

Environmental and Social Review Summary

KSGM Telecommunications Project

This Environmental and Social Review Summary (ESRS) is prepared by MIGA staff and disclosed prior to the date on which MIGA's Board of Directors considers the proposed issuance of a Contract of Guarantee. Its purpose is to enhance the transparency of MIGA's activities. This document should not be construed as presuming the outcome of the decision by MIGA's Board of Directors. Board dates are estimates only.

Any documentation that is attached to this ESRS has been prepared by the project sponsor, and authorization has been given for public release. MIGA has reviewed the attached documentation as provided by the applicant, and considers it of adequate quality to be released to the public, but does not endorse the content.

Country:	Myanmar
Sector:	Telecommunications
Project Enterprise:	KDDI Summit Global Myanmar Co Ltd. (KSGM)
Environmental Category:	B
Date ESRS Disclosed:	March 1, 2016
Status:	Due Diligence

A. Project Description

The project consists of the operation and upgrade, reactivation and expansion of Myanmar Post and Telecommunication's (MPT) network in Myanmar. MPT is the government run network operator and provider of telecommunication services in Myanmar, and operates both fixed line and wireless networks. KDDI Summit Global Myanmar Co. Ltd, (KSGM), a joint venture between Sumitomo Corporation (SC) and KDDI Corporation has entered into a 'Joint Operation Agreement' (JOA) with MPT to implement, upgrade and expand the national telecommunications service (including mobile, fixed, internet, etc.). Sumitomo Corporation (SC) has requested that MIGA provide a guarantee for its equity and shareholder loan investment into KSGM.

Together, KSGM and MPT are referred to as the 'Joint Operation' (JO). The JO has approximately 2,000 operational telecommunications towers as of June 2015, some of which will be upgraded or decommissioned and replaced, and plans to construct a further approximately 5,000 towers to meet a target of providing coverage to 70% of the geographical area of Myanmar by the end of March 2016.

B. Environmental and Social Categorization

This project involves the development, operation and decommissioning of telecommunications tower sites. The key issues associated with the project are environmental, health, safety, and social management; construction of towers; labor and working conditions (including employee and contractor occupational health and safety); and pollution prevention and abatement (including hazardous waste management). The environmental and social risks and impacts are limited,

generally site-specific, and readily addressed through mitigation measures, therefore the project is Category B under MIGA's Policy on Environmental and Social Sustainability.

C. Applicable Standards

While all Performance Standards are applicable to this investment, based on our current information indicates that the investment will have impacts which must be managed in a manner consistent with the following Performance Standards:

- PS1: Assessment and Management of Environmental and Social Risks and Impacts
- PS2: Labor and Working Conditions
- PS3: Resource Efficiency and Pollution Prevention
- PS4: Community Health, Safety and Security

As land will be acquired through negotiated lease agreements, PS 5 does not technically apply. However, as the roll-out moves into rural areas, tower sites may be officially owned by the government or another private land owner, but traditionally used by local people, and therefore PS has been applied to this project. The project 'Site Acquisition Procedures,' were reviewed and found to be consistent with the requirements of PS 5.

Towers will be sited to avoid significant impact on biodiversity and cultural heritage, therefore PS 6 and PS 8 are not applicable.

There are 135 recognized ethnic minority groups in Myanmar. Given the proposed geographic coverage of the Project, it is likely that some towers may be located on lands that are traditionally used by ethnic minorities. As indigenous people (or ethnic minorities) are unlikely to be disproportionately vulnerable to Project impacts, PS 7 does not apply. Regardless, as described above, consideration of traditional land use will be incorporated into KSGM's updated land acquisition procedures, which will ensure that any affected ethnic minorities are adequately engaged as per the requirements of PS 7.

World Bank Group (WBG) General Environmental, Health and Safety (EHS) Guidelines and EHS Guidelines for Telecommunications also apply to this project.

D. Key Documents and Scope of MIGA Review

The various documents including Human Resources Policy, Health and Safety Policy, and Environment Policy were reviewed by MIGA: In addition to reviewing the above documents, a due diligence site visit was undertaken in June 2015, which included meetings with representatives from KSGM, one of KSGM's vendors and KSGM's roll-out management consultant and visits to 4 tower sites: 2 towers under-construction; 1 recently completed roof-top tower site; and 1 existing MPT tower (installed in 1993).

E. Key Issues and Mitigation

PS1: Assessment and Management of Environmental and Social Risks and Impacts

The JO has an environmental and social management system (ESMS) in place to manage environmental and social risks and impacts in its operations. Assessment and management of environmental and social risks and impacts are undertaken in a manner consistent with the relevant parts of the 'Environmental Code of Practice,' an Annex to the Environmental and Social Management Framework prepared for the World Bank Telecommunications Sector Reform Project (which is disclosed on the World Bank InfoShop website). The JO's Site Acquisition Procedure includes consideration of environmental and social risks and impacts relating to tower construction, meeting regulatory and permitting requirements and avoiding ecologically sensitive areas and physical or economic displacement of local community members. For each proposed tower site, a preliminary site proposal is prepared, which provides scoping of potential risks and impacts, followed by a detailed site proposal, which looks at the potential risks and impacts in more detail. KSGM / MPT provide precise specifications to vendors and contractors for construction of towers, and contracts include requirements for sound environmental and social management. Prior to starting construction at any site, the vendor responsible for that site is required to undertake a 'Site Risk Assessment' and provide it to the JO. The methodology for the 'Site Risk Assessment' includes consideration of environmental risks.

