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## SCOPE

Internacional de Inversiones, S.A.P.I de C.V. (IDEI and/or the Issuer) is a vertical and horizontal housing and commercial real estate developer in Mexico, specifically in the State of Nuevo Leon. IDEI created its Sustainability Strategy in 2022 based on four fundamental pillars, according to the sustainable infrastructure model proposed by the Inter-American Development Bank (IDB). Its intention is to identify the best practices and to consider environmental, social and governance (ESG) actions in the business model and add value to the stakeholders.

In accordance with the Sustainability Strategy, IDEI is planning to issue two Sustainability Linked Green Bonds on 2023 in the national debt market for a cumulative amount of up to MXN \$1,000 million. The principal payment would be made on the maturity date, which would be three years after the issue date for the first issuance (IDEI 23 +V) and five years after the issue date for the second issuance (IDEI 23 +2V). The interest payment for both issuances would be calculated based on a fixed or variable rate, depending on market conditions. The proceeds of both Sustainability Linked Green Bonds must be used to finance and/or refinance green buildings, located in the Municipality of Monterrey and its Metropolitan Area, in the State of Nuevo León, Mexico. All eligible projects must have certifications equal to or greater than those of EDGE, ECOCASA, LEED Gold and BREEAM Excellence. According to IDEI's Sustainability Strategy all eligible projects must have the EDGE certification. With information provided by Issuer, the eligible projects have already obtained or in the process of obtaining the Preliminary EDGE Certification.

IDEI has contacted HR Ratings (the Verifier) to provide a second party opinion and to carry out a Verification Report for Pre-Issuance Certification by Climate Bond Initiative (CBI) for the Green Bond. This includes a verification of the compliance of the Green Bond Framework (the Framework), under which the bond will be placed, with the Climate Bond Standards (CBS) requirements and the Green Bond Principles (GBP).

The verification process was held from March 2022 to May 2023. HR Ratings verification process has been conducted in accordance with the following standards:

- Climate Bonds Standard by the CBI, Version 3.0.<sup>1</sup>
  - Buildings Criteria
    - Commercial Buildings
    - Residential Buildings
- Green Bond Principles June 2021 (with June 2022 Appendix 1) by the International Capital Market Association (ICMA).<sup>2</sup>

HR Ratings' evaluation includes the following:

- i) Meetings with the management team as well as with the Issuer's sustainability counselor, member of the Planning, Sustainability and Risk Committee.
- ii) Assessment of documentary evidence provided by IDEI regarding the financial information of the Sustainability Linked Green Bonds, this includes the preliminary issuance prospectus.
- iii) Assessment of IDEI's Sustainability Linked Green Bond Framework alignment with the standards mentioned previously.

<sup>1</sup> <https://www.climatebonds.net/files/files/climate-bonds-standard-v3-20191210.pdf>

<sup>2</sup> [https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Green-Bond-Principles\\_June-2022-280622.pdf](https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Green-Bond-Principles_June-2022-280622.pdf)

- iv) Review of documentation provided by IDEI of each of the eligible projects that include a detailed description of each of the development's location, dimensions, building materials, energy efficiency infrastructure, hydro-infrastructure and pluvial infrastructure, green areas and common spaces within housing projects.
- v) Review of the assessment reports of the buildings provided by IDEI, developed with EDGE technology, to verify that the buildings will be able to comply with the efficiencies needed by the EDGE Certification.
- vi) Review of the preliminary EDGE Certifications of the buildings.
- vii) Additional internal information, including internal manuals from the Issuer, to verify the project selection process.

## OPINION

Based on the limited assurance procedures conducted on the issuances that will be placed by IDEI under the preliminary tickers IDEI 23 +V and IDEI 23 +2V, nothing has come to HR Ratings' attention that causes us to believe that, in all material respects, the Issuer's Sustainability Linked Green Bond Framework is not in conformance with the Climate Bonds Standard by the CBI, Version 3.0 and with the Buildings Criteria. Additionally, nothing has come to HR Ratings' attention that causes us to believe that, in all material respects, the Issuer 2023 Climate Bond is not in conformance with the Climate Bonds Standard's Pre-Issuance Requirements.

According to HR Ratings' Green Bond Evaluation Criteria and scale, both issuances were assigned the green impact level of HR GB 1+. This level means that the projects related to the issuances, considering their nature and context, offer the superior environmental solution contributing to the limitation of global temperature increase in accordance with the terms of the Paris Agreement. The "+" sign represents, within the same green level range, a better compliance with the international Green Bond Principles.

