

Environmental and Social Review Summary (ESRS) Cálidda Accounts Receivable Facility - PERU

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1 General Information of the Project and Scope of 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 (“NG”) in the Department of Lima and the Constitutional Province of Callao in Peru. This operation consists of an uncommitted revolving accounts receivable purchase line, in which the Company, based on its expertise in collections management and commercial intelligence,¹ will finance its customers for the procurement of products and services such as: (i) home gas appliances (e.g., stoves, water heaters, and clothes dryers); (ii) home natural gas connections;² (iii) energy efficient appliances (e.g., electric stoves and refrigerators) and; (iv) personal computers and other mobile computing devices (tablets, smart phones, etc.), among others (the “Project”).

The Company is an existing client of IDB Invest.³ For this reason, the scope of the environmental and social due diligence (“ESDD”) included a documentary review of the Company's environmental and social (“E&S”) and occupational health and safety (“OHS”) performance over time; virtual meetings with Cálidda representatives; and an analysis of the Project's E&S and OHS manuals, procedures, licenses, and permits.

2 Environmental and Social Categorization and Rationale

The Project has been classified as a Category C operation according with BID Invest’s Environmental and Social Sustainability Policy since the adverse environmental or social risks or impacts that it will generate will be zero or very limited. The Project will trigger the following International Finance Corporation (IFC) Performance Standards (PS): PS1: 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, Safety, and Security.

3 Environmental and Social Context

Cálidda is a concessionary company for the design, construction, and operation of the Natural Gas Distribution System (“SDGN”) in the Department of Lima and the Constitutional Province of Callao (the concession area) in Peru. Since 2002, it has supplied natural gas to homes, shops, service stations, and

¹ Gained throughout its 18 years of operations in Peru.

² Performed by duly certified natural gas installers registered with the Energy and Mining Investment Supervisory Agency (“Osinermin”).

³ Corporate loan to finance the expansion of the Natural Gas Distribution System (SDGN) in 2020-2021 (<https://www.idbinvest.org/es/projects/calidda>)

industries in its concession area. By the end of 2021, its distribution network reached a length of 14,407 km; it crosses fifty districts of the Department of Lima and the Constitutional Province of Callao and connects more than 1.3 million clients.

The Project will help finance the Company's economically vulnerable clients,⁴ enabling them to improve their quality of life. In addition, against the background of the economic consequences derived from the COVID-19 pandemic, this financing (an advanced liquidity) will facilitate, among other aspects: (i) the access of a large part of the concession area's population to the use of natural gas, a cost-competitive fuel that reduces the household energy bill and displaces more polluting hydrocarbons (such as LPG, diesel, and kerosene); (ii) the replacement of energy-intensive appliances⁵ with more efficient ones, resulting in economic savings and reductions in greenhouse gas ("GHG") emissions; and (iii) the acquisition of computers and other mobile devices, fostering a reduction in the low-cost Internet connectivity gap and facilitating teleworking and home education.

Since 2011, the Company has been a signatory to the UN Global Compact⁶, so it must report its activities as per the 10 principles on human rights, labor rights, the 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 Responsibility at Work of Peruvian companies.

4 Environmental Risks and Impacts and Proposed Mitigation and Compensation Measures

4.1 Assessment and Management of Environmental and Social Risks and Impacts

Cálidda has established, documented, implemented, and maintained an Integrated Management System ("IMS") 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. The IMS has an Operation Manual and is documented in the Sustainability Policy, the Environmental Management Manual, and the environmental management standards, procedures, instructions, records, and instruments submitted to the competent sectoral authority. The implementation, monitoring, follow-up, control, and continuous improvement of the IMS is the responsibility of the Company's Sustainability Department, which, with the support of the Communications Department, regularly disseminates its content so that it is known at all levels of the organization, as well as by external stakeholders.

