

## Environmental and Social Review Summary (ESRS) GIM Housing Project - Mexico

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### 1. General Information of the Project and Scope of IDB Invest's Environmental and Social Review

This transaction consists of a long-term revolving loan facility (the "Transaction") in favor of Grupo Inmobiliario Metta ("GIM", or the "Company") to finance social housing and middle-income housing projects in Mexico. GIM's real estate projects use land acquired by its subsidiary GIM Desarrollos, built by Migdal Arquitectos ("Migdal") and marketed by Hogares Unidos (trade name of the developers, Conjunto Parnelli, S.A. de C.V., Promotora FM, S.A. de C.V. and Inmobiliaria Karuka, S.A. de C.V.).

The Transaction's Environmental and Social Due Diligence (ESDD) required assessing the technical, environmental, health, safety and social documentation submitted by GIM. Given the mobility restrictions imposed by the COVID-19 pandemic, the assessment included telephone calls with the Company's project management, human resources, and occupational health and safety teams. A field visit was conducted in July 2021 by a consulting firm hired by IDB Invest at the Lomas de La Plata and Ciudad Natura projects in the state of Hidalgo, Mexico.

The ESDD included an analysis of a representative sample of real estate projects within GIM's current portfolio ("Sample Projects"), as the projects to be financed by the Transaction cannot be selected in advance. The process generated a list of criteria and conditions<sup>1</sup> that the Company's projects must fulfill to access the financing granted by the Transaction, which were based on this sample and ensure full compliance with IDB Invest's Environmental Sustainability Policy.

### 2. Environmental and Social Categorization and Rationale

The Project has been classified as a Category B operation according to IDB Invest's Environmental and Social Sustainability Policy given that its potential environmental and social impacts are limited, reversible, and can be easily managed. The main potential risks and their associated impacts include: i) increased risks associated with Occupational Health and Safety (OHS) conditions; ii) solid and liquid waste generation; iii) generation of noise, vibrations, and potential changes in air quality as a result of construction projects; v) potential impacts on archaeological remains; and vi) potential impacts on communities as a result of increased traffic at construction projects. These impacts and risks are estimated to be of medium intensity.

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<sup>1</sup> These include: (i) no project may interfere with ecologically or environmentally sensitive areas; (ii) the land acquisition process for each project must not cause the physical or economic resettlement of local residents; (iii) the area of influence of each project must not overlap with indigenous lands or lands used in traditional practices; (iv) the project must not have an adverse impact on indigenous peoples; v) the environmental studies for each project must comply with the requirements of Mexican law, and use the generic terms of reference for preparing environmental studies within the framework of this Transaction; and vi) the project's environmental and social management plans must include generic management measures, in addition to those deemed pertinent, prepared as part of this Transaction.

The Performance Standards (PS) triggered are: i) PS1: Assessment and Management of Environmental and Social Risks and Impacts; ii) PS2: Labor and Working Conditions; iii) PS3: Resource Efficiency and Pollution Prevention; and iv) PS4: Community Health, Safety, and Security.

### **3. Environmental and Social Context**

#### **3.1 General characteristics of the Project's site**

GIM operates in the states of Mexico, Yucatán, Jalisco, Morelos, Hidalgo, Puebla, Querétaro, and Quintana Roo, and in Mexico City. The sites chosen for housing projects are mostly heavily developed urban or semi-urban areas that have little ecological, biological, paleontological, or archeological value. None of the Sample Projects nor their areas of influence will affect Natural Protected Areas (NPAs), Priority Terrestrial Regions (PTRs), Important Bird and Biodiversity Areas (IBAs), sites included in the Convention on Wetlands of International Importance (RAMSAR), indigenous peoples, or archaeological heritage sites.

#### **3.2 Contextual risks**

Insecurity is a major problem in Mexico. This is experienced with varying intensity depending on each person's state and social group.

Due to their geographic dispersion, GIM projects will be exposed to insecurity and its related violence, together with a variety of natural and anthropogenic hazards such as earthquakes, hurricanes, storm surges, landslides, floods, drought<sup>2</sup>, sea level rises and volcanic eruptions, in addition to violence, vandalism, and organized crime. Each new project will therefore require a specific assessment of its associated contextual risks.

