

1. General Information and Overview of Scope of IIC E&S Review

Telefónica Centroamérica^[1] has in a has strong senior management and E&S team and a sound Environmental and Social Management System (ESMS) fully implemented across all the sectors of the company and its subsidiaries. The environmental and social due diligence (ESDD) was based on E&S information provided by the Sustainability Manager for the Central America region of the company by e-mail on October 19th, 2018, as per request of the E&S Officer assigned to the operation and the investment team.

Based on relevant information sent by Telefonica Centroamérica, the IDB Invest assessed the ESMS of Costa Rica, Panama and Guatemala Subsidiaries as well as their internal capacity to implement it. Also, were analyzed detailed information related to the following: Telefónica's Annual Sustainability Report^[2], Environmental Policy, E&S Supply Chain management information such as: i) Supply Chain Sustainability Policy, ii) Audit procedures, iii) Supplier's registration web site^[3]; and Allied companies management program, among others.

Environmental and Social Categorization and Rationale

The Project has been classified as a Category C operation, according to the IIC's Environmental and Social Sustainability Policy as the project are likely to result in very limited or no adverse environmental or social impacts or risks. The project consists on a purchase of receivables transaction to facilitate the Company the installment handset sales program that is being offered to its subscribers. However, the compliance to PS- 1 - Assessment and Management of Environmental and Social Risks and Impacts was fully assessed, focused on the supply chain management including the life cycle of the handsets and the commitment to the client.

Environmental and Social Context

Telefonica Centroamérica implemented in 2017, the Environmental Management System, based on the priorities of: i) risk assessment and legal compliance; and ii) Ecoefficiency and ii) business sustainability, consequently Telefónica Centroamérica obtained on 2018 the ISO 14001: 2015 Standard certification for the activities of: Provision of mobile telephony and value added network services; Design of Services, Deployment, Operation and Maintenance of Networks; Commercial Management and Customer Service, which are carried out geographically in Guatemala, Nicaragua, El Salvador, Costa Rica and Panama.

Movistar Centroamerica operations are organized through 17 Movistar Centroamerica Vice-Presidents that employ around 4,500^[4] people. The Company follows applicable requirements of the licenses and overall with applicable environmental and health and safety regulations in Central America.

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

2.1 Assessment and Management of Environmental and Social Risks and Impacts

a. E&S Assessment and Management System

The strategy and implementation of Responsible Business Plan (RBP) in the Telefónica has the recognitions of global sustainability indexes, such as Dow Jones Sustainability Index (DJSI), Carbon Disclosure Project (CDP), Sustainalytics, Ethibel, MSCI or FTSE4Good. In addition,, the company have the GOLD level of recognition in the evaluation of performance on sustainability made by EcoVadis, platform collaborative that allows to measure, both the own performance in this area, such as of its suppliers.

b. Policy

As part of the RBP, several policies related to the sustainability of the business were implemented: i) occupational health and safety; ii) environmental^[5] and iii) quality. Also, a Supply Chain Sustainability Policy and the Energy Policy are relevant E&S policies.

c. Identification of Risks and Impacts

Identification of risks and impacts are performed through: i) business aspects; ii) Operational; iii) Financial and iv) Global.

A very important part of the social and environmental impact of the company is directly related to the supplier, therefore Movistar Centroamérica focus on analyzing and addressing adverse impacts - including suppliers and subcontractors- intensifying the management requirements and report related to the chain of suppliers.

Contracts between Movistar Centroamérica and its suppliers include specific environmental clauses that aim to guarantee compliance with: i) environmental legislation accomplishment, ii) privacy policy and iii) anticorruption practices, among the most relevant ones. Movistar Centroamérica have worked to help the service suppliers to attain a culture of sustainability. In addition, it has allowed to develop mechanisms for early detection and risk prevention, while at the same time raising awareness among contractors about compliance with the company's standards. In 2017, the criteria were improved and were applied in the selection processes of critical suppliers.

Additionally, a reputational and environment risks matrix assessments are being performed, both led by internal audit team.

d. Management Programs

This RBP sets priorities until 2020 in three areas: compliance and risk management, responsible productivity and sustainability as a lever of growth to improve our business and the world.

In addition, during 2017, the status of progress of Movistar Centroamérica RBP was informed to the corporate office that aims to ensure that each of the operations has with a structured plan for sustainability management based on the business model. This sustainability associated with the business model helps to impact on the United Nations Sustainable Development Goals. As a company in the telecommunications sector, the business has a clear impact on Objective 9 (Industry, Innovation and Infrastructure), although it also impacts on the other 16 objectives, a direct impact is focused on those related to economic growth, education, climate action, development of sustainable societies and strategic alliances.

Telefónica in Centroamérica has been implementing the following programs: i) renewable energy plan; ii) energy efficiency program; iii) ISO 14001 certification (such certification was obtained on May 2018), iv) digitization process and v) waste management program.

