

Second-Party Opinion

Banobras Sustainable Bonds with Gender Perspective Framework



Evaluation Summary

Sustainalytics is of the opinion that the Banobras Sustainable Bonds with Gender Perspective Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds¹ are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDG 1, 3, 5, 6, 7, 11, 12, and 16.



PROJECT EVALUATION / SELECTION Banobras’ internal process in evaluating and selecting projects is overseen by its Monitoring Unit of the Bond Resources comprised of members from the Treasury, Analysis and Sustainable Strategy and Planning and Evaluation departments. Banobras has a framework to assess environmental and social risks. Sustainalytics encourages the Bank to extend this evaluation to all projects financed to align with market expectation. Sustainalytics considers the process overseen by the Monitoring Unit of the Bond Resources for project evaluation and selection to be in line with market practice.



MANAGEMENT OF PROCEEDS Banobras’ Monitoring Unit will track allocation to eligible projects internally following a portfolio approach. Pending full allocation, unallocated proceeds will be held in liquid instruments issued by the Federal Government, Institute for the Protection of Banking Savings or by national banks. This is in line with market practice.



REPORTING Banobras intends to report on allocation of proceeds on its website on an annual basis until full allocation. Allocation reporting will include confirmation that the use of the resources complies with the Framework, the amount of resources assigned to each eligible category, the amount of resources assigned to each eligible category in which a clear gender perspective component is distinguished, the balance of unallocated net resources, items of the impact report, the amount and percentage of resources assigned to refinancing. Additionally, Banobras is committed to reporting on relevant impact metrics. Sustainalytics views Banobras’ allocation and impact reporting as aligned with market practice.

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Issuer Location Mexico City, Mexico

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¹ Affordable Basic Infrastructure, Public Services Infrastructure, Disaster Recovery, Sustainable Transportation, Renewable Energy, Energy Efficiency, Water Efficiency and Wastewater Management, Pollution Prevention and Control, Infrastructure and Support Public Services in Municipalities and Communities with High Levels of Insecurity and Violence against Women.

Introduction

Banco Nacional de Obras y Servicios Públicos, S.N.C. (“Banobras” or the “Bank”) is Mexico's state-owned development bank that provides financing and refinancing to infrastructure and public service projects.² Headquartered in Mexico City, the Bank was founded in 1933 and has a workforce of around 1,200 employees as of June 2022.

Banobras has developed the Banobras Sustainable Bonds with Gender Perspective Framework (the “Framework”) under which it intends to issue sustainability bonds and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that promote sustainable development in Mexico.

The Framework defines eligible social categories in the following four areas:

1. Affordable Basic Infrastructure
2. Public Services Infrastructure
3. Disaster Recovery
4. Infrastructure and Support Public Services in Municipalities and Communities with High Levels of Insecurity and Violence Against Women

The Framework defines eligible green categories in the following five areas:

5. Sustainable Transportation
6. Renewable Energy
7. Energy Efficiency
8. Water Efficiency and Wastewater Management
9. Pollution Prevention and Control

Banobras engaged Sustainalytics to review the Banobras Sustainable Bonds with Gender Perspective Framework, dated August 2022, and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP), and Social Bond Principles 2021 (SBP).³ This Framework has been published in a separate document.⁴

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁵ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2021, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.11, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Banobras’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Banobras representatives have confirmed (1) they understand it is the sole responsibility of Banobras to ensure that the

² BNAméricas, “Banco Nacional de Obras y Servicios Públicos S.N.C. (Banobras)” at: <https://www.bnamericas.com/en/company-profile/banco-nacional-de-obras-y-servicios-publicos-snc-banobras>

³ The Sustainability Bond Guidelines, Green Bond Principles, and Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

⁴ The Banobras Sustainable Bonds with Gender Perspective Framework is available on the Bank’s website at: <https://www.gob.mx/banobras/acciones-y-programas/emisiones-de-bonos-sustentables>

⁵ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Banobras.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. The Second-Party Opinion is valid for issuances aligned with the respective Framework for which the Second-Party Opinion was written for a period of twenty-four (24) months from the evaluation date stated herein.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Banobras has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Banobras Sustainable Bonds with Gender Perspective Framework

