

## **Environmental and Social Review Summary (ESRS)**

### **Habi - Structured Credit Facility - COLOMBIA**

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#### **1. General Information of the Project and Overview of Scope of IDB Invest's Review**

This transaction consists of a revolving financing in favor of Corporativo Inversiones MCN SAS ("Habi Colombia" or the "Company") for the purpose of originating and accumulating new stock of eligible housing units for future refurbishment and sale in the Colombian market (the "Transaction" or the "Project").

The environmental and social due diligence (ESDD) of the Transaction consisted in assessing the technical, environmental, health, safety and social documentation submitted by Habi Colombia. This assessment also included telephone calls with workers and technical teams from the Company (sustainability, human resources, and occupational health and safety).

To make sure the Project is committed to respecting and safeguarding human rights, bears no tolerance to retaliatory actions and is determined to provide and guarantee a safe environment for the affected parties to express their concerns with no fear of retaliation, the ESDD also included a review of the Company's Code of Ethics.

#### **2. Environmental and Social Categorization, and Rationale**

In accordance with IDB Invest's Environmental and Social Sustainability Policy, the Transaction has been classified as Category B, as the potential environmental and social (E&S) impacts are limited, reversible and may be readily managed. The main associated potential risks and impacts include: i) risks related to labor conditions and occupational health and safety (OHS) of contracted workers involved in the refurbishing of housing units; ii) solid waste generation; iii) noise generation resulting from refurbishment activities; and v) potential impacts on communities due to increased vehicle traffic at housing refurbishment project sites. These impacts and risks are deemed to be of medium-low intensity and short duration.

The Performance Standards (PSs) triggered by the Project are: (i) PS 1: Assessment and Management of Environmental and Social Risks and Impacts; (ii) PS 2: Labor and Working Conditions; (iii) PS 3: Resource Efficiency and Pollution Prevention; and iv) PS 4: Community Health, Safety and Security.

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

##### **3.1 General Characteristics of the Project's Site**

The Company operates in the municipalities of Bogotá, Cali, Barranquilla and Medellín. The refurbishment of acquired properties is carried out by specialized companies. Except for specific

cases requiring structural improvements or extensions, refurbishment tasks are cosmetic in nature and completed within five calendar days on average.

### **3.2 Contextual Risks**

The Project is taking place within a national context characterized by high levels of insecurity, fragile social cohesion, and risks of retaliation, according to the indicators analyzed. These factors could affect real property value appreciation and the safety of the Company's assets and employees. At the subnational level, although Bogotá, Cali, Medellín, and Barranquilla present a lower risk compared to the national average, challenges persist regarding the economic inclusion of Indigenous Peoples and the protection of vulnerable groups. Furthermore, the economic environment, marked by informal employment and high levels of poverty, may limit access to formal financing and affect housing demand.

## **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 Environmental and Social Management System**

Habi Colombia has an environmental and social management system (ESMS) made up of certain policies and procedures aimed at meeting the requirements set forth under local environmental regulations.

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

Habi Colombia's Code of Ethics reflects its commitments with environmental, social, and occupational health and safety matters, including the principles of legality, respect for human rights, environmental sustainability, and safe working conditions.

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

Habi Colombia's transactions are not legally required to undergo an E&S impact assessment, as refurbishment activities are carried out within existing building structures.

#### **4.1.c.i Direct and Indirect Impacts and Risks**

Habi Colombia has structured procedures in place to identify and assess environmental, social, labor and OHS risks, including road safety risks. For this purpose, it uses matrices and methodologies that help identify risks by probability, severity and level of exposure, and establish controls to prevent, mitigate, or eliminate them.

#### **4.1.c.ii Analysis of Alternatives**

The Project did not require an analysis of alternatives since Habi Colombia only intervenes in existing housing units, without altering their location or design.

#### 4.1.c.iii Cumulative Impact Analysis

The cumulative impacts to be generated by the Project are not deemed material.

#### 4.1.c.iv Gender Risks

The main gender risks include lower female participation in the labor market, a concentration of women in informal and low-productivity jobs, and gaps in the access to financial products, particularly among women aged 26 to 40.

#### 4.1.c.v Gender Programs

Habi Colombia has implemented measures to promote gender equity in the workplace, including a diversity and inclusion policy that is communicated to all staff. However, to date, no regular training has been provided for the personnel responsible for its implementation. Similarly, although scheduled, training on the prevention of workplace and sexual harassment has not yet been conducted.