Cálidda has a Sustainability Policy based on 10 commitments to contribute to the well-being and progress of society and minimize environmental impacts. In addition, the Company has an Environmental Statement, in which it undertakes, as part of its management, to contribute to three of the United Nations

⁴ Low-income clients who have no (or limited) access to credit from commercial financial institutions due to lack of credit history.

⁵ Such as stoves, heaters, and refrigerators.

⁶ A call for companies to incorporate 10 universal principles related to human rights, labor, the environment, and the fight against corruption into their strategies and operations, as well as to act in ways that advance social objectives and the implementation of the Sustainable Development Goals.

Sustainable Development Goals (“SDGs”): (i) SDG 13, Action for Climate, by periodically conducting a 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; and (iii) SDG 11, Sustainable Cities and Communities, providing a safe and accessible service, improving air quality, and protecting cultural heritage within its concession area.

All the environmental management instruments developed by the Company for the Project (new NG connections) 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; as well as the commissioning (execution of non-destructive leakage tests, etc.), operation and maintenance (“O&M”), and close-out and abandonment of work fronts. The Company also has an Integral Training and Certification Program for NG Installation Technicians (IG01) and Contractors, whose objective is to increase the qualified labor force for customer connection processes, cover a lack of demand, and promote employability.

Cálidda has a dedicated E&S and OHS organizational structure. It is headed by the Sustainability and Communications Director, who is supported by a structure consisting of an Assistant Sustainability Manager to whom a Community Relations Coordinator, an Environmental Management Coordinator, and a Corporate Responsibility Analyst report. The Company also has a Community Relations team (“CR”) which includes outsourced on-site social supervisors whose main responsibility is to ensure that each contractor incorporates a competent professional for these activities, as required by Cálidda's “CR Guidelines for Construction Contractors”. The Company has a methodology to evaluate its contractors in terms of CR, which considers compliance, in both time and quality, of the following aspects: social reports, communication records, social traffic lights, and periodic CR talks to personnel in the field.

Cálidda has an OHS Committee comprised of Company delegates and representatives elected by employees. This committee promotes occupational health and safety and advises and monitors compliance with the provisions of the Internal Occupational Health and Safety Regulations and the Peruvian regulations in force, favoring occupational wellbeing and supporting worker development.

Cálidda's Contingency Plan for Emergencies presents the main and specific objectives required by the Peruvian regulations in force,⁷ indicating and describing the organization of the emergency response and the types of contingencies to be addressed. The Company also 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 SDGN 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 the event of damage to the pipeline or its connections.

To monitor and evaluate the Project's E&S and OSH performance, Cálidda has established, in the IMS Environmental Management Manual, the obligation of all contractors to submit to the Environmental Management Department a monthly report on compliance with the applicable environmental commitments, which serves to notify the competent sectoral authorities about the fulfillment of its

⁷ Resolution of the Board of Directors of the Supervisory Agency of Investment in Energy and Mining - OSINERGMIN N°-240-2010 OS/CD “Procedure for the Evaluation and Approval of Safety Management Instruments for Hydrocarbon Activities”.

commitments and compliance with the applicable environmental regulations. Likewise, the manual requires each contractor to submit a quarterly Training Program and an Awareness Program, and an annual Drill Program and an Environmental Document Update Program. The Company furthermore routinely evaluates its contractors' social management, rating their compliance level in relation to the CR Guide.

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 community development. The CR Guide for contractors, which is incorporated into the ESMS, also addresses compliance with: (i) the Company's Sustainability Policy; (ii) the communication and relationship plans contained in the environmental and social impact assessments ("ESIAs"); and (iii) the guidelines for conflict prevention through dialog, coordination, and direct communication with stakeholders in the area of influence of the SDGN.

Cálidda has a Communication Policy and an External Communications Procedure as part of its IMS which, in addition to establishing external communications targeting stakeholders, seeks to communicate, educate, and inform the population about the Project and raise awareness about the culture of natural gas and the benefits offered by the service. To this end, the Company has two communication channels; (i) face-to-face, such as customer service centers, customer service telephone lines ("Aló Cálidda"), and the emergency care line; and (ii) virtual channels (website, social media, and an email for receiving grievances). All communications received are handled by the Communications Assistant Management and forwarded to the corresponding assistant managerial departments for processing and response.

