

Environmental and Social Review Summary (ESRS) Ruba Inmobiliaria - MEXICO

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

This transaction (the “Transaction”) consists in: i) a long-term revolving facility in favor of Ruba S.A. de C.V. (“Ruba” or the “Company”) to finance social and middle-income housing in Mexico; and ii) an uncommitted revolving reverse factoring facility to monetize creditor rights arising from the sale of goods or services by suppliers to Ruba (the “Reverse Factoring Facility”).

The Transaction’s Environmental and Social Due Diligence (ESDD) involved an assessment of the technical, environmental, health, safety, security, and social documentation submitted by Ruba. Therefore, and given the mobility restrictions imposed due to the COVID-19 pandemic, this evaluation included telephone calls with the Company's project management, human resources, and occupational health and safety teams. A field visit was conducted in November 2021 by a consulting firm hired by IDB Invest, at the developments in Natura, in the state of Baja California, and Lomas de Angelópolis III, in the state of Puebla, Mexico (the “Sample Projects”).

Given that the projects to be financed by the Transaction cannot be determined beforehand, the ESDD process included a documentary analysis of the Sample Projects. Based on this, and to ensure full compliance with IDB Invest's Environmental Sustainability Policy, the process included a list of criteria and conditions¹ that the Company’s projects must meet in order to access the financing provided by the Transaction.

2. Environmental and Social Categorization and Rationale

The Project has been classified as a Category B operation according with BID Invest’s Environmental and Social Sustainability Policy since the environmental and social impacts it could produce are limited, reversible, and can be easily managed. The main associated potential risks and impacts include: i) risks related to working and occupational health and safety (“OHS”) conditions; ii) the generation of solid and liquid waste; iii) the generation of noise, vibrations and possible alteration of air quality as a result of construction activities; iv) possible affectation to archaeological remains; and vi) possible impacts on the communities due to increased vehicular traffic flows from the

¹ These include: i) no project may intercept ecological or environmentally sensitive areas; ii) the land acquisition process for projects shall cause no physical or economic displacement of the population; iii) the areas of influence of the projects shall not overlap with Indigenous territories or lands subject to traditional practices; iv) the projects shall generate no adverse impacts on Indigenous populations; v) the environmental studies for each enterprise, in addition to fulfilling the requirements of Mexican legislation, shall be prepared using as a benchmark the generic terms of reference for the preparation of environmental studies as part of this Operation; and vi) the environmental and social management plans will include, in addition to those deemed appropriate, the generic management measures prepared as part of this Operation.

projects under construction. These risks and impacts are estimated to be of medium intensity, and limited to the projects' construction stage.

The environmental and social ("E&S") risks and impacts associated to the Reverse Factoring Facility relate to the anchor company's (in this case, Ruba) commitment and capacity to manage environmental and social risks, working conditions, resource efficiency, and pollution prevention. At the supplier level, risks relate to granting of environmental licenses, OHS, and waste management, among others.

The Performance Standards (PS) activated by the Project 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

Ruba operates in 17 cities located in the states of Baja California, Sonora, Chihuahua, Coahuila, Nuevo León, Jalisco, Veracruz, Querétaro, Guanajuato, Puebla, Estado de México and Quintana Roo. The great majority of the sites chosen to develop the housing projects correspond to strongly intervened urban or semi-urban areas with little ecological, biological, paleontological, and archaeological value. None of the sample Projects or their areas of influence will affect protected natural areas (PNAs), priority land regions (PLRS), important bird areas (IBAs) sites included in the Convention on Wetlands of International Importance (RAMSAR), Indigenous populations, or archaeological heritage sites.

3.2 Contextual Risks

Insecurity is one of Mexico's greatest problems. It presents itself with different intensities by state and social group.

