CERTIFICATION AND FINANCING PROPOSAL

VINTE SUSTAINABLE HOUSING DEVELOPMENTS IN MEXICO

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EXECUTIVE SUMMARY

VINTE SUSTAINABLE HOUSING DEVELOPMENTS IN MEXICO

Project Summary

Project Name:	Vinte Sustainable Housing Developments in Mexico (the "Project").
Project Type:	Sustainable buildings.
Objective:	Provide financing through the issuance of a sustainable bond by Vinte Viviendas Integrales S.A.B. de C.V. ("Vinte") for the construction of efficient and sustainable housing in the northern border region of Mexico. The homes will be developed in accordance with the Vinte Sustainable Bond Framework for NADBank Investments (the "VSB Framework") and will incorporate measures to support energy and water savings in order to achieve the Excellence in Design for Greater Efficiencies (EDGE) certification.[1]
Expected Outcomes:	The Project is expected to generate environmental and human health benefits related to the following outcomes when compared to a baseline scenario:[2] i) Water savings (m^3/year): Water savings of at least 20%. ii) Energy savings (MWh/year): Energy savings of at least 20%. iii) Embodied CO_2 savings (metric tons): Savings of at least 20% in carbon incorporated into construction materials.
Population to Benefit:	2,400 residents.[3]
Sponsor:	Vinte.[4]
Borrower:	Vinte.

[1] EDGE is a green certification system developed by the International Finance Corporation (IFC) and focused on making residential and commercial buildings more resource efficient.
[2] Baseline parameters for efficiency in energy, water and materials are provided by EDGE tools and based on information from typical building practices, as well as national and local building performance codes, primarily considering minimum construction and product standards available in the market.
[3] Calculation based on (i) the NADBank loan amount, i.e., the equivalent in pesos of up to US$40 million, which will fund up to 85% of the cost of a sustainable house; (ii) the average cost of a sustainable house as reported by Vinte, equal to $1.15 million pesos, or approximately $65,000 dollars based on the average exchange rate in 2023 of $17.74 pesos per dollar (Source: Vinte, Annual Report 2023. https://vinte.com/en/reportes-anuales/), and (iii) the average housing occupancy rate in Mexico's border states, equal to 3.3 people/house (Source: https://www.inegi.org.mx/app/areasgeograficas/#collapse-Indicadores).
[4] In July 2024, Vinte's shareholders approved the acquisition of Servicios Corporativos Javer, S.A.B. de C.V. ("Javer"). The purchase of Javer is expected for the fourth quarter of 2024, subject to the necessary regulatory approvals, and will result in a corporate restructuring of Vinte.

Lender:	North American Development Bank ("NADBank").
NADBank Loan Amount:	The equivalent in Mexican pesos of up to US$40 million.

CERTIFICATION AND FINANCING PROPOSAL

VINTE SUSTAINABLE HOUSING DEVELOPMENTS IN MEXICO

1. PROJECT OVERVIEW AND EXPECTED OUTCOMES

The proposed Project consists of providing a loan in the form of a private debt placement with Vinte Viviendas Integrales S.A.B. de C.V. ("Vinte" or the "Sponsor"). The Project Sponsor, through the issuance of a bond under its Vinte Sustainable Bond Framework for NADBank Investments (the "VSB Framework"), will fund the construction of approximately 720 efficient homes within the 186-mile area located south of the U.S.-Mexico border. The housing developments of the proposed Project will achieve at least the EDGE certification with an annual 20% reduction in energy consumption, an annual 20% reduction in water use and a 20% reduction in embodied carbon in construction materials.[5] Benefits will be created by implementing a combination of energy and water conservation measures, including energy-efficient lighting (LED) and efficient, low-flow sinks, showers and toilets.

2. ELIGIBILITY

2.1. Project Type

The Project falls within the eligible category of sustainable buildings.

2.2. Project Location

The Project will be implemented in some of the major cities of the Mexican border states, where the Sponsor has planned to develop its portfolio, mainly in the metropolitan areas of Monterrey, Nuevo León, and Tijuana, Baja California, as shown in Figure 1.

[5] Baseline parameters for energy, water and material efficiency were obtained by using EDGE tools and are based on information from typical construction practices, as well as local and national building codes, primarily considering minimum construction standards and commercially available products.

Figure 1
PROJECT LOCATION MAP

2.3. Project Sponsor and Legal Authority

The private sector Project Sponsor and Borrower is Vinte Viviendas Integrales, S.A.B. de C.V. Established in 2001, Vinte began operations in 2003 and is dedicated to developing sustainable housing under an inclusive business model for the low, middle and middle-high income housing segments. The company's integrated communities concept provides enhanced urban connectivity and the use of efficient technologies for energy and water savings. Vinte has comprehensive processes for the development of sustainable housing, including land acquisition, project design, obtention of permits, urban development[6] and the construction and sale of houses. Vinte has developed housing projects in Nuevo Leon, Mexico State, Quintana Roo, Queretaro, Hidalgo and Puebla.