### **4. Environmental Risks and Impacts and Proposed Mitigation and Compensation Measures**

#### **4.1 Assessment and Management of Environmental and Social Risks**

##### **4.1.a E&S Assessment and Management System**

GIM has an Environmental and Social Management System (ESMS) that includes the policies and procedures required to comply with local environmental regulations.

##### **4.1.b Policy**

GIM has a Code of Ethics and General Policies that confirm the Company's commitment to protecting the environment and addressing several employment issues. However, GIM will prepare

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<sup>2</sup> Water supply in Mexico faces a challenge due to the overexploitation of aquifers. According to the National Water Commission (CONAGUA), Mexico has 653 aquifers, of which 165 were reported as overexploited in 2020 (<http://sina.conagua.gob.mx/sina/tema.php?tema=acuiferos&ver=reporte&o=1&n=nacional>).

and approve an integrated environmental, social, and OHS policy. This policy will be communicated to all its employees, contractors, temporary employees and other external stakeholders.

#### 4.1.c Identification of Risks and Impacts

Each GIM housing project has an Environmental Impact Assessment (EIA) prepared in accordance with the respective state and municipal environmental regulations. The EIA identifies potential environmental risks and impacts arising from construction, and establishes preventive or management measures to address those risks. Furthermore, for each project, GIM: i) prepares an OHS risk analysis as required by Mexican standards; ii) commits to managing the project's impacts with the municipal, state, and federal governments; and iii) regularly submits the associated compliance reports until each obligation is completed.

GIM will prepare and implement a corporate procedure that identifies, describes and assesses the Environmental and Social (E&S"), OHS, and community health and safety risks and impacts generated by its projects.

#### 4.1.d Management Programs

GIM has implemented various initiatives with a positive environmental and social impact. However, its ESMS requires it to document them according to the identified risks.

#### 4.1.e Organizational Capacity and Competency

GIM uses professionals who specialize in various operational skills to manage its E&S issues. The corporate Promotion Department, through the Procedures Department, sub-contracts the preparation of the EIA and requests the environmental permits required by law from the competent authorities. Project environmental issues are resolved under the supervision of the Regional Procedures Department. Employment and OHS risks are managed by the Human Resources Department.

Corporate regional coordinators are responsible for OHS issues, and they are responsible for a portfolio of projects. GIM has a person responsible for OHS issues at each project who reports to a Corporate OHS coordinator and the Regional Director. However, the management of E&S issues requires an organizational structure that integrates corporate initiatives to manage, monitor and assess environmental and social risks.

#### 4.1.f Emergency Preparedness and Response

GIM's Emergency Plan contains procedures for each risk, such as earthquakes, fire, protests, volcanic eruptions, and electrical storms. The emergency plans for each project are adapted to its specific risks. The Company regularly involves local residents in drills, in compliance with the civil protection program.

#### 4.1.g Monitoring and Review

GIM hires external consultants to monitor, review, and report every month on compliance with the prevention, compensation, and environmental mitigation measures established by local authorities.

#### 4.1.h Stakeholder Engagement

The process to request an environmental license for a project requires GIM to arrange an open municipal meeting where stakeholders can review the EIA for that project and present their doubts and concerns before the project is approved by the environmental authorities.

GIM has developed the IntegraT program, which aims to develop projects that promote social integration and bring neighborhoods together.

#### 4.1.i External Communication and Grievance Mechanisms

GIM has permanently open channels for interactions with its neighboring communities and a procedure for managing complaints and suggestions focused on customer service quality issues rather than on capturing, processing, and resolving complaints from the community. The Company will develop a culturally appropriate and easily accessible grievance procedure for its local communities. This procedure will be made available to the general public, and will also provide the community with information regarding GIM's social and environmental performance.

### 4.2 Labor and Working Conditions

#### 4.2.a Working Conditions and Management of Worker Relationships

GIM has 1,738 direct and indirect employees, 213 of whom are women, who work as OHS supervisors in human resources administration or provide environmental, social, and health and safety services.

