

1. Overview and Scope of IDB Invest's Environmental and Social Review

From January 28-30, 2019, staff responsible for the IDB Invest Environmental, Social, and Corporate Governance Division ("SEG") carried out the environmental and social due diligence of the corporations linked to this transaction, having held meetings with the staff responsible for the company at its headquarters located in the Autonomous City of Buenos Aires and at its Paraná branch, evaluating, through a visual assessment, the environmental, safety and security conditions of the facilities.

2. Environmental Classification and Rationale

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

Among the possible environmental, social, health, safety and security risks and impacts linked to this transaction, the following are worth mentioning: (i) personal risks (risks of falls; electrical risks; respiratory risk due to entry into confined spaces and civil works activities; risk of traffic accidents; ocular risk due to handling fiber optics and laser lights); (ii) risk of polluting the soil and subsoil due to accidental spillage of fuel or due to improper handling of special waste (cables, electronic waste, electrical appliances); (iii) risk to third parties due to possible traffic accidents by a company or contractor vehicle.

Given the nature of the possible impacts and risks identified, the following International Finance Corporation ("IFC") Performance Standards apply: 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), and PS 4 (Community Health, Safety and Security). PS 5, 6, 7 and 8 are not considered applicable to the transaction.

3. Environmental and Social Context

Gigared's activities take place in the Autonomous City of Buenos Aires and the provinces of Entre Ríos, Santa Fe, Corrientes, Chaco and Misiones, in Argentina, mainly in environments that are already subject to human intervention. The administrative facilities and central warehouses are located in the Autonomous City of Buenos Aires and in urban areas; the laying of networks is usually carried out in highway strips and streets. Therefore, the company's activities do not, in principle, interfere with protected natural environments or areas of high biodiversity value.

4. Environmental Risks and Impacts and Proposed Mitigation and Compensation Measures

4.1. Assessment and Management of Environmental and Social Risks and Impacts

Environmental and Social Management System

Gigared manages the occupational risks and possible environmental impacts of its activities through internal plans and procedures, implementing preventive, corrective and mitigating actions that, in overall terms, are considered suitable. Occupational health, safety and security management at work is carried out by in-house staff in the cities of Corrientes and Resistencia, and by contractors in the Autonomous City of Buenos Aires and in the cities of Posadas, Paraná, Crespo and Santa Fe. The integrated management system design currently under development ([\(11\)](#)) and the general advice on environmental, social, safety and security matters is carried out by an external specialist. No specific

personnel has been assigned to environmental and social management.

As set out in Action 1.1 of the Environmental and Social Action Plan ("ESAP"), Gigared will implement an Integrated Environmental, Social, Health, Safety and Security Management System applicable to all activities carried out by its in-house and contracted personnel, in accordance with the requirements of IFC Performance Standard 1. For this purpose, Gigared will incorporate to its own staff a specialist in health, safety, security, and environment, who will be responsible for the development, implementation and monitoring of the company's environmental, social, health, safety, and security management plans, programs and procedures, including the oversight of contracted companies and third parties. Such professional will be able to raise reports directly to the company's General Management. Gigared will designate, or contract, if necessary, technical personnel in environmental, health, safety and security matters who will work in its facilities, who will report to the specialist appointed for such purpose. The academic background and experience of the health, safety, security, and environmental specialist to be appointed should demonstrate suitable experience.

Policy

Gigared has issued an Environmental, Occupational Safety and Security, and Social Policy in line with the company's values and aimed at ensuring compliance with the legislation in force. As set out in Action 1.2 of the ESAP, Gigared will prepare an Environmental, Social, and Health, Safety and Security Policy whose purpose is to reflect the company's values, attain full legal compliance and comply with the guidelines of the IFC Performance Standards applicable to the company's activities.

Risk and Impact Identification

Gigared has identified the risks in health, safety and security matters through reviewing legal requirements, investigating accidents, studying the risks associated with the acquisition of new technologies and by means of supervisory tasks. While the company has yet to implement a systematic methodology to identify environmental and social impacts and occupational risks, it has begun its preparation. As set out in Action 1.3 of the ESAP, Gigared will prepare matrices to identify and assess the environmental aspects and occupational hazards associated with all of its activities, including those performed by its contractors; in each case, the degree of significance of the possible impacts and risks will be determined by considering the seriousness and probability of occurrence; the matrices will indicate the preventive and/or corrective actions to be implemented, the person responsible and the corresponding implementation deadline.

As set out in Action 1.4 of the ESAP, Gigared will prepare a matrix to identify and assess the legal and contractual aspects of each new and existing work, during the construction phase and during the O&M phase. Such matrix shall take into account the identification and assessment of substantial legal aspects applicable to new and existing works under the legislation in force in the corresponding jurisdictions and the legal commitments undertaken by Gigared, including those arising from loan agreements entered into with funding entities.