Given its geographical dispersion, Ruba's developments will be exposed, in addition to insecurity and its related violence, to a variety of natural and anthropogenic threats such as earthquakes, hurricanes, cyclonic storm surges, landslides, floods, droughts, sea level rise, volcanic eruptions, and acts of violence, vandalism, and organized crime. For this reason, each new development will require an assessment of the specific associated contextual risk.

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

4.1 Assessment and Management of Environmental and Social Risks and Impacts

4.1.a E&S Assessment and Management System

An evaluation of the nine elements of Ruba's Environmental and Social Management System (ESMS) revealed that, while the Company is aware of and manages its E&S risks, several policies and procedures must be documented.

4.1.b Policy

Although Ruba currently lacks an integrated policy that defines its environmental and social objectives and principles, these undertakings are included in its Code of Ethics and its environmental Policy, which ratify its commitment to adhering to all applicable environmental and labor regulations in Mexico, and to preserving the health and safety of its workers.

4.1.c Identification of Risks and Impacts

4.1.c.i Direct and Indirect Impacts and Risks

The environmental risk and impact identification of Ruba's activities is done as part of the environmental licensing process, with the support of external consultants. The scope of this evaluation is determined by state laws and usually covers the following risks: i) land use changes; ii) water resource consumption and sustainability; iii) impacts on flora and fauna; and iv) waste generation and management.

Ruba is also aware of labor and OHS risks, but, to date, it lacks a formal methodology for their identification.

4.1.c.ii Analysis of Alternatives

During the new site identification process, Ruba performs an alternatives analysis that includes legal and environmental criteria for the land to be acquired, such as: land use, water resource availability, and susceptibility to natural phenomena.

4.1.c.iii Cumulative Impact Analysis

The environmental impact assessments conducted by Ruba as part of the environmental licensing process do not require cumulative impact studies. Environmental and social impact assessments (ESIA) for the projects to be financed by IDB Invest will include an assessment to determine whether the project will adversely affect a specific component or feature of the ecosystem beyond a predetermined acceptable threshold (carrying capacity) defined by the relevant government body, in consultation with other relevant stakeholders.

4.1.c.iv Gender Risks

Mexico is the second most populated country in Latin America, with more than 122 million inhabitants, of which 52.2% are women. Mexico has made significant progress in achieving women's rights and gender equality, especially in key areas at a federal level: strengthening national laws to ensure equality between men and women; institutions with a strong gender focus, and increased public resources for gender equality. Since 2017, Mexico's score has steadily increased to 0.757 as of 2021. This score indicates that women are 24% less likely to have the same opportunities as men.

In 2021, Ruba was recognized by the Great Place to Work 2021 platform as a company that fosters a favorable environment for women. The award was obtained thanks to surveys of female personnel, who said they worked in a place that fosters gender equity and promotes personal, family, and professional development.

4.1.c.v Climate Change Exposure

The construction sector is sensitive and can be affected by a variety of acute natural disasters and climate-related hazards, especially landslides, floods, earthquakes and extreme winds such as hurricanes.

While performing a site-specific evaluation for this Operation was not possible due to Ruba's disperse operations (twelve Mexican states), the housing developments may be exposed to a variety of acute and chronic hazards depending on their exact location, including, among others, earthquakes, hurricanes, cyclonic storm surges, landslides, river floods, water scarcity, and sea level rise. The ESIA of projects to be financed by IDB Invest will include a general analysis of possible climate-change-generated risks.

4.1.d Management Programs

Ruba implements a series of informal activities to mitigate environmental and social impacts, which are contained in the corresponding environmental impact studies and include, among others: the construction of wastewater treatment plants for each site (as provided for in local legislation), solid waste management, efficient use of resources, and reforestation with native species of common areas.

The Company's personnel is aware of procedures to control environmental and social risks, but the method for their management has yet to be documented.

4.1.e Organizational Capacity and Competency

At the corporate level, Ruba has yet to assign personnel with exclusive environmental and social management responsibilities. Nevertheless, the Company has appointed a person (who reports directly to the Operations Management) to lead the Sustainable Ruba Project, which includes the development of an ESMS aligned with international standards.