[6] Urban development refers to the improvement and preparation of a portion of land for urban use by opening new streets and introducing electricity, paving, and other services.

3. CERTIFICATION CRITERIA

3.1. Technical Criteria

3.1.1. General Community Profile

Vinte expects to build the housing developments associated with the Project in metropolitan areas of the Mexican border states, primarily in cities where Vinte has identified a high demand for sustainable housing for low, middle and middle-high income clients. Table 1 presents some of the urban areas with their respective populations that make up the potential market for implementation of the Project.

Table 1
MAIN URBAN AREAS FOR PROJECT IMPLEMENTATION

City	Population in 2020*	Number of occupied housing units*
Tijuana, Baja California	1,922,523	577,011
Metropolitan area of Monterrey, Nuevo Leon	5,341,177	1,522,975

* Source: Mexico's National Institute of Statistics and Geography (INEGI), 2020.

Sustainable Housing in Mexico

With constant and rapid urbanization occurring in Mexico, the need to assure the availability of well-built and affordable housing remains a key priority for the Mexican government. To address this need, Mexico has promoted the development and implementation of a comprehensive framework to support sustainable housing. "Sustainable housing" refers to the design, construction and efficient operation of a house that incorporates energy and water saving technologies to reduce its environmental footprint and improve the resilience of housing structures to the volatility of climate change.

Early efforts of the Mexican government to promote energy efficiency in the residential sector date back to 1996, when the first official Mexican standards were issued for energy efficient appliances in this sector. In 1997, the Electricity Saving Trust (FIDE, by its Spanish acronym) was created, which continued previous efforts aimed at replacing traditional residential light bulbs with more energy efficient lamps.

The current sustainable housing framework, which includes elements for reducing the use of critical resources, is based on its predecessors: the federal programs "Green Mortgage" ("Hipoteca Verde" in Spanish) and "This is Your House" ("Ésta es tu casa" in Spanish), which were designed to promote the use of water and energy-efficient technologies.[7] The Federal Mortgage Federation (SHF) was created in 2001 as a Mexican development bank to support the development of the housing financing market for low-income individuals through loans

[7] Source: *Vivienda Sustentable en México* [Sustainable Housing in Mexico]. https://www.conavi.gob.mx/images/documentos/sustentabilidad/2b_Vivienda_Sutentable_en_Mexico.pdf

for the construction, purchase and improvement of homes.[8] Additionally, in 2006, the Mexican Housing Act was established, which promotes the construction of sustainable and energy efficient houses that use renewable energy systems and other efficient technologies.[9]

In 2013, SHF began operating housing programs that incorporate both sustainability and comfort standards that generate water and energy savings as well as improve the quality of life for homeowners. These programs include:

- ***ECOCASA***.[10] This program was created in partnership with the German development bank Kreditanstalt für Wiederaufbau (KfW). In general, the goal of the program is to evaluate energy efficiency, water savings, the carbon footprint of materials used and the urban environment. Depending on the climate conditions where the proposed projects are located, the expected benefits are a reduction in carbon dioxide (CO_2) emissions of at least 20% when compared to the corresponding baseline. From 2013 to 2020, more than 72,000 sustainable houses were certified. Vinte participated with 84 homes in the city of Pachuca, Hidalgo, in 2013.

- ***Programa NAMA***.[11] The purpose of this program was to facilitate the incorporation of small and medium-sized enterprises (SMEs) into the low-carbon housing market. Eliminating barriers to investment and improving access to financing sources allowed SMEs to construct efficient homes that reduce CO_2 emissions by at least 20% when compared to a baseline home. By the end of 2020, over 5,000 homes had been financed. This program concluded in 2021.

Specialized funds used by Mexican development banks to implement these federal programs have come from international development agencies, including impact financing from the Inter-American Development Bank (IDB) and the International Finance Corporation (IFC), as well as some bond issuances and global impact funds.[12]

It is important to note that the constant demand for housing in Mexico has also encouraged the participation of private developers. Some market participants, including Vinte, have relied on diverse financing mechanisms such as the issuance of bonds. For example, under its Vinte Sustainable Bond Framework (the "2018-2023 Framework"), issued in 2018 and updated in 2023, Vinte issued the following bonds for the construction of sustainable housing:

- VINTE 18X, MXP$800 million

[8] Source: *Registro Único de Vivienda*, *Vinculación de Hipoteca Verde del Infonavit con el Sistema de Evaluación de la Vivienda Verde* [Single Registry of Housing, Linking Infonavit Green Mortgages with the Green Housing Evaluation System].
http://portal.ruv.org.mx/wp-content/uploads/2019/08/VVINC-Sisevive-Ecocasa2017.pdf
[9] Source: Government of Mexico, *Ley de Vivienda* [Housing Law]. https://www.gob.mx/conavi/documentos/ley-de-vivienda
[10] ECOCASA. *Programa de Cooperación Financiera* [Financial Cooperation Program].
https://www.gob.mx/shf/documentos/ecocasa-programa-de-cooperacion-financiera?state=published
[11] NAMA Program. *El Programa EcoCasa para PyMEs* [EcoCasa Program for Small- and Medium-sized Developers]. https://www.gob.mx/shf/documentos/nama-facility-el-programa-ecocasa-para-pymes#:~:text=Programa%20NAMA%20Facility,medida%20para%20las%20empresas%20PyME
[12] Impact financing is intended to help achieve measurable positive social and environmental impacts.