The Company ensures equitable female participation in committees and emergency brigades: it provides adequate sanitary facilities, a fully equipped lactation room and tracks data on female presence throughout its value chain. To promote gender equity in its transactions, Habi Colombia analyzes data on women's participation in real estate transactions and their access to credit, and has adjusted its processes to integrate gender criteria and consolidate key indicators. While the Company does not yet have specific leadership programs or strategic plans to close gender pay gaps, 45% of its workforce is composed of women and 29% of leadership positions are held by women.

#### 4.1.c.vi Climate Change Exposure

The Company operates in an urban context where climate change may exacerbate the occurrence and frequency of floods, wildfires, landslides and land instability, especially in areas with poor infrastructure or limited urban planning. In this regard, from the housing identification stage, Habi Colombia considers risk factors based on information provided by the Colombian Geological Service and the Institute for Risk Management and Climate Change and, to ensure compliance with local safety standards and regulations, manages them within the real estate acquisition process by conducting structural assessments and verifying the existence of fire protection systems or programs.

Habi Colombia also identifies economic risks that may arise from changes in the preferences of real estate buyers and investors due to new environmental conditions or regulations.

The Project is deemed aligned with the provisions of the Paris Agreement, based on an analysis performed in line with IDB Group's Paris Alignment Implementation Approach.

#### 4.1.d Management Programs

The Company has developed procedures to manage labor, environmental and operational risks, including those associated with OHS, as well as those related to vehicle traffic, waste management, emergencies and contractors.

#### 4.1.e Organizational Capacity and Competency

Habi Colombia has suitable personnel to manage environmental, social and labor risks in accordance with its business model and the level of risk of its operations. The ESMS is implemented under the leadership of the Head of Compliance, with the support of a Compliance Officer having environmental and OHS functions. In addition, the Company has a multidisciplinary Sustainability Committee made up of representatives from key areas. The team receives continuous training on topics such as occupational risks, waste management, human rights, emergencies and international standards.

#### 4.1.f Emergency Preparedness and Response

Habi Colombia has an emergency preparedness and response plan that includes the evaluation of potential risk situations and defines the relevant response actions, including scenarios such as fires, earthquakes, thunderstorms and floods in its offices. The plan establishes trained emergency brigades and provides for drills as part of its preparedness strategy. In addition, the Company analyzes factors that could lead to accidents during the daily movement of its personnel, such as collisions, rollovers, vehicle fires, and falls, and incorporates preventive measures and corrective actions.

#### 4.1.g Monitoring and Review

The ESMS monitoring and evaluation procedure includes annual internal audits that allow for verifying the degree of implementation and effectiveness of the system, identifying deviations and promoting continuous improvement. These audits follow a formal program approved by the Audit Committee and include documentation review, interviews, direct observation and analysis of key performance indicators (KPIs). The KPIs monitored include occupational accident statistics, regulatory compliance rates, water and energy consumption, waste generation and performance in labor and social practices.

#### 4.1.h Stakeholder Engagement

The Company's engagement with the communities is scarce and limited to the channels of its Ethics Line and social media. However, the level of engagement with the communities is consistent with its business model because the negative effects generated in the population are temporary and of medium-low intensity.

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

The communities may file<sup>1</sup> requests, grievances, claims and suggestions, either expressly or anonymously. Habi Colombia has developed an external procedure to manage requests, grievances, claims, and suggestions appropriately, which comprise the receipt, analysis, response and follow-up of each case, guaranteeing confidentiality, the protection against retaliation and gratuitousness of the procedure.

## 4.2 Labor and Working Conditions

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

Habi Colombia has 455 direct workers, out of whom 200 (44%) are women.

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

Habi Colombia has a human resources policy that establishes commitments aligned with local labor regulations and international standards. It also has procedures to ensure the timely payment to its workers, who are managed through an outsourced company. The Company conducts annual training sessions, onboarding processes and dissemination of policies through its intranet and ethics portal, which reinforces the knowledge of rights, obligations and reporting channels available to all staff.

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

Habi Colombia complies with the guidelines established in Colombian labor legislation, guaranteeing decent and safe working conditions for all its workers. All employees have written contracts that formalize the labor relationship and establish rights and obligations, which are defined in the Internal Work Rulebook (IRT). The IRT includes provisions related to schedules, working days, remuneration, leaves of absence, disciplinary measures and internal procedures, promoting transparency and respect in the work environment.

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

Even though there are no unionized workers at Habi Colombia, the latter observes the right to free association and collective bargaining, in compliance with Colombian labor legislation.

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

Habi Colombia does not discriminate against its employees on the basis of gender, sexual orientation, marital status, pregnancy, race, religion, disability or other personal or social conditions. On the contrary, it promotes equal opportunities in all its processes, ensuring an inclusive and respectful work environment, free of any form of unequal treatment.