The Green Bonds assessments are not credit risk ratings or NRSRO ratings assigned under HR Ratings' registration with the SEC for any of the assets for which to which the registry applies. The evaluations and/or opinions granted are issued on behalf of HR Ratings and not of its management or technical personnel and do not constitute recommendations to buy, sell or maintain any instruments, or to carry out any type of business investment or operation.

HR Ratings conducted the verification in accordance with the Climate Bond Standard Version 3.0 and in line with the International Standard on Assurance Engagements 3000 (ISAE 3000). As an international credit rating agency, HR Ratings complies with the highest ethical standards and maintain the strictest internal control and operation procedures established by the International Organization of Securities Commission (IOSCO). Particularly, IOSCO and national and international regulators require us to incorporate these objectives in all our internal manuals. National and international authorities carry annual examinations to review the compliance and adherence of policies and procedures.

## INDEPENDENCE AND QUALITY CONTROL

HR Ratings has internal manuals to outline the policies and guidelines to which all employees, management, affiliates, or consultants participating in the green bond evaluation processes will be held regarding the compiling, handling, protection, and safeguarding of the information and files obtained by the issuers. These manuals also set forth the policies for defining functions and duties within HR Ratings to avoid conflicts of interest within the clients.

Regarding the analysis, all evaluations must be presented to the HR Ratings Analysis Committee to provide oversight assessment of the bond and to be approved. Additional to this, any evaluation analysis is exposed to internal and external audits to maintain the quality of our work.

## IDEI'S RESPONSABILITIES

IDEI's responsibilities were to deliver information and documentation related on the issuances and the projects to be financed or refinanced. Specifically, to provide information explaining the characteristics of each of the developments, process of selection of nominated projects and assets, internal processes and controls, and

the proposed way of reporting information.

## HR RATINGS' RESPONSABILITIES

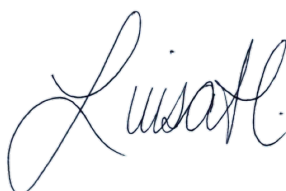
HR Ratings carefully checked the information and documentation provided by IDEI to verify they were following CBI requirements: i) compliance with the selection of nominated projects and assets requirements; ii) compliance with the internal processes and controls; iii) compliance with the reporting. Due to the above, HR Ratings reviewed the information sent by IDEI.

Additionally, HR Ratings, according to its internal manuals and to have a more accurate analysis, had meetings and held conversations with the Issuer's teams to have a more profound idea of the projects and processes and to clarify any doubts originated during the analysis and verification process.

HR Ratings bases its evaluations and/or opinions on information obtained from sources that are believed to be accurate and reliable. HR Ratings, however, does not validate, guarantee, or certify the accuracy, correctness or completeness of any information and is therefore not responsible for any errors or omissions or for results obtained as a direct result of erroneous information. HR Ratings issues its evaluations and/or opinions in an ethical manner and in accordance with healthy market practices and the applicable regulations that are contained on the website of the rating agency itself [www.hrratings.com](http://www.hrratings.com), where documents such as the Code of Conduct, the methodologies or rating criteria and the current ratings can be consulted.

## RESTRICTION ON DISTRIBUTION AND USE OF ASSURANCE REPORT

This verification report is issued at the request of IDEI. The report and all documentation related to it are for the use of IDEI, the CBI and HR Ratings. The CBI and HR Ratings can only publish the information of this report and the documentation related to it, with the previous authorization of IDEI.



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Luisa Adame  
HR Sustainable Impact Vicepresident  
HR Ratings

## Annex 1. Pre-Issuance Requirements of Climate Bonds Standards

### 1. Use of Proceeds

1.1 The Issuer shall document the Nominated Projects & Assets which are proposed to be associated with the Bond and which have been assessed as likely to be Eligible Projects & Assets. The Issuer shall establish a list of Nominated Projects & Assets which can be kept up to date during the term of the Bond.

*The Issuer has provided a list of eligible projects which can be found on Annex 2. This list includes 4 residential vertical buildings under development, 3 residential horizontal buildings under development and 3 commercial buildings that are already operating. All building must comply in having the EDGE Certification.*

1.2 The expected Net Proceeds of the Bond shall be no greater than the Issuer's total investment exposure to the proposed Nominated Projects & Assets, or the relevant proportion of the total Market Value of the proposed Nominated Projects & Assets which are owned or funded by the Issuer.