Management Programs

The occupational risks associated with laying and maintaining the networks are managed by the Basic Safety Regulations prepared by Gigared, and by applying the Safety and Security Program demanded by the Occupational Risk Insurer from Gigared, as stipulated in Resolution 311/2003 ([\[2\]](#)). Management procedures for environmental and social aspects are not yet available.

In order to manage the environmental and social impacts and significant occupational risks

identified through the matrices to be prepared, and as set forth in Action 1.5 of the ESAP, Gigared will prepare the corresponding management procedures. Such procedures will include, at least, those corresponding to the management of occupational risks and possible environmental and social impacts associated with the construction works of network laying and maintenance (work at height, electrical risk, entry into confined spaces, safety in the use of fiber optics, safety signage in public roads, ergonomic risk and use of personal protection equipment), to supply management, to waste management (including recycling or reuse), to the storage of materials (including hazardous substances, if applicable), to driving vehicles and pests control (3).

Accident management

With regard to accident management (environmental and/or personal), Gigared lacks a specific procedure to manage such events; accident records are used to calculate the corresponding accident rates. As set out in Action 1.6 of the ESAP, Gigared will prepare a procedure to manage environmental and/or occupational accidents that will apply both to its in-house and contracted employees. Such procedure shall provide for, at least, recording the nature and seriousness of the accident, the immediate actions to be implemented, the processing of basic legal aspects, a report of the accident investigation and the preventive and/or corrective measures adopted to prevent it from happening again.

Organizational Capacity and Competences

The personnel responsible for such matters at Gigared have developed an Annual Training Plan on the dissemination of the concepts of an integrated management system and the communication of the company's Environmental and Social Policy.

As set forth in Action 1.7 of the ESAP, Gigared will prepare an annual Training Plan. Significant environmental aspects and occupational risks, identified by applying the respective matrices, will be considered in its preparation, in addition to the entry into force of new legislation and/or the adoption of new technologies and/or the type and seriousness of personal accidents that have occurred. The Training Plan will provide for identifying the type of courses or training to be imparted (including emergency drills), the recipients of the training, the dates and sites selected for the delivery of each training, the persons responsible for imparting the training, and the expected formats for attendance records.

Emergency Preparedness and Response

Gigared has prepared emergency plans for each of its administrative facilities and warehouses. The preventive and emergency response tasks are focused on fire hazards, detailing the role of the fire brigade, its composition, a communication flowchart and the evacuation plan from the facilities.

As set out in Action 1.8 of the ESAP, Gigared will prepare and implement an Emergency Prevention and Response Plan in its headquarters and each of its branches. Each plan will include, at least: the identification of possible emergency scenarios, the definition of responsible persons to address the emergency, the identification of external actors (hospital, fire department, police, etc.), a communications flowchart (including telephone numbers), an evacuation plan that indicates, in a sketch, the foreseen meeting points and emergency exits, a sketch with the location of the fire network, firewalls, flammable products warehouse, fire room, power cut-off switches and server room. Responsibility over weekends and holidays will be defined. Each Plan will be reviewed annually to verify its validity.

Contractor management

Gigared contracts the provision of supplies to transporters and the execution of network laying and maintenance works to specific companies. As stated in Action 1.9 of the ESAP, Gigared will develop and implement a documented procedure for managing contractors that considers: (i) The fundamental environmental, health, safety and security requirements that the contractors shall abide by; (ii) contractors' obligations and prohibitions in environmental, health, safety and security matters; (iii) the penalties, warnings or fines to be applied in the event of non-compliance. It should be borne in mind that, as required by IFC Performance Standard 1, contractors working for Gigared will be under the direct control of the company and will not be considered outsourced third parties for the purposes of the requirements of the Standard.

Monitoring and Evaluation

Gigared has standardized formats for periodic measurement of noise and lighting levels, including reference values indicated by the legislation in force. It has yet to prepare a Monitoring and Tracking Plan.

In order to ensure the maintenance of adequate health, safety and security conditions in work environments, and adequate environmental management, and as set forth in Action 1.10 of the ESAP, Gigared will prepare a Monitoring and Follow-Up Plan. This Plan will be applicable to all of Gigared's activities. In matters of health, safety and security, the Plan will include, at least, noise intensity, lighting intensity, ground resistance value of electrical panels, status and load of fire extinguishers, status and functionality check of firefighting systems, and quality of the drinking water supplied in drums (bacteriological every 6 months and physicochemical every year). The Plan will also include the monthly calculation and monitoring of the Frequency and Severity Rates, both for in-house staff and for future contractor personnel. In Environmental matters, the Monitoring Plan will include, for each branch, the measurement of the amount of electronic, paper and cardboard waste, as well as the monthly amount of water (excluding drinking water) and electricity consumed.

