control plans described in the Project environmental management instruments. In this regard, the Company has developed an identification and current status matrix to obtain environmental and construction permits and licenses for the Project, which records compliance with the legal and contractual obligations of the Project.

The Company routinely evaluates its contractors’ social management, rating their compliance level in relation to the CR Guide. It states that only evaluation results greater than 80% represent optimal CR management.

Cálidda will prepare, either through an internal audit or through an external, independent E&S expert (external audit), a consolidated annual report on the compliance status with all E&S and OHS policies applicable to the Project, including the progress of CMS actions with regard to the defined key performance indicators (KPIs) as well as the compliance status with the IDB Invest E&S Sustainability Policy.

#### **4.1.h Stakeholder Engagement**

Cálidda and its contractors are governed by relationship guidelines that regulate their actions and procedures to identify, prevent, mitigate, and control the social impacts that could be generated by their activities. These guidelines enable them to strengthen their relationships and contribute to the development of the communities.

The CR Contractor Guide is incorporated into the ESMS. It ensures compliance with the Company's Sustainability Policy, the commitments of the ESIS<sup>2</sup> (communication and neighborhood relations plan), and conflict prevention through dialog, coordination, and direct communication with stakeholders in the NGDS area of influence.

The Company's ESMS includes an Interest Group (IG) Map updated until October 2019 and a stakeholder matrix. The matrix identifies the main work issues with each IG, for example: regulatory compliance, open communication before, during, and after the works, risk information, emergency media, community improvement works or projects, etc. In addition, the Company has an Education Program which identifies the key messages for each of its IGs as part of its Prevention Culture Program, setting a schedule of activities for 2020.

At the site level, contractors are required to submit social reports, including a social diagnosis. This diagnosis identifies leaders and social organizations, impact institutions, elements valued by the community, history of conflicts in the area, potential social risks, recommendations, etc., and should be prepared 15 days prior to the start of the works. The contractor must also record communications and develop communication strategies on (i) commencement of the works, (ii) network gasification, (iii) education for the identified scenarios, and (iv) supplementary communication actions in the event of complex districts.

In addition to the direct benefits of the use of natural gas, the Company promotes complementary benefit initiatives for the population in its area of influence. One of these is Non-Bank Financing ("NBF"), which gives the holder of the Natural Gas connection access to loans to improve the conditions of his/her home, such as the purchase of gas appliances, household goods, or construction materials. Another initiative, implemented since 2010, corresponds to the "Cálidda Comedores" which benefits 851 popular canteens in 21 districts of Lima and Callao that were connected to the natural gas network for free. The canteens are led by women who attend talks from Cálidda on nutrition, food safety and hygiene, as well as training in solid waste separation.

The Company has had a Communication Policy since March 2012, which establishes the guidelines to formulate, implement, and execute internal and external communications in order to guarantee the disclosure, dissemination, and the promotion of institutional and commercial information to the IGs.

#### **4.1.i External Communication and Grievance Mechanisms**

Cálidda has a Communication Policy and an External Communications Procedure that forms part of its CMS. Aside from establishing external communications aimed at stakeholders, it seeks to communicate, educate, and inform the population about the Project and raise awareness about the culture of natural gas and the benefits of the service. The Company has various communication channels; (i) face-to-face, such as customer service centers, customer service telephone lines (Aló Cálidda), the emergency care line; and (ii) virtual (website, social media, and an email for complaints). Contact with Cálidda can take the form of inquiries, requests, reports, complaints, etc. All submitted communications are received by the Communications Deputy Management and then forwarded to the respective Deputy Management for response.

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<sup>2</sup> Environmental and Social Impact Study

The execution of communication and information activities with neighbors (leaders, neighbors, leaders in charge of grassroots social organizations, educational institutions, etc.) seeks to promote the security system and to inform about the characteristics of the works and the grievance system adopted by the Project. In addition, contractors who intend to begin activities in a district lacking residential services must, in advance, hold a meeting with the leaders of the areas involved in the works and use the work commencement and network gasification brochures (developed by Cálidda).

Cálidda has an Education Program (2020) whose objective is to educate the people of Lima and Callao about the characteristics and responsible use of natural gas, the safe management of the distribution system, prevention practices, and steps to follow in case of an emergency.