*The expected Net Proceeds of the Bonds will not be greater than the Issuer's total investment exposure to the Eligible Projects. Annex 2 shows the investment per project.*

1.3 Nominated Projects & Assets shall not be nominated to other Certified Climate Bonds, Certified Climate Loans, Certified Climate Debt Instruments, green bonds, green loans or other labelled instruments (such as social bonds or SDG bonds).

*The Issuer has reported that the Nominated Projects have never been nominated to other labelled instruments, green debt instruments, etc.*

### 2. Process for Evaluation and Selection of Projects & Assets

2.1 Issuer shall establish, document, and maintain a decision-making process which it uses to determine the eligibility of the Nominated Projects & Assets.

2.1.1 A statement on the climate-related objectives of the Bond.

*The Eligible Projects will have good levels of environmental benefits and energy efficiency. The projects symbolize an essential step towards the long-term goal of low GHG emissions.*

2.1.2 How the climate-related objectives of the Bond are positioned within the context of the Issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability.

*The Issuer created a Sustainability Strategy which main purpose is to identify best practices and consider ESG actions in the business model. The Sustainability Strategy is described in the Framework.*

2.1.3 The Issuer's rationale for issuing the Bond

*IDEL's Sustainability Strategy incorporates the need to design and operate highly efficient projects with integrated strategies that address social issues (job creation, housing organization, access to essential services) and environmental issues (biodiversity, energy, waste, air, water).*

2.1.4 A process to determine whether the Nominated Projects & Assets meet the eligibility requirements specified in Part C of the Climate Bonds Standard

*All eligible projects must comply with the business model, comply with the process for mitigating social and environmental risks, and to have an EDGE Certification that supports energy, water, and material efficiency. The detailed description of the process of evaluation and selection of projects is in the Framework.*

2.2 The Issuer should include under Clause 2.1 further aspects of the decision-making process, including:

2.2.1 related eligibility criteria, including, if applicable, exclusion criteria or any other process, applied to identify and manage potentially material environmental, social or governance risks associated with the Nominated Projects & Assets.

*The exclusion criteria are defined in the Framework.*

2.2.2 any green standards or certifications referenced in the selection of Nominated Projects & Assets.

*According to the Framework and IDEI's Sustainability Strategy, all eligible projects must have the EDGE certification.*

2.3 The Issuer shall assess that all proposed Nominated Projects & Assets to be associated with the Bond meet the documented objectives as stated under Clause and are likely to conform to the relevant eligibility requirements under Part C of the Climate Bonds Standard.

*To the date of this document of the 10 eligible projects, 4 have already obtained the Preliminary EDGE Certification and 3 the Preliminary EDGE Advanced Certification. The final certification will be obtained when the projects are completely built. The remaining 3 are in the process of obtaining the final certification since they are already built.*

### 3. Management of Proceeds

3.1 The systems, policies, and processes to be used for management of the Net Proceeds shall be documented by the Issuer and disclosed to the Verifier, and shall include arrangements for the following activities:

**3.1.1 Tracking of proceeds:** The Net Proceeds of the Bond can be credited to a sub-account, moved to a sub-portfolio, or otherwise tracked by the Issuer in an appropriate manner and documented.

*According to the Framework, the Net Proceeds will be credited to a sub-account.*

**3.1.2 Managing unallocated proceeds:** The balance of unallocated Net Proceeds can be managed as per the requirements in Clause 7.3.

*Unallocated proceeds may be invested in the following:*

- a) Temporary investment instruments in cash or cash equivalent instruments within a treasury function.*
- b) Temporary investment instruments that do not include GHG projects, which could have a negative impact on society and/or climate change.*



**3.1.3 Earmarking funds to Nominated Projects & Assets:** An earmarking process can be used to manage and account for funding to the Nominated Projects & Assets and enables estimation of the share of the Net Proceeds being used for financing and refinancing.

