

Public Disclosure
Summary Environmental and Social Review

Original language of document: Spanish

A. Summary of the investment

Date posted:	August 9, 2019
Project name:	Coltel Financing for Fixed Investments and Facility for purchase of accounts receivable
Project number:	12618-02/12618-01
Type of investment:	Loan and Facility for purchase of accounts receivable
Environmental/social category:	B
Expected date of approval by Board:	7/2/2019
Borrower:	Colombia Telecomunicaciones S.A. ESP ("Coltel")
Sector:	Science and Technology
Financing requested:	Up to US\$160,000,000
Currency used:	Colombian pesos (Financing for Fixed Investments) United States dollars (US\$) (Facility for purchase of accounts receivable)
Project location:	Colombia
Team leader:	Edgar Cabanas

Project Scope and Objectives:

The project consists of two types of financing: (i) a loan for up to US\$ 100 million in local currency to finance the fixed investments of Colombia Telecomunicaciones S.A. ESP (hereinafter "Coltel," "Enterprise," or "Company") during the 2019-2020 year (the "Loan"); and (ii) a facility for purchasing up to US\$60 million of accounts receivable (the "Facility") that will be used to discount invoices from Coltel's program to finance individual and corporate subscribers' purchase of mobile devices, communication equipment, and telecommunications service. The Loan will have a term of up to seven years and a grace period of up to two years. The Facility will be available for a period of up to 48 months and invoices will have a payment period of up to 24 months.

B. Summary Environmental and Social Review

1 Scope of the Environmental and Social Review

Colombia Telecomunicaciones S.A. ESP (hereinafter "Coltel," "the Enterprise" or "the Company") is the trade name of Telefónica, one of the largest promoters of the digital economy in Colombia, which is basically focused on the business of telephony and mobile connectivity, broadband services, household fiber optics, satellite television, fixed telephony and the supply of digital solutions for small, medium, and

large enterprises and corporations. Coltel has a presence in 962 municipalities with mobile telephony (86% of the total number of municipalities in the country) and offers 4G LTE technology in 341 municipalities. For the first half of 2018, Coltel closed with a base of 19.1 million clients throughout the country, 15.7 million of whom have mobile lines.

Since last year, IDB Invest has been implementing telephone financing programs for five Telefónica Group affiliates. The financing for Coltel is part of this strategic initiative. Although the earlier transactions provided financing for individual subscribers, the transaction with Coltel has the SME financing component.

Based on the above, the scope of the IDB Invest environmental and social review included the re-evaluation¹ of the public information sent and/or recorded on the Coltel website, where the composition of senior management and the team responsible for the company's environmental and social issues was evaluated, as was the Environmental and Social Management System (ESMS) implemented in all sectors of the company and its subsidiaries. In addition, the detailed information contained in the following documents was analyzed: 2018 Consolidated Report,² 2018 Responsible Management Report,³ Environmental Policy,⁴ Gender Equity Policy,⁵ Supply Chain Responsibility Policy, and client service procedures, among others.

2 Environmental and Social Classification, and Its Rationale

The project was classified as a **Category B** operation according to the IDB Invest Environmental and Social Sustainability Policy, as the environmental, social, safety, and health risks and impacts are restricted to the project area and can be reversed and mitigated. The potential risks and impacts are related primarily to works carried out by its networks of partners (subcontractors).

According to the characteristics of the project itself, based on a financial operation that will facilitate the telephone installment sales program that the company offers to its subscribers (including SMEs) and the potential expansion of services based on the active participation of its network of partners, the evaluation concentrates on the level of compliance with IFC Performance Standard 1(PS1)⁶ (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 and Safety).

3 Environmental and Social Context

Within the context of sustainability, Telefónica's policy is to contribute to the global objectives of the Paris Climate Agreement and the United Nations 2030 Agenda. For the company, environmental management represents, among other benefits, a competitiveness factor, as well as significant opportunities to generate efficiency in the consumption of resources associated with operation of the telecommunications network and commercial management.