Sustainalytics is of the opinion that the Banobras Sustainable Bonds with Gender Perspective Framework is credible, impactful and aligns with the four core components of the GBP and SBP. Sustainalytics highlights the following elements of Banobras' Sustainability Bond Framework:

- Use of Proceeds:
 - The eligible categories – Affordable Basic Infrastructure, Public Services Infrastructure, Disaster Recovery, Sustainable Transportation, Renewable Energy, Energy Efficiency, Water Efficiency and Wastewater Management, Pollution Prevention and Control, Infrastructure and Support Public Services in Municipalities and Communities with High Levels of Insecurity and Violence against Women – are aligned with those recognized by the GBP and SBP.
 - Across all the eligible use of proceeds categories, Banobras aims to prioritize projects that are particularly impactful for women, either by providing services that benefit women or through integrating gender-assessments during project execution. Sustainalytics notes that this gender focus of the Framework can potentially further the social impact of eligible projects.
 - Under the "Affordable Basic Infrastructure" category, the Framework defines the following as eligible projects aimed at benefitting sections of the population experiencing social backwardness and extreme poverty.⁶ Banobras has communicated with Sustainalytics that the eligible projects under this category will be determined in accordance to Government of Mexico's 2022 guidelines for the FAIS programme to finance such projects in Mexico.⁷ Sustainalytics notes that Banobras intends to prioritize providing loans to municipalities that

⁶ Extreme poverty is defined by the National Council for the Evaluation of Social Development Policy (CONEVAL) under Article 33 of the Fiscal Coordination Law. According to CONEVAL, as of February 2022, the Line of Extreme Poverty by Income is MXN 1,496.32 per month in rural areas and MXN 1,950.26 per month in urban areas. More details can be found at: <https://www.coneval.org.mx/Medicion/MP/Paginas/Lineas-de-Pobreza-por-Ingresos.aspx>

⁷ Fondo de Aportaciones para la Infraestructura Social (FAIS) or Social Infrastructure Contributions Fund is the Government of Mexico's programme to fund infrastructure that directly benefits the poorest populations in the country. The 2022 FAIS Guidelines are available at: https://www.dof.gob.mx/nota_detalle.php?codigo=5641245&fecha=25/01/2022

- have a majority female population, or where the number of female-headed households are higher than the national average. Eligible projects include:
- Infrastructure for the provision of potable water, sewage, drainage, and latrine projects.
 - Electrification of poor neighborhoods including street lighting and infrastructure to provide electricity to rural and poor communities that currently lack access to electricity.
 - Basic infrastructure including public healthcare and education facilities.
 - House improvements will include financing of municipal programmes that help people living in extreme poverty upgrade their homes. Eligible homes are those with no floors, the roof or walls of the house is made of cardboard or scrap, reed, bamboo, palm, cardboard, metallic or asbestos sheet, waste material, or where the ratio of people per room (overcrowding) is greater than 2.5.
 - Urbanization projects including paving of rural roads, building or repairing of sidewalks, public sports facilities and related infrastructure will aim to enhance access to public services. Banobras has confirmed that paving of public roads will be considered for increasing connectivity in areas that do not have roads or roads are inadequate.
- Within the “Public Services Infrastructure” category, Banobras intends to finance and refinance the development, construction, installation, operation and improvement of infrastructure for the provision of the following public services.
- Expenditures in facilities that provide public healthcare (hospitals, health clinics, medical units) and public educational institutions and training centers for low-income populations,⁸ prioritizing those projects that offer services to benefit women such as gynecological-obstetric services, maternity wards, reproductive health, and for identification and treatment of oncological conditions (breast or cervical cancer).
 - The Bank also intends to finance shelters for victims of violence, with facilities for the exclusive care or that prioritize women.
 - The development of infrastructure such as cultural centers, childcare and public sports centers and restoration of public spaces.
 - Banobras has communicated to Sustainalytics that investments may go towards other public facilities that offer services such as feeding centres, mental health therapy centers for socially and economically vulnerable groups.⁹
 - Sustainalytics notes that financing the above activities will aim at increasing the offering of free public services and adequate infrastructure. This is in line with market practice.
 - In addition to the above, the conditioning, maintenance, renovation and development of public markets to increase access to consumer staple products. Banobras has confirmed that the rent for micro and small businesses that occupy the markets will be subsidized.
- Within the “Disaster Recovery” category, Banobras intends to provide financing to municipalities for the reconstruction of public infrastructure damaged by natural disasters.¹⁰ Eligible projects will be those that correspond to Banobras service sectors and include:
- The repair of damaged toll-free highways and roads to provide connectivity after a natural disaster; public education, healthcare and sports facilities; solid waste infrastructure (in alignment with the Pollution, Prevention and Control category);