*IDEI could use the proceeds of the Sustainability Linked Green Bonds to be destined for refinance or finance. Nevertheless, the Issuer is planning to use around 35% of the proceeds for refinancing.*

#### 4. Reporting Prior to Issuance

4.1 The Issuer shall prepare a Green Bond Framework and make it publicly available prior to Issuance or at the time of Issuance. The Green Bond Framework shall include, without limitation:

4.1.1 Confirmation that the Bonds issued under the Green Bond Framework are aligned with the Climate Bonds Standard. This may include statements of alignment with other applicable standards, such as the EU Green Bond Standard, the ASEAN Green Bond Standard, Chinese domestic regulations, Japanese Green Bond Guidelines, etc.:

*IDEI created its Sustainability Strategy in 2022 based on four fundamental pillars, according to the sustainable infrastructure model proposed by the Inter-American Development Bank (IDB). The Framework was created aligned to the Sustainability Strategy and the Green Bond Principles of the International Capital Market Association (ICMA).*

4.1.2 A summary of the expected use of proceeds, as defined under Clause 1.1, and the expected contribution of the relevant sectors or sub-sectors to the rapid transition required to achieve the goals of the Paris Climate Agreement:

*The Framework include a description of the use of proceeds as defines under Clause 1.1.*

4.1.3 A description of the decision-making process, as defined under Clause 2.1, with particular reference to the requirements in Clause 2.1.2:

*The Framework include a description of the decision-making process as defines under Clause 2.1.*

4.1.4 Information on the methodology and assumptions to be used for: confirming, where required by relevant Sector Eligibility Criteria, the characteristics or performance of Nominated Projects & Assets required to conform to the relevant eligibility requirements under Part C of the Climate Bonds Standard; and any other additional impact metrics that the issuer will define.

*The Issuer will report quarterly and annually information regarding the projects financed or refinanced by the proceeds of the Sustainability Linked Green Bonds. This will include the EDGE Certification of each of the projects as well as evidence of compliance with the criteria.*

4.1.5 A summary of the approach to the management of unallocated Net Proceeds in accordance with Clause 3.1:

*The Issuer will report quarterly and annually financial information regarding to the proceeds of the Green Bond in accordance with Clause 3.1. This includes a description of the projects financed or refinanced with allocated proceeds as well as the temporary investments of unallocated proceeds.*

4.1.6 The intended approach to providing Update Reports to reaffirm conformance with the Climate Bonds Standard while the Bond remains outstanding.

*In accordance with the Framework, the second opinion as well as the CBI Post-Issuance Certification will be reviewed annually until all resources have been allocated.*

4.1.7 The list of proposed Nominated Projects & Assets associated with the Bond and the investment areas, as provided in Clause 9.1, into which the Nominated Projects & Assets fall. Where there are limits on the amount of detail that can be made available about specific Nominated Projects & Assets, information shall be presented on the investment areas which the Nominated Projects & Assets fall into, as provided in Clause 9.1, and the Issuer shall provide an explanation of why detail on Nominated Projects & Assets is limited.

*Annex 3 includes a list of Eligible Projects. It is important to mention that the proceeds from the Sustainability Linked Green Bonds may be used in any of the projects cited in Annex 3.*

4.1.8 Where a proportion of the Net Proceeds are used for refinancing, an estimate of the share of the Net Proceeds used for financing and refinancing, and the relevant Nominated Projects & Assets or investment areas which may be refinanced. This may also include the expected look-back period for refinanced Nominated Projects & Assets.

*The Framework states that the proceeds of the Sustainability Linked Green Bonds could be destined for refinance or finance. Nevertheless, the Issuer is planning to use around 35% of the proceeds for refinancing projects. All projects financed or refinanced fall under the criteria of Buildings.*

4.2 The Issuer shall include in the Disclosure Documentation:

4.2.2 The intended types of temporary investment instruments for the management of unallocated Net Proceeds in accordance with Clause 7.3.

*The Framework specifies that all temporary investments will be managed by the Planning, Sustainability and Risk Committee and may be invested in what is specified in Clause 3.1.2.*

4.2.3 The Verifier engaged by the Issuer for the mandatory verification engagements.

*The Issuer has contacted HR Ratings as an approved independent third-party provider to perform the Pre-Issuance Verification of the Sustainability Linked Green Bonds.*

4.2.4 The intended approach to providing Update Reports to reaffirm conformance with the Climate Bonds Standard while the Bond remains outstanding, including the location of the published documents.

*The Frameworks describes the process of providing Update Reports. Nevertheless, the Issuer will provide quarterly reports and an annual Sustainability Report. Both reports will incorporate information regarding the use of proceeds and the compliance with the Framework and the Climate Bonds Standard and will be published in the Issuers website.*

4.2.5 The Climate Bonds Initiative Disclaimer provided in the Certification Agreement

*The Issuer has provided to CBI the Certification Agreement including de Climate Bonds Initiative Disclaimer.*

## Annex 2. Climate Bonds Standards Sector Specific Criteria

### 1. Buildings Criteria (July 2020)

As Condition 2 of the CBI Low Carbon Building Criteria is meant to serve as an interim solution until emissions performance data becomes available, a limit is placed on the term of bonds certified against this option. The bond term is capped at 10 years.