#### 4.2.a.i Human Resources Policies and Procedures

GIM's Human Resources Policies and Internal Labor Regulations regulate GIM's relationships with its employees, including its employment terms and conditions, within the framework of local and federal labor legislation requirements. The Code of Ethics is shared and accepted by each employee at induction, and it prohibits discrimination when hiring employees. GIM's occupational health and safety commitments are established in its Industrial Safety Policy, which applies to people employed by GIM, its contractors, sub-contractors, visitors, and suppliers.

GIM will update its Human Resources Policies to include explicit references to free association and collective bargaining for employees. It recognizes that employees can submit their grievances and form or join workers' organizations without fear of reprisal.

#### 4.2.a.ii Working Conditions and Terms of Employment

GIM's Human Resources Policies and Internal Labor Regulations comply with Federal Labor Law regarding working conditions, including the length of working days, the accounting and payment of overtime, the Company's and employees' commitments to observe appropriate measures that prevent accidents or illnesses, disciplinary measures, and the grounds for termination of employment.

#### 4.2.a.iii Workers' Organizations

GIM allows free association and collective bargaining for employees, in compliance with Mexican law.

#### 4.2.a.iv Non-discrimination and Equal Opportunity

GIM provides equal opportunities to all employees and employment applicants and does not discriminate on the basis of race, religion, nationality, gender, sexual orientation, age, marital status, or disability.

#### 4.2.a.v Retrenchment

GIM prefers to employ people on a long-term basis. According with the Company's Human Resources Policies, if it is necessary to restructure, close, or sell a regional business or project, employees will be released within the framework of applicable legislation and the requirements of PS2.

#### 4.2.a.vi Grievance Mechanism

GIM lacks a documented mechanism for its employees to submit their requests, complaints, and suggestions (RCS).

#### 4.2.b Protecting the Workforce

Mexico has signed several international conventions of the International Labor Organization (ILO) related to employees' rights. The ESDD process did not find any child or forced labor.

#### 4.2.c Occupational Health and Safety

GIM complies with Federal Occupational Health and Safety Regulations<sup>3</sup>. However, GIM will prepare and implement corporate OHS procedures based on an occupational risk analysis that covers appropriate collective (scaffolding) and personal protective equipment (PPE), safety measures for work at heights, hydrating its employees, COVID-19 infection prevention measures, the required number of sanitary facilities such as personal cleaning and washing areas, specific hygiene and

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<sup>3</sup> <http://www.diputados.gob.mx/LeyesBiblio/regla/n152.pdf>

safety training for construction projects, medical facilities, ongoing OHS training to prevent accidents, an internal grievance mechanism, and other procedures.

#### 4.2.d Workers Engaged by Third Parties

Almost all of GIM's projects are developed by contractors and sub-contractors that provide and manage the supplies, machinery, and workers required for the project. Contractors with works or supply contracts are obliged to comply with GIM's OHS policies, including the obligation to provide PPE for their employees, to report accidents, and to keep statistics of accidents, incidents, and unsafe actions. These contracts prohibit employing minors.

GIM provides housing for its employees at projects in remote locations where local labor is scarce. These are temporary camps or rented houses within local communities.

Project sites have medical facilities that include personnel trained in first aid. However, the basic equipment at these medical facilities is not uniform. Accordingly, GIM will approve a list of minimum indispensable medical supplies, including medical kits, oxygen, and instrumentation, for each medical facility at its projects, as required by federal legislation.

### 4.3 Resource Efficiency and Pollution Prevention

#### 4.3.a Resource Efficiency

Although GIM has implemented initiatives that reduce water and energy use, the Company does not have a system for keeping track of these savings.

##### 4.3.a.i Greenhouse Gases

Construction projects emit gases such as NO<sub>x</sub>, SO<sub>x</sub> and CO<sub>x</sub> when vehicles and machinery are used. In the future, greenhouse gas emissions will be accounted for during the preparation of Environmental and Social Impact Assessments (ESIA) for each GIM project.

##### 4.3.a.ii Water Consumption

During construction, GIM's projects use water for human consumption and for compacting and wetting processes that reduce dust. Water for human consumption is supplied by authorized companies in large canisters, while fresh water is channeled through pipes (cisterns) and stored in tanks. Residential projects are normally connected to the public drinking water supply. If there is no such infrastructure at a project, then water is supplied from wells previously authorized by the National Water Commission (CONAGUA).