For customer complaints, the Company uses the Procedure for Attention and Management of Notices from the Citizen Attention Service ("SAC") and the Instructions for Attention and Closing of Notices of Grievances to assist in the issuance of a resolution of the grievance adequately supported in compliance with the procedure established in Resolution No. 269-2014-OS-CD,<sup>3</sup> and contacts regarding INDECOPI grievances under Law No. 29571<sup>4</sup> and Supreme Decree No. 011-2011-PCM.<sup>5</sup> The areas that work with contractors to attend to the requirements are responsible for instructing them on the correct treatment of notices and closures in accordance with the Procedure and managing the mechanism that allows them to comply with the parameters defined by Cálidda for proper customer service.

The contractor's Community Relations Officer is the channel for grievances from the on-site population and is responsible for monitoring neighborhood satisfaction during the works. Cálidda's register of grievances is maintained through official channels, so grievances submitted during construction are immediately coordinated by the contractor's Community Relations Officer directly with the Construction Department.

In the case of undesired events that have an impact on the company's image, the guidelines of the Crisis Communications Manual are followed. The main line used is the one dedicated to emergency attention, which is directly linked to the Emergency Call Center. In addition, the Contractor CR Guide has incorporated a "Procedure in the Event of Social Conflict" applicable to the Project construction phase.

#### **4.1.j Ongoing Reporting to Affected Communities**

The Contractor CR Guide defines the communication actions that each contractor must implement, including community meetings, installation of informational site murals, and distribution of fliers in strategic areas such as warehouses, busy corners, bus stops, among other actions. Prior to the start of the works, information is provided house to house on the characteristics of the Project and the benefits of natural gas and doubts and queries are answered; then, before the network is gasified, the houses are visited again to inform about this process, the possible impacts of the gasification works and to answer any queries that may arise. These processes are documented in communication records by the contractor's community relations officers.

Communications take place two days before the start of the works and remain valid for the 10 days following, after which the contractor must re-disseminate the information. This process is monitored by

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<sup>3</sup> Resolution No. 269-2014-OS-CD "Administrative Procedure for the Grievances of Users of Public Electricity and Natural Gas Services"

<sup>4</sup> Law No. 2957, Consumer Protection and Defense Code.

<sup>5</sup> Supreme Decree No. 011-2011-PCM, Regulation of the Grievance Book of the Consumer Protection and Defense Code.

the CR Supervisor in charge and if he or she determines that it has not been done in compliance with effective dissemination procedures, re-dissemination will be required before the contractor can schedule the start of the works.

In addition, Cálidda provides information on its environmental and social performance through annual sustainability reports.<sup>6</sup>

## **4.2 Labor and Working Conditions**

### **4.2.a Working Conditions and Management of Worker Relationships**

#### Human Resources Policies and Procedures

Cálidda has an Internal Labor Regulation ("ILR"), endorsed by the Regional Management of the Ministry of Labor and Employment Promotion ("MTPE"), which contains the rules and conditions related to personnel recruitment and hiring; working days, hours, and breaks; paid annual leave; paid and unpaid leaves of absence; wages and benefits; employer and employee rights and duties; conduct expected of employees and disciplinary measures; asset security; risk prevention; and workers with disabilities, among other aspects. The Company has a Code of Ethics, approved in September 2019, which contains the corporate values of transparency, respect, integrity, and equality; as well as instructions on how to act with stakeholders and in situations of conflict of interest, data handling and fraud prevention, and the processes of consultation, fraud reporting, and ethical dilemmas through an ethical channel, monitored by an Ethics and Compliance Committee.

Cálidda has a Procedure for the Investigation and Sanction of Acts of Sexual Harassment, which includes sanctions for those responsible, in line with Law 27942 and its regulations.<sup>7</sup> To this end, a Committee against Sexual Harassment has been established.

All aspects related to labor and working conditions are managed by the People and Services Management Department, which assigns competent employees to the different processes on the basis of their education, training, work experience, and skills as defined in the job description and profile.

#### Working Conditions and Terms of Employment

Cálidda's ILR, which adheres to Peru's Labor Code and to the conventions of the International Labor Organization (ILO), provides for the principles of gender equality and non-discrimination, equal opportunity, the prohibition of child labor, fair treatment, prohibition of workplace harassment and penalties for sexual harassment, a contract with suitable working conditions and terms of employment, and notice of dismissal and severance pay. All Company personnel undergo training on the ILR and must sign a statement of knowledge, understanding, and compliance with the mentioned regulations at the end of the corresponding induction.