⁸ Low-income populations are defined multidimensionally by the National Council for the Evaluation of Social Development Policy (CONEVAL) as those whose (i) income falls below the income needed to afford basic food and non-food baskets of goods and services; and (ii) who are deprived in at least one of the social dimensions (access to education, health services, social security, housing with adequate quality and space, basic housing services and food). This multidimensional definition can be found at:

<https://www.coneval.org.mx/InformesPublicaciones/FolletosInstitucionales/Documents/Multidimensional-Measurement-of-poverty-in-Mexico.pdf>

⁹ According to the National Council to Prevent Discrimination, this includes vulnerable groups that historically and systematically have fewer opportunities, restricted access to rights and are in a position of disadvantage in relation to the rest of society. Groups include elders, afro-descendants, religious, ethnic, migrants and refugees, women, children, people with disabilities, people with HIV, sexual diversity, youth and domestic workers. More details can be found at: https://www.conapred.org.mx/index.php?contenido=pagina&id=46&id_opcion=38&op=38

¹⁰ Natural disasters are those that are defined as a “Disturbing Natural Phenomenon” by the Program for the Attention of Emergencies due to Natural Hazards, such as earthquakes, volcanic eruptions, tropical storms, hurricanes, heat waves, tornadoes, forest fires, etc. For more details, see: https://www.dof.gob.mx/nota_detalle.php?codigo=5626632&fecha=16/08/2021

- sewage, waterworks, and dams;¹¹ fishing infrastructure, including public docks or public piers; restoration of tourism infrastructure¹² and archaeological, artistic and historical monuments.
- Sustainalytics notes the purpose of the reconstruction will be to restore infrastructure back to its operating condition and where possible making it more resilient for future natural disaster by including a comprehensive environmental and social risk management approach and prioritizing weather resilient and inclusive communities.
- Under the “Sustainable Transportation” category, Banobras intends to invest in the following projects related to low-energy or low-carbon transportation assets, systems, infrastructure, components or services. Sustainalytics notes that Banobras intends to prioritize projects that increase transportation access for vulnerable groups such as women and people with disabilities.
- For the acquisition and maintenance of zero tailpipe emissions electric- and hydrogen-powered vehicles for public transport including buses, subway, light rail, trams and trains, as well as the construction, operation and expansion of these systems. This is in line with market practice.
 - For the acquisition and maintenance of hybrid public transport vehicles and supporting infrastructure including buses, BRT systems and passenger trains. Sustainalytics notes that Banobras intends to finance buses and trains that have an emissions threshold at or below 50 gCO₂/pkm. In addition, Banobras will consider eligible projects that enhance accessibility to target populations, and which may include buses or trains with emissions up to 75 gCO₂/pkm. While noting the intent to broaden access to public transportation, Sustainalytics considers this higher emission threshold to be a limitation to the Framework.
 - The Bank will finance the construction and operation of infrastructure for low carbon transport including electric charging stations and hydrogen fueling stations: infrastructure and equipment for active mobility including sidewalks, bicycle paths and bicycle parking facilities, e-bikes and e-scooters; and intermodal infrastructure to connect low-carbon public transportation including monitoring and control systems and passenger safety systems. This is in line with market practice.
 - In addition, Banobras may finance passenger vehicles that have tailpipe emissions of 50 gCO₂/km or less. Sustainalytics notes that the issuer will use the World Harmonized Light-duty Test Procedure for vehicles, or similar, to determine compliance with the threshold of 50 gCO₂/km. Sustainalytics notes that different test procedures can achieve varying results in actual vehicles’ CO₂ emissions, whether they intend to replicate real-driving conditions (such as WLTP) or are based on theoretical driving profile (such as NEDC).¹³ Based on the above, Sustainalytics considers the criteria for passenger vehicles to be aligned with market practice.
- Under the “Renewable Energy” category, Banobras may finance and refinance the development, construction, installation, operation and improvement of infrastructure that is fully dedicated to the generation or transmission of renewable energy, namely, wind, solar,¹⁴ ocean, geothermal, biomass and hydroelectric projects.
- Regarding geothermal energy, Banobras has confirmed to Sustainalytics that eligible projects will have a direct emissions threshold of 100 gCO₂/kWh or lower.

