

Interlogix: Vertical Logistics Parks Development - Mexico Environmental and Social Review Summary (ESRS)

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

The purpose of this operation is to finance the development and construction of new industrial parks that will be built between 2026 and 2030 (the “Project”) by Interlogix (the “Company” or the “Client”), a company created to develop and operate vertical logistics parks in Mexico City, offering efficient solutions for last-mile logistics.¹

The environmental and social due diligence (“ESDD”) process included, among other aspects, a visit to Interlogix's corporate offices and several existing projects; interviews and meetings with representatives from management, human resources, operations, as well as interviews with Company employees; and the review of the environmental and social (“E&S”) information provided by the Client.

To ensure the Project's commitment to respect and protection of human rights, its zero tolerance for retaliation, and its commitment to providing and guaranteeing a safe environment for stakeholders to voice their concerns without fear of retaliation, the ESDD process also included the review of the Human and Labor Rights Policy.

2. Environmental and Social Categorization and Rationale

The Project has been classified as a Category B operation according with IDB Invest's Environmental and Social Sustainability Policy since it will likely generate the following impacts and risks among others: i) impact on workers' health and safety; ii) generation of hazardous and non-hazardous waste; iii) generation of noise, vibrations, and potential disruption to air quality from construction activities; and vi) potential impacts to communities as a result of increase in vehicle traffic during construction and operation phases. These impacts and risks are deemed to be of medium-low intensity.

The Project will trigger the following Performance Standards (PS): PS1: Assessment and Management of Environmental and Social Risks and Impacts; PS2: Labor and Working Conditions; PS3: Resource Efficiency and Pollution Prevention; and PS4: Community Health, Safety, and Security.

¹ Last-mile logistics is the final stage of the distribution process, which consists of delivering a product from the distribution center to the customer's final destination.

3. Environmental and Social Context

3.1 General Characteristics of the Project's site

The Company currently operates five logistics parks in Mexico City, which together offer more than 125,000 m³ of operational space. Its lessees include institutional, international, and small and medium-sized enterprises (SMEs) that use the facilities for urban distribution and last-mile storage operations.

The proposed developments are located within the urban perimeter of Mexico City, on previously disturbed land used for industrial or commercial purposes. The sites are located in established areas adjacent to homes, commercial establishments, and social infrastructure (schools, places of worship, and community centers). In most cases, the identified areas contain small buildings or infrastructure that need to be demolished before new construction can begin. The average construction time for each development is approximately 15 months.

The new developments will replicate the existing model, incorporating high-density vertical buildings with a modular design, aimed at optimizing land use and facilitating flexible configurations for different types of logistics operations. Each project will include loading and unloading areas, storage spaces, and complementary services.

3.2 Contextual Risks

Mexico City has an urban environment marked by persistent security challenges, including high levels of crime and insecurity that affect both the workforce and local communities. The National Survey on Victimization and Perception of Public Safety (ENVIPE 2024)² reports that 37.4% of households in Mexico City suffered at least one crime in 2023 and that 65.9% of the population considers insecurity to be the main problem. These conditions pose risks to the construction and operation of the facilities, including theft of materials and equipment, attacks on workers during their commutes, or threats to security personnel.

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

Although the Company is aware of the main E&S risks and impacts associated with its operations, it currently lacks a formal Environmental and Social Management System ("ESMS").

² https://www.inegi.org.mx/contenidos/programas/envipe/2024/doc/envipe2024_cdmx.pdf

4.1.b Policy

The Company will develop and adopt an E&S policy that: i) confirms its commitment to complying with applicable national regulations; ii) identifies the person within the organization who will be responsible for its implementation, as well as for ensuring compliance and managing the allocation of the necessary resources for its enforcement; iii) details the mechanisms by which it will be communicated to all levels of the organization; and iv) describes a mechanism for measuring and communicating continuous improvements for its implementation.

4.1.c Identification of Risks and Impacts

4.1.c.i Direct and Indirect Impacts and Risks

Although each project has a Declaration of Environmental Compliance³ issued by the Ministry of the Environment, the Company, while recognizing the main risks and impacts associated with the construction and operation of its projects, lacks a formal process for the comprehensive identification of all E&S risks.

4.1.c.ii Analysis of Alternatives

During the process of identifying new properties, the Company conducts an analysis of alternatives that includes technical, legal, and financial criteria, and considers factors such as road accessibility, availability of public services, and land use compatibility.