During 2019, almost 7000 people worked directly or indirectly for the Company. Contractors' workers performing network expansion, connections, and maintenance works totaled 6944 people. At the end of 2019, Cálidda had 377 employees: 279 men and 98 women. 83% of the team were under indefinite contracts. Cálidda's voluntary resignation turnover rate was 5%. In order to improve the work

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<sup>6</sup> <https://reportesdesostenibilidad.Calidda.com.pe/>

<sup>7</sup> Law 27942 of February 27, 2003, Law 29430 of November 8, 2009, and approved regulation DS 014-2019-MIMP (July 19, 2019)

environment, the Company conducted the Great Place to Work survey in 2019, achieving a positive result that reached a score of 85.1.

#### Workers' Organizations

Cálidda complies with Peru's 1993 Political Constitution, the labor laws that provide for freedom of association and the formation of unions (Supreme Decree No. 010-2003-TR), and ILO international conventions and treaties related to workers' rights, including Convention No. 87 concerning Freedom of Association and Protection of the Right to Organize and Convention No. 98 concerning the Right to Organize and Collective Bargaining. At the end of 2019, 5% of its direct employees were members of the Sindicato Unitario de Trabajadores de la Empresa Cálidda Gas Natural de Lima y Callao ("SUTRACADD") trade union. The Company maintains contact with the Union's requirements through monthly meetings and regular coordination.

One hundred percent of its staff are represented on the Joint Committee on OHS. This committee consists of twelve full members (six company representatives and six workers) and twelve substitutes. All members fulfill a two-year term in office.

#### Non-discrimination and Equal Opportunity

Peru is a signatory to several ILO international conventions and treaties relating to workers' rights, including Convention No. 100 on Equal Remuneration and Convention No. 111 concerning Discrimination in Respect of Employment and Occupation. In its Code of Ethics, Cálidda establishes respect for individual diversity and equality, proceeding with justice, equality, and impartiality, seeking a positive and inclusive social impact as a corporate value.

At the Corporate level, GEB has a Diversity and Inclusion Policy whose objective is to promote and maintain a working environment and a corporate culture with equal opportunity, rights, and responsibilities, free from discrimination and ensuring equality between men and women. Cálidda's Talent Management Department is responsible for implementing this corporate policy, as well as for its monitoring, follow-up, and control.

GEB also has a Gender Equality Committee to which Cálidda is related and for which it has generated an "Action Plan for the Road to Equality". This plan addresses three main problems: (i) paradigms of technical issues focused on men; (ii) perception that recruitment is focused on men; and (iii) lack of adherence to the non-discrimination policy. For each of these problems, it has defined items to address them, actions, means of implementation, and performance indicators.

#### Grievance Mechanism

Grievances, claims, queries, and requests for clarification on ethical dilemmas raised by Cálidda's employees, shareholders, customers, suppliers, and contractors are addressed through the Ethical Channel. This means is administered by an independent expert third party and is intended to prevent, detect, investigate, and remedy any incident of fraud or corruption, illegal act, or misconduct contrary to ethics, the law, and the rules governing the Company, or that may be injurious to it.

Grievances relating to sexual harassment, unlike grievances of unethical behavior, are addressed by the Cálidda Joint Committee as set out in the Procedure for the Investigation and Sanction of Acts of Sexual Harassment.

All complaints, reports, or questions may be reported anonymously; otherwise, the Company guarantees protecting the identity of Ethics Channel users and the confidentiality of the information contained in the report or questions, thereby preventing any form of retaliation. The means available to report any grievances are via e-mail, the website, and a toll-free telephone line. Once the complaint or query has been submitted and validated, the person conducting said complaint or question is assigned a registered number and a personal code, which he or she can use to follow up or expand on it. Through its Ethics and Compliance Committee, the Company reports on the result obtained from preliminary checks or investigations, or the response to the consultation, using the same means through which it was reported.

#### **4.2.b Protecting the Workforce**

Peru is a signatory to several ILO international conventions and treaties relating to workers' rights, including Convention No. 138 concerning Minimum Age for Admission to Employment, Convention No. 182 concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labor, Convention No. 29 concerning Forced or Compulsory Labor, and Convention No. 105 concerning the Abolition of Forced Labor. The country also has extensive labor legislation that regulates, among other aspects, the duration of the workday, working hours, overtime, paid leave, minimum wage, family allowance, legal bonuses, and minimum OHS conditions.

#### **4.2.c Occupational Health and Safety**

In addition to the CMS certified in international standard OHSAS 18001, Cálidda has an OHS Policy, a Joint Committee on OHS comprised equally of company and worker representatives, and an OHS Manual for Contractors, in accordance with Peruvian national legislation of the Ministry of Labor and Promotion of Employment and PS-2.