¹¹ Banobras has confirmed to Sustainalytics that dam restoration may include dams that are run-of-river with no artificial reservoir or that have a life cycle carbon intensity of <100 g CO₂e/kWh or has a power density greater than 5W/m² and the financing will not increase the size of the existing dam.

¹² Eligible infrastructure includes tourism centers that fall under the Integrally Planned Centers or Integral Tourism Projects that have been developed by FONATUR and which follow the guidelines outlined in their respective master plans Banobras has communicated to Sustainalytics that eligible projects will consist of financing the reconstruction of infrastructure such as solid waste treatment facilities, water distributions and water treatment facilities, public plazas and public transportation infrastructure.

¹³ The WLTP (World Harmonized Light-duty Vehicle Test Procedure) test cycle uses real-driving data to replicate actual driving conditions, while the NEDC (New European Driving Cycle) test determines values based on a theoretical driving profile, which can lead to material differences in terms of CO₂ emissions. At: <https://publications.jrc.ec.europa.eu/repository/bitstream/JRC107662/kjna28724enn.pdf>

¹⁴ In case CSP plants projects financed, the Framework establishes that projects must generate at least 85% of electricity from solar energy.

- Banobras has confirmed to Sustainalytics that it intends to finance the construction of new hydropower projects that, in accordance with the Energy Transition Law,¹⁵ have a power density greater than 10 W/m².¹⁶ Additionally, projects will undergo an environmental and social impact assessment and only those with no major controversies associated will be financed.
- Regarding biomass projects, eligible projects for electricity generation include those which use agricultural or forestry waste. Non-waste feedstocks may include crop-based feedstock that are RSB or ISCC Plus certified and where the lifecycle emissions are less than 100 gCO₂e/kWh. Sustainalytics notes that Banobras will use credible third-party certifications in order to meet adequate sustainability requirements, including GHG emissions reduction and food security related to biomass production.
- For “Energy Efficiency”, Banobras may invest in the development, construction, installation, operations and improvements of projects, involving products and technologies, that reduce energy consumption or improve energy efficiency.
 - For efficient heating, ventilation, air conditioning, refrigeration and electrical equipment, Banobras has confirmed to Sustainalytics that projects will exclude equipment that is primarily powered by fossil fuels. Sustainalytics views this to be aligned with market practice.
 - Sustainalytics considers the investments into projects that enable energy performance monitoring and modelling such as the design and installation of digital controls, sensors and building information systems as aligned with market practice.
 - Projects intended to optimize energy consumption such as metering systems, smart grids and energy load control systems. While noting the variety of definitions and applications of “smart grid” technology, Sustainalytics views positively investments that are designed to improve grid efficiency and encourages the Bank to select projects that are clearly anticipated to deliver tangible efficiency improvements.
- Under the “Water Efficiency and Wastewater Management” category, the Bank intends to finance projects that aim to reduce water consumption or improve water use efficiency including the following:
 - New or existing facilities used for collection, treatment, recycling or reuse of water, storm water or wastewater or for public agencies that manage these.¹⁷ Banobras has confirmed to Sustainalytics that wastewater from fossil fuel operations will be excluded. This is in line with market practice.
 - The Bank may also finance water distribution facilities such as aqueducts, pumps, drainage systems and latrines,¹⁸ tunnels and canals.
- The “Pollution Prevention and Control” category includes investments in facilities, systems and equipment for projects related to waste reduction. Eligible projects include:
 - Facilities used for the collection, treatment, and sorting of solid waste, hazardous waste, or contaminated soil. Banobras has confirmed that facilities handling hazardous waste and contaminated soil management will comply with the applicable environmental legislation and waste management plans.¹⁹ Banobras has confirmed to