For customer complaints, the Company uses the Procedure for Attention and Management of Citizen Service Notices ("SAC") and the Instructions for Attention and Closing of Complaint Notices.⁸ Departments that work with contractors are responsible for instructing them on how to implement the SAC and the instructions. The contractor's field Community Relations Officer is responsible for channeling complaints from the population through official channels and monitoring citizen satisfaction in the neighborhood where the works are carried out.

The guidelines of the Crisis Communications Manual are followed to manage undesired events that may affect the Company's image. 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.

In addition, Cálidda provides information on its environmental and social performance through annual sustainability reports.⁹

⁸ As required by: (i) the Administrative Procedure for Complaints by Users of Electricity and Natural Gas Public Services (Resolution No. 269-2014-OS-CD); (ii) the Consumer Protection and Defense Code ((Law No. 29571); and (iii) the Regulations of the Consumer Protection and Defense Code Complaints Book (Supreme Decree No. 011-2011-PCM).

⁹ <https://reportesdesostenibilidad.calidda.com.pe/>

4.2 Labor and Working Conditions

Cálidda has an Internal Work 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. In addition, the Company's Code of Ethics, approved in September 2019, contains the corporate values of transparency, respect, integrity, and fairness; as well as a detail of how to interact with stakeholders in situations of conflict of interest, information management, and fraud prevention, and consultation processes, fraud reports, and ethical dilemmas. These processes are monitored by an Ethics and Compliance Committee.

Cálidda's ILR, in addition to adhering to the Labor Code and to the conventions of the International Labor Organization (ILO)¹⁰ ratified by Peru, establishes 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,¹¹ a contract with suitable working conditions and terms of employment, and notice of dismissal and severance pay. All Company personnel are trained in the ILR and are required, at the end of their induction, to sign a statement that they know and understand the rules and regulations in question, and that they will abide by them for the duration of their employment with the Company.

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 based on their education, training, work experience, and skills as defined in the job description and profile.

Cálidda has an Ethical Channel to address grievances, claims, inquiries, and requests for clarification on ethical dilemmas raised by employees, shareholders, customers, suppliers, and contractors. This means, managed by an independent third-party expert, is intended to prevent, detect, investigate, and remedy any event of: (i) fraud or corruption; (ii) illegal actions or conduct contrary to ethical precepts; and (iii) violation of the rules governing the Company or the performance of actions that may result in damage to the Company.

All grievances, reports, or inquiries may be reported anonymously, however, if not, the Company guarantees the protection of the identity of users of the Ethical Channel and the confidentiality of the information, thereby preventing any form of retaliation. The means available to report any grievances are: e-mail, the website, and a toll-free telephone line. Once the report or inquiry has been entered and validated, the person is assigned a registered number and a personal code, through which he or she can follow up or expand on the report or inquiry. The Company, through the Ethics and Compliance

¹⁰ Convention No. 100 concerning Equal Remuneration for Men and Women Workers for Work of Equal Value; Convention No. 111 concerning Discrimination in Respect of Employment and Occupation; 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.

¹¹ Cálidda has a Procedure for the Investigation and Sanction of Acts of Sexual Harassment, which includes sanctions for those responsible, in line with Law No. 27942 and its regulations. To this end, a Committee against Sexual Harassment has been established.

Committee, reports the result obtained from preliminary checks or advance investigations, or the response to the consultation, by the same means used to report or inquire.

In addition to the OHSAS 18001 certification, Cálidda has an OHS Policy, an OHS Joint Committee made up equally of Company and worker representatives, and an OHS Contractor Manual. Additionally, since 2019, the Company has 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, in observance of health regulations and sectoral protocols,¹² the Company developed a Plan for the Surveillance, Prevention, and Control of COVID-19¹³ in the Workplace, with the following objectives: (i) to establish guidelines for the surveillance, prevention, and control of workers' health during the 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.