- VINTE 19X, MXP$293 million
- VINTE 19-2X, MXP$407 million
- VINTE 20X SDG, MXP$400 million
- VINTE 23X SDG, MXP$1,500 million.[13]

The resources from these bonds offer a better quality of life for residents through investments in homes with efficient technologies for energy and water conservation, access to water and wastewater services and access to other services such as secured entrances to the communities, equipped parks, recreational areas, urban connectivity and proximity to schools, health centers and police stations.

Similarly, for the proposed Project, Vinte will issue a bond (the "Sustainable Bond") for the equivalent in Mexican pesos of up to US$40 million dollars. NADBank will act as the purchaser, and the Sustainable Bond proceeds will be used for the construction of sustainable housing within NADBank's jurisdiction.

3.1.2. Project Scope

The proposed Project consists of providing funding for the development of sustainable housing for low, middle and middle-high income residents in Mexico's northern border states. NADBank funding is estimated to support the construction of approximately 720 single-family homes in accordance with the VSB Framework. Homes will obtain the EDGE certification, at a minimum, in addition to providing access to urban infrastructure and other essential services, as required. Vinte commits that, for the life of the Sustainable Bond, once it sells the houses of a sustainable development financed by the Sustainable Bond, the resources obtained from these sales will be used in projects located within the jurisdiction of the Bank that comply with the EDGE certification or equivalent. Additionally, Vinte commits to report on an annual basis the use of these resources for new sustainable developments.

3.1.3. Technical Feasibility

With ample experience in the construction industry, Vinte has created a sustainable housing development model that includes comprehensive policies and procedures that are followed throughout the process of site assessment, acquisition of land reserves, obtention of permits and the construction and sale of finished homes. Vinte developed its 2018-2023 Framework for the analysis of projects eligible to be financed with funds from its sustainable bonds.[14]
In this context, the 2018-2023 Framework describes the processes implemented by Vinte's Land Reserve Acquisition Analysis Committee (CAART, by its Spanish acronym) to determine

[13] Source: Vinte. 2019 Annual Report and 2023 Annual Report. https://vinte.com/es/reportes-anuales/
[14] Source: Vinte Sustainable Bond Framework (as translated by Vinte). SDG refers to the Sustainable Development Goals established by the United Nations in 2015. https://vinte.com/wp-content/uploads/2024/02/VINTE-Marco-de-Referencia-de-Bonos-Sustentables-Vinte-ENG-11.23.pdf

the feasibility of the sites it proposes to acquire and allocate to the construction of housing developments:

a) *Description of the Area*. An evaluation of acceptable sites for new housing developments is carried out based on federal policies as well as applicable state and municipal urban development plans.

b) *Market Assessment*. The potential market is assessed according to the availability of financing in the region.

c) *Technical Assessment*. In order to understand the physical characteristics of the site, topographic, geophysical, geohydrological, hydrological and soil mechanics studies are carried out.

d) *Legal Assessment.* Available documentation of the property is reviewed to determine the viability of the purchase.

e) *Financial Assessment***.** A financial analysis that considers any necessary investments to develop the land and build the necessary infrastructure is carried out.

The VSB Framework contains a description of the CAART processes and tasks for land acquisition and also highlights the role of the Sustainability Committee for oversight and reporting.

Based on the results of the CAART assessments, Vinte evaluates the feasibility of projects and the target market and determines the basic home equipment to ensure the efficient use of energy and water. Table 2 shows the components that could be incorporated into the home designs to achieve the sustainable characteristics promoted by the EDGE standards.

Table 2
COMPONENTS FOR EFFICIENT USE OF RESOURCES IN SUSTAINABLE HOMES

Energy Efficiency Components
▪ **LED lighting.** LED bulbs use at least 75% less energy and last up to 25 times longer than incandescent bulbs.
▪ **High-efficiency heaters.** Designed for the efficient use of fuel to heat water used in the house.
▪ **Roof/wall insulation.** Insulation consists of installing materials that resist heat transmission, which reduces heating and cooling costs while improving comfort.
▪ **Photovoltaic systems.** A solar photovoltaic (PV) system converts sunlight into electricity and could supply all or some of the electricity needs of a home. Panels are reliable and require little maintenance.
Water Efficiency Components
▪ **Low-flow toilets.** Water-efficient toilets are estimated to use 1.28 gallons per flush compared to older models (up to 7 gallons per flush).
▪ **Low-flow bathroom faucets.** These faucets help save water by limiting the speed and volume of water they dispense.
▪ **Efficiency shower heads.** These fixtures reduce the amount of water by regulating the flow or aerating water.