Coltel has had ISO 14001 certification for its environmental management system (EMS) since 2007, demonstrating its compliance with standards related to environmental preservation and control of impacts on the environment, the control of risks, and legal requirements. In 2018, AENOR INTERNACIONAL

¹ During 2018, IDB Invest conducted similar operations with Telefónica in countries like: Costa Rica, Panama, Guatemala, Ecuador, and Chile

² <https://www.telefonica.com/documents/153952/13347843/Telefonica-Informe-Integrado-de-gestion-2018.pdf>

³ <http://www.telefonica.co/documents/1285851/1322018/Informe+Gesti%C3%B3n+Responsable+2018.pdf/134d2030-da99-036d-d40a-4de02a4425d0>

⁴ http://telefonica.com.ec/pdf/PoliticaAmbiental_VF.PDF

⁵ <http://www.telefonica.co/documents/1285851/44328718/Politica+Equidad+genero+Telef%C3%B3nica+Movistar+%281%29.pdf/98b820e9-141f-44b8-89bd-6f9ec061cb47>

⁶ International Finance Corporation of the World Bank Group (IFC).

audited Coltel's EMS, verifying its adaptation to the 2015 version of ISO 14001 with zero nonconformities. Previously, in 2017, Coltel obtained recertification under GICS 4.0, OHSAS 18001 on Occupational Health and Safety, and ISO 9001 on the Quality Management System.

In the social context, in terms of the management of human capital, Coltel has more than 24,800 direct and indirect active employees. In the context of responsible business, in 2017 Coltel was recognized by the Colombian Ministry of Information Technologies and Communications (MinTIC) as the country's first telecommunications company accessible to persons with visual and hearing disabilities. In 2018, the Corporate Reputation Monitor (MERCO) rated Coltel as the leading telecommunications company in MERCO companies, MERCO Talent, and MERCO Social Responsibility and Corporate Governance. In that same year, the company also received various types of recognition in the area of sustainability: it was recognized as one of the best companies for young professionals in Colombia, according to the Employers for Youth (EFY) company study; it was recognized by Bancolombia as the Most Sustainable Provider; it was the first telecommunications company recognized with the "Equipares" Gold Seal of Labor Equity; it was a finalist for the Energy Efficiency Prize in Colombia; and was one of the 25 companies contributing the most to Colombia based on its social, labor, and environmental commitment.

Finally, it is important to emphasize that Coltel's business emphasizes the promotion and implementation of the circular economy⁷ in the treatment of waste through reuse and recycling, establishing its Supply Chain Sustainability Policy. This policy is applicable to all Telefónica Group companies, including Coltel, where all suppliers must commit to complying with the minimum sustainable business criteria, including the environmental criteria, which includes the principles of life cycle and preventive action, and waste management.

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

With respect to compliance with PS-1, Coltel has ISO 14001 Certification of the Environmental Management System (EMS), demonstrating that it meets the standards associated with environmental preservation and control of impacts on the environment, risks control, and legal requirements. With respect to Occupational Health and Safety, Coltel has an Occupational Health and Safety Management System (OHS-MS) certified under the OHSAS 18001 standard since 2015.

Coltel has established Responsible Business Principles, which extend to its supply chain through the implementation of the ESMS. The ESMS incorporates audit mechanisms on administrative issues (human resources), safety, health, the environment, and corporate social responsibility for the supply chain (network of partners).

In addition, through the strategy and implementation of the 2016-2018 Responsible Business Plan (*Plan de Negocio Responsable* - PNR), Coltel uses as a reference the company's strategic plan, the national context, and the 2030 Agenda, defined in the context of the United Nations General Assembly and known as the Sustainable Development Goals (SDGs). In this context, after reviewing the 17 SDGs, the principal contribution of the PNR in terms of environmental and social management focuses primarily on ten of those goals,⁸ although through them the other seven are mobilized on a secondary basis.

⁷ Important in waste management, given the high turnover of cellular equipment, due to technology changes, migration, disuse, obsolescence, and withdrawal of equipment.

⁸ SDG 5, Gender Equality; SDG 6, Clean Water and Sanitation; SDG 7, Affordable and Clean Energy; SDG 8, Decent Work and Economic Growth; SDG 9, Industry, Innovation, and Infrastructure; SDG 10, Reduced Inequalities; SDG 11, Sustainable Cities and Communities; SDG 12, Responsible Consumption and Production; SDG 13, Climate Action; SDG 15, Life on Land.