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<sup>1</sup> By e-mail to [lineaetica@habi.co](mailto:lineaetica@habi.co), by telephone at (601) 5806859 or using a form that it is available at the website (<https://portal-corporativo.habi.co/mecanismo-de-reclamos>).

#### 4.2.a.v Retrenchment

Habi Colombia does not anticipate any retrenchment.

#### 4.2.a.vi Grievance Mechanism

Habi Colombia has an internal grievance mechanism that allows workers to submit<sup>2</sup> communications in a confidential and anonymous manner, including sexual harassment and discrimination cases.

#### 4.2.b Protecting the Workforce

Habi Colombia prohibits child labor and any other form of forced labor, and this prohibition is extended to its contractors, with the possibility of terminating their contracts.

#### 4.2.c Occupational Health and Safety

The main OHS risks at Habi Colombia are related to vehicle traffic and the refurbishment activities performed by contractors. The Company has developed specific procedures for conducting safety inspections, reporting and investigating unsafe acts and conditions, and managing preventive and corrective actions. It also has accident reporting mechanisms, tracking protocols, and records that allow it to monitor OHS performance.

#### 4.2.d Provisions for People with Disabilities

Even though Habi Colombia does not discriminate against people with disabilities and promotes equal opportunities, to date there are no such workers.

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

Refurbishment tasks are carried out by contractors employing around 310 people. Habi Colombia has developed specific procedures to ensure that the OHS risks associated with refurbishment tasks (performed by third parties employing approximately 310 people) are properly managed by its contractors, including formal assessment, onboarding and training processes, the use of personal protective equipment, and tools to verify compliance with safety procedures. The Company constantly monitors the performance of its contractors through documentary reviews and random visits. In 2024 there were no reported accidents in connection with the tasks entrusted to contractors.

#### 4.2.f Supply Chain

Habi Colombia's supply chain does not present any material risks.

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<sup>2</sup> <sup>2</sup> Through the internal portal called "Habinet", the e-mail [lineaetica@habi.co](mailto:lineaetica@habi.co), and the telephone line (601) 5806859.

### **4.3 Resource Efficiency and Pollution Prevention**

#### **4.3.a Resource Efficiency**

Habi Colombia promotes the efficient use of resources by reusing elements that are in good condition, avoiding unnecessary replacement. It also maintains an inventory of materials that can be reused in future interventions and, when feasible, donates usable elements to third parties.

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

Emissions mainly come from electricity consumption in offices, refurbishment activities and vehicle traffic. The Company accounts for its greenhouse gas emissions which remain well below 25,000 t CO<sub>2</sub>e (Scopes 1 and 2).

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

The use of water is limited to the offices and is not deemed significant.

#### **4.3.b Pollution Prevention**

Habi Colombia's activities could generate noise and vibrations. However, the associated impacts are estimated to be of medium to low intensity, as they are limited to the refurbishment of the real estate units.

##### **4.3.b.i Waste**

Real property refurbishment generates common solid waste (wrappings), recyclable waste (metal, plastic, paper and cardboard), construction waste, and hazardous waste (rugs or containers with solvents, paints, resins or other chemical substances). Habi Colombia requires its contractors to implement measures that help minimize the generation of waste and maximize its use. In this regard, contractors seek, to the greatest extent possible, to reuse those materials that can be reused. Waste that cannot be reused is sorted and disposed of at sites duly authorized by local environmental authorities, in accordance with current regulations.

##### **4.3.b.ii Hazardous Materials Management**

Hazardous materials (such as paints and solvents) are specifically used in certain refurbishment activities and are acquired under a just-in-time purchasing scheme, minimizing their storage and associated exposure.

##### **4.3.b.iii Management and Use of Pesticides**

Habi Colombia does not use pesticides in its operations.

#### **4.4 Community Health, Safety and Security**

##### **4.4.a Community Health, Safety and Security**

Refurbishing the housing units could generate risks in the communities, mainly in terms of road safety. To manage them, Habi Colombia has developed a specific procedure that includes identifying, assessing and controlling the risks related to the traffic of vehicles used by contractors and subcontractors.

##### **4.4.b Security Personnel**

Habi Colombia does not employ any security contractors.

#### **4.5 Land Acquisition and Involuntary Resettlement**

Considering that Habi Colombia's business model consists in acquiring and refurbishing existing real property, it will not be required to acquire any land or generate any involuntary economic or physical displacement for the Transaction.

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

The Transaction will not generate any impact on biodiversity.

#### **4.7 Indigenous Peoples**

The Transaction will not generate any impact on indigenous peoples.

#### **4.8 Cultural Heritage**

The Transaction will not generate any impact on cultural heritage.

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

The documentation related to the Project is available at: <https://portal-corporativo.habi.co/portal-corporativo>.