As part of the CMS, the Company, in collaboration with its Contractors, has: (i) standardized and approved Hazard and Risk Identification and Assessment Matrices ("IPER"), which have enabled improved operational control in each of the activities carried out by contractor companies; (ii) approval and standardization of OHS training plans, starting with the development of courses on high-risk work such as trenching, work at height, use of power equipment, and cold and hot work; and (iii) implemented an Occupational Health Plan and formed a committee of occupational physicians from contractor companies to improve accident management.

Since 2019, the Company has also implemented a culture of prevention and self-care under the Vision Zero model, which is based on two aspects: (i) climate, where it focuses on discovery management, accident rate analysis, and priority risk mitigation, to reduce the accident frequency rate; and (ii) culture, where it focuses on the review and improvement of training plans and high-risk work standards, audits, OHS performance/awareness, continuous improvement, and strengthening of OHS leadership in the Company's top management lines and its main contractors.

In May 2020, as a result of the COVID-19 pandemic,<sup>8</sup> the Company developed a Plan for the Surveillance, Prevention and Control of COVID-19 in the Workplace, in compliance with health regulations and sectoral protocols in force<sup>9</sup> since the declaration of the state of national health emergency by the National

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<sup>8</sup> COVID-19 is the infectious disease caused by the coronavirus discovered in Wuhan, China in December 2019 (<https://www.who.int/emergencies/diseases/novel-coronavirus-2019>)

<sup>9</sup> Ministerial Resolution No. 239-2020-MINSA, which approves the "Guidelines for Health Surveillance of Workers at Risk of Exposure to COVID-19" and amendments.

Government of Peru on March 11, 2020.<sup>10</sup> This plan has the following objectives: (i) to establish guidelines for surveillance, prevention, and control of workers' health during the COVID-19 pandemic; (ii) to establish guidelines for the return and reintegration of workers; and (iii) to ensure the sustainability of the surveillance, prevention, and control measures adopted to prevent the transmission of COVID-19.

#### **4.2.d Workers Engaged by Third Parties**

Cálidda has a methodology for purchasing local and imported goods and contracting services, which includes establishing compliance with safety, occupational health, and environmental requirements, as applicable. In support of this methodology, the Company has Procedures for Supplier Management, Goods and Services Contracting; and Procedures for the Import and Export of Goods and OHS Requirements for Goods and Services.

In addition, in response to the pandemic generated by COVID-19, the Company requires its suppliers and contractors to (i) update their hazard identification and risk assessment matrices, including control measures for COVID-19 and (ii) submit a Plan for the Surveillance, Prevention, and Control of COVID-19 at Work, which must be approved by the OHS Committee or supervisor and registered with the Ministry of Health, for the continuity of their activities.

Contracts with contractor companies require that they be in line with Cálidda's CMS. For example, CR issues include mandatory sensitivity training for employees on the following topics: code of conduct, role of the CR team, good construction intervention practices, community outreach and social skills for interacting with the community, respect for the work environment, non-discrimination, gender equality, and street harassment, among others.

#### **4.2.e Supply Chain**

The supply chain consists mainly of manufacturers and distributors of goods; companies that install steel and polyethylene networks, and pressure regulation stations. By the end of 2019, the company had 407 suppliers in place, of which 389 were local and 18 international.

Cálidda has rules, procedures and bodies that regulate its supply chain, most notably a hiring manual, a procurement procedure, three supply committees, supplier-contractor performance evaluation instructions, an internal control policy, fraud and corruption prevention, among others. In addition, in 2019, it promoted the participation of its four major contractors in the Global Reporting Initiative's Competitive Business program, which aims to build more competitive companies by establishing sustainability as an advantage. The plan is expected to continue in 2020 and incorporate more suppliers.

### **4.3 Resource Efficiency and Pollution Prevention**

#### **4.3.a Resource Efficiency**

##### Greenhouse Gases

In addition to establishing the promotion of initiatives and activities within the CMS that contribute to controlling and reducing GHG and mitigating the effects of climate change, Cálidda is a signatory of the Paris Pledge for Action – Paris 2015, thus showing its commitment to achieving a safe and stable climate, through the massification of Natural Gas in the cities of Lima and El Callao.