4.1.c.iii Cumulative Impact Analysis

Because the aggregate impacts of past projects, projects currently underway, and projects reasonably expected to be undertaken in the future are immaterial, the Project does not require a cumulative impact mitigation plan.

4.1.c.iv Gender Risks

The gender risks associated with the Project are mainly linked to on-site working conditions and the presence of contractors during the demolition and construction phases of the logistics parks. Given that the construction and logistics sector are traditionally male dominated, there continues to be a low participation of women in work teams and in supervisory or leadership positions. Even so, the concentration of personnel on site and the use of subcontractors with a predominantly male workforce can create risks of workplace or sexual harassment for female personnel who become involved in the construction work. In this regard, the Client shall prepare and adopt clear protocols of conduct, provide training courses on this issue to all its personnel, and establish effective reporting mechanisms.

³ The Declaration of Environmental Compliance in Mexico is a procedure that allows certain projects, works, or activities to begin without the need for an Environmental Impact Statement (EIS), as their impacts are considered manageable through the application of the regulations in force.

4.1.c.v Gender Programs

Although the Company has corporate policies that promote an inclusive, equitable, and discrimination-free work environment, the Human Resources procedures to be developed will incorporate specific measures to promote equal opportunities and prevent gender bias in hiring, evaluation, and professional development processes. Likewise, the Grievance Mechanism for workers to be implemented by Interlogix will include specific protocols for handling cases of workplace or sexual harassment.

4.1.c.vi Climate Change Exposure

The Mexico City metropolitan area is an urban environment that is moderately to highly vulnerable to climatic and geophysical events. During the design process for each project, the Company conducts a comprehensive analysis of climate and hydrometeorological risks using public tools such as the Mexico City Risk Atlas (“CDMX”) and the Intensity-Duration-Return Period Isohyets for the Mexican Republic.⁴ The main climate threats include droughts, water shortages, and urban flooding.

Some adaptation measures implemented by the Company include increasing the capacity of the storm drainage system and drinking water tanks, separating storm and sanitary sewers, installing check valves at connection points to the public sewer system, and designing controlled overflow systems to prevent flooding and runoff. Furthermore, buildings will comply with Mexico City's Building Regulations and Complementary Technical Standards,⁵ particularly in terms of structural and seismic design, in order to ensure the integrity of facilities and operational continuity in the event of extreme natural events.

Based on the assessment conducted for this purpose, the Project is considered to be aligned with the goals of the Paris Agreement, as per the analysis conducted under the IDB Group's Paris Alignment Implementation Approach.

4.1.d Management Programs

The Company currently implements basic E&S risk and impact management practices, particularly in waste and human resources management. However, it will develop and implement formal procedures to manage the risks and impacts associated with the construction and operation of its developments.

4.1.e Organizational Capacity and Competency

The Company has an organizational structure that incorporates human resources and construction management. Relationships with communities and occupational health and safety (“OHS”) risk management are managed in a decentralized manner by the residents of each project. However, the Company lacks specialized personnel and a formally designated unit for E&S management.

⁴ <https://www.sct.gob.mx/carreteras/direccion-general-de-servicios-tecnicos/isoyetas/>

⁵ <https://www.transparencia.cdmx.gob.mx/storage/app/uploads/public/678/581/f64/678581f644e28236852601.pdf>

4.1.f Emergency Preparedness and Response

The Company has evacuation plans and emergency response teams in place, conducts two drills per year, and requires its contractors to have formal procedures to handle accidents and emergencies. However, the Company will develop and implement a Corporate Emergency Preparedness and Response Plan based on the assessment of different risk scenarios, which will define response procedures, responsibilities, and means of communication during these events.

4.1.g Monitoring and review

The Company has no formal internal procedures in place to systematically monitor its E&S performance.

4.1.h Stakeholder Engagement

The Company has identified the main stakeholders with an interest in its projects and maintains relationships with the communities neighboring the work sites. In compliance with local regulations, prior to the start of activities, it disseminates information about each project in the communities and holds regular meetings with them. Nevertheless, it will develop a corporate procedure that establishes the need for regular stakeholder mapping and contains guidelines for communication and engagement with stakeholders during the different stages of projects.