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, and an internal control and fraud and corruption prevention policy, 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.

4.3 Resource Efficiency and Pollution Prevention

In addition to establishing the promotion of initiatives and activities in the IMS that contribute to controlling and reducing GHGs 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. In this regard, the Company is committed to measuring its carbon footprint based on the ISO 14064 international standard.

The Project does not consume large quantities of water, since this resource will only be used during the construction of new connections and for workers' human consumption for the duration of the works. 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. Nevertheless, the Company has consistently sought to optimize resource utilization for its operations. Cálidda will measure its water consumption as part of the process of estimating its carbon footprint.

¹² Ministerial Resolution No. 239-2020-MINSA, which approves the "Guidelines for Health Surveillance of Workers at Risk of Exposure to COVID-19" and amendments.

¹³ 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>)

The Company measures its energy consumption from non-renewable sources (fossil fuels, mainly used for the mobility of its operations) and electricity, which is supplied by the public network. The implementation of the Project will not generate a significant increase in these consumptions and will not involve changing the sources used.

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").

Cálidda has a Waste Management Program ("WMP") that allows it to 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 or non-hazardous) before proceeding to its proper disposal. Non-hazardous solid waste is transported by an authorized Solid Waste Management Company ("EO-RS") or the Municipality to a landfill.

Cálidda does not generate large volumes of hazardous waste. Nevertheless, regulating station equipment maintenance generates small quantities of this waste (contaminated materials, used oils, etc.). As indicated in the WMP and as required by law,¹⁴ such waste will be classified, handled, stored, and delivered to EO-RS, who will issue a solid hazardous waste management manifest.¹⁵

4.4 Community Health, Safety and Security

This operation does not involve any new project development, so there will be no new material impacts on community health, safety, and security. Nevertheless, Cálidda has a Damage Prevention Plan ("DPP") intended to prevent damage to its facilities that could jeopardize people's physical integrity or property, the environment, and the regular supply of natural gas. This plan has been summarized in an executive document so that operators of other services (mainly potable water and sewerage) that require excavation do not jeopardize the existing SDGN infrastructure.

The DPP is incorporated into an Education Plan directed at various service contractor companies that perform excavations, the community, and home NG users. The Education Plan has generated diverse graphic materials such as guides, pamphlets, stories, comics, etc. aimed at different key audiences for the prevention of damages and risks.

Risk prevention involves 24-hour, year-round monitoring of the facilities, as well as regular inspections of the SDGN and the placement of appropriate signage. 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 determined to be beneficiaries of compensation. In addition, contractors have liability insurance as part of their contract.

¹⁴ Law No. 28256 which regulates the land transportation of hazardous materials and waste.

¹⁵ Regulations of the Law on the Integral Management of Solid Waste (S.D. No. 014-2017-MINAM).

4.5 Land Acquisition and Involuntary Resettlement

This operation does not require the concession or acquisition of land, and therefore does not involve any type of involuntary physical or economic displacement.

4.6 Biodiversity Conservation and Natural Habitats

The Project will be developed in the cities of Lima and El Callao, in previously disturbed urban lands, so no material impact on biodiversity or natural habitats is foreseen.

4.7 Indigenous Peoples

The Project will be developed in the cities of Lima and Callao, in urban areas where no Indigenous peoples are found.

4.8 Cultural Heritage

With the exception of home connections, this operation does not involve any major development, so, in general, no impacts on cultural heritage are foreseen.

For new home connections that require excavation in undisturbed soils, however, the Company maintains an Archaeological Cultural Heritage Sustainable Management Program and has an Archaeological Monitoring Procedure, as required by Peruvian Cultural Heritage laws and decrees. This procedure includes the necessary measures to identify and evaluate any chance finds, as well as coordination protocols with the Ministry of Culture for their rescue and recovery.

5 Local Access of Project Documentation

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