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<sup>10</sup> Supreme Decree No. 008-2020-SA of March 11, 2020

The company's climate strategy entails carbon footprint measurements in line with the ISO 14064 international standard. Estimations made under this model suggest that GHG emissions have increased by 37% due to the growth of the distribution network and the number of connections between 2017 and 2019, amounting to 18,488.67 tons of CO<sub>2</sub>e. However, an independent study<sup>11</sup> showed that for the 2005–2019 period, since Cálidda began its natural gas distribution operations in Lima and El Callao, it has prevented the emission of more than 88 million tons of CO<sub>2</sub>e into the environment.

#### Water Consumption

The Project does not consume large quantities of water, since this resource will only be used during construction and for workers' human consumption. Drinking water will be supplied through the municipality's public distribution system, while water for construction activities will be provided through tankers from authorized sources. Even so, the Company will seek to continuously optimize the use of resources for its operations and will measure water consumption as part of its carbon footprint estimation process.

#### Energy

In addition to the water resource, the Company measures its energy consumption from non-renewable sources (fossil fuels, mainly used for the mobility of its operations) and electricity from the public network. The execution of the Project will not generate a significant increase in mean energy consumption and the sources will be the same as those already in use.

### **4.3.b Pollution Prevention**

#### Effluents

To control liquid effluents, Cálidda's facilities and offices are connected to the public sewer system of the state-owned company Servicio de Agua Potable y Alcantarillado de Lima, S.A. ("SEDAPAL").

#### Solid Waste

Cálidda has a Waste Management Program ("WMP") that allows it to properly manage waste from its generation to its final disposal. After classifying its waste and verifying its suitability for reuse (internal reuse or recycling), the Company separates and stores such waste according to its nature (hazardous and non-hazardous) before proceeding to its proper disposal. Non-hazardous solid waste will be transported by an authorized Solid Waste Management Company ("EO-RS") or the Municipality to a landfill.

#### Management of Hazardous Materials

Cálidda does not generate large volumes of hazardous waste. However, this type of waste (contaminated materials, used oils, etc.) may be generated as part of the maintenance of its facilities, especially the equipment of the regulation stations, and will be classified, handled, stored and removed for final disposal as established in the WMP.

The Company will not transport its hazardous solid waste outside its facilities. It will be managed by SWMCs, as set forth in Law No. 28256 that regulates the overland transport of hazardous materials and waste. The final disposal of hazardous solid waste removed from the Company's facilities will be recorded

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<sup>11</sup> "Actualización de la Brecha de Emisiones de Gases Efecto Invernadero y Determinación del Ahorro Económico en Escenarios con y sin Gas Natural en Lima y Callao, correspondiente al Periodo 2005-2019"; prepared by A2G Sostenibilidad y Cambio Climático, Independent Consultant.

by means of the Hazardous Solid Waste Management Manifest of the Regulations of the Comprehensive Solid Waste Management Law (SD No. 014-2017-MINAM).

#### **4.4 Community Health, Safety and Security**

##### **4.4.a Community Health, Safety and Security**

Cálidda has a Damage Prevention Plan (“DPP”) that aims to prevent damage to its facilities, which could jeopardize physical integrity, property, the environment, and regular natural gas supplies. This plan is consolidated into a dissemination document, mainly aimed at operators of other services that may require earthworks and compromise existing NGDS infrastructure. The DPP promotes the communication channels with the company (telephone line, cell phone, email and physical address of the office), and the actions that companies or municipalities must take before proceeding with their works.

The DPP is incorporated into an Education Plan aimed at diverse service contractor companies that involve earthworks, the community, and home natural gas users through their home facilities. The Education Plan has generated diverse graphic material such as guides, pamphlets, stories, comics, etc. aimed at different key audiences for the prevention of damages and risks. In addition, the contractor's community relations staff continuously performs on-site monitoring to ensure adequate communication with the community throughout the construction process. The objective of such monitoring is to create a culture of safety in the use of natural gas, in the process of building the networks and all the necessary structures for its proper distribution, as well as to provide peace of mind to the people whose daily lives may be affected by the development of the works.

In the context of responding to the COVID-19 pandemic, the Company has developed supplementary guidelines to its CR Guide for construction contractors. They emphasize the importance of implementing biosafety protocols and ensuring the continuity of routine activities, including compliance with the procedures of the CR Guide, making some deadlines more flexible and promoting telephone communication and, only if exceptionally necessary, face-to-face meetings with neighborhood leaders. The guidelines require that prior to the execution of the works, a survey be carried out on how to proceed with the dissemination and communication of information to the population of the project's area of influence, in order to identify the best alternatives and maintain compliance with health safety protocols.