Material Efficiency Components
▪ **Lightweight concrete slab.** Slab is designed to be lighter than conventional concrete slabs. Due to their internal design, these slabs maintain their structural integrity and, in many cases, improve their resistance. ▪ **Concrete slab.** Thick, flat slab made of reinforced or prestressed concrete. It serves as surface for floors or ceilings and helps to maintain the structural integrity of buildings. ▪ **Hollow concrete blocks for internal and external walls.** Prefabricated lightweight components made of cement, gravel and sand, designed to facilitate the insertion of steel bars and concrete in all constructions.

It should be noted that all projects developed under the VSB Framework must obtain, at a minimum, the EDGE certification or, when possible, the EDGE Advanced certification. In order to obtain the EDGE certification, the Sponsor will include various measures such as the installation of LED lighting and low-flow bathroom fixtures, among others. Additionally, housing developments that obtain EDGE Advanced certification will include either solar heaters or photovoltaic systems as a source of clean energy. Air conditioning systems are typically installed in warm regions such as the northern border area of Mexico, and photovoltaic systems help reduce energy demand from the electrical grid.

Both the 2018-2023 Framework and the Vinte Sustainable Bond Framework for NADBank Investments include the following environmental and social criteria to be considered in housing developments:

Table 3
CRITERIA FOR HOUSING DEVELOPMENTS

Environmental
EDGE or EDGE Advanced certification for each home will include: ▪ Use of sustainable building materials for all houses. ▪ Installation of a base kit that includes a combination of efficient lighting (LED), low-flow toilets (no more than 4 liters per flush) and efficient sinks. Green areas may include efficient irrigation systems. Additionally, homes include efficient water heaters and insulated slabs or insulated slab systems.
Adequate wastewater management infrastructure.
Infrastructure for stormwater management such as recharging wells and lagoons designed to recover at least 80% of stormwater runoff.
Social
Proximity to schools, either within the community development or nearby.
Proximity to healthcare facilities, access to public transportation, and good road infrastructure and connectivity.
Proximity to police stations and security at the community entrances.
Designated areas such as playgrounds, commercial areas and green spaces.
Establishment of a civil association for residents.

Regarding environmental criteria, it is important to highlight that, in addition to the EDGE certification, Vinte has included systems such as recharging wells and lagoons that are designed to recover at least 80% of stormwater runoff.

Regarding social criteria, Vinte verifies the existence of basic infrastructure near a new project site and implements necessary actions as required. For example, Vinte has supported local governments by building and donating more than 750 classrooms for 32 schools, seven health centers, two hospitals, ten wastewater treatment plants, 334 rainwater harvesting systems, and 101 kilometers of roads.[15]

3.1.4. Land Acquisition and Right-of-Way Requirements

The Sponsor acquires the land and obtains rights-of-way as part of its process for housing development. Vinte will be required to submit to NADBank property deeds corresponding to the land and documentation regarding rights-of-way and permits.

3.1.5. Project Milestones

Financial closing is expected to take place in December 2024. Vinte will allocate the Sustainable Bond proceeds to housing developments within NADBank's geographic jurisdiction in Mexico, in accordance with the requirements set forth in the VSB Framework.

3.1.6. Management and Operation

Since it started operations in 2003, Vinte has constructed sustainable housing developments under the concept of integrated communities. These communities include roads and educational, commercial and recreational facilities in harmony with the urban environment to provide a better quality of life for residents. Depending on the economic conditions in the area and the environmental requirements for the proposed projects, Vinte offers mixed housing developments where housing options with various services can be offered to people from a range of different income levels. For example, housing developments may include homes intended for both low and middle-income residents.

Through its continuous participation in the Mexican real estate market, Vinte has developed more than 57,936 homes for low, middle and middle-high income families in Mexico State, Hidalgo, Queretaro, Puebla, Quintana Roo and Nuevo Leon.[16] It should be noted that Vinte has also participated in the development of sustainable homes that comply with various certifications such as EDGE, EDGE Advanced and ECOCASA.[17]

Vinte has also demonstrated extensive capacity and experience in issuing bonds and managing funds for housing construction. Between 2018 and 2023, Vinte became the first company to issue sustainable bonds and SDG bonds for the housing sector in Latin America.

