1. General information and overview of the scope of the IIC Environmental and Social Review The IIC reviewed the environmental, social, occupational health and safety and labor aspects of EFD and Axtel to assess gaps existing between them and the IIC Environmental and Social Sustainability Policy. It is expected that the project will be defined and executed in accordance with the objectives of that policy. 2. Environmental and social classification and rationale According to the IIC's Environmental and Social Sustainability Policy, this is a category B project in that the expected impacts and risks are limited, reversible, and can be mitigated by adopting measures available in the context of the operation. The main performance standards triggered with regard to this operation are: 1. Assessment and management of environmental and social risks and impact, 2. Labor and working conditions, 3. Resource efficiency and pollution prevention, and 5. Land acquisition and involuntary resettlement. 3. Environmental and social context Axtel is a company that provides Information and Communication Technology (ICT) services, primarily to the corporate, government, small- and medium-sized business, and residential sectors. It was formed in 2016 through the merger of operations under the brands names Axtel and Alestra. The Mexican consortium Alfa S.A.B. de C.V. (ALFA) holds 53% of the capital. With its main headquarters in Monterrey, it offers local service in 45 cities, data services in 53 towns and 10 cities with fiber network to homes or businesses (FTTx). The company has eight network operating centers, a network totaling 40,388 Km and more than 7,000 m2 of web hosting in six data centers. 4. Environmental risks and impacts and proposed mitigation and compensation measures Potential environmental and social risks are expected to be limited or moderate, considering the nature of the planned goods, works, and services contracted by Axtel that will receive financing under this operation. These do not include the building of new structures nor other important construction projects. The main project-related environmental and social impacts and risks could be: i) atmospheric emissions resulting from operation of the Axtel vehicle fleet; ii) occupational health and safety risks; and iii) impacts on Axtel's supply chain. 4.1 Assessment and management of environmental and social risks and impacts Axtel has an Environmental Policy aligned with its Sustainability Strategy for reducing and preventing the environmental impacts of its activities. Three specific policies are part of this policy: Waste and Residues, Energy Savings, and Water Use. Various procedures have been implemented to identify the environmental and social risks and impacts of its operations. Axtel has internal capacity and defined functions for handling environmental, social, occupational health and safety, and human resources issues. Although it already covers some items, Axtel still lacks an overall Environmental and Social Management System (ESMS); thus, it will have to develop a complete system in accordance with Performance Standard 1. Since 2011, Axtel has been a signatory of the United Nations Global Compact wherein the commitment is made to comply with the ten principles established therein, and addressing human rights, environmental, labor practices, and anti-corruption issues as well. Since 2017, Axtel has been part of the Dow Jones Sustainability Index MILA Pacific Alliance (DJSI MILA). It also has ISO/IEC 20000-1:2011 certification for its Services Management System, ISO/IEC 27001:2013 certification for the handling of information security; and ISO 9001:2008 certification for quality management. Axtel maintains close and solid relations with different interest groups through the company's intranet, meetings and sessions for collaborators, surveys, social networks, advertising, provider portal, institutional internet page, press releases, et al. It also engages in joint discussions and collaboration with civil society organizations and associations to create strategies and actions providing social, economic, or environmental benefits. 4.2 Labor and working conditions As of the end of 2016, Axtel's labor force consisted of 7,584 collaborators, 5,576 men and 2,008 women, 7,073 of whom are permanent and 511 of whom are temporary employees. Collaborators receive a benefits plan that meets all the requirements of Mexican law and provides some additional benefits. In addition, collaborators on the lowest rung of the organization's salary receive 360% more than what the law establishes as the minimum salary in Mexico. Axtel has a series of measures such as inspections and audits, training, personal protective equipment for activities requiring it, and 79 Health and Safety committees representing all the collaborators. In 2016, the record of accidents fell by 4% compared to the preceding year and is