Supervision of compliance with environmental and social conditions rests with external consultants, which, in coordination with the Construction Management, train Ruba and contractor personnel on these matters. Community relations are managed by the Customer Service and Community Development Management. OHS risks are managed in a decentralized manner in each project by the Corporate Security department.

4.1.f Emergency Preparedness and Response

Ruba has developed a corporate-level procedure for firefighting prevention, preparation, and response, which includes the creation of brigades, placing of signs and planning and implementation of drills. The procedure, however, lacks provisions for other emergency situations that could arise from earthquakes and hurricanes.

Ruba has entered into security agreements with the Angelópolis Security Central and with the local Fire stations of San Andrés de Cholula and Coyucán. Even so, the Company will develop and adopt emergency preparedness and response plans that will include details of the procedures to be followed in case of emergency and details of the means by which these plans will be disseminated to both Ruba personnel and the community at large.

4.1.g Monitoring and Review

Although Ruba collects certain environmental information that is fed to a basic monitoring system of its activities in order to comply with local regulations, to date, it lacks procedures to monitor its environmental and social performance. In environmental matters, consultants prepare reports that summarize the level of compliance with the management measures authorized in the environmental impact resolutions. The modality and frequency of these reports, however, is heterogeneous and varies according to state and municipal laws.

4.1.h Stakeholder Engagement

Ruba has identified the main stakeholders who have some kind of interest in its projects. These members of civil society participate in different events sponsored by the Company to inform on their activities and collect the community's main concerns through direct and effective dialog.

The Company's Customer Service and Community Development Management maintains relations with the neighboring communities, promoting development activities. For example, in Natura, Ruba contributes to implementing the "Mortgages with Services" program, through which the National Workers' Housing Fund Institute (INFONAVIT) manages the maintenance of housing developments financed by the Institute. The Company also offers housing in neighborhoods with quality basic services (water, electricity, sewerage, community parks, schools, primary care medical centers, fire stations and national police stations). As part of the Sustainable Ruba Project, the Company is developing a Stakeholder Participation Procedure and a Stakeholder Participation Manual to document how to identify and manage the relationship with its various stakeholders.

4.1.i External Communication and Grievance Mechanisms

Ruba has customer service telephone lines and mailboxes at its sales centers to capture complaints related to the quality of the housing. Nevertheless, to date, Ruba has yet to adopt a procedure to manage external communications with its stakeholders or a mechanism to receive concerns and complaints from the community on the Company's environmental and social impact.

4.2 Labor and Working Conditions

4.2.a Working Conditions and Management of Worker Relationships

Ruba has 1,253 direct employees, 42% of whom are women. The workforce through contractors is 4,500 people, 8% of which are women.

4.2.a.i Human Resources Policies and Procedures

Ruba's human resources policies and procedures regulate the Company's relations with its direct workers. Working hours and working and employment conditions are defined in individual contracts, which adhere to the provisions of Mexico's Federal Labor Law. Disciplinary issues are addressed in the Code of Ethics, which includes the sanctioning procedure (ranging from a simple admonition to termination of employment).

Ruba will update its Human Resources Policy to include explicit references to free association and collective bargaining among employees, as well as to the right of workers to file complaints and to form or join workers' organizations without fear of retaliation.

4.2.a.ii Working Conditions and Terms of Employment

With regards to working conditions (duration of the workday, overtime accounting and payment, disciplinary measures and grounds for termination), Ruba's procedures are designed to comply with the provisions of the Federal Labor Law. As an additional benefit for all employees, Ruba provides medical insurance covering major expenses for its employees, their spouses, and their children. In addition, as of the start of the COVID-19 pandemic, the Company offers the services of a medical adviser, who provides free medical care to employees and their direct family members, and psychological support for employees who need it.