#### 4.3.b Pollution Prevention

Construction projects generate noise, vibrations, and particulate matter such as PM<sub>10</sub> and PM<sub>2.5</sub>. GIM regularly monitors these parameters to ensure that noise, vibration, and particulate

concentrations in the workplace are within the limits established by local legislation and international good practices.

#### 4.3.b.i Waste

Housing construction projects generate common waste such as organic material, packaging, paper and plastic cutlery; recyclable waste such as metal, plastic, paper, cardboard, and aluminum; and construction waste such as rocks, timber, rubble, and gravel. Hazardous waste includes rags and containers for solvents, paints, resins or other chemicals used during housing construction.

Waste management measures are identified in the EIA process and integrated into management plans prepared by external consultants, in accordance with local or state regulations. GIM encourages waste segregation before recycling it. Non-recyclable waste is disposed of in places authorized for this purpose that comply with local and national legislation, and occasionally by operators authorized by the Ministry of the Environment who are contracted by GIM for this purpose.

GIM will develop a corporate ESMS procedure for waste management.

#### 4.3.b.ii Effluents

Liquid waste generated by GIM during project construction includes runoff and domestic wastewater. GIM contracts service companies to manage its domestic wastewater that provide portable toilets and include cleaning, extraction, and final disposal of this waste.

Where residential projects are located in municipalities with no effluent treatment service, GIM builds wastewater treatment plants (WWTP) as part of the project. These WWTP are temporarily managed by GIM and then transferred to the municipal authorities. Most of the water treated by the WWTP is used to irrigate green areas. GIM will prepare and implement a procedure within its ESMS for managing its effluents, including temporary WWTP management.

#### 4.3.b.iii Hazardous Materials Management

GIM handles various quantities of hazardous materials during project construction, such as fossil fuels, hydrocarbons, solvents, and paints. Therefore, GIM will prepare and implement a procedure within its ESMS for managing hazardous waste that complies with national legislation and the General Environmental, Health, and Safety General Guidelines.

#### 4.3.b.iv Pesticide Use and Management

Although GIM's projects do not use pesticides, it usually uses chemicals to control rodents and other biological pests, some of which are World Health Organization class 1a and 1b compounds, which are considered to be of medium or high toxicity. GIM will therefore start a campaign to replace these compounds with less toxic products.

#### 4.4 Community Health, Safety and Security

##### 4.4.a Community Health and Safety

At present, GIM has not introduced any specific measures that mitigate the impact on local residents of the influx of workers from outside its project areas. Accordingly, GIM will require that the EIA for each project includes a chapter that identifies these impacts and the most appropriate measures to manage them. These measures will be incorporated into each project's ESMS.

##### 4.4.b Security Personnel

GIM sub-contracts security services to a company accredited by the competent authorities. Security personnel are unarmed and receive regular training on preventive force and community engagement.

#### 4.5 Land Acquisition and Involuntary Resettlement

GIM's projects will not generally result in involuntary resettlement, since the land required for its projects is usually acquired from the owner. However, as a precautionary measure, GIM will prepare and implement a corporate procedure within its ESMS to ensure that acquired land does not result in the physical or economic displacement of local residents.

#### 4.6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

GIM's real estate projects are generally located in heavily developed urban areas of little ecological or biological interest. However, on some occasions the EIAs have indicated that flora and fauna must be protected. Accordingly, GIM has sought the advice of consultants specialized in such matters.

#### 4.7 Indigenous Peoples

GIM's housing projects will be located on developed urban sites that will not affect indigenous peoples or overlap with land used for traditional purposes.

#### 4.8 Cultural Heritage

Although GIM projects will be located in heavily developed areas, the earthworks required for foundations and other underground structures may discover archaeological or cultural remains. GIM will therefore prepare and approve a procedure to cover chance finds, the implementation of which will be mandatory for its employees and contractors.

### **5. Local Access to Project Documentation**

As of the date this document was published, the Company had not published any information regarding the project on a website. Information about the project can therefore be requested from GIM using the contact data in the Additional Information Section.