

Environmental and Labor Issues: This is a category B project according to the IIC's Environmental and Social Sustainability Policy because it could produce certain moderate social and environmental risks and impacts in the short term, largely in close proximity to project sites. Such risks and impacts are commonplace in an infrastructure project of this nature and may be avoided or mitigated by following generally recognized performance standards, guidelines, good practices, and design criteria—all of which are well-known, easy to implement industry standards.

The main environmental and labor issues related to the project are land purchases and permitting; assessment and management of environmental and social risks and impacts; occupational health and safety; workplace and labor conditions; efficient resource management and pollution prevention; and community health and safety. During the project assessment, visits were made to a number of Casas Atlas' housing developments in the city of Querétaro where the construction work is managed by local contractors.

Land Purchases and Permitting: Casas Atlas ensures that it only purchases land with the appropriate land titling in areas zoned for urban infrastructure development; that the development does not require involuntary resettlements; that the land is not located in a critical natural habitat or a protected natural area; that it is not within indigenous communities or territories; and that it complies with all applicable Mexican law. As to licensing and permitting for land purchases, Casas Atlas uses a checklist system to ensure compliance with all requisite procedures to acquire this documentation. This checklist system enables the company to verify that all permits and licenses are acquired and renewed on time and comply with local regulations. However, it is important that certain aspects related to land purchases be strengthened. In this regard, at the behest of the IIC, Casas Atlas will implement a thorough procedure to identify and deal with any cases of involuntary resettlement of people or involuntary economic displacement. This mechanism should be in line with policies and standards such as the International Finance Corporation's (IFC) Performance Standard 5 on land purchasing and involuntary resettlement and the Inter-American Development Bank's (IDB) Operational Policy on involuntary resettlement (OP-710). These actions as well as others addressed in this summary will form part of an Environmental and Social Action Plan (ESAP) that Casas Atlas will prepare jointly with the IIC and that the company will carry out during the project.

Assessment and Management of Environmental and Social Risks and Impacts: One of the most important requirements in terms of compliance with local environmental regulations for the approval of this kind of housing development project is the approval of the Environmental Impact Statement (EIS) by the environmental management unit of the corresponding municipality. Under this environmental assessment, a detailed review is carried out into the baseline social and environmental conditions; the requirements of Mexican law and regulations; the sustainable use of natural resources; the evaluation of soil use; the availability of basic services such as electricity, drinking water, and sewer systems; access roads; and the availability of social services infrastructure such as hospitals, schools, and shopping centers. In addition, the EIS includes a section on preventive measures and mitigation of identified environmental impacts, for both the construction and operation phases. These actions are recommended to prevent and mitigate identified adverse effects that have been categorized according to magnitude and significance.

However, some missing aspects must be incorporated into the EIS in order to complement and improve current methods of managing potential negative risks and impacts during the construction and operation phases. In this regard, at the behest of the IIC, Casas Atlas will prepare a written procedure for dealing with chance finds of archeological remains, in accordance with the international best practices established in the IFC'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.

Labor and Working Conditions: Casas Atlas provides all its employees with the benefits provided for under Mexican labor regulations. Workers involved in the construction phase are hired and managed by the construction contractors with which Casas Atlas works. Therefore, these contractors are responsible for providing all the services required by Mexican law as regards labor obligations between the employer and the employee. During visits to different projects where Casas Atlas is currently building housing developments, it was possible to verify that the company conducts ongoing monitoring and checks to ensure that construction contractors provide site workers with suitable personal protection gear and comply with occupation safety procedures to avoid any accidents or impact upon the health of workers and the community. Casas Atlas has a site coordinator who oversees occupational health and safety. This individual is professionally trained and continually checks that occupational health and safety issues are appropriately dealt with by contractors. However, some inconsistencies were identified that could be improved. Therefore, the IIC will request that Casas Atlas take corrective measures to improve its performance as regards certain occupational health and safety issues in order to comply with IIC requirements as per the IFC's Performance Standard 2. These corrective measures include: a) developing a plan to improve housing conditions of construction workers living at accommodation provided by the construction companies. This plan will enable Casas Atlas to ensure that bedrooms have sufficient ventilation and lighting and comfortable beds so that construction workers are able to get appropriate rest at the end of their daily shift; this plan also ensures all workers' accommodation has drinking water and that workers have access to bathroom facilities and an appropriately stocked first aid kit; b) Casas Atlas will review and make the pertinent changes to its current model agreement to ensure that it obliges its contractors to abide by these requirements and other occupational health and safety requirements under Mexican law; c) Casas Atlas will also include in its current model agreement a section specifying that the hiring process for project staff will create job opportunities for women and other vulnerable groups of individuals, thus avoiding any discrimination. Women currently represent approximately 50 percent of Casas Atlas' direct employees (sales and administrative).

Efficient Use of Resources and Pollution Prevention: The homes are equipped with devices designed to reduce consumption of electricity, gas, and water, such as energy-efficient light bulbs, energy-efficient gas heaters, and water-saving toilet and shower designs. The design of the housing developments includes separate drains for domestic wastewater and rainwater. 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 that channel rainwater to replenish the water table, in keeping with local regulations.

Water-based paint (free of lead and solvents) is used in all the housing developments. In housing development common areas, such as parks, recreational facilities, and schools, trash cans 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: Casas Atlas 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 restricted. 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. Casas Atlas also operates a customer care center at its developments. However, Casas Atlas does not have well-structured procedures to effectively deal with complaints lodged by communities affected by the project during the construction phase. Therefore, the IIC has requested that Casas Atlas introduce a mechanism to follow up on and

provide solutions for such complaints concerning inconveniences during the construction phase of housing developments.

Environmental and Social Management System: Casas Atlas has a number of elements that make up an Environmental and Social Management System (ESMS); however, it lacks a structure to integrate all these elements as well as other elements that are currently not included such as a corporate environmental and social policy; emergency preparedness and response; stakeholder engagement; and follow-up and evaluation. In addition, it is important that Casas Atlas introduce an environmental and social management unit at a corporate level to enhance the monitoring of compliance with all the environmental requirements stipulated under Mexican law. Finally, we recommend hiring a socio-environmental professional to act as an environmental coordinator to efficiently manage the ESMS proposed by the IIC for Casas Atlas.

Monitoring and Reporting: Casas Atlas will comply with the ESAP that was mutually agreed upon with the IIC. The ESAP will include a schedule of targets for its implementation. The company will present annual reports to the IIC on progress achieved in the implementation of the ESAP. During the project life, the IIC will oversee compliance with the provisions of the ESAP and evaluate the annual social and environmental compliance reports and any other documentation that Casas Atlas is required to submit to the IIC, and conduct regular visits to Casas Atlas' premises as part of project supervision.