Telefónica's PNR includes recognition of global sustainability indices such as the Dow Jones Sustainability Index (DJSI), Carbon Disclosure Project (CDP), Sustainalytics, Ethibel, MSCI or FTSE4Good. Telefónica also has a gold rating in sustainability performance assessment prepared by EcoVadis, a collaborative platform that allows it to measure both its own performance in this area and that of its suppliers.

4.1.b Policies

Coltel, as part of the Telefónica Group, adopts and complies with Telefónica's Global Environmental Policy.⁹ It also follows other policies related to the sustainability of the business such as the Energy Management Policy, the Supply Chain Sustainability Policy, the Low Carbon Procurement Policy, and the Energy Policy.

With regard to the health and safety of its employees, Coltel has its Occupational Health and Safety Policy, which establishes its OHS-MS strategy. The main objective of this policy is to protect the health of employees by preventing injuries and illnesses caused by working conditions, as well as to improve the physical and mental conditions of all its employees. Finally, year after year Coltel confirms its commitment to the health, safety, and well-being of all its members and employees and obtained OHSAS 18001 recertification in 2017.

The Supply Chain Sustainability Policy indicates that Coltel's network of partners must work under the following guidelines: environmental (climate change, waste management, hazardous substances, chemicals, compliance with the law, life cycle and preventive action, etc.); ethical (compliance with the law, anti-corruption, conflict of interest), social (labor relations, work schedule, salaries, no forced labor or human trafficking, collective freedom of association, non-discrimination, safety and health conditions, etc.); and privacy (privacy and confidentiality).

4.1.c Identification of Risks and Impacts

As regards risk identification, as part of the Telefónica group, Coltel has a Corporate Risks Management Model based on the Treadway Commission's COSO (Committee of Sponsoring Organizations), aligned with the new requirements of the COSO ERM framework published in September 2017, "Enterprise Risk Management – Integrating with Strategy and Performance." This corporate model recognizes four categories of risk management: i) business; ii) operational; iii) financial; and iv) global. The global risks include those that affect the Telefónica Group on a cross-cutting basis, including the issues of sustainability and compliance, including regulatory compliance.

Just as Coltel identifies its sustainability risks during its operations, for this project a very important part of the environmental and social risks and impacts are directly related to its service providers (network of partners). In this sense, Coltel focuses on analyzing and resolving adverse impacts, including those of suppliers and subcontractors, through intensification of the management requirements and commitments related to the Supply Chain Sustainability Policy, where the supplier must comply with the following environmental criteria: i) compliance with the law, whether international law or national or local law, particularly in the area of waste, emissions, noise, resource consumption and dangerous substances; ii) life cycle and preventive actions, where the supplier must use preventive measures to minimize the environmental impact of its activities; iii) environmental policy, where the supplier commits to protecting the environment, complying with the respective laws and continuous improvement; iv) environmental management, where the supplier has or is arranging for a documented environmental management system that guarantees planning, action, and effective control of the most relevant environmental aspects of its activity; and v) climate change, where the supplier will adopt measures to minimize the impact of its

⁹ 3rd Edition, approved by the Board of Directors of Telefónica, S.A. at its meeting January 30, 2019.

activities on climate change, particularly in terms of greenhouse gas (GHG) emissions; vi) waste, where the supplier must have systematic processes for waste management; vii) dangerous substances and chemicals, where the supplier must comply with all laws, regulations, and requirements on the prohibition or restriction of specific substances, particularly those included on the REACH regulation list of Substances of Very High Concern;¹⁰ and finally viii) consumption of materials, resources, and atmospheric emissions, where the supplier is committed to using eco-efficient criteria in developing its activities, particularly with respect to scarce resources such as water or non-renewable resources.