¹⁵ The Energy Transition Law was established to regulate the sustainable use of energy, obligations on the use of clean energies and the reduction of polluting emissions. The Law defines renewable energy as wind, solar radiation in all its forms, hydropower plants with a power density greater than 10W/m², oceanic energy from tides, currents and marine thermal and salt concentration gradient, geothermal reservoirs and bioenergetics. The Law also specifies that the minimum efficiency for technology to be considered low-carbon and CO₂ capture and geological storage or biosequestration to be considered as clean must have emissions no greater than 100 kgCO₂/MWh. More details can be found at: <https://www.diputados.gob.mx/LeyesBiblio/pdf/LTE.pdf>

¹⁶ Banobras has communicated to Sustainalytics that all new hydropower projects will have a generation system with a capacity less than or equal to 30 MW or a power density, defined as the ratio between generation capacity and surface area of the reservoir, greater than 10 W/m², in accordance with the Energy Transition Law outline above.

¹⁷ Banobras has communicated that water operation organisms will operate, maintain and manage drinking water, sewage and sanitation systems to provide such services to the residents of a municipality or federal entity.

¹⁸ Sustainalytics has confirmed with Banobras, that the drainage system and latrine projects under the “Affordable Basic Infrastructure” category are financed through the FAIS programme or via direct credits to states and municipalities for the development of projects aligned with the FAIS programme.

¹⁹ Cámara de Diputados, “Ley General para la prevención y gestión integral de los residuos”, (2021), at: https://www.diputados.gob.mx/LeyesBiblio/pdf/263_180121.pdf

- Sustainalytics that electronic waste and the chemical recycling of plastic will be excluded from this category.
- Facilities for the diversion of waste from landfills that specialize on sorting of recyclable material and processing organic waste to produce compost.
 - Banobras has communicated to Sustainalytics this category may include soil remediation projects, where the financing will not go towards the entity responsible for the contamination.
 - Sustainalytics notes that this category may include landfill gas capture projects. Banobras has communicated to Sustainalytics that eligible projects are those from closed or decommissioned landfills and that have a gas capture efficiency of at least 75%. Sustainalytics notes that recovering methane produced from a closed landfill will not prolong the lifespan and is a key strategy to reduce methane emissions from waste.
- Under the “Infrastructure and Support Public Services in Municipalities and Communities with High Levels of Insecurity and Violence against Women” category the Bank intends to finance infrastructure improvements to increase the provision of public services including the following:
 - Infrastructure and public safety equipment such as CCTV and surveillance, panic buttons and mobility for security officers. For CCTV and surveillance, Sustainalytics notes that the state or municipality will own and operate the data/footage and will be used in decision-making for public security. Data will be held in accordance with Mexico’s Law on the Protection of Personal Data Held by Private Parties and the General Law on the Protection of Personal Data in Possession of Obligated Subjects. Sustainalytics notes that the use of CCTV technology can, in certain applications, raise concerns related to equity and privacy.
 - Shelters, hostels and service houses for victims of violence. The Bank has confirmed that these facilities will be available free of cost to the target population. Sustainalytics considers that the projects financed in this category aimed at preventing gender violence to be credible.
 - In addition, within the context of the above identified categories, Banobras will emphasize explicit elements that contribute in closing the gender gap, as well as the gap with other vulnerable groups identified as target populations.
 - Sustainalytics notes that Banobras has a list of activities to be excluded from financing with proceeds from the sustainability bonds issued under this Framework. The exclusionary list of activities includes any project or activity that contravenes the Bank’s sustainability goals and associated with highly polluting sources or processes that represent a significant risk to the environment (GHG emissions, solid waste, hazardous waste, or pollution of water and soil), projects that are illegal under Mexican laws and regulations, or as established in international conventions and agreements, and those related to other funding sources (i.e. International Financial Organizations, etc). For a full list of exclusionary criteria, please refer to the Framework. Sustainalytics views the exclusion of activities that have potentially negative environmental or social impacts to further strengthen the Framework.
- Project Evaluation and Selection:
 - Banobras’ Monitoring Unit of the Bond Resources (the “Unit”) will be responsible for the evaluation and selection process of all eligible projects under the Framework. The Unit is comprised of members from the Treasury, Analysis and Sustainable Strategy and Planning and Evaluation departments. The Unit will select existing and future projects that are aligned with the objective and institutional strategy of Banobras and the eligible criteria of the Framework.
 - Banobras has an environmental and social risk management framework²⁰ in place comprised of policies, procedures and methodologies aligned with Mexico’s current legal framework on environmental and social matters and international practices. In addition, since 2021 the Bank has an Environmental and Social Risk Management System (SARAS) to evaluate environmental and social risks. This system is being progressively rolled out to cover all the activities or projects financed by Banobras. Currently, SARAS cover all projects that have been identified to be high-risk or where the investment amount surpasses a certain threshold. Sustainalytics notes that a large majority of projects will undergo this review and encourages the Bank to extend this