[15] Source: Vinte. 2022 Annual Sustainability Report. https://vinte.com/es/informe-anual-sustentable-2022/
[16] Source: Vinte. 2023 Annual Report. https://vinte.com/es/reportes-anuales/
[17] Source: Vinte. 2022 Annual Sustainability Report. https://vinte.com/es/informe-anual-sustentable-2022/

The total amount of these bonds was $3.4 billion pesos, and the funds were allocated to the construction of sustainable housing with environmental and social benefits.[18]

3.2. Environmental Criteria

3.2.1. Environmental and Health Effects/Impacts

A. Existing Conditions

Mexico faces two challenges associated with housing development: i) the urgent need to build affordable housing and ii) the requirement to integrate efficiency measures into new homes. The day-to-day operation of inefficient housing results in an increased use of resources such as energy and water, which negatively impacts not only the environment but also utility bills, comfort levels and property values. According to CMIC, there is a high number of abandoned houses in Mexico, which is due to a variety of factors, among them the lack of basic services such as including schools, hospitals, access to public transportation and other public services, as well as remoteness from workplaces.

According to INEGI, of the 43.9 million private dwellings identified in Mexico during the 2020 Census, 35.2 million are inhabited,[19] of which only 6% (2.1 million homes) have energy efficiency measures in the form of insulation in one or more locations of the house such as the roof, walls or windows.[20] In order to develop sustainable housing in Mexico and to guarantee the reduced use of resources, it is necessary to have housing development processes that can access international certifications such as EDGE. These certifications guarantee the reduced use of resources such as energy and water, as further described below.

Energy

Historically, electricity generation for the residential sector has relied to a great extent on fossil fuel technologies, which can affect the natural environment due to the related harmful emissions. In 2023, total electricity consumption through the Mexican national grid was 298,599 gigawatt-hours (GWh). Estimated electricity use in the residential sector will represent 26.2% of total power use in 2024 and 25.6% in 2038.[21] In 2021, Mexico reported 141.5 million metric tons of carbon dioxide equivalent (CO_2e) emissions from the power sector.[22] Additionally, the use of fuels in the residential sector such as natural gas for cooking and heating generated 19.5 million metric tons of CO_2 in 2021, representing 2.7% of all net

[18] Source: Vinte. 2023 Annual Report. https://vinte.com/es/reportes-anuales/
[19] Source: INEGI. Viviendas [Housing]. https://cuentame.inegi.org.mx/poblacion/vivienda.aspx?tema=P
[20] Source: INEGI, Encuesta Nacional de Vivienda (ENVI) 2020, Principales resultados [2020 National Housing Survey, Main Results]. https://www.inegi.org.mx/contenidos/saladeprensa/boletines/2021/envi/ENVI2020.pdf; and ENVI 2020, https://www.inegi.org.mx/programas/envi/2020/#Microdatos
[21] Source: Gobierno de México [Government of Mexico]. *Programa para el Desarrollo del Sistema Eléctrico Nacional 2024-2038* [Program for the Development of the National Electric System, 2024-2038]. https://www.gob.mx/sener/articulos/programa-de-desarrollo-del-sistema-electrico-nacional-2024-2038
[22] Source: Instituto Nacional de Ecología y Cambio Climático (INECC) [National Institute of Ecology and Climate Change], *Inventario Nacional de Emisiones de Gases y Compuestos de Efecto Invernadero* [National Inventory of Emissions of Greenhouse Gases and Compounds]. https://datos.gob.mx/busca/dataset/inventario-nacional-de-emisiones-de-gases-y-compuestos-de-efecto-invernadero-inegycei

emissions in Mexico (714 million metric tons of CO_2).[23, 24] Consequently, there is a need to reduce the use of power and other fuels and emissions in the residential housing sector.

In order to support its international commitments to combat climate change under the United Nations Framework Convention on Climate Change (UNFCCC), Mexico has developed strategies to reduce greenhouse gases (GHG). In 2015, Mexico prepared its Nationally Determined Contributions (NDCs) based on its legal framework for climate change, which includes the General Law of Climate Change and the National Climate Change Strategy, Vision 10-20-40.[25] In line with these commitments, Mexico also developed a Nationally Appropriate Mitigation Action (NAMA) specifically for sustainable housing. The potential mitigation average for developments under this NAMA is estimated at 0.62 metric tons of CO_2 per house.[26]

In 2022, Mexico updated its NDCs under the UNFCCC and is committed to reducing total greenhouse gas emissions by approximately 347 million metric tons (35% lower than business-as-usual levels: 991 million metric tons) by 2030 through unconditional measures.[27] The use of energy-efficient technologies and construction techniques for sustainable housing support these efforts.

Water

Water for residential and urban purposes is the second largest use in Mexico, representing 22.5% of the total after the agricultural sector, with 64%.[28] Water is a scarce resource in the border region. The Mexican National Water Commission (CONAGUA) posted an update regarding the availability of groundwater, including in the border states, which documents an insufficient rate of recharge in comparison to the rate of pumping.[29] A similar situation is occurring with surface water sources. In order to secure the water supply for new housing developments, developers must obtain a water supply agreement with the local water utility based on its supply capacity. Therefore, the water-saving elements incorporated into sustainable houses, such as efficient sanitary fixtures, are of paramount importance.