The significant environmental aspects identified in Coltél's ESMS are the waste from PCB transformers, consumption of natural gas in offices, dangerous waste from internal plant and clients' waste electrical and electronic equipment (WEEE). The potential risks and impacts associated with works carried out by Coltél's partners include: (i) personal risks (risk of falls; electrical risk; risk of exposure to electrical and magnetic fields; respiratory risk from entering confined spaces and construction activities; risk from driving vehicles; risk to eyes from handling fiber optics and laser light); (ii) risk of soil and subsoil contamination due to accidental fuel spills or improper handling of special wastes (cables, electronic waste such as mobile telephones, batteries, electrical devices); (iii) risk to third parties from road accidents caused by company or contractor vehicles, or possible fall of towers or potential exposure to electrical or magnetic fields.

4.1.d Management Program

Telefónica's environmental strategy is defined in terms of three areas of work: risk management and legal compliance in environmental matters, improved eco-efficiency and the circular economy, and the promotion of digital solutions and products to address the great environmental challenges affecting society at large. In this sense, in order to achieve correct implementation of environmental policy and ensure ongoing improvement of the system, the company's environmental aspects have been analyzed and objectives, goals, and programs have been established in this area. These are aligned with the company's vision under the responsible business approach: i) energy program and climate change; ii) waste management program; iii) responsible network deployment programs; and iv) resource management program.

For the mobile equipment component of this project, the waste management program plays a fundamental role, taking into account the waste hierarchy principle in the circular economy, where Coltél's main focus is to prevent and reduce waste generation, supporting the reuse of used equipment and recycling whenever possible. Additionally, the project's CAPEX component is based primarily on the responsible network deployment program, which focuses on the life cycle and thus considers: (i) planning and construction: environmental licenses and permits, visual impact reduction measures, remote stations with renewable energy and embankments; (ii) operation and maintenance: measurement of electromagnetic fields, environmental control, noise measurements, energy efficiency projects, dangerous waste management and PBC analysis; (iii) dismantling: waste management (recycled WEEE, sale of waste, reused equipment).

Coltél's integrated management system (SI)¹¹ is certified under ISO 14001 (since 2007), ISO 9001 (since 2008), OHSAS 18001 (since 2015), and ISO 27001 (in the process of certification). Management programs emphasize operational controls, first considering contracting, the identification of hazards and risks of the activities to be contracted, legal requirements associated with the contract, and implementing the ISM guidelines for procurement managers and contract administrators. When the contract is implemented, there are induction processes, implementation of the audits program, and inspections of contracting companies (network of partners). Subcontractors' alignment with Coltél's corporate policies

¹⁰ The regulation on the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) is a European Union Regulation dated December 18, 2006.

¹¹ Includes quality (ISO 9001), environment (ISO 14001), safety and health (OHSAS 18001), and information security (ISO 27001).

and procedures is monitored through field audits, compilation and analysis of information (waste management, accident rate, social security payment, salaries, payments, etc.), follow-up of corrective action plans and technical meetings. In addition, Coltél offers training sessions to emphasize attention to sensitive issues detected in the audit process.

4.1.e Organizational Capacity and Competence

The integrated management system has a matrix of roles and responsibility associated with the components of the ESMS and ensures its correct handling and implementation. Another key component of management is the PNR, the coordination of which was established in the Sustainability Office. This office presents progress made in the Management Committee, headed by the CEO and made up of all divisions. The PNR acts on a cross-cutting basis throughout the organization. It should be made clear that 100% of the labor force has received training on the principles of the PNR.

In addition to strengthening internal organizational capacity, the sustainability efforts led by Coltél include establishing a presence within its network of partners (subcontractors and suppliers). One example of this is its participation in the Global Reporting Initiative (GRI) as an implementing company,¹² i.e., it receives training in GRI report preparation and can also provide it in its value chain, thus multiplying its positive effect. Thus, through the Competitive Businesses program, ten SMEs have graduated so they can also begin to prepare their own GRI reports

4.1.f Emergency Preparedness and Response

Coltél has Incidents and Emergency Management Regulations that, in addition to establishing the continuity plans needed to guarantee the normal delivery of services to clients, includes specific actions to provide humanitarian aid: i) prepare simulations to build, improve, or keep up-to-date the processes, action plans, capacities, and priorities in the joint response; ii) establish a basic humanitarian aid code in coordination with national regulators to organize the participation of public and private companies and support access to mobile services during an emergency, and iii) provide simplified and free access to vital communications until services are restored.