Ruba provides transportation services and the contractor provides lodging to employees when required by the project. In the case of the Sample Projects, employee lodging was not required.

4.2.a.iii Workers' Organizations

As required by Mexican law, Ruba allows the free association of workers and collective bargaining. In this sense, workers are associated with *Confederación de Trabajadores de México* (Mexico Worker's Confederation, CTM)

4.2.a.iv Non-discrimination and Equal Opportunity

In its Code of Ethics and Human Resources Procedures, Ruba states its commitment to hiring personnel on the basis of equal employment, not discriminating by reason of physical appearance, culture, disability, language, sex, age, social, economic, health, or legal status, marital status, religion, political opinion, ethic or national origin or sexual preference.

4.2.a.v Retrenchment

The Company has reported no retrenchment over the past three years, even during the COVID-19 pandemic. Ruba has no plans to undertake collective layoffs among its workforces.

4.2.a.vi Grievance Mechanism

Workers who wish to express grievances or complaints may do so anonymously by email or through the Talent Management Platform. The whistleblower system is defined in the Code of Ethics, which is given to workers during the hiring process and disseminated to all personnel through institutional media. Nevertheless, as part of its ESMS, Ruba will develop a procedure to document the operation of the internal grievance mechanism.

4.2.b Protecting the Workforce

Mexico is a signatory to several conventions and treaties of the International Labor Organization (ILO) related to the rights of workers. Ruba's Human Resources Procedures define mechanisms to avoid hiring forced or child labor. The visit to the Sample Projects did not identify any child or forced labor.

4.2.c Occupational Health and Safety

Although Ruba manages the health and safety of its workers by training its personnel and by controlling its work sites, to date, the Company has not adopted documented procedures as part of its ESMS to identify, manage, mitigate, and monitor OHS risks, including recording and monitoring occupational accidents.

During the visit to the Sample Projects, adequate signaling was observed to mark places with risk conditions. However, poor use of personal protective equipment (PPE) was also observed. Thus, for example, workers were found without protective goggles, cut-resistant gloves, or suitable protections for work at height. The visit also identified the need for an independent OHS evaluation to analyze existing problems and propose corporate-level action plans that consider the diversity of the geographical areas where Ruba operates and their specific inherent risks.

4.2.d Provisions for People with Disabilities

Ruba's policies and procedures provide for the protection of the rights of persons with disabilities. The Company hires persons with disabilities in its corporate offices, which have the necessary

infrastructure, such as drinking fountains, ramps, support bars in toilets, and suitable doors and handles.

4.2.e Workers Engaged by Third Parties

Most of Ruba's operations and developments are carried out by contractors and subcontractors that provide and manage, in addition to inputs and machinery, the workers required for the works. As part of the Transaction, Ruba will define procedures to manage labor issues at the contractor and subcontractor level.

4.2.f Supply Chain

In addition to construction contractors and subcontractors, Ruba has corporate and local suppliers, who supply it with materials and provide services. In this sense, the Company will develop policies and procedures in its ESMS to identify, evaluate and mitigate environmental and social risks in its supply chain.

4.3 Resource Efficiency and Pollution Prevention

4.3.a Resource Efficiency

4.3.a.i Greenhouse Gases

Activities linked to construction of the projects implemented by Ruba generate the emission of gases such as NO_x, SO_x y CO_x, mainly associated to the use of vehicles and machinery. These emissions are estimated to be of medium intensity, as they are limited to the housing construction stage.

Ruba is considering the use of Vertua[®] cement, produced by CEMEX using low-carbon-emitting technology.²

4.3.a.ii Water Consumption

All Ruba's housing developments are supplied with water from the National Water Commission (CONAGUA) system. During construction, Ruba uses water for human consumption and in compaction and dust suppression processes. Water for human consumption is supplied by the Company at points close to the construction site in Rotoplas containers. Water points for human consumption provide hygiene for workers and are easily accessible.