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[23] Net emissions are the result of subtracting CO_2 removals from forests and agricultural land from total emissions from all sources.
[24] Source: INECC, *Inventario Nacional de Emisiones de Gases y Compuestos de Efecto Invernadero* [National Inventory of Emissions of Greenhouse Gases and Compounds]. https://datos.gob.mx/busca/dataset/inventario-nacional-de-emisiones-de-gases-y-compuestos-de-efecto-invernadero-inegycei
[25] Source: Secretaría de Medio Ambiente y Recursos Naturales (SEMARNAT) [Secretariat of Environment and Natural Resources], Estrategia Nacional de Cambio Climático, Visión 10-20-40 [National Climate Change Strategy, Vision 10-20-40], 2013.
[26] Source: Comisión Nacional de Vivienda [National Housing Commission]. *Política de Vivienda Sustentable en México* [Sustainable Housing Policy in Mexico].
https://www.gob.mx/cms/uploads/attachment/file/172144/NAMA_Vivienda_2016.pdf
[27] Source: SEMARNAT. Nationally Determined Contributions, 2022 update. INDC includes a set of mitigation measures that Mexico will implement with its own resources (unconditional measures) and/or through international cooperation (conditional measures). https://unfccc.int/sites/default/files/NDC/2022-11/Mexico_NDC_UNFCCC_update2022_FINAL.pdf
[28] Source: CONAGUA, Registro Público de Derechos de Agua [Public Water Rights Registry] (REPDA) database. https://app.conagua.gob.mx/ConsultaRepda.aspx. The total volume of water does not include concessions for ecological conservation and power generation.
[29] Source: CONAGUA, *Disponibilidad por acuíferos*. [Water Availability by Aquifer].
https://sigagis.conagua.gob.mx/gas1/sections/Disponibilidad_Acuiferos.html#:~:text=Es%20el%20volumen%20de%20agua,de%20tiempo%20utilizado%20para%20plantearlo.

B. Project Impacts

Sustainable housing represents a holistic approach to providing affordable housing with efficient systems and greater comfort. It also represents an opportunity in the residential sector to mitigate environmental pressures arising from constant urban growth. By implementing more sustainable residential developments, efforts such as environmental preservation as well as water and energy conservation can be advanced.

The Project will provide financial support to the Sponsor for the development of sustainable homes that will obtain the EDGE certification, at a minimum. Homes must be constructed in accordance with the VSB Framework and pursuant to building standards that provide environmental benefits. In general, the evaluation of projects under the EDGE standard is performed with a web-based tool that helps to determine the optimum combination of efficiency strategies to be implemented in a building to achieve savings in energy use, water use and embodied carbon in materials as benchmarked against a standard local building.[30]

The Project is expected to generate environmental and human health benefits related to the following outcomes, which are equivalent to receiving EDGE certification (at a minimum) as compared to conventional buildings:

i) Water savings (m^3/year): Savings of at least 20% in water use.

ii) Energy savings (MWh/year): Savings of at least 20% in energy use.

iii) Embodied CO_2 savings (metric tons): Savings of at least 20% in carbon incorporated into construction materials.

Projects that achieve EDGE Advanced certification must increase their annual energy use reduction to 40% while maintaining 20% water savings and 20% embedded carbon savings in construction materials.

In order to verify environmental benefits, Vinte must provide NADBank with the corresponding reports on the efficient use of resources and emissions reductions validated by EDGE certification for any housing development financed with Sustainable Bond funds. These requirements will be included as obligations under the transaction documents to be executed between NADBank and Vinte.

The sustainable housing to be developed by Vinte and financed in accordance with the VSB Framework will ensure the efficient use of resources, minimize environmental impacts and demonstrate how comprehensive investments contribute to the United Nations SDGs. Below are the results achieved by constructing homes in compliance with the EDGE and EDGE Advanced protocols. Incorporation of SDGs into the Framework and a third-party assessment confirming the potential contribution to these objectives is also described.

[30] EDGE certification is managed by Green Business Certification, Inc. and validates project achievements for nearly all types of buildings, both new and existing. Source: U.S. Green Building Council, EDGE Basics. https://support.usgbc.org/hc/en-us/articles/4522583244435-EDGE-basics

Vinte's EDGE and EDGE Advanced Certifications

As of the second quarter of 2024, Vinte had built 14,165 EDGE-certified homes and 1,916 EDGE Advanced homes, benefiting just over 52,200 residents.[31] The Sponsor intends to complete more than 25,000 EDGE homes by 2030.[32] Vinte developments with EDGE certification report an average energy savings of 30% per home and 37% in water savings, above the minimum requirement of 20%. Developments with EDGE Advanced certification report average energy savings of 48% and 42% in water savings, also well above the minimum required for this level of certification.[33] This has resulted in a total annual reduction of 23,618 MWh per year,[34] representing a reduction of 10,965 metric tons of CO_2 and annual savings of approximately 835,000 cubic meters of water.[35]