Since 2016, Telefónica has been part of the Humanitarian Connectivity Charter promoted by the Global System for Mobile Communications Association (GSMA). This document seeks to improve coordination among the operators of mobile networks before, during, and after a disaster.

In addition, the ESMS includes an Emergency Response Plan as part of the certified system.

4.1.g Monitoring and Evaluation

As part of ethical and responsible management of the PNR, an internal audit process was implemented to monitor legal compliance, design specific controls to avoid possible failures to comply, and resolve queries regarding the interpretation of standards. In addition, the specific internal audit program (corporate and local) was implemented to evaluate suppliers' performance in the area of sustainability. As a result of the audits process, Coltél informs its audited partners regarding the findings and asks that a corrective action plan be prepared. This action plan is evaluated and its implementation is audited by Coltél.

In addition, Coltél organizes technical working sessions with its partners in order to review sensitive issues found in audits, align standards, strengthen excellence, and retrain subcontractors on issues critical for management.

¹² GRI – CSRCB Implementation Partner since 2017.

4.1.h Participation of Social Actors

Social actors are identified based on their importance and impact for the company. In addition, the entire PNR was based on the identification of issues relevant to the company's interest groups. There is an inclusive process of communication and discussion with social actors through the Responsible Business Channel (accessible via the website, that bases its management on compliance with the commitments specified in the PNR: i) commitment to the client; ii) commitment to the employees; iii) responsible management of the supply chain; iv) commitment to the environment; and v) commitment to society. Coltel measures its clients' level of satisfaction using the Client Satisfaction Index (*Índice de Satisfacción del Cliente* - ISC), which between 2016 and 2018 increased from 7.69 to 7.84 out of 10. Finally, the ESMS includes a communications matrix and a communication plan.

4.1.i External Communication and Grievance Mechanism

As for external communication and the grievance or complaints mechanism, the company makes available to interest groups a communication channel (called the Responsible Business Channel¹³) that can be used to report queries, petitions, or claims related to compliance with the Responsible Business Principles and related policies and standards. All communications received through this channel are handled in accordance with the principles of confidentiality, respect, foundation and exhaustiveness, privacy and security. On this channel, social actors can communicate any matter related to the supply chain and failure to comply with Telefónica's minimum responsible business criteria and potential conflict of interest situations in relations with suppliers. The channel operates under the "Complaints Channel Management Policy," which refers to data protection and protection of the complainant, access to and operation of the channel: recording, classification, analysis, verification, and resolution of complaints.

Since 2006, Telefónica Coltel has published a responsible management report each year that consolidates financial and sustainability indicators; all reports are available to the public on the company's website, including the latest report in 2018.

In addition, Telefónica Coltel is part of the multiactor *Guías Colombia* initiative, and has for more than seven years been adjusting its policies in accordance with these guidelines in order to operate with respect for human rights, applying the Due Diligence and Do No Harm principle. Under this standard, in 2016 it initiated the internal implementation of the Mechanism for Complaints and Claims with regard to Human Rights, which seeks to accept, address, and resolve in a non-confrontational manner areas of nonconformity related to corporate practices (not services), associated with events or practices with regard to communities.

In addition, Coltel maintains a close relationship with its suppliers through ongoing communication and meetings and workshops with them to share good practices and promote actions in the area of sustainability.

4.1.j Periodic reports to the affected communities

The responsible business program considers the importance of communication with the community by Coltel as well as its partners. Information reaches the communities when they communicate with the company using the responsible business channel. However, this mechanism requires initial input from the community in order to gain the attention of Coltel and its partners. This could be improved through proactive provision of information to the affected communities, particularly when related to the Coltel network of partners.