Telefónica in Centroamérica has its environmental strategy defined in three areas of work related to eco-efficiency and circular economy, Smart services and products and environmental responsibility, in order to address internal aspects and self-management while collaborating with other institutions to that they can be equally efficient in the use of their resources: i) environmental sustainability; ii) Ecosmart services and processes and iii) ECO-efficiency, decarbonization and circular economy (CE).

e. Organizational Capacity and Competency

In order to implement the RBP Movistar Centroamérica has set a Responsible Business Plan Office (RBPO) led by the Executive President and comprised by the following Directories: i) Regulatory and External Affairs; ii) Human Development and Organizational; iii) Commercial; iv) Procurement; v) Internal Audit; vi) Chief Operational Officer; vii) Head of B2C; viii) Head of Business Solutions. These areas are responsible for the fully implementation of the RBP among all the organization. The Environmental and Sustainability area are under the Commission of the Counsel of Regulatory and Institutional Affairs, however as stated previously, the RBPO acts across the organization. Is worth to point, that 100% of the workforce has being trained on the principles of the RBP.

f. Emergency Preparedness and Response

In addition to establishing the Continuity Plans, necessary to guarantee the normal provision of services to the customers, the company include specific actions to complete humanitarian aid: i) prepares simulations with the objective of building, improving and keeping updated the processes, action plans, capacities and priorities in joint response; ii) establishes a basic code of humanitarian aid in coordination with national regulators to order the participation of public and private companies and support access to the mobile services during an emergency and iii) provides simplified and free access to vital communications to the point of reactivating services.

g. Monitoring and Review

As part of the RBP's Ethical and responsible management, an internal auditing process is in place to prevent and monitor the legal compliance, design of specific controls to prevent possible breaches and resolution of queries on the interpretation of standards. In addition, specific internal (corporate and local) audit program is in place to evaluate suppliers' performance related with Sustainability.

h. Stakeholder Engagement

i) Stakeholder Mapping/Analysis and Engagement Planning (and ongoing)

Stakeholders are clearly identified based on the relevance and impact for the company. Moreover, the entire RBP was based on the identification of key aspects for stakeholders. Fluent and inclusive communication and consultation process with stakeholders are in place through the following RBP principles: i) Commitment to the costumer; ii) Commitment to the employees; iii) Responsible supply chain management; iv) Commitment to the environment; and v) Commitment to the society. At this credit operation the company's customers will be indirect beneficiaries. Movistar Centroamérica measures the level of costumers' satisfaction by the Costumer Satisfaction Index (ISC), on July 2018 the indicator was of 8.63 over 10.

ii) Disclosure of Information

Starting in 2008, Telefónica publishes annually an externally verified corporate responsibility report, all reports are available to the public on the company's website, including the last of 2017.

iii) External Communication and Grievance Mechanisms

There are channels, both internal through Intranet, and external through the Supplier Portal, where stakeholders can communicate any non-compliance associated with the supply chain in relation to Telefónica's minimum responsible business criteria and possible situations of conflict of interest in the relationship with suppliers.

In addition, the company maintain a continuous relationship with its suppliers, through meetings that foster a close relationship and shares good practices with them, to encourage the sustainability

throughout the value chain.

3. Local Access of Project Documentation

All available information of the company can be accessed through these main Web Sites:

<https://www.telefonica.com/es>

<https://movistar.cr/>

<http://www.movistar.com.gt/>

<http://www.movistar.com.pa/>

Besides, several social media sites are available: i) Facebook; ii) Twitter; iii) Youtube; iv) Google; v) Instagram; vi) LinkedIn and vii) Pinterest^[6].

4. Environmental and Social Action Plan (ESAP)

The client will comply with all applicable environmental, health and safety regulations in Centroamérica, applicable IDB Invest sustainability policy and all aspects and components of Movistar Centroamérica ESMS. Therefore, the client will attend a training on IFC Performance Standards and submit yearly an Environmental and Social Compliance Report (ESCR) aligned with the applicable IFC performance standards: PS1, PS2, PS3 and PS4. IDB Invest will perform supervision and monitoring activities of the accomplishment of the ESAP during the life of the Facility.

CONTACT INFORMATION:

For inquiries and comments to IDB Invest, contact: IDB Invest's Communications Group. E-mail: requestinformation@idbinvest.org

For project inquiries, including environmental and social questions related to an IDB Invest investment, please contact the client or the IDB Invest using the contact information provided above.

As a last resort, project affected communities have access to the IDB Invest Independent Consultation and Investigation Mechanism:

Tel: +1 (202) 623-3952. Fax: +1 (202) 312-4057. Address: 1300 New York Ave. NW Washington, DC. USA. 20577. E-mail: mecanismo@iadb.org or MICI@iadb.org

^[1] Telefónica Móviles Panamá, S.A, Telefónica de Costa Rica TC, S.A. and Telefónica Móviles Guatemala S.A.

[2] <https://www.telefonica.com/es/web/negocio-responsable/informe-2017>

[3] Portal del Proveedor -

https://www.telefonica.com/es/web/about_telefonica/proveedores/politicas-de-proveedores

[4] Direct and indirect

[5] <http://www.rcysostenibilidad.telefonica.com>

[6] <https://www.telefonica.com/es/presencia-internet/panama><https://www.telefonica.com/es/presencia-internet/costa-rica>

<https://www.telefonica.com/es/presencia-internet/guatemala>