Vinte's contribution to the achievement of Sustainable Development Goals (SDG)

In 2018, Vinte issued the first sustainable bond in the housing sector in Latin America. After issuing two more sustainable bonds in 2019, the company issued its first sustainable bond aligned with the SDG Impact Bond Program standards under the United Nations Development Programme (UNDP) in 2020. Pacific Corporate Sustainability (PCS) and Sustainalytics conducted a comprehensive assessment of the 2018-2023 Framework and its contribution to the SDGs.[36] Their review highlighted that Vinte has a significant impact on the SDGs by offering sustainable communities with positive environmental and social impacts.[37]

Vinte placed its second SDG-aligned sustainable bond in 2023 under its 2018-2023 Framework, which received a favorable opinion from Sustainalytics and verification from PCS. The VSB Framework that will govern the sustainable financing with NADBank will follow guidelines that are parallel to the 2018-2023 Framework and include eight of the 17 SDGs, which positively impact several sectors such as clean and affordable energy, sustainable water management, gender equality and economic growth.

The Sponsor has identified a variety of locations within the border region to implement sustainable housing developments and expects to offer more than 14,000 new homes that will meet or exceed the EDGE certification requirements. These activities may be supported by the Sustainable Bond proceeds. As such, NADBank's participation in the Project is likely to support an important increase in potential environmental benefits to be achieved in the region by the housing sector.

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[31] Source: Vinte. Vinte Quarterly Report Q2, 2024. https://vinte.com/wp-content/uploads/2024/08/Resultados-2T-2024.pdf
[32] Source:Vinte Sustainable Bond Framework for NADBank Investments.
[33] Source: Vinte. EDGE Summary 2019-2024. (August 2024)
[34] Source: Vinte Sustainable Bond Framework for NADBank Investments.
[35] Source: Vinte. Reporte Trimestral 2T'2024 [Vinte Quarterly Report Q2, 2024]. https://vinte.com/wp-content/uploads/2024/08/Resultados-2T-2024.pdf
[36] United Nations. Sustainable Development Goals. https://www.un.org/sustainabledevelopment/es/objetivos-de-desarrollo-sostenible/
[37] Source: Verification of SDG bonds. November 2020. https://vinte.com/es/marco-de-emisiones-sostenibles/

C. Transboundary Impacts

No negative transboundary impacts are anticipated as a result of the implementation of the Project. On the contrary, the Project will provide financing for sustainable housing that will facilitate a more sustainable use of electricity and water, thus preserving these critical resources to address other regional needs.

3.2.2. Compliance with Applicable Environmental Laws and Regulations

As part of its regular operations, Vinte carries out procedures to comply with applicable environmental regulations such as the Mexican General Law on Ecological Balance and Environmental Protection and its Regulations on Environmental Impact Assessments, as well as state environmental laws and regulations, as applicable.

In addition, Vinte has a Circular Construction Waste Management Manual (more details in section 3.2.2.B), which describes the waste management procedures it follows to comply with the applicable provisions of the Mexican General Law on the Prevention and Comprehensive Management of Waste and its Regulations.

Regarding the minimum measures established in Mexican standard NMX-AA-164-SCFI-2013,[38] the Sponsor stated that the construction of its housing developments complies with all applicable requirements.

A. Environmental Clearance

The Sponsor must obtain all the necessary environmental authorizations, permits and licenses, including all water and electricity supply agreements. Vinte will confirm that any necessary activities to develop the projects are properly completed and will provide NADBank with the corresponding documents to demonstrate compliance.

B. Mitigation Measures

The construction of the housing developments by the Sponsor could result in some minor and temporary adverse impacts during construction activities. To address this concern, the Sponsor has a Manual for Best Environmental Practices at Construction Sites, which includes guidelines to prevent or mitigate adverse environmental effects resulting from construction activities. These practices are aimed at controlling and mitigating adverse environmental impacts through measures to control dust emissions, vehicle emissions, noise and the management of hazardous substances, among others. It should be noted that this manual is aligned with the IFC Performance Standards.[39]

[38] Edificación Sustentable - Criterios y Requerimientos Ambientales Mínimos [Sustainable Building – Criteria and Minimum Environmental Requirements].
https://biblioteca.semarnat.gob.mx/janium/Documentos/Ciga/agenda/DOFsr/DO3156.pdf
[39] International Finance Corporation Performance Standards on Environmental and Social Sustainability.
https://www.ifc.org/content/dam/ifc/doc/2010/2012-ifc-performance-standards-es.pdf

Additionally, Vinte has an Environmental and Social Responsibility Policy to ensure compliance with its environmental and social obligations. Under this policy, a Comprehensive Management Program is implemented to monitor all environmental and social guidelines applicable to the acquisition of land reserves, as well as the design, construction and sale of its homes. Other actions are included to ensure the protection, management and rescue of archaeological and historical remains and any other cultural resource identified within the planning and construction processes of its real estate developments. In order to comply with its environmental responsibilities, Vinte collaborates with federal, state and local authorities to develop and coordinate an Environmental and Social Management System, in accordance with the nature and scale of the project to be developed. In addition, Vinte uses different options, such as telephone and electronic communication systems, as mechanisms for public outreach and addressing customer complaints.[40]

Finally, the Sponsor developed a Circular Waste Management Construction Manual, which establishes guidelines for the management and disposal of construction waste. Providers of construction services hired by Vinte that generate solid waste must implement appropriate management and final disposal measures and provide supporting documentation. For those companies providing collection services, Vinte will give priority to contractors that carry out construction waste valorization,[41] to tap into the remaining use or value of the materials.