¹³ Accessible at https://www.telefonica.com/es/web/about_telefonica/canal-de-negocio-responsable

4.2 Labor and Working Conditions

Considering the Colombian context, matters relevant to interest groups, the company's Strategic Plan, the Responsible Business corporate guidelines, and the 2030 Agenda, through its Responsible Business Plan and principal commitments, Telefónica seeks to generate a return for its shareholders and investors and maximize the positive impacts, both social and environmental, in all interest groups, demonstrating that the best way to generate recognition and profitability is to be a responsible business. In this context, Coltel has positioned itself as a company that seeks to ensure the well-being of its employees. For example, Coltel is the leading telecommunications company in the MERCO Companies, MERCO Talent, and MERCO Social Responsibility and Corporate Governance ranking. It is also the first telecommunications company recognized with the Gold Seal for Workplace Equity granted for having closed the main gender gaps in the Gender Equality Management System (*Sistema de Gestión de Igualdad de Género* - SGIG). It is also among the top ten companies where young professionals want to work according to the Employers for Youth (EFY) company study and it took sixth place in the 2018 PAR ranking for progress made in gender equity. Finally, it received the Global Apprenticeship Network (GAN) seal in recognition of its contribution to closing the country's youth employment gap and it updated its Responsible Business Practices (company code of ethics) in line with the highest standards in the area of corporate governance

4.2.a Human Resources Policies and Procedures

In addition, in the Gender Equity Policy Coltel explicitly embraces and defends the Universal Declaration of Human Rights and the seven Women's Empowerment Principles of the UN Global Pact and UN Women, aligned with the code of ethics of the Action Principles of the Telefónica Group. In 2018 Telefónica Coltel became the first telecommunications company in Colombia to earn the *Equipares* Gold Seal for Workplace Equity, which is granted upon closing the main gender gaps in the Gender Equality Management System (*Sistema de Gestión de Igualdad de Género* - SGIG) implemented in companies, seeking thereby to generate cultural transformations and action plans promoting gender equality.

4.2.b Employment Terms and Labor Conditions

Coltel has more than 24,800 employees, 5,557 of whom are direct employees. The company has implemented two "quality of life" programs within the company, achieving in this way the implementation of actions that offer a suitable working environment and also help to ensure that jobs are carried out in a setting that promotes well-being. This goes beyond the legal and contractual benefits, as it delivers to each employee the possibility of choosing those jobs that best serve their interests and life cycle, in accordance with the principles of comprehensive development and equity.

4.2.c Labor Organizations

The PCSC establishes freedom of association and the right to collective bargaining, which applies to the network of partners. Coltel states that it has no unions; however, pursuant to the law it has established a joint committee on issues of occupational safety and health, with the participation of employees and contractors.

4.2.d Non-discrimination and equal opportunity

Through the PNR, Coltel makes explicit its commitment to diversity and inclusion. Through its diversity policy, it sets forth the guidelines for processes and decisions that guarantee equal opportunity, gender equity, and non-discrimination, as well as specific measures for preventing, addressing, and punishing any type of harassment.

4.2.e Labor Force Reduction

Audits of the partners consider whether they comply with all their employees' labor rights and are in compliance with all labor benefits under the law.

4.2.f Complaint Handling Mechanism

Coltel has an internal (internal channel) consultation and reporting mechanism through which any employee or associate with knowledge of irregular conduct or corruption can report it. This is the Compliance Office that, through its consultative function, objectively and reasonably handles queries and dilemmas presented by employees with regard to the interpretation of internal provisions in the area of integrity, including possible or potential conflicts of interest.

4.2.g Labor Force Protection

Coltel is committed to the eradication of child labor and is one of the pioneering companies in the creation of the Colombian Network against Child Labor, an initiative launched in December 2014 with the Ministry of Labor and the Global Pact Network of Colombia. In line with this commitment, with the PNR, and the fifth principle of the Global Pact, the company raises the awareness of its employees, the communities in its area of influence, and the suppliers – its partners in these matters. For the latter, a guarantee is required, in the Supply Chain Sustainability Policy and in contractual clauses, to ensure the absence of child labor in their activities or in the supply chain itself.

4.2.h Occupational Health and Safety

At Coltel, occupational health and safety is implemented through the Occupational Health and Safety Management System (OHS-MS), certified under the OHSAS 18001 standard since 2015. Coltel obtained OHSAS 18001 recertification in 2017.

Coltel has an Occupational Health and Safety Policy, the main objective of which is to care for the health of its employees by preventing injuries and illnesses caused by their working conditions, as well as prevention and health promotion by improving the physical and mental conditions of all its employees.

