Environmental and Labor Issues:

This is a category B project according to the IIC's Environmental and Social Sustainability Policy because it could produce certain moderate social and environmental risks and effects in the short term, largely in close proximity to project sites. Such effects are commonplace in an infrastructure project of this nature and may be avoided or mitigated by following generally recognized performance standards, guidelines, good practices, or design criteria—which are well-known, easy to implement industry standards.

The main environmental and labor considerations related to the project are solid materials and waste, polluted effluent, air emissions and noise, occupational health and safety, workplace and labor conditions, community health and safety, and compliance with local environmental regulations. During the project's environmental assessment, visits were made to assess the data centers in Quito, Manta, and Guayaquil; the laying of new submarine fiber optic cable on Ecuadorian territory; and the premises where the automotive fleet is located and company offices.

Generation of Material and Solid Waste: The Project does not involve the generation of large volumes of construction materials; the construction of infrastructure is in its final stages, both at the data centers and sites where submarine fiber optic cable is being laid. During the field visit, the IIC verified that building debris was being properly managed through registries and the implementation of waste management programs. As for solid waste generation, such waste can be classified as domestic waste, industrial waste, and hazardous waste. Domestic waste is handled by licensed operators in each of the cities where Telconet has a presence. In addition, much of this waste is cardboard, plastic, and wood that are recycled by local recycling companies. The industrial waste is comprised of internet cables that are being replaced with fiber optics, as well as electronic components that are also being replaced. All this industrial waste is being handled by licensed operators specialized in handling and recycling telecommunications cables and components. Finally, the hazardous waste consists of waste polluted with oil generated in the maintenance of emergency power generators found at each of the data centers and in the maintenance of Telconet's automotive fleet. However, the companies responsible for generator maintenance are also in charge of appropriately handling any dangerous waste generated during the maintenance process. As for the automotive fleet, Telconet has agreements for the maintenance of its automotive fleet with licensed repair shops that comply with domestic environmental regulations.

Management of Polluted Effluents: Telconet's current operations involve processes that generate small volumes of polluted effluents. Most of them are produced during the maintenance of emergency generators or through a possible leakage of fuel (diesel) used for the generators. However, all the data centers where power generators are located have concrete containment systems, traps, and independent systems to handle polluted effluent. This prevents polluted effluent from mixing with domestic effluent or flowing into the city's sewage system. To strengthen the management of polluted effluent, Telconet is developing a specific plan for this type of effluent. This plan will form part of its environmental and social management plan for the management of the data centers.

Management of Air Emissions and Noise: Telconet's data centers have small diesel-powered generators for emergencies. These generators are only used when the national grid service—the source of Telconet's electrical power—is interrupted. The national grid is rarely affected by such interruptions and, therefore, the generators are used infrequently. However, in keeping with preventive maintenance standards, the generators must be turned on for 10 minutes per week. As a result, these generators emit minimal levels of gas and particles in a year. In addition, Telconet is preparing a preventive and corrective maintenance procedure for generators. This includes a program to measure and monitor combustion gases in keeping with Ecuadorian environmental

regulations and the air emissions and ambient air quality section of the general environmental, health, and safety guidelines of the International Finance Corporation (IFC). At the behest of the IIC, preparation of this procedure for all Telconet facilities will be a requirement included in the Environmental and Social Action Plan (ESAP).

Occupational Health and Safety: Telconet has placed great emphasis on implementing its occupational health and safety plan. They have a general coordinator who is in charge of regional coordinators with a view to managing all aspects of occupational health and safety. The IIC has verified that all Telconet employees are provided with appropriate safety equipment for all variety of activities, especially for the work they frequently undertake at heights. The data centers have appropriate signage and a suitable fire safety system in place. Each data center has an appropriate procedure for contingency and emergency management. In addition, as previously mentioned, Telconet continuously gives talks, courses, and seminars on occupational health and safety through the TelcoU Program.

Workplace and Labor Conditions: Telconet provides all its employees with the benefits provided for under Ecuadorian labor regulations. Telconet has implemented an education and continual development program for its employees. All employees working in the technical area must attend frequent training courses and seminars as part of the TelcoU Program, an internal education program at Telconet that teaches employees to install and handle cutting-edge technology and covers all aspects of occupational health and safety. This continual education program is provided to the employees work free of cost as part of their benefits package. In addition, Telconet is an equal opportunity employer and women are heavily involved at management level. Furthermore, in keeping with Ecuadorian labor regulations, 4% of the total employees on Telconet’s payroll have some kind of disability.

Community Health and Safety: To implement each of its projects, such as the construction of data centers and laying new submarine fiber optic cable, Telconet has followed Ecuadorian regulations on citizen participation, including a public consultation process. During this public consultation process, Telconet informed the community affected by the project of the social and environmental risks and impacts that could potentially result from infrastructure works and the related mitigation and control measures.

Compliance with Local Environment Regulations: Telconet has developed environmental assessments for the construction and operation of the data centers in Quito, Manta, and Guayaquil and has submitted them to the pertinent environmental local authority. These environmental assessments include social and environmental management plans both for the construction phase and the operation phase. However, the corresponding environmental licenses have yet to be obtained for each of the data centers. Thus far, Telconet has filed all the requisite documentation to obtain these licenses, and data centers hold a provisional operating permit granted by the Fire Department; however, the Fire Department will not issue its certificate until environmental operating licenses have been granted. The IIC will follow up with Telconet on compliance of environmental regulations through the Environmental and Social Action Plan. As for the laying of new submarine fiber optic cable on Ecuadorian territory, Telconet was required to prepare and present an environmental impact assessment (EIA) to the Ecuadorian Ministry of Environment, which was approved by the latter. The EIA covers the construction and operation phases and includes social and environmental management plans for these two stages. In addition, as part of the EIA process, a public consultation process was carried out with the participation of the main stakeholders.

Environmental and Social Management System: Telconet has an environmental and social management system that is very well structured and covers issues such as corporate social and

environmental policy; the identification of risks and impacts; management programs; organizational capacity and competency; emergency preparedness and response; stakeholder engagement; and follow-up and assessment. In addition, Telconet has an environment, health, and safety unit, which is headed by a corporate chief of environmental and industrial safety. This unit also has an environment, health, and safety coordinator, an occupational doctor, and assistants for each region.

Monitoring and Reporting: Telconet will comply with the ESAP that was mutually agreed upon with the IIC. The ESAP will include a schedule of targets for its implementation. The company will present annual reports to the IIC on progress achieved in the implementation of the ESAP. During the project life, the IIC will oversee compliance with the provisions of the ESAP and assess the annual social and environmental compliance reports and any other documentation that Telconet is required to submit to the IIC, and conduct periodic visits to Telconet's premises as part of project supervision.