Finally, the prevention of risk situations involves 24-hour monitoring, constant inspections of the NGDS, and signaling to identify the facilities. The Company has a Claims Management Procedure, which considers the recovery of the amount claimed, considering persons (natural or legal) who have been affected by a claim and are found to be beneficiaries of compensation. In addition, contractors have liability insurance as part of their contract.

##### **4.4.b Infrastructure and Equipment Design and Safety**

The new expansion works of the NGDS Project shall be designed and built by competent and renowned contractors experienced in the construction and operation of this type of works, using international best practices and in keeping with the applicable national and international guidelines, standards, and building codes.

Additionally, Cálidda has a Claims Management Procedure, to attend to any kind of claim and answer for any damage caused to the property of the State, an individual, or the community.

#### **4.4.c Security Personnel**

The contract for surveillance and personnel protection services, in force since 2017, includes mandatory adherence to the Ethics Protocol (Ethical Channel Manual) and the Cálidda Code of Ethics. In this sense, the security company must comply with the premises of global responsibility assumed by Cálidda, respecting the principles of the Global Compact in the protection of human rights, protection of labor rights, environmental protection, and anti-corruption practices. The contract also includes an Ethics Clause that indicates zero tolerance for fraud and corruption.

The contract establishes that the security company's personnel must be qualified and have the required professional and technical training, as well as the experience and specialization to perform the services, and comply with all the requirements of the applicable standards and internationally accepted good practices. In addition, deployed personnel must be licensed to carry arms by the National Superintendency for the Control of Arms, Ammunition, and Explosives for Civilian Use ("SUCAMEC").

#### **4.5 Land Acquisition and Involuntary Resettlement**

The Project will be developed within the urban areas under concession of Lima and Callao, so it involves no involuntary physical or economic displacement of any kind.

#### **4.6 Biodiversity Conservation and Natural Habitats**

The Project will be developed within the urban areas under concession in Lima and Callao, specifically on previously intervened streets or roads, so no impact on vegetation or alteration to biodiversity is projected.

However, during 2019, due to the expansion of the NGDS in the Pantanos de Villa Wildlife Refuge in Lima (a protected area of the National System of Natural Areas Protected by the State - SINANPE), the Company implemented all the necessary controls included in the Environmental Impact Statement approved by the Ministry of Energy and Mines<sup>12</sup> to mitigate any possible impact, and it conducted the induction and training on these specific controls for this highly diverse area to all Cálidda and contractor personnel involved.

#### **4.7 Indigenous Peoples**

The Project is developed in the cities of Lima and Callao, in urban areas where no indigenous peoples are found.

#### **4.8 Cultural Heritage**

Since 2015, Cálidda has maintained a Sustainable Management Program for Archaeological Cultural Heritage, through which close to 500 archaeological chance finds have been recovered and valued, thus contributing to the science and history of Lima and El Callao.

##### **4.8.a Chance Find Procedures**

The Company, in addition to having a Cultural Heritage department in its organizational structure, has an Archaeological Monitoring Procedure, in accordance with Peruvian Cultural Heritage laws and decrees. This procedure has the necessary measures to identify and evaluate any chance finds that are believed to

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<sup>12</sup> Executive Resolution R2018-029501 – Oficio No. 082-2018-MEM/DGAAH, November 20, 2018.

be archaeological during construction of the Projects. In addition, if the find proves to be archaeological, its salvage and recovery would be coordinated with the Ministry of Culture.

#### **5 Local Access of Project Documentation**

Cálidda offers additional sustainability information on its website: <https://reportesdesostenibilidad.Cálidda.com.pe/>

#### **6 Environmental and Social Action Plan (*In tabular format*)**

The Environmental and Social Action Plan (ESAP) only provides for an annual E&S Compliance Report, as presented in [Appendix 1](#).

Project: Cálidda

Environmental and Social Action Plan (ESAP)

No.	Reference	Measure	Final Product /Deliverable	Expected Completion Date
<b>PS 1: Assessment and Management of Environmental and Social Risks and Impacts</b>				
1.1	Project's regulatory compliance	1. By means of an internal audit or an external, independent E&S expert (external audit), prepare a consolidated annual report on the compliance status of all environmental, social, and OHS policies and measures applicable to the Project works, including the progress of CMS actions with regard to the defined KPIs, as well as its compliance status with the IDB Invest E&S Sustainability Policy.	1. Periodic environmental and social compliance report	1. Annually over the life of the loan.