The JO has also engaged a consultant, to manage the roll-out and construction of new towers. The consultant is an international telecommunications consulting company, which has extensive experience in network planning, tower installation and maintenance and management of vendors and sub-contractors. There are currently three levels of monitoring in place for the roll-out phase – the vendors undertake monitoring of their sub-contractors, the consultant monitors the vendors / sub-contractors and provides weekly reports (which include quality, environment, health and safety) to the JO, and the JO also undertakes regular spot checks.

KDDI / SC have the management capacity and experience to appropriately manage the Project: KDDI has the technical expertise required, and SC has experience in rolling out telecommunications networks in developing countries. Both companies have assigned (seconded) individuals to KSGM who are suitably qualified. Most seconded staff have previous experience in developing countries.

As part of the JOA, KSGM has committed to provide an extensive training program for MPT staff. The proposed training program includes (*inter alia*): general English; computer use; leadership; EHS; financial management; record keeping; technical aspects. The consultant is also providing training to employees who have been identified as having the potential to become 'site supervisors'. These people have received classroom based training and practical, on-the-job training.

PS2: Labor and Working Conditions

The JO has a Human Resources (HR) Policy, which is consistent with the requirements of PS 2. HR 'Work Rules', procedures and templates are currently being developed. During the site visit, MIGA was given an opportunity to review the draft Work Rules, which appeared to be consistent with the requirements of PS 2. The JO will provide the Work Rules, Procedures and Templates to MIGA for review once the drafts are complete. The HR Policy and Work Rules designed to

ensure compliance with all applicable local labor laws and regulations and requirements of PS 2, and once finalized, the 'Work Rules' will apply to all JO staff (including seconded staff). The geographic spread and compressed timeline for the roll-out combined with the use of a large number of local sub-contractors represent a significant challenge for the management of labor and working conditions among sub-contractor staff. The Project restricts employment to those aged 18 and over.

The JO has a 'Health and Safety Policy' and procedures in place, and health and safety is managed within the overall management system for the Project. Health and safety requirements ("Health and Safety Specifications") are included in all vendor and sub-contractor contracts, and vendor and sub-contractor compliance with these specifications is monitored. The Site Risk Assessment, which is undertaken for each site prior to the start of construction, includes assessment of health and safety risks. KSGM and the Consultant Site supervisors and inspectors have the authority to stop work at sites immediately if significant health and safety non-compliances are identified. The circumstances where work can be stopped are clearly outlined in KSGM's Health and Safety procedures. The Consultant provides KSGM with a weekly health and safety report as part of their overall monitoring of quality, environment, health and safety.

PS3: Resource Efficiency and Pollution Prevention

KSGM has established policies and procedures for pollution prevention at construction sites, and vendor and sub-contractor agreements include terms that cover pollution prevention and abatement. Further, prior to issuing final payment for each tower, KSGM (or the consultant) review the site to ensure that construction areas have been properly decommissioned and rehabilitated, and that all waste has been removed from the site.

Sites are constructed with a pan under the diesel generator to contain any leakage (as per good international industry practice). Fuel levels in the generator are remotely monitored, so any major leak would be quickly identified. Also, sites are visited regularly for visual inspection.

The installed towers will have back-up power systems that include the use of lead-acid batteries. There is currently no place to properly recycle or dispose of lead-acid batteries in Myanmar, and therefore, KSGM will have to develop procedures for the storage, transport and final recycling / disposal of lead-acid batteries. As this is a challenge that all telecommunications operators will face, KSGM has indicated that they will coordinate with the other operators to identify a solution.

The decommissioning of old MPT towers may generate a significant amount of scrap metal and other waste (including batteries). KSGM will also develop a plan for decommissioning, which will include management of the solid waste generated.

PS4: Community Health, Safety and Security

Security Arrangements: All tower locations have controls in place to prevent access by the public. KSGM does not plan to place towers in conflict and high risk areas; however, they will still prepare and provide to MIGA for review a Security Management Plan that aligns with

requirements of Performance Standard 4 and the Voluntary Principles on Security and Human Rights.

F. Environmental Permitting Process and Community Engagement

Permits are obtained for each site.

KSGM recognizes the importance of stakeholder engagement. For acquisition of tower sites, KSGM consults with relevant municipalities, local authorities, land owners as well as owners of neighboring properties.

G. Availability of Documentation

For additional information, please contact:

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Annex 1: Environmental and Social Action Plan

Action	Deadline
PS 3	
Provide MIGA with the relevant sections (i.e. those sections that address environmental and social requirements) of the Managed Service Contract.	Within 60 days of the Effective Date of the Contract of Guarantee
Prepare and provide to MIGA develop a plan for the management of lead-acid batteries.	Within 120 days of the Effective Date of the Contract of Guarantee
Provide MIGA with a plan for decommissioning of old towers.	Within 120 days of the Effective Date of the Contract of Guarantee
PS 4	
Provide to MIGA a policy or plan for engaging and managing security contractors that aligns with requirements of Performance Standard 4 and the Voluntary Principles on Security and Human Rights.	Within 60 days of the Effective Date of the Contract of Guarantee