

**1. Overview of the IIC Environmental and Social Review Scope.** This review is based on information provided by the company on its business and human capital management, information on the bidding to provide cellular mobile communication services, internet access, and data transmission, interviews with the company's upper management, and visits to the network operation center, existing operational and under-construction communication tower sites, and meetings with the Regulator: CONATEL or Comisión Nacional de Telecomunicaciones. The environmental and social due diligence visit took place between August 28 and 31, 2017 in Asunción, and surroundings, Paraguay.

**2. Environmental and Social Categorization and Rationale.** This is a Category B project, given its potential moderate environmental and social risks and impacts that are generally limited to the project site, are largely reversible, and can be mitigated through measures that are already available and easily implemented in the context of the operations. The primary environmental and labor issues associated with the Project are: work and labor conditions, community health and safety, efficient use of resources and pollution prevention.

**3. Environmental and Social Context. Nucleo operates all over the country.** The company has a network of 1,200 sites, transmitting in 2G, 3G and 4G, namely concentrated in the country's main urban areas, and around key road corridors. Each of these sites include antennas, basic electromechanical facilities, communication equipment, air conditioning equipment, and in many cases, back-up electric generators. The company intends to submit a bid in the 700 MHz spectrum public auction sponsored by CONATEL that requires building new sites that will expand any existing Nucleo's cell coverage.

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

##### **4.1 Assessment and Management of Environmental and Social Risks and Impacts**

Any risks associated with the Project development are considered moderate because they will generate effects that can be avoided or managed by following the appropriate performance standards, construction and management guidelines and criteria that have been previously known to work for this type of business endeavors. Nucleo has in place safety procedures already included in their technical specifications for engaging companies that will provide labor for civil and electromechanical work, and for the preventive and corrective maintenance of a cell network. The IIC will require that the company designate a manager responsible for environmental, social, and safety matters, and develop and implement an Environmental, Social, Safety and Security Management System (ESMS), including any safety procedures typical of the applicable activity.

Furthermore, environmental, social, and safety policies should be included in any current company policies dealing with internal and external business conduct issues, and human capital policies. These requirements are provided in the Environmental and Social Action Plan (ESAP).

In order to establish new cell network sites, Nucleo conducts a socialization process to build relationships with local community leaders through which Nucleo receives feedback and answers questions from the stakeholders. This mechanism also serves to keep a communication channel open during the system operational phase.

##### **4.2 Labor and Working Conditions.**

Nucleo directly employs 400 people. However, considering the scale of its operation, Nucleo also has an impact on additional 1,300 people employed by its service providers. 41% of the labor force is female. Nucleo also outsources work subcontracting with 40 companies that provide ancillary services (cleaning, security, contractors and subcontractors for the physical network service, etc.) and employs an additional 1,000 people, thus generating a total of 2,700 direct and indirect jobs. All ancillary service contracting is subject to a bidding process, and require compliance of all legal

requirements applicable to any company employees.

Nucleo's human capital policy establishes the terms and conditions under which all its activities are conducted. This policy is supported by a set of standards establishing a management and operational framework, including:

- Personnel Search, Screening, and Hiring Standard
- Personnel Transfer Standard
- Personnel Training Standard
- Job Description Standard
- Performance Management Standard
- Compensation Standard
- Benefit Standard
- Communication Standard
- Third-Party Service Contracting Standard

The latter encompasses all contracting and subcontracting of work and services relevant to Nucleo's business activities, whether in or out of its facilities, and applicable to any natural or legal person, and sole proprietor.

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

The nature of Nucleo's business generates a minimum amount of waste and greenhouse gas emissions. However, any construction work associated with new site installation could generate waste that should be properly handled. Furthermore, any maintenance work performed on the back-up electric generators, and any herbicides used to prevent weeds from growing around the antennas, may generate hazardous waste (fuel and lubricant oil waste, herbicide residues, contaminated containers). Thus, the ESMS should include procedures to handle waste.

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

CONATEL, the Regulator, monitors and manages all mobile communication business operations. It monitors, among other things, that the antenna emissions follow any limits established by the regulatory framework.

In order to avoid adverse effects on community health and safety, the ESMS should include risk and impact identification mechanisms, and risk mitigation or elimination programs and procedures, namely when new site development has been outsourced. The socialization plan for local communities should help identify potentially risk situations for mitigation.

The company needs to have an instruction manual, outlining any tasks and responsibilities, to be provided when hiring security personnel. Security personnel are not required to carry firearms, except in very special circumstances when they must be accompanied by police.

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

The project does not entail any land acquisition nor resettlement of persons or their business or job activities. Nucleo leases the land where its sites are established, and such sites require very small areas.

#### **4.6 Biodiversity Conservation and Sustainable Management of Natural Resources**

No significant effect on biodiversity is expected. New site development requires small areas (approximately 100 m<sup>2</sup> for a site with a self-supported antenna). These sites will be mainly installed in areas where there is already certain population development receiving such services, and to a lesser degree in more uninhabited or remote areas. A certificate from the Secretaría del Ambiente (SEAM) is required in the majority of the municipalities for Nucleo to obtain the approval for the site

development.

#### **4.7 Indigenous Peoples**

The project will not have any adverse impacts on indigenous peoples.

#### **4.8 Cultural Heritage**

Since there will be no significant construction developments, and any new site installation will be mainly in urban areas, the project is not expected to have any impact on the cultural heritage.

#### **5. Environmental and Social Action Plan. Please see attached.**