

1. Scope of Analysis

The scope of project analysis focuses on the four companies held by Triple Play Brasil Participações S.A., which is controlled by the American private equity fund ACON Investments LLC. The companies offer bundled “Triple Play” services (cable television, broadband, and landline telephone) in Brazil. The companies have separate identities and serve different locales: (a) Cabo Telecom in Natal (state of Rio Grande do Norte); b) Multiplay/Tecnet in Fortaleza (state of Ceará); c) Alegria in São João da Boa Vista (state of São Paulo); and d) Direta in Guaxupé (state of Minas Gerais).

Management of social topics, health and safety and labor relations for all four operations is concentrated at a single managerial office in Fortaleza, but there is also a dedicated team in Natal. The social and environmental audit included field visits conducted from 10 to 12 September 2018 to the offices and storage sheds of Cabo Telecom in Natal and Multiplay in Fortaleza. Documents and photographs pertaining to the small offices of Alegria, in São Joao da Boa Vista and Direta, in Guaxupé were reviewed.

Meetings were held with those responsible for management of human resources and labor relations, as well as personnel who handle legal, health and safety, occupational health, property security, operations, customer service, special projects, and network structure maintenance aspects.

2. Environmental and Social Categorization

The project was classified as “B” according to IDB Invest’s Environmental and Social Sustainability Policy. Its risks and impacts are associated with project location, are of moderate magnitude and can be mitigated by easily-implemented existing measures.

Impacts associated with this type of operation include aspects of worker health and safety and adjustment of working conditions, as well as safety of the community in the vicinity of the offices and storage sheds. There is also a potential impact associated with the storage of fuels used to power the small backup generators in place at all four units. (Multiplay, Cabo, Alegria, and Direta - hereinafter referred to as “MCAD” as well as proper management of solid wastes generated during the activities.

3. Environmental and Social Context

The *Triple Play* services offered by the four units reach their users (small or medium-sized residential or commercial customers) via aerial cables attached to existing utility poles. New attachment points are being installed and additional cables connected to the electricity transmission poles present in the municipalities’ grid where operations take place. This “external” installation service, as well as maintenance of the cables attached to the utility poles, is provided by subcontracted specialist companies.

MCAD units sell *Triple Play* services to potential clients via telemarketing and provide those services to users, responding to complaints and questions. ANATEL, the National Telecommunications Agency, the government entity that regulates and supervises the telecommunications business in Brazil, has instituted various rules and deadlines that must be observed in terms of customer service, length of the call, hours when service is available, and promptness in cancellation of services and other actions. Reprimands may be issued, and penalties imposed on offending companies. The Fortaleza and Natal units provide service to the public from physical “shops” situated at the entrances to their headquarters buildings. They receive an average of 70 to 100 visitors every day.

MCAD units also have available at their headquarters special rooms for storage of servers and cable head-end apparatus. These need to be chilled and isolated from other parts of the office premises. The Natal and Fortaleza offices have external sheds that house the various kinds of equipment (cables, batteries, domestic transmission devices, remote controls, etc.)

Once the *Triple Play* services have been sold to a customer, a connection must be established between the cable attached to the utility poles and the precise site where the service will be used (residence or office). This service is known as internal installation and is performed by locally subcontracted companies (that serve different *Triple Play* companies simultaneously and non-exclusively). Teams of employees from MCAD supervise and maintain the internal installations.

4. Environmental and Social Risks and Impacts, and Measures Proposed for Mitigation and Compensation

4.1 Analysis and Management of Social and Environmental Risks and Impacts

Management of the businesses is presently concentrated at the Cabo and Multiplay units. As mentioned previously, management of human resources and health and safety is centered at Multiplay, in Fortaleza, with a subordinate team at the Natal office.

Since the activities pursued by the units have little environmental impact (being focused primarily on consumption of electricity from the electric power network, generation of office waste, and use of diesel fuel to power small generators), there was no need for an organized management of that subject.

Direta and Alegra are companies that were recently acquired and are still being incorporated into Triple Play Brasil Participações S.A. They will gradually adopt the group's social and environmental practices.

Therefore, this report identifies in item 1 of the Environmental and Social Action Plan (ESAP) a need to organize a unified environmental and social management system (ESMS) suited to the size and kind of activities pursued by the units that could: (a) establish policies and procedures related to evaluation and mitigation of environmental risks and impacts and in terms of working conditions; (b) standardize the application of said procedures for the four current units, as well as new units that may later be acquired; (c) guide teams in dealing with non-conformities; (d) measure social and environmental indicators as an aggregate; and (e) ensure continued improvement.