During 2019, the partners recorded two fatal work accidents and it was determined that the (administrative and operational) controls on the performance of high-risk tasks were deficient. As a result, for 2019, Coltel strengthened the risk management program in its network of partners, establishing new indicators in the OHS-MS for high-risk partners, defining accident rates with clear goals compared to the preceding year, adjustments to the partners' audit, including road safety and technical work sessions.

During 2018, 65 audits were conducted on 32 partners (58 internal audits and 7 by an outside provider). For 2019, 60 audits have been scheduled for 45 partners; of these audits, 34 are for partners with high-risk OHS. As of May 2019, Coltel has already conducted eight audits on eight partners, six of which are classified as high risk. The results obtained show that there is 79% compliance in OHS. In addition, road safety audits are conducted using a pedagogical approach; thus there were 11 audits on 11 partners in 2018.

4.2.i Workers Contracted by Third Parties

Coltel works actively with its network of partners on labor issues. This includes conducting administrative and field audits focused on human resources issues, checking that its partners comply with legal requirements on labor issues involving their employees. For this, they have a system under which they must document having made payroll and paid settlements, bonuses, termination indemnities consistent with labor obligations, etc. In addition, field audits are conducted twice a year in high-risk projects.

4.2.j Supply Chain

Coltel's PNR considers the maxim "We reconnect by being responsible with our suppliers," which includes the following working approaches: suppliers' school, partners committed to gender and human rights, and critical suppliers with an action plan (EcoVadis). In addition, the company works jointly on risk management and dialogue with suppliers.

4.3 *Resource Efficiency and Pollution Prevention*

4.3.a **Resource Efficiency**

The pillars of Coltel's environmental management programs consider resource management, energy and climate change, waste management, and network deployment. This is evidenced by programs to reduce greenhouse gases and energy consumption, with monitoring by means of indicators. The goals proposed for the energy and climate change program for the period 2015-2020 were achieved in 2018 (two years ahead of the plan), so that, given good results ahead of schedule, a reformulation of goals and indicators is being planned.

Within its ESMS, Coltel includes monitoring of noise, PCBs, water, air, and electromagnetic fields for its operations and the scope of this monitoring covers subcontractors with highly critical tasks according to its ESMS.

4.3.b **Pollution Prevention**

The Coltel network's operation and maintenance activities include programs for measuring electromagnetic fields, environmental control, noise measurements, energy efficiency projects, hazardous waste management, and PCB analysis. Of these programs, the one that is most widely carried out and applicable to the scope of the project involves waste management.

To achieve proper waste management, the company has established a sustainable management program, with national coverage, that ensures the application of good practices in the recovery, recycling, valuation, and disposal of materials discarded by the operation. Coltel's national-level **Comprehensive Waste Management** includes waste electrical and electronic equipment (WEEE) both from network operations and from clients. This management complies with Law No. 1672 on Public Policy for the Comprehensive Management of Waste Electrical and Electronic Equipment (WEEE) and is part of its environmental responsibility and promotion of the circular economy.

Coltel exercises strict control over the waste from operations and clients by digitizing waste management in all countries where it operates, using the Telefónica waste management tool called **GReTel** (*Gestión de Residuos de Telefónica*). In this context, reuse is encouraged, based on the refurbishing of some waste such as the decoders used in operation, which can be put into service again after being adjusted. The system makes it possible to track waste from production to final disposal by managers authorized by the environmental authorities.

As a result of the circular economy initiative, over the last four years (2015 to 2018), the management of clients' mobile telephones (cell phones only, without batteries or accessories) has collected 1.23, 1.03, 0.53, and 0.50 tons (respectively) from its 96 Experience Centers (*Centros de Experiencia* - CE). In addition, Coltel has programs providing incentives for the circular economy with its clients and partners, with campaigns like the *#SiempreNuevo* offer in 2018 that allows clients to purchase smartphones with the ability to renew every 12 months by turning in their used smartphone in good condition. The used equipment is refurbished and resold through a partner, opening up a new, more affordable cellphone market and limiting the generation of WEEE.¹⁴ It should be made clear that Coltel does not sell these items and receives them as waste in accordance with the provisions of legal standards and the Ministry of the Environment and Sustainable Development (MinAmbiente) of Colombia. In addition, at the client's request, Coltel delivers a certificate of receipt to the client for the waste, specifying the name, quantity, brand, model and IMEI (International Mobile Equipment Identity).

