

ENVIRONMENTAL AND SOCIAL MANAGEMENT REPORT

VINTE, Viviendas Integrales S.A.P.I. de C.V.

(ME-L1153)

I. Project Description

1. This Facility consists of various PCGs in favor of VINTE Viviendas Integrales S.A.P.I. de C.V. (“VINTE”), a medium size real estate developer in Mexico founded in 2001, focused on the development of high quality houses that allow low and middle income families to have access to housing with eco-technologies, benefiting from VINTE’s technology and to the benefits of innovation. The purpose of the PCG is to provide up to 50% credit enhancement to one or various issuances of VINTE’s existing MNX\$1 billion corporate bonds program for a total PCG amount of up to MXN\$200 million. The first issuance was approved May 9th 2012, and this transaction represents the second issuance.

II. Project Status and Compliance

1. The Environmental and Social Strategy was presented for eligibility with the Project Profile on December 14, 2011. The Environment and Safeguards Unit required no further specific actions. Based on Directive B.13 of the Environment and Safeguards Compliance Policy (OP-703), this project is classified as a financial intermediary and as such this operation is not categorized according to its potential environmental and social impacts and risks.
2. VINTE has confirmed that it is in compliance with Directive B.02 (country laws and regulations) of IDB OP-703, complying with all applicable legal and regulatory environmental, social, health and safety, and labor (ESHS&L) laws and regulations.

III. Environmental and Social Impacts and Risks

A. Environmental and social risks associated with VINTE’s portfolio

1. VINTE is a holding company with subsidiaries engaged in the design, development, construction, marketing and commercialization of low and middle income housing communities in Mexico, offering a distinct value proposition for its real estate developments in terms of utilization of technology innovation for energy efficiency purposes and after-sale services. As of today, VINTE has developed 8 projects totaling more than 13,000 dwellings. In 2008 the International Finance Corporation (IFC) acquired 10.6% of the Company. VINTE does not have a loan portfolio but monitors the loan applications of its clients. Most of them are financed through loans offered by public and private financial institutions including Infonavit, Fovisste, Banks and Sofoles.
2. The environmental and social potential risks and impacts are those related to VINTE and to each individual construction project. Considering VINTE’s 7 different house models and their particular characteristics according to size and location of the communities, the following are the most likely impacts and risks that may occur: soil erosion, increased air emissions and noise, potential contamination or disruption of surface and ground waters, waste during construction and operation and liabilities from constructions located in areas of previous use

activities. These E&S risks are considered moderate in nature and can be mitigated and managed with the implementation of an Environmental and Social Management System (ESMS), which in this case, has been previously developed as per IFC's request. Given that VINTE is pioneer applying energy efficiency and resource management measures to improve the sustainability of its developments, the future introduction of additional environmental good practices by VINTE would further increase their positive environmental impact. Environmental and Social risk is also managed with the implementation of standard construction practices, State and/or local land use regulations, building regulations and human settlement laws.

3. VINTE has stated that it has no financial liabilities in its existing portfolio related to ESHS issues. VINTE has stated that it has no outstanding ESHS concerns, through involvement in projects, companies or activities considered unacceptable to the IDB that could potentially generate significant public opposition or concerns, for example due to inappropriate development location or inadequate construction practices. VINTE has also stated that its support to their clients' finance application is equitable, fair, and unbiased in terms of social factors (e.g. gender, age, ethnicity, or cultural heritage). As part of an Environmental and Social Action Plan, VINTE has monitored the implementation of the Human Resources Policy, the Grievance Mechanism and the Procedure for Land Acquisition.

B. Environmental and social risks associated with VINTE's facilities and Human Resources practices

4. VINTE's head offices are located in Mexico City and Tecamac. The risks associated with VINTE's facilities and operations, such as occupational health and safety problems due to working conditions are considered to be very low. A series of brigades (fire, evacuation and first aid) have been developed in coordination with municipal authorities.
5. VINTE's work force varies depending on their workload. In some cases, besides the company permanent workers (75% technical and 25% administrative), it is necessary to hire sub-contractors to develop special tasks. They represent around 25% of the technical workers in 2012 and are required to adhere to comparable occupational health and safety standards. VINTE's Human Resource Policy, in order to include all requirements of IFC Performance Standards on labor and working conditions, enhanced its training for sub-contractors on human resource issues.
6. VINTE has stated that they have no material health issues (including legal claims) and do not have any material employee or labor disputes. There have been neither fatal incidents nor serious accidents and low frequency of non-serious accidents. As a result, social security and insurance rates have remained relatively low and stable.

IV. Environmental and Social Management

A. VINTE Environmental and Social Risk Management System

1. As requested by the IFC, VINTE has in place an Environmental and Social Management System (ESMS), that incorporates: (i) staff responsible for EHSS issues; (ii) training on EHSS issues (e.g. effluent management, occupational health and safety at work; working

conditions, solid waste management; etc); (iii) community engagement, including clear procedures on disclosure and consultation with affected communities; (iv) monitoring; and (v) reporting. The management system addresses identified environmental, health and safety, and social impacts and risks of all existing and future acquisitions and operations at the company and subsidiaries. As part of the implementation, VINTE developed management programs, procedures, monitoring and reporting protocols, and provides training to employees. In addition, VINTE completed a few other procedures to execute its Action Plan such as: i) updated the Human Resources Policy to include all requirements of the IFC Performance Standards on labor and working conditions, ii) developed a Grievance Mechanism to deal with external concerns, iii) implemented Environmental design and construction phases for all projects, iv) developed two procedures, one for land acquisition in compliance with IFC performance standard 5, and another one for chance of findings in future developments, v) developed the Policy on Environmental and Social Sustainability Performance for the IFC, vi) completed the ESHS&L Action Guidelines for the IFC, and vii) completed the Environmental and Social Monitoring Reports for 2008-2013.

2. In Mexico, national and state housing legislations are different (Annex 1 shows the State Legislation required for construction projects in Mexico). For this reason, VINTE has an internal department in charge of facilitating land acquisition, processing municipal, state and federative permissions for technical development, obtaining permits and authorizations, and acquiring potable water rights and electric energy agreements. In this sense, it is responsibility of this department to give solutions to the existent differences at state and municipal level to obtain the permissions and required authorizations to develop VINTE's projects.

V. Environmental and Social Requirements

VINTE

1. In the case of the first PCG to be issued under the Facility, the IDB will benefit from Vinte's efforts on environmental and social management and particularly the IFC requirement to implement an ESMS. As such, as part of the conditions precedent of the PCG documentation, the IDB will require that VINTE comply with: (i) all applicable Mexican ESHS, and labor regulatory requirements, (ii) IDB List of Excluded Activities for Non-Sovereign-Guaranteed (NSG) operations, (iii) the Fundamental Principles of Rights at Work (together referred to as the IDB Environmental and Social Requirements), and (iv) to continue reporting and using their implemented ESMS. Noncompliance with any of this conditions once the PCGs are issued will entail a breach of covenants under the PCG documentation, having as a consequence penalties for VINTE such as an increase in the PCG premium or retention of guarantee cash-flows or any other feasible alternative that the structure allows.