The task of coordinating the ESMS should be assigned to a managerial unit (that could be combined with an existing structure). However, for the new southeastern region cluster (which will include the Guaxupé and São João da Boa Vista units) a local professional should be retained who could serve as manager responsible for the ESMS (item 2 of the ESAP).

MCAD activities are carried out in offices situated in consolidated urban areas not subject to environmental licensing. Given the nature of those activities and the reduced likelihood of a social or environmental impact, there was no need for consultation or engagement with neighboring communities. However, the Cabo and Multiplay units have a grievance mechanism that is open to the public, as well as a common internal policy that governs the subject ("Policy on Handling Complaints from Subscribers and the General Public").

At the Fortaleza and Natal sites (Multiplay and Cabo) anyone in the community (not just customers) can fill out suggestion and/or complaint forms. Those facilities also make available: (1) responses via chat; (2) email addresses and (3) toll-free telephone numbers. The physical shops located at the

entrances of both headquarters' buildings have suggestion boxes that are accessible by the general public.

Upon receiving a complaint or question via the company's various access channels, the SAC (Customer Service Office) team performs a triage and sends it formally to the responsible commercial area. If immediate resolution is not possible, an internal investigation is begun, and the complainant is so notified within 48 hours. The investigation is conducted by a committee composed of the human resources manager, customer service manager, and the legal affairs manager. The Committee must decide within 30 days how to answer the complainant, who is contacted by the SAC. In cases of accusations of improper conduct by employees or subcontracted installation teams, reports that will be handed confidentially, an internal proceeding will be launched that involves senior management. To date, the company has not received any such complaint.

According to item 3 of the ESAP, the same grievance mechanism will be implemented and administered at Guaxupé and São João da Boa Vista.

4.2 Labor and Working Conditions

MCAD units directly employ 1070 people, of whom 35% are women and 65% are men (408 employees at Multiplay, 572 at Cabo, 33 at Alegria and 57 at Direta).

a. Human Resources Policies and Procedures

Human Resources management, which has teams assigned to Fortaleza and Natal, supervises adherence to the requirements of labor law, adjustments to working conditions, hiring and dismissals, and worker health and safety. The company has policies on Career Development and Advancement, and Occupational Safety.

b. Working Conditions and Non-Discrimination

The Employee Conduct Manual that is distributed to all employees when they are hired and discussed again during their initial training, addresses the legal rights available under the employment contract (including length of workday, paid weekly days off, vacations, compensation, maternity and paternity leave, breaks during the work day, transportation vouchers, etc.) and the available internal complaint and claim channels. It also stipulates the obligations in terms of behavior that the employer expects its employees to fulfill. These terms are consistent with Brazilian labor law and IFC – International Finance Corporation Performance Standard 02.

Those same personnel materials explicitly state that the company does not tolerate any type of discrimination or prejudice whatsoever related to race, religion, age, gender, political beliefs, nationality, marital status, sexual orientation, or physical condition.

According to item 4 of the ESAP, content pertaining to the prohibition against moral and sexual harassment and gender violence will be included in the above materials.

c. Protecting the Labor Force

The company observes labor law, including laws pertaining to minimum working age and working conditions. The minimum age for employment in Brazil is 18, except for apprenticeship programs under which individuals between the ages of 14 and 24 may perform non-hazardous tasks in observance of certain conditions—such as continuing their schooling (Federal Decree 5.598/2005). The company does not yet have an apprenticeship program.

d. Grievance Mechanism

Employees may file complaints and claims via the following channels: (a) suggestion boxes set up in the common areas at the Fortaleza and Natal offices and (b) an email address. The Committee referred to above that reviews complaints from the general public (as mentioned in section 4.1 of this report) also evaluates and addresses claims made by employees. A response will be provided to the employee within 30 days if the individual identified himself (accusations may be anonymous). Appeals to a higher level (General Management) may be filed if the conditions that provoked the complaint persist. According to item 3 of the ESAP an employee grievance mechanism will be installed and administered at the units in São Joao da Boa Vista and Guaxupé.

Every month, human resources management monitors compliance with labor laws by subcontractors (providers of external installation services of cables on the existing electric power network and internal installation of the network that connects to users) by requesting they provide various pieces of legal evidence under penalty of suspension of payment. Under item 5 of the ESAP, establishment of an internal grievance mechanism at Cabo and Multiplay will be announced and extended to cover the subcontracted external and internal installation companies.

e. Freedom of Association

Brazil is a signatory to various international conventions and treaties related to worker rights, including International Labour Organization (ILO) Convention No. 87 on Freedom of Association and Protection of the Right to Organize. All Brazilian workers have the right to join a union.