²⁰ Banobras. “Política Ambiental y Social y Estrategia Banco Sustentable” (2020), at: https://www.gob.mx/cms/uploads/attachment/file/584223/Política_Ambiental_y_Social.pdf

- evaluation to all projects financed to align with market expectation. For additional details see Section 2.
- Based on the defined responsibilities and risk management process, Sustainalytics considers this process to be adequate and aligned with market practice.
 - Management of Proceeds:
 - The Unit will be responsible for tracking the proceeds of the sustainable bonds and will track allocation to eligible projects internally following a portfolio approach. Sustainalytics considers it to be a good practice to ensure continuous allocation that, as the underlying eligible loans in the pool are amortized or removed for any reason, the pool will be replenished such that the value of outstanding eligible loans remains equal to or greater than the net proceeds. The issuer has committed to implement this practice until bond maturity.
 - Banobras intends to allocate bond proceeds within 36 months after each issuance. Pending full allocation, unallocated proceeds will be held in liquid instruments issued by the Federal Government, Institute for the Protection of Bank Savings or by national banks.
 - Banobras has established a lookback period of five years for refinancing. Banobras has communicated to Sustainalytics that this excludes the refinancing of operational expenditures.
 - Based on the processes in place for ongoing tracking and temporary use of proceeds, Sustainalytics considers this to be in alignment with market practice.
 - Reporting:
 - Banobras intends to report on the allocation and impact of bond proceeds on its website on an annual basis until full allocation. Allocation reporting will include confirmation that the use of the resources complies with the Framework, the amount of resources assigned to each eligible category, the amount of resources assigned to each eligible category in which a clear gender perspective component is distinguished, the balance of unallocated net resources, items of the impact report, the amount and percentage of resources assigned to refinancing.
 - Additionally, Banobras is committed to reporting on relevant impact metrics such as number of municipalities and federal entities, levels of marginalization observed, number of beneficiaries, annual GHG emissions reduced/avoided, annual generation of renewable energy in MWh/GWh etc.
 - Based on the commitment to allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2021

Sustainalytics has determined that the Banobras Sustainable Bonds with Gender Perspective Framework aligns with the four core components of the GBP and SBP. For detailed information please refer to Appendix 1: Sustainability Bond/ Sustainability Bond Programme External Review Form.

Section 2: Sustainability Strategy of Banobras

Contribution of Framework to Banobras' sustainability strategy

Sustainalytics is of the opinion that Banobras demonstrates a commitment to sustainability through its mission, as a development financial institution, to improve the quality of life of local populations and contribute to sustainable development in Mexico by financing projects with high social returns and positive impacts on the environment. This commitment to sustainability is executed through six key focus strategic areas: (i) governance, (ii) internal processes and strategic partnerships, (iii) social and environmental risk management, (iv) social indicators for social welfare, (v) sustainable projects promotion, and (vi) communication and transparency. These factors as well as its principles of social and environmental responsibility guide the Bank's financing and support activities.²¹

As a government institution, Banobras abides by Mexico's National Development Plan 2019-2024 and the National Development Financing Program 2020-2024 that highlight international commitments such as the 2030 Agenda for Sustainable Development and the Paris Agreement, as well as establish strategies to close