C. Pending Environmental Tasks and Authorizations

The Sponsor must confirm that the appropriate environmental permits and authorizations have been obtained for each housing development and that the necessary mitigation measures have been implemented, as required. The Sponsor must share the information with NADBank to verify the availability of the permits and authorizations.

3.2.3. Environmental and Social (E&S) Due Diligence Process

A. Project E&S Risk Category

Based on NADBank's Environmental, Social and Governance (ESG) policy for evaluating and classifying potential ESG risks in its financial operations, NADBank determined that the proposed Project and its investments fall within the B category, which is assigned when transactions typically involve projects with adverse environmental and social impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures, and follow international best practices.[42]

B. E&S Due Diligence Conclusions

[40] Source: Vinte. Política Institucional – Medio Ambiente y Responsabilidad Social [Vinte Institutional Policy – Environment and Social Responsibility].
https://vinte.com/wp-content/uploads/2023/11/P.-Medio-Amb.pdf
[41] This refers to a set of actions to recover the remaining value or calorific power of the materials that make up the waste, through their reincorporation into production processes.
[42] Source: NADBank´s Environmental, Social and Governance (ESG) Policy, (https://www.nadb.org/uploads/content/files/Policies/Pol%C3%ADtica%20ASG%20del%20NADBank.pdf).

NADBank reviewed the Sponsor's organizational structure, as well as its operational processes, manuals and policies, and concluded that the Sponsor has the necessary tools and resources to comply with the environmental and social obligations associated with the Project, including compliance with applicable regulations and annual compliance reports.

C. Summary of Proposed Mitigation Measures

No additional mitigation measures are required, as the Sponsor's current organizational structure, processes and use of funds support compliance with its environmental and social obligations.

3.3 Financial Criteria

NADBank intends to purchase the Sustainable Bond to be issued by Vinte for the equivalent in Mexican pesos of up to US$40 million dollars. The bond issuance will take the form of a private sustainable debt placement with NADBank instead of Vinte's traditional model of issuing bonds on the Mexican Stock Exchange (BMV, per its Spanish acronym). Funds from the Sustainable Bond will be used by Vinte to finance the construction of sustainable housing developments located within NADBank's geographic jurisdiction in Mexico in accordance with the requirements of the Vinte Sustainable Bond Framework for NADBank Investments.[43]

Similar to other bonds Vinte has issued, the Sustainable Bond will be a corporate debt instrument, and three subsidiary companies of Vinte will act as guarantors (*avalistas*) of the debt. The source of payment will be cashflow from Vinte's ordinary course of business, funds from bank financing and/or future bond issuances.

A preliminary analysis performed by NADBank verified that the Project Sponsor has the legal authority to contract the financing and the experience to successfully carry out the Project. Vinte is a leading land developer and sustainable home builder in Mexico. It is a leader in the Mexican housing market and has the experience, institutional capacity, procedures and human resources to manage and supervise the construction of housing developments.

Considering the characteristics of the Project and based on the financial and risk analyses performed, the proposed Sustainable Bond is financially feasible and presents an acceptable level of risk to NADBank. Therefore, NADBank proposes to purchase the Sustainable Bond for the equivalent in Mexican pesos of up to US$40.0 million to support the construction of sustainable housing in Mexico's border region.

[43] Vinte must deploy proceeds from the Sustainable Bond in accordance with the criteria established in the Vinte Sustainable Bond Framework for NADBank Investments.

4. PUBLIC ACCESS TO INFORMATION

4.1. Public Consultation

On November 8, 2024, NADBank published the draft certification and financing for a 30-day public comment period.

4.2. Outreach Activities

Through its website, the Sponsor offers public access to information regarding its existing and planned housing developments and provides a thorough description of its business model, corporate governance and financial information. Additionally, Vinte's strong commitment to sustainability is demonstrated by reporting the measured environmental outcomes resulting from the installation of EDGE-certified houses, the company's ESG rating and its contributions to the SDGs, as well as sharing the policies and actions undertaken to create both a company culture and product focused on environmental, social and economic objectives.

NADBank's review of publicly available information about the Project Sponsor, its investments and business practices did not detect any relevant concerns related to a potential investment in the proposed Project.