¹⁴ During 2017 and 2018, Coltel launched the *#ConectadosConElPlaneta* campaign on social networks; its purpose is to invite users to participate in the management of waste from electrical and electronic devices and in the WEEE recycling offered at its Experience Centers (CEs).

Coltel's most common waste items are those generated primarily by the operation and maintenance of the network, as well as from the electrical backup systems, as in the case of acids and batteries, fluorescents, cables, pipes, metals, and WEEEs. Other significant waste includes paper and cardboard, generated by administrative operations in particular. Coltel also has an institutional recycling program to support universities, companies, and state institutions with this waste management process. To achieve proper management, handling, transport, and disposal of dangerous waste and waste requiring special handling, Coltel relies on specialized, duly authorized partners, guaranteeing that such waste is handled in accordance with the requirements of Colombian regulations.¹⁵

4.4 Community Health and Safety

Within the ESMS, the program that corresponds to “network deployment” seeks to guarantee responsible expansion of the network through the installation of containment systems, ionization components, and mimetization to protect the environment. This program also ensures that in communities close to operating points radioelectric emissions are within the defined regulatory parameters. Electromagnetic field and noise monitoring is done on operations and maintenance activities at Coltel facilities, in addition to environmental controls to guarantee responsible network deployment.

4.5 Land Acquisition and Involuntary Resettlement

PS5 on “land acquisition and involuntary resettlement” does not apply because the operations to be implemented as part of the project's CAPEX component will be carried out only in already existing facilities.

4.6 Biodiversity Conservation and Natural Habitats

PS6 on “biodiversity conservation and natural habitats” does not apply because the operations to be implemented as part of the project's CAPEX component will be carried out only in already existing facilities.

4.7 Indigenous Peoples

PS7 on “indigenous peoples” does not apply because the operations to be implemented as part of the project's CAPEX component will be carried out only in already existing facilities located outside of indigenous communities.

4.8 Cultural Heritage

PS8 on “cultural heritage” does not apply because the operations to be implemented as part of the project's CAPEX component will be carried out only in already existing facilities.

5 Local Access to Project Documentation

All of the company's information is available on these main websites:

<https://www.telefonica.com/es>

<http://www.telefonica.co/>

¹⁵ Supplementing this management, in 2015 Coltel joined the global We Care program of the GSMA (*Nos Importa Colombia*) through formalization of the Cooperation Agreement between the Ministry of Information Technologies and Communications of Colombia (MTIC) and the Mobile Industry Association of Colombia (*Asociación de la Industria Móvil de Colombia – ASOMÓVIL*) and the signing of the Memorandum of Understanding with the Ministry of the Environment of Colombia. Within the framework of this *Nos Importa Colombia* program, Coltel has since 2016 promoted a mass campaign called “IF YOU DON'T USE IT ANYMORE, RECYCLE IT,” which has been disseminated through social networks, in its stores, and the service centers of its ASOMÓVIL partner operators.

6 Environmental and Social Action Plan

No.	Aspect	Action	Output	Deadline
PS 2: Labor and working conditions				
2.1	Occupational health and safety	Continue active involvement with the network of partners on OHS issues. Provide evidence that the results indicating failures to comply detected in audits are confirmed in all high-risk partners.	1. Evidence of audits performed, monitoring of action plans and training sessions on OHS with high-risk partners 2. Minutes of meetings with partners addressing sensitive OHS issues and analysis of audit results. 3. Share good OHS practices with the network of partners.	1. Periodically during the suppliers' audits.

C. Contact Information

For queries regarding projects, including environmental and social issues related to an IDB Invest transaction, please contact the client (see **Investment Summary** sheet) or IDB Invest via e-mail at: divulgacionpublica@iadb.org. As a last resort, affected communities have access to the IDB Invest Independent Consultation and Investigation Mechanism via e-mail at mecanismo@iadb.org or MICI@iadb.org, or by calling +1(202) 623-3952.