As stated in Action 1.11 of the ESAP, Gigared will adopt performance indicators in environmental, social, and health, safety, and security matters associated, to the extent possible, with quantifiable aspects whose measurement and monitoring will enable observing their evolution in time. They will include, at least, Accident Rates, the percentage of female employees, the monthly amount of recycled waste and the monthly consumption of electricity and water for general purposes (not drinking water).

a. Participation of Social Actors

Gigared's activities do not imply, in principle, direct adverse impacts on the neighboring communities. However, the network laying and maintenance works could potentially cause discomfort to the population. Gigared has yet to adopt a systematic and documented mechanism to address possible grievances and complaints. As indicated in Action 1.12 of the ESAP, and as per IFC Performance Standard 1, Gigared will identify and implement contact channels to allow anyone in the community to ask questions, file a grievance or complaint, or make suggestions; to complement this, it will develop and implement a mechanism to receive, resolve and respond to such concerns, defining responsibilities and maximum communication and resolution times.

4.2. Labor and Working conditions

Working conditions and management of labor relations

Gigared has its own in-house staff that, as of November 2018, totaled 272 people, of which 25%

were women. Gigared has no employees for internal tasks; it outsources home network installation services, construction works and network maintenance activities to eight companies. Gigared will proceed to monitor the degree of women's participation as staff members of Gigared, striving to reach the employment target of 35% female participation within 5 years, periodically reporting the corresponding indicators.

The company's employees are insured by an Occupational Risk Insurer ("ORI"), in compliance with legal requirements, under whose purview they undergo periodic health checks. Gigared does not have a grievance and complaints mechanism for in-house and/or contracted personnel. As per Action 2.2 of the Environmental and Social Action Plan, Gigared will prepare and implement a mechanism to receive and resolve any grievance or complaint raised by any in-house or contracted personnel, including anonymously.

Occupational Health, Safety & Security

Personnel specialized in occupational health and safety will continuously monitor the safety, security and health conditions of the workplace through supervisory visits, identifying preventive and/or corrective measures to be implemented and establishing execution deadlines. They will perform periodic analyses of noise and lighting levels, and check the implementation of the fire extinguisher maintenance program.

4.3. Resource Efficiency and Pollution Prevention

Resource Efficiency

Gigared still lacks targets for reducing power consumption and the amount of water used for general purposes. As set out in Action 3.1 of the Environmental and Social Action Plan, Gigared will define and monitor specific power and water consumption indicators at each of its branches.

Pollution Prevention

Maintenance activities for the company's vehicles are carried out in external workshops. Electronic waste is periodically removed by a company authorized for such waste management. Domestic waste generated at the administrative facilities is removed by the municipal service and disposed of in the respective landfills. Sanitary effluents from the facilities are discharged into the municipal network or disposed of in septic tanks.

Gigared still lacks a specific waste management procedure. As set out in Action 4.1 of the Environmental and Social Action Plan, Gigared will develop a solid waste management procedure that specifies, at least, the respective responsibilities, the types of waste generated, the applicable legislation in force, the construction and operational characteristics of the temporary waste storage sites, the manner in which each will be managed, the persons responsible for implementing the procedure, and the formats for recording waste removal by specialized companies, specifying the type and amount of waste removed.

4.4. Community Health and Safety

Gigared's activities that could have a direct impact on the health, safety and security of neighboring communities are associated with possible traffic accidents due to the movement of the company's own or contracted vehicles. Traffic flow management is not specified in documented form. As Action 4.1 of the Environmental and Social Action Plan, Gigared will prepare and implement a specific procedure for the safe handling of all types of company vehicles, whose fulfillment will be mandatory for all personnel.

5. Local Access to Project Documentation

Gigared S.A. (C1427CZB) Donation 840 - Autonomous City of Buenos Aires - Argentina.

6. IDB Invest Contact Information

For project inquiries and comments, including environmental and social issues related to an IDB Invest transaction, please contact the client (see Investment Summary sheet), or IDB Invest via email requestinformation@idbinvest.org. As a last resort, affected communities have access to the IDB Invest Independent Consultation and Investigation Mechanism by writing to mecanismo@iadb.org or MICI@iadb.org, or calling +1(202) 623-3952.

[1]When IDB Invest's Environmental and Social Due Diligence was performed, Gigared was preparing the terms and conditions for the integrated management system, which, for the most part, is in line with the requirements of the IFC's Performance Standards.

[2]Through Resolution 311/03, the Superintendence of Occupational Risks approved the Occupational Safety, Security and Hygiene Regulations for the cable television sector

[3]As per Performance Standard 3, Paragraph 17, the client shall not purchase, store, use, manufacture or market products included in categories "Ia" (extremely dangerous) or "Ib" (highly dangerous) of the recommended classification of pesticides by hazard of the WHO.