#### Application for a portfolio of buildings

An issuer seeking bond certification will most likely have a portfolio of different buildings. To be certified against Condition 2, each building in the issuer's portfolio must satisfy the CBI-approved proxy. This is known as the Simple Aggregation Method whereby each building included in the pool must be compliant in its own right.

*IDEI's Sustainability Linked Green Bonds will be placed for a term of up three and five years. All projects, commercial and residential, financed or re-financed with the proceeds of the bond, must comply with the EDGE Certification, a proxy approved by CBI.*

## Annex 3. Eligible Projects

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Vertical Housing									
Development	Segment	Investment	Units	Construction Start year	GBA <sup>1</sup> (m <sup>2</sup> )	Certification	Energy Efficiency Measures	Water Efficiency Measures	Materials Efficiency Measures
Novus Fundidora	Residential Plus	\$3,207.1	941	2022	147,485	EDGE <sup>2</sup>	29%	33%	29%
Ávalon	Residential Plus	\$3,004.9	595	2021	152,868		29%	34%	21%
Kanat	Residential Plus	\$1,199.4	304	2021	51,633		22%	31%	27%
ÚNA	Residential	\$531.9	238	2021	30,888		21%	35%	23%
Horizontal Housing									
Las Mercedes	Residential	\$1,440.8	785	2021	93,179	EDGE Advanced <sup>2</sup>	47% - 48%	44%	74%
Estancia Toronto	Residential Plus	\$482.0	172	2019	41,334	EDGE Advanced <sup>2</sup>	44% - 47%	49%	73% - 75%
Manara	Residential Plus	\$1,261.4	413	2022	69,182	EDGE Advanced <sup>2</sup>	43%	44%	74%
Operating Commercial Developments									
Development	Segment	Investment	Units	Construction Start year	GBA <sup>4</sup> (m <sup>2</sup> )	Certification	Energy Efficiency Measures	Water Efficiency Measures	Materials Efficiency Measures
VAO2	Office	\$549.2		2012	16,955	EDGE <sup>3</sup>			
KOI	Office	\$1,284.3	N/A	2016	13,310		In process		
Centrika Oficinas	Office	\$276.2		2009	13,108				

Source: HR Ratings with information provided by IDEI and its Green Bond Framework

1 Gross Built Area

2 Preliminary Certification. The final certifications will be obtained when the buildings are fully developed.

3 Final certifications in process. Since these developments are already built do not need preliminary certifications.

4 Gross Leasable Area.

5 Million of Mexican Pesos (MXN)



## Annex 4. About the Issuer

Internacional de Inversiones S.A.P.I. de C.V. (IDEI), is a vertical and horizontal housing real estate developer founded by Alberto de la Garza Evia in 1973. Its mission is to create unique and avant-garde real estate projects that improve people's quality of life. It is the most prominent developer in the northern region of Mexico according to Real Estate Market / lifestyle magazine. IDEI has a 49-year history and has developed real estate in both Nuevo Leon, Mexico and Texas, United States.

IDEI's participation in the real estate market segments was gradual. The vertical housing segment began 37 years ago with the Torre Cristal project, while participation in horizontal developments began 10 years later, in 1996. The Company made its first participation in the United States real estate market in 1976. Currently, vertical and horizontal housing represents 91.9% of the revenues of the Company. The Company has participation in the vertical housing through the Residential, Residential Plus and Premium segments. In relation to horizontal housing, IDEI maintains participation within the Medium, Residential, Residential Plus and Premium segments. Finally, the commercial premises and offices segment represents the remaining 8.1% and real estate leasing and sales are carried out.

The Company has participated in the design and construction of more than 92 real estate developments including vertical, horizontal, commercial and office developments, with a total of 4,407,178 m<sup>2</sup> built. Among the buildings that have been developed in San Pedro Garza Garcia, Nuevo Leon, are the Torre KOI (2016), the tallest in Mexico, the Torre Avalanz (2000), the Torre Comercial America (1996), as well as the Torre Saqqara (2017).

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### Disclaimer

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