

Environmental and Labor Issues

This is a category III project according to the IIC's environmental and labor review procedure because it could produce certain effects that may be avoided or mitigated by following generally recognized performance standards, guidelines, or design criteria. The main environmental and labor considerations related to the project are: land purchases and permitting; assessment and management of environmental and social risks and impacts; workplace and labor conditions; efficient use of resources and pollution prevention; and community health and safety.

During the project evaluation phase, visits were made to PROCESA housing developments in the Federal District and the states of México and San Luis Potosí (in the case of the latter, construction is being carried out by a local contractor).

Land Purchases and Permitting: PROCESA's project management division ensures that the company purchases land only in areas designated for urban development, that the titles to such property are free and clear, and that these purchases comply with all applicable Mexican regulations. The company's licensing and permitting units are in charge of securing all the necessary licenses and permits for land purchases and housing development-related construction. Such permits include the pertinent land use certificates that ensure housing development construction is allowed on the land in question, in accordance with the relevant urban development and ecological zoning regulations. For example, among the applicable regulations for the Federal District is Regulation 26 (governing the construction of sustainable, low-income, and sustainable housing). As a matter of policy, PROCESA does not purchase land that could potentially entail the conversion or degradation of critical natural habitats. Land banking purchases for future PROCESA projects are regulated, in particular by urban development plans, and state and municipal ecological zoning regulations. Such purchases are made through sale-purchase agreements.

It is common practice for PROCESA to purchase most of its land for its housing developments in areas formerly zoned for industry, where the land was used mainly for warehousing purposes. On land previously zoned for industry and currently authorized for housing developments, soil quality testing is conducted to ensure it is free of contaminants, such as fuel waste and heavy metals. Consequently, these projects do not involve involuntary resettlement, disturb protected areas or natural habitats, or impact indigenous communities.

Assessment and Management of Environmental and Social Risks and Impacts: With a view to assessing the environmental impact of its projects and ensuring compliance with applicable environmental regulations, the company engages the services of consultants who prepare and submit the required impact assessments for the approval of the pertinent authorities, such as the Secretariat of Ecology or the Secretariat of Urban Development and Housing. Beginning with the project planning phase, PROCESA endeavors to ensure that its housing developments are equipped with the necessary infrastructure to ensure access to electric energy, drinking water, sewage services, transportation, schools, shopping centers, and hospitals.

At the request of the IIC, PROCESA has committed to: (a) strengthening compliance monitoring with environmental impact-related decisions issued by the relevant authorities by engaging an individual with a suitable background for this task; and (b) preparing a set of applicable written procedures in the event of chance finds of archeological remains, in accordance with the international best practices established in the International Finance Corporation's Performance Standard 8 on the protection of cultural heritage. The company will take steps to ensure that this procedure is implemented at its project sites during the construction phase in those instances where the land is located within a cultural heritage zone identified as such in urban development plans or wherever archeological remains have been discovered. These actions as well as others addressed in this

summary will form part of an environmental and social action plan (ESAP) that PROCSA will prepare jointly with the IIC, and that the company will carry out during the project.

Workplace and Labor Conditions: PROCSA provides all its employees with the benefits established under Mexican labor regulations. The company provides workers at its construction sites with lodging and meals. The company has a total of 440 employees at present, 94 of whom are women. With regard to the total number of employees, some 80% (350) work at the construction sites; 46 of these employees are women. With regard to its construction works, the company hires local laborers under an individual employment contract for a specific project, in accordance with the provisions of the Federal Labor Law (Ley Federal del Trabajo). It is common practice for the company to hire workers who are members of a Mexican construction workers union. During the visits to project sites where PROCSA is currently building housing developments, the occupational health and safety practices observed were generally in compliance with the applicable Mexican regulations for the sector. For example, workers use company-supplied personal protection gear and project sites are equipped with safety signage and fire extinguishers. Specifically, the IIC will require PROCSA to implement a series of actions designed to improve its performance in certain occupational health and safety-related aspects which are necessary to meet IIC requirements, pursuant to the International Finance Corporation's Performance Standard 2. The following activities will be components of the ESAP that PROCSA will carry out during the project:

(a) PROCSA shall improve lodging conditions for construction workers residing in the project's camps, to which end dormitories will be equipped with adequate ventilation, lighting, and more comfortable beds so as to ensure workers get a good night's sleep following the end of the workday.

(b) The number of available showers in project camps that house construction workers shall be proportionate to the number of workers living temporarily in these camps so as to ensure workers' daily hygiene needs are met.

(c) PROCSA shall ensure that all camps managed by contractors or subcontractors provide construction workers with potable water, access to portable toilets, and duly stocked first aid kits at all times, taking the necessary measures to ensure that such contractors or subcontractors comply with the provisions of items (a) and (b) above. To this end, PROCSA shall review and make the pertinent changes to its current model contract to ensure its contractors abide by these requirements.

(d) PROCSA shall take steps to ensure adequate coordination between its relevant areas—e.g., project management and construction units—so as to ensure that personnel responsible for occupational health and safety and environmental issues at the project site (e.g., resident engineer or crew chief) always safeguard compliance with these issues and any necessary corrective actions.

Efficient Use of Resources and Pollution Prevention: Housing units are equipped with devices designed to reduce consumption of electricity, gas, and water, such as energy-efficient light bulbs, high-efficiency gas water heaters, and showers and bathroom appliances equipped with water-saving devices. Many housing units are equipped with solar water heaters. The design of housing developments includes separate drains for domestic wastewater and rainwater, respectively. Domestic wastewater is discharged into the municipal sewer system for subsequent treatment by the municipality. Low-rise housing developments include built-in rainwater catchment systems, channeling rainwater to replenish the water table, in accordance with local regulations. High-rise housing developments are equipped with a rainwater catchment system for use in bathrooms, which collects rainwater falling on rooftops and common areas and channels it to cisterns where it is filtered and pumped into water tanks located on the roof of the building, where it can then be used as a source of water for toilets and the cleaning of common areas.

Water-based paint (free of lead and solvents) is used in all housing developments. In housing development common areas, such as parks, recreational facilities, and schools, trash bins are provided to facilitate the separation of organic and inorganic solid waste. Scrap brick, plastic, cardboard, wood, and metal are recycled at the construction site by licensed operators. The final disposal of solid waste generated during the construction and operational phases is carried out by licensed operators or the municipal waste management service in accordance with local regulations.

Community Health and Safety: PROCSA has a corporate social responsibility program in place and has been recognized for a second year in a row as a “Socially Responsible Company” by the Mexican Center for Philanthropy (CEMEFI). Such recognition is based on a self-assessment of a number of indicators, which is verified by CEMEFI, and bestowed on companies that meet corporate social responsibility standards, such as environmental stewardship and conservation and engagement with the community.

The company ensures that all its projects are built in compliance with the quality standards required by Mexico’s building code. Access to the housing developments is controlled. The company has a procedures manual governing the delivery of housing to its customers and management after the sale. This manual includes the procedure for addressing customer warranty claims and potential latent defects. The company is in the process of updating the manual and a new version is expected in the coming months. PROCSA also operates a customer care center at its developments.

Monitoring and Reporting: PROCSA shall prepare and implement an ESAP during the project with the IIC. The ESAP will include a schedule of targets and resources allocated for its implementation. Each year the company will submit a report to the IIC regarding its progress on implementing its ESAP in which it will summarize the monitoring data related to the aspects considered in this summary. During the life of the project, the IIC will monitor ongoing compliance with its own environmental and labor review guidelines by evaluating monitoring reports submitted annually to the IIC by the company and by conducting regular field visits as part of the project supervision process.