²¹ Banobras, "Política Ambiental y Social y Estrategia Banco Sustentable", (2020), at: https://www.gob.mx/cms/uploads/attachment/file/584223/Politi_ica_Ambiental_y_Social.pdf

social gaps, promote inclusion and contribute to environmental conservation.^{22,23} The National Development Plan intends to achieve efficient and responsible use of resources while targeting an annual growth rate of 6% by 2024.²⁴ To contribute to Mexico's targets under the above plans, in 2020, the Bank launched a policy integrating environmental and social guidelines and principles into the Bank's strategy and operations, internal processes and governance structure.²⁵ The Bank has also developed its Sustainable Bank Strategy, which promotes environmental and social stewardship as well as sustainable financing. As part of the Strategy, the Bank will: (i) conduct funding through sustainable bonds, (ii) manage the E&S risks of projects financed and (iii) placement through increased financing of the green projects with high social impact.²⁶ Having issued its first sustainability bond in 2017, the Bank subsequently issued bonds in 2018, 2019, 2020 and 2021. As part of its institutional goals for 2024, Banobras intends to increase access to finance for project finance and state and municipal entities by 155.9%; increase the number of municipalities financed²⁷ from 364 to 943 by 2024; and increase its loan portfolio on infrastructure projects by 52.9%, from a 2018 baseline.²⁸

Sustainalytics is of the opinion that the Framework is aligned with Banobras' overall sustainability strategy and initiatives and will further the Bank's action on its key environmental priorities.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards eligible projects that are expected to have positive environmental and social impacts. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects could include emissions, effluents and waste generated in construction, occupational health and safety, community relations and land use and biodiversity issues associated with large-scale infrastructure development.

Sustainalytics is of the opinion that Banobras is able to manage or mitigate potential risks through implementation of the following:

- The Bank has signed an Environment and Social policy which is aligned with international and national agreements such as the Paris Agreement, 2030 Agenda for Sustainable Development, Mexico's Special Climate Change Program and Sendai Framework for Disaster Risk Reduction.²⁹ In addition, the policy is aligned with the requirements of the Green Climate Fund (GCF).³⁰ Furthermore, Banobras is seeking accreditation before GCF, as Direct Access Entity.³¹
- The Bank has developed an Environmental and Social Risk Management System (SARAS), operated by its environmental and social management unit. SARAS comprises policies, procedures and methodologies that enable the Bank to identify, evaluate, and mitigate environmental and social risks associated with some projects financed by the Bank.³² SARAS complies with Mexico's current legal

²² Government of Mexico, "Plan Nacional de Desarrollo 2019-2024", (2019), at: http://www.dof.gob.mx/nota_detalle.php?codigo=5565599&fecha=12/07/2019#:~:text=El%20Plan%20Nacional%20de%20Desarrollo%202019-2024%20debe%20plasmarse%20fundamentales%20de%20la%20transformaci%C3%B3n%20hist%C3%B3rica%20que%20estamos%20viviendo.

²³ Diario Oficial de la Federación, "Programa Nacional de Financiamiento del Desarrollo 2020-2024", (2020), at: https://www.dof.gob.mx/nota_detalle.php?codigo=5597864&fecha=05/08/2020

²⁴ Tecma, "Growth of 6 percent and 10 other economic goals of the Mexican National Development Plan for 2019-2024", at: <https://www.tecma.com/mexican-national-development-plan-for-2019-2024/>

²⁵ Banobras, "Banobras promotes best practices in social and environmental matters", at: <https://www.gob.mx/banobras/articulos/banobras-impulsa-mejores-practicas-en-materia-de-sustentabilidad-mediante-una-politica-ambiental-y-social?idiom=es>

²⁶ The Bank has communicated that it is in the process of setting performance indicators to understand historical performance and establish targets against a baseline.

²⁷ The goal refers to the total number of municipalities that have accessed financing during the period 2019-2024, without repeating.

²⁸ Banobras, "Programa Institucional 2020-2024", at: https://transparencia.banobras.gob.mx/wp-content/uploads/2017/06/BANOBRAS_PI_2020_2024_VF1.pdf

²⁹ The Bank has communicated that it is in the process of setting performance indicators to understand historical performance and establish targets against a baseline.