² Vertua is the new cement line produced by CEMEX through a process that reduces carbon dioxide (CO₂) emissions, thanks to a more efficient use of materials, a recycling strategy, optimum fuel use, and advanced production process technology. Vertua has certification showing the total CO₂ emissions saved.

4.3.b Pollution Prevention

Construction activities generate noise, vibrations, and suspended particulate matter (PM₁₀ and PM_{2.5}). However, the associated impacts are expected to be of medium intensity, as they are limited to the housing construction stage.

4.3.b.i Waste

During construction of the housing projects, Ruba will generate common (organic, wrappings, paper, plastic cutlery, etc.), recyclable (metal, plastic, paper, cardboard), and construction (rock aggregates, wood, inert material, rubble, gravel, etc.) solid waste. Hazardous waste includes linen or containers with solvents, paint, resins, or other chemical substances used during housing construction. The visit to the Sample Projects showed that, although there are no written procedures, the Company separates and temporarily stores its solid waste properly. In addition, during the construction stage, temporary sanitary effluents and runoff water are generated. As part of the housing development, the Company builds wastewater treatment plants (WWTPs) that are turned over to CONAGUA's operating organisms for administration and maintenance. Rainwater is managed through storm sewers.

4.3.b.ii Hazardous Materials Management

Ruba manipulates certain amounts of hazardous materials (fossil fuels, solvents, paint, etc.) during the construction of the housing developments. During the visit to the Sample Projects, these were seen to be stored in well-ventilated warehouses with security systems for emergency containment in the area and to prevent access by unauthorized people.

4.3.b.iii Pesticide Use and Management

The visit to the Sample Projects showed that, for rodent control, the Company uses class 1a and 1b formulations as per the World Health Organization (WHO). As far as commercially possible, Ruba will eliminate the use of these compounds and will provide proper PPE for each product, following MSDS³ or ICSC⁴ regulations.

4.4 Community Health, Safety and Security

4.4.a Security Personnel

Ruba subcontracts security services with a company that has been accredited and qualified by the competent authority. Security personnel are unarmed and, as per the Company's Security Operating Manual, are trained to perform their duties in line with the Voluntary Principles on Security and Human Rights.

³ Material Safety Data Sheet.

⁴ ICSCs are data sheets that provide essential health and safety information about chemical products, clearly and concisely, and in a set format.

4.5 Land Acquisition and Involuntary Resettlement

Ruba's developments produce no involuntary resettlement, given that the lands secured for the execution of the projects are usually acquired from their owners through purchase and sale agreements. In some cases, such as the Lomas de Angelópolis III project, Ruba acquires previously urbanized land. As a preventive measure, however, Ruba will develop and implement, as part of its ESMS, a corporate procedure to ensure that all lands to be acquired generate no physical or economic displacement of the population.

4.6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

The biodiversity assessment for each project is carried out from the design stage and is part of the Environmental Impact Study. In general, Ruba's real estate development projects are located in strongly intervened urban areas, of little ecological or biological interest. The Company uses native vegetation for landscaping and gardens, in line with the recommendations for environmentally friendly buildings (Green Building).

4.7 Indigenous Peoples

Ruba's housing projects are developed on intervened urban sites that do not affect native populations or overlap with land used for traditional purposes. The projects to be financed by the Operation will not overlap with Indigenous territories or land used for traditional practices, nor will they generate adverse impacts on Indigenous populations.

4.8 Cultural Heritage

Although the projects to be developed by Ruba are located in heavily intervened areas, there is always a possibility that, when earthworks required for foundations and other underground structures are performed, some type of archaeological or cultural find may be recorded. Should chance finds occur, Ruba will follow the provisions enshrined in Mexican law, which require the immediate suspension of the works and notification to the National Institute of Archeology and History (INAH), so that the works required for their conservation can be performed.

5. Local Access of Project Documentation

The documentation relating to the Company can be accessed at the following link: <https://ruba.com.mx>