4.1.i External Communication and Grievance Mechanisms

The Company engages in open and ongoing dialogue with stakeholders in each of its projects. Currently, the site manager is responsible for managing and channeling complaints received at the local level. The site manager also holds weekly meetings with stakeholders to follow up on complaints and verify that they have been adequately resolved. However, the mechanism currently adopted by the Company lacks formal procedures for the documentation, analysis, and systematic follow-up of complaints.

4.2 Labor and Working Conditions

4.2.a Working Conditions and Management of Worker Relationships

The Company has 27 direct employees, 10 of whom are women, distributed across administrative and senior management positions. As for indirect workers, their number varies depending on the construction phase of the Project, reaching a maximum of approximately 100 people during the most intensive stages of construction.

4.2.a.i Human Resources Policies and Procedures

Interlogix has several human resource management policies that address issues related to working conditions, equal opportunities, non-discrimination, the prevention of child and forced labor, and the promotion of a safe and healthy work environment.

The Company will update its Human and Labor Rights Policy to: i) incorporate provisions on compliance with applicable labor legislation; ii) reaffirm freedom of association and collective bargaining; iii) include accessible and confidential grievance mechanisms; iv) incorporate principles of gender equality and prevention of harassment; and v) ensure that all these conditions are extended to contractors and subcontractors. It will also develop procedures for hiring, onboarding, promoting, and terminating staff.

4.2.a.ii Working Conditions and Terms of Employment

The Company's employees work Monday through Friday from 9:00 a.m. to 6:30 p.m., with flexible schedules. At headquarters, employees have a designated area for rest and eating. The terms and conditions of employment are in line with applicable local legislation.

4.2.a.iii Workers' Organizations

Currently, there are no labor unions or employee associations that have entered into collective bargaining agreements with the Company, although Mexican law guarantees freedom of association and the right to collective bargaining.

4.2.a.iv Non-discrimination and Equal Opportunity

The Company expressly prohibits any form of discrimination, harassment, threats, intimidation, or abuse of authority in the workplace. It also promotes a diverse and inclusive work environment, in which discrimination based on race, color, nationality, ethnic origin, social status, age, religion, political opinion, sexual orientation, marital status, disability, or any other condition protected by applicable and current legislation is not tolerated.

4.2.a.v Retrenchment

The Company does not plan to reduce its workforce in the near future.

4.2.a.vi Grievance Mechanism

The Company still lacks a documented mechanism through which its employees can submit their requests, complaints, claims, and suggestions ("RCCS").

4.2.b Protecting the Workforce

Forced labor is prohibited by the Constitution, the Federal Labor Law, and other laws. The legislation includes criminal penalties and administrative fines for those who engage in this practice. In addition, Mexico has implemented a system to limit the import of goods produced using forced labor and requires companies to have protocols in place to prevent and eradicate it.

The Federal Labor Law establishes the minimum age for workers at 15 years old. However, it also requires that people between the ages of 15 and 18 submit a medical certificate and may only be employed in conditions that do not affect their health, education, or development. The law explicitly

prohibits certain dangerous or unhealthy jobs for minors under the age of 18 and establishes penalties for employers who violate this.

The Company complies with these legal provisions.

4.2.c Occupational Health and Safety

Although the Company manages the health and safety of its workers by providing personal protective equipment and monitoring its worksites, to date it has not adopted documented procedures to identify, manage, mitigate, and monitor OHS risks.

4.2.d Provisions for People with Disabilities

In Mexico, employment inclusion is governed by various laws and regulations that prohibit discrimination and seek to guarantee equal opportunities for all, especially for people with disabilities. The main frameworks are the Federal Labor Law, the Federal Law to Prevent and Eliminate Discrimination, and the General Law on Persons with Disabilities, in addition to the Convention on the Rights of Persons with Disabilities. These laws establish that discrimination on the basis of disability, race, gender, or other characteristics is prohibited, and mandate that companies guarantee equal conditions in hiring, retention, and promotion. In this regard, the Company does not discriminate against workers with disabilities and complies with national regulations on workplace inclusion.

4.2.e Workers Engaged by Third Parties

Most construction activities are performed by contractors and subcontractors. Construction contracts establish compliance with applicable legal obligations, including the implementation of preventive measures in terms of health, safety, and hygiene, proper waste management, and compliance with labor obligations. However, the Company has yet to establish formal procedures for the systematic management and supervision of contractors.

4.2.f Supply Chain

The Company has a chain of corporate and local suppliers that provide it with materials and services. Solar panels and other equipment to be purchased will be sourced from suppliers that can demonstrate that they are free of child or forced labor practices.