³⁰ GCF, "Entity Accreditation" at: <https://www.greenclimate.fund/accreditation>

³¹ GCF aims to mobilize finance for climate-related investment that contributes to low-emission and climate-resilient development in developing countries. GCF's accreditation process includes a rigorous assessment to ensure that entities have adequate policies and procedures to safeguard against environmental and social risks. For more information: <https://www.greenclimate.fund/about/partners/ae>

³² Banobras has communicated to Sustainalytics that the SARAS is applied to projects with a specific scope and that it will eventually apply the system to all operations.

framework on environmental and social matters and international best practices,³³ such as the International Finance Corporation's Performance Standards and the Equator Principles.^{34,35}

- The Bank also complies with Mexico's laws, including the Fiscal Coordination Law which mandates public entities, municipalities and territorial demarcations to use funds in a way that ensures environmental protection and promote sustainable development.³⁶ Mexico's Energy Transition Law also sets restrictions on emissions from the electricity industry, which the Bank's borrowers are expected to follow.
- To manage or mitigate biodiversity issues, Banobras' borrowers are mandated by law to undertake an environmental impact assessment (EIA)³⁷ to assess, prevent and mitigate the adverse environmental effects of proposed projects. Certain Bank's borrowers are also required by law to outline the social impact, risks and mitigation plans of projects by performing social impact assessments (SIA).³⁸

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Banobras has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All use of proceeds categories are aligned with those recognized by the GBP and SBP. Sustainalytics has focused on below where the impact is specifically relevant in the local context.

The importance of gender equality and women empowerment in Mexico

The OECD has identified Mexico as facing significant challenges in promoting gender equality and empowerment for women. As of 2020, the rate of young women not in employment, education or training was 33% with less than half of the women of working age in the labour market and being paid 14% less than men for the same job.³⁹ Furthermore, with 63% of women over 15 years of age experiencing some form of violence, Mexico has one of the highest levels of violence against women among OECD countries.⁴⁰

The Mexican government has committed to advancing gender equality in its National Development Plan 2019-2024, emphasizing equal rights and opportunities for women and vulnerable populations.⁴¹ Among Mexico's initiatives to promote gender equality, the government of Mexico is integrating gender provisions into the design of its policies such as introducing gender quotas in legislature, promoting gender parity in political nominations, and allocating budget for training programmes for women.⁴² The government is also cooperating with the European Union and the United Nations in the launch of the Spotlight Initiative, which aims to eliminate all forms of violence against women and girls, in Mexico.⁴³

In this context, Sustainalytics is of the opinion that Banobras' investments in infrastructure and services, and those with a gender perspective are expected to enhance security for women in Mexico, promote inclusion and economic opportunities, advance gender equality and support the Mexican government in its efforts to combat gender inequality in Mexico.

³³ Banobras, "Banobras Sustainable Bonds with Gender Perspective Framework", (2022)

³⁴ International Finance Corporation, "Performance Standards", at:

https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/performance-standards

³⁵ Equator Principles, (2020) at: https://equator-principles.com/app/uploads/The-Equator-Principles_EP4_July2020.pdf

³⁶ Government of Mexico, "Fiscal Coordination Law", at: <https://www.diputados.gob.mx/LeyesBiblio/ref/lcf.htm>

³⁷ Environmental Impact Assessment (EIA), Summary of Environmental Law in Mexico,

at: <https://moose.cec.org/moose/lawdatabase/mxdoc.cfm?varlan=english&topic=7>

³⁸ Natural Gas Intelligence, "Mexico Formalizes Rules for Social Impact Assessments in Energy Sector", (2018) at:

<https://www.naturalgasintel.com/mexico-formalizes-rules-for-social-impact-assessments-in-energy-sector/>

³⁹ OECD, "Gender Equality and the Empowerment of Women for Inclusive Growth in Mexico", (2020), at: <https://www.oecd.org/inclusive-growth/gender-equality-and-empowerment-of-women-for-inclusive-growth-mexico-january-2020.htm?msclid=29a41892b06811ec9063485a707c9e7a>

⁴⁰ Ibid.

⁴¹ Presidencia de la República, "Plan Nacional de Desarrollo 2019-2024", at:

https://www.dof.gob.mx/nota_detalle.php?codigo=5565599&fecha=12/07/2019

⁴² OECD, "Gender Equality and the Empowerment of Women