The union that represents the employees of the company is SIN-CAB – National Union of Workers in Subscription Television and Special Telecommunications Services. The collective bargaining agreements signed annually with SIN-CAB are being executed.

f. Occupational Health and Safety

The office in Natal employs a part-time physician and a full-time safety technical staffer. The Fortaleza unit obtains external occupational health services from a company known as CLIMEG and recently hired a work safety technical staffer. Both units have Medical and Occupational Health Control Programs (PCMSO) in place as well as an Operational Risks Prevention Program (PPRA) and a concise Occupational Safety Policy.

Even so, the Cabo and Multiplay units experience high rates of accident frequency, about 10.2 and 62.4 respectively—as recorded from January to August 2018. Most accidents occurred during travel and involved internal network maintenance teams who use motorcycles to get to sites where their services are needed. Although safety procedures are in place and all personnel have been given some training in safety, a request is made in item 6 of the ESAP that a specialized company carry out a program on Mitigation of Occupational Health Risks. That program should be modeled on the risk's matrix provided in the World Bank's *EHS Guidelines*: elimination of risks, replacement, control of hazards, and mitigation of residual risks.

The Fortaleza and Natal units (the latter composed of two buildings on the same street) have obtained local permits for operation from the city's office. The warehouses are situated in units separate from the offices and are used to store various products and substances (including the recharging of lead acid batteries used as uninterruptible power supply devices). There are specific rooms (cable head-ends) at Cabo and Multiplay that host servers and signal transmitters and require their own firefighting systems (the company is contracting complete remodeling plans for the headend).

Given the significant number of employees assigned to the units, the daily presence of members of the public at the service centers, the existence of cable head-ends, the recharging activities and types of materials stored in the sheds, an expert analysis needs to be made of fire prevention and firefighting procedures at all the installations. According to item 7 of the ESAP, the company will develop a Fire Prevention and Firefighting Plan for the five office units (one in Fortaleza, the two connected buildings in Natal, one in Guaxupé, and another in São Joao da Boa Vista) as well as for the sheds in Natal and Fortaleza and will implement the measures recommended in the Plan.

(i) Efficiency of Resources and Prevention of Pollution

MCAD units consume electricity from the grid. To handle network power failure, each unit has one or more emergency generators (Fortaleza has three generators, of 400, 150 and 65 kVA; Natal has two 360 kVA generators; São Joao da Boa Vista has one 65 kVA generator and Guaxupé has two generators - 12 and 6 kVA). These operate on diesel fuel. According to item 1 of ESAP, the company will develop an ESMS that will include procedures for proper storage of diesel fuel and the containment of leaks at all units.

Solid waste generated by the Cabo and Multiplay offices is separated into recyclables and non-recyclables. Non-recyclable waste is collected daily by trucks from the respective municipal trash collection systems. Recyclables are stored in the warehouses and sold to companies that buy wastes. Those companies provide statements of conformity with environmental rules and have environmental licenses to operate. According to item 1 of the ESAP, all units will in the future become part of a single social and environmental management system. A procedure for control and sale of recyclables will be implemented at units in the southeastern cluster. All units will ensure proper disposal of hazardous wastes (such as light bulbs, grease, and oils).

The water used comes from the municipal water supply systems of Fortaleza, Natal, Guaxupé and São Joao da Boa Vista. Drinking fountains providing potable filtered water are in place at all MDCA units.

4.3 Community Health and Safety

As mentioned earlier, in Section 4.2 of this report, the company will (under item 7 of the ESAP) develop Fire Prevention and Firefighting Plans for the five buildings at the four office units (Cabo, Multiplay, Direta and Alegria) and for the associated sheds, and will implement the measures recommended in those plans. This will ensure proper management of fire risks, preventing negative impacts on the safety of those who reside in the vicinity of these operations.

Security of the property present at the Cabo and Multiplay units is afforded by sentry booths that control access to entrances and are staffed by uniformed security personnel. A security guard is visibly present at the service centers on the premises during business hours. None of these individuals carry weapons. Security at the Alegria and Direta units has not yet been assessed and established, but the company will maintain the policy of not using armed guards.

4.4 Purchase of land and involuntary resettlement

All units are situated in consolidated urban areas and the buildings were already present on the sites when the company purchased them. No land was acquired, or people resettled in this operation.

4.5 Conservation of Biodiversity and Natural Habitats

Not applicable to this operation.

4.6 Indigenous Populations

Not applicable to this operation.

4.7 Cultural Heritage

Not applicable to this operation.

5. Local Access to Project documentation

No additional impact studies were produced for this project because of its low environmental and social risks and impacts.