4.3 Resource Efficiency and Pollution Prevention

4.3.a Resource Efficiency

The Company incorporates efficiency and resilience criteria into its designs, such as: natural lighting and ventilation, thermally efficient materials and collection systems, and rainwater filtration and reuse for supplying sanitary networks and common areas. With the aim of optimizing its

environmental performance, the Company will install solar photovoltaic generation systems on the roofs of its projects, which will be certified under the EDGE Advanced⁶ standard.

4.3.a.i Greenhouse Gases

The construction of the developments will generate one-off scope 1 emissions, mainly carbon dioxide (CO₂), derived from the use of fossil fuels. It is estimated that these emissions will not exceed 25,000 tCO_{2eq} per year.

4.3.a.ii Water Consumption

The Company's projects are supplied with drinking water through the municipal system, which allows for a controlled supply that complies with established quality standards. During construction, water for human consumption is supplied in carboys. Due to the nature of the Company's activities, the risks and impacts related to water consumption are not significant.

4.3.b Pollution Prevention

Construction activities generate noise, vibrations, and particulate matter (PM₁₀ and PM_{2.5}), derived from the demolition of existing structures as well as from excavation activities, earthworks, material transport, heavy machinery operation, and building processes. Although the associated impacts are considered medium to low intensity and temporary in nature, the Company will develop and implement a procedure to manage air quality and noise levels.

4.3.b.i Waste

During the construction of the projects, the Company will generate common waste (organic, wrappers, paper, plastic cutlery, etc.), recyclables (metal, plastic, paper, cardboard) and construction waste (petrous material, wood, inert material, rubble, gravel, etc.). In terms of hazardous waste, the Company mainly handles paints, fuels (diesel), and some chemical substances. Additionally, effluents are generated from temporary toilets.

When Project conditions allow and a connection to the sewer system is available, contractors install temporary toilets connected directly to the sanitary system. In cases where such a connection is not feasible, portable toilets operated by authorized suppliers are used.

During operation, lessees are responsible for sorting their own waste and depositing it in the temporary storage area, from where the Company manages its final disposal through authorized subcontractors. The Company will ensure that these areas have adequate containers for segregation by type of waste, are kept tidy, and are protected from the elements to prevent dispersion or contamination.

⁶ EDGE (Excellence in Design for Greater Efficiencies) is an international certification that evaluates energy, water, and material efficiency in new or existing buildings.

4.3.b.ii Hazardous Materials Management

The Company handles limited quantities of hazardous materials during Project construction, such as fossil fuels, solvents, and paints. Hence, the Company will develop and implement a procedure for the storage and handling of this type of material.

4.3.b.iii Pesticide Use and Management

The use of pesticides is not relevant to the Company's business activities.

4.4 Community Health, Safety and Security

4.4.a Community Health, Safety and Security

Construction and operation activities may pose risks to neighboring communities, mainly due to the movement of cargo trucks and a temporary increase in vehicular traffic. The Company will contractually require its contractors to establish traffic control and signage measures to limit loading and unloading maneuvers to times of lower traffic and safely manage the flow of heavy vehicles, thereby reducing risks to surrounding communities.

4.4.a.i Infrastructure and Equipment Design and Safety

The life and fire safety systems in the projects are designed to comply with local regulations in force in Mexico, and include alarms, smoke detectors, fire hydrants, and marked evacuation routes. For future developments, the Company will ensure that the design, installation, and maintenance of life and fire safety systems are undertaken in accordance with international best practices, such as the standards of the National Fire Protection Association ("NFPA").

4.4.b Security Personnel

The Company engages the services of unarmed private security through third-party contractors responsible for surveillance and access control at its facilities.

4.5 Land Acquisition and Involuntary Resettlement

Although the Company will have to acquire land for the development of the projects, these processes will not result in involuntary physical or economic displacement of the population.

4.6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

As it is located in a heavily anthropized area, the Project will not pose any risks or impacts to modified, natural, or critical habitats, nor will it affect or depend on ecosystem services.

4.7 Indigenous Peoples

The Project will not affect communities or groups of Indigenous Peoples.

4.8 Cultural Heritage

The Project is not located in an area of archaeological interest.

5. Local Access of Project Documentation

The documentation relating to the Project can be accessed at the following link:

<https://www.interlogix.com.mx/en/home>