below the industry average according to the statistical report of the Secretariat of Labor and Social Welfare (STPS), while the serious accident indicator was 12.7% lower than the national average. Occupational illnesses were not recorded in 2016; however, 120 collaborators had work-related accidents resulting in an average of 22.7 days lost per accident and one mortality. Axtel has an updated Code of Ethics following the recent merger. Its application represents a right and a duty for the collaborators. For this reason, each year they must sign a letter of acceptance and commitment, as well as take a course to reinforce knowledge of the code's contents. Axtel encourages the use of ALFA's Transparency Mailbox to report inappropriate situations or conduct by any of the parties and to ensure the correct application of the Code of Ethics. Complaints may be anonymous and are always confidential. In addition, they are always followed up and resolved through the ALFA Internal Audit Department. Axtel rejects any act involving discrimination, child exploitation, and forced labor and is sure to protect everyone with whom they interact from any abuse, coercion, or threat through the application of its Policies on Human Rights, Diversity and Inclusion, and the Contracting and Selection of Personnel. Axtel's collaborators are free to belong to labor organizations. In 2016, Axtel had 3,930 suppliers, 3,668 of which were Mexican and 262 of which were international. Axtel's relationship with its suppliers is based on its Suppliers Selection Policy, as well as on various warehouse and field evaluations regarding the materials acquired. Axtel agrees with its suppliers on the signing of the Transparency Statement establishing that the conduct of those who provide a product or service to the company must comply with regulations, avoid conflicts of interest, and acts of corruption. It also applies an ongoing inspection program that ensures compliance with age requirements (to prevent child labor) and that personal protective gear is worn both inside and outside the facilities. Axtel has Guidelines for the Certification, Evaluation, Monitoring, and Veto of Suppliers. However, it needs to supplement these guidelines with a methodology for analyzing suppliers compliance with the Performance Standards. 4.3 Efficient resource utilization and pollution prevention Fourteen eco-efficiency projects were developed in 2016. When implemented in upcoming years, these projects will generate annual savings of approximately MX$7.2 million as a result of reducing energy consumption by 4.5 million kWh and waste by 403 tons, which translates to 2,219 tons of CO_2eq (carbon dioxide equivalent) not emitted. During 2016, Axtel emitted 71,957 tons of CO_2eq, primarily from its fleet of approximately 2,500 vehicles. Axtel is working to obtain Mexico's clean transport certification for reducing fuel consumption and emissions. The Querétaro Data Center is classified as the most efficient worldwide according to the International Computer Room Experts Association (ICREA) in that it has best practices in energy and cooling, entitling it to energy efficiency certification (CEEDA). The Apodaca and Querétaro Data Centers obtained the Certified Energy-Efficient Datacenter Award (CEEDA) for their commitment to energy efficiency, sustainability, and bottom-line performance. Axtel's activities do not require significant consumption of water. Nonetheless, it promotes water conservation through the Efficient Water Policy, which contains guidelines applicable to all collaborators. During 2016, the company used 111,090 m3 of water; 75% of this water came from the municipal supply and the rest from underground sources. Waste handling and disposal are based on Official Mexican Standards, on environmental legislation in effect in Mexico, on the internal Waste and Residue Handling Policy, and a procedure to ensure the appropriate separation and disposal of hazardous and nonhazardous waste. The company also has a Recycling Program applied in those cities where it has a larger presence. In addition, it exports unused electronic equipment and batteries through specialized suppliers for reuse of their components. It has a National Program for Recovery of Fiber To The x (FTTx) Equipment, focused on establishing strategies and actions to increase to 90% the amount of FTTx equipment recovered, while providing the same quality. By 2020, Axtel hopes to reduce electricity consumption by 2%, reduce fuel consumption for its vehicle fleet by 5%, reduce greenhouse gas emissions from its operations by 10%, recycle 10% of waste generated, and reduce water consumed in its buildings by 2%. To achieve this, it will work on developing energy efficiency initiatives, replacing obsolete equipment with more efficient technologies, improving the performance of its vehicle fleet, supplying renewable energy (wind, geothermal, solar), producing energy based on an efficient

cogeneration system, using leading edge technologies, promoting a recycling program at the national level, measuring water use to identify areas for improvement and implementing savings measures, and disseminating information on environmental issues inside and outside the company. 4.4 Land acquisition and involuntary resettlement Due to the nature of its operation, in some cases Axtel must install antennas or towers for cables. This activity sometimes involves land acquisition, which is handled through the "procedure for the acquisition of sites compliant with operational and community safety aspects," in compliance with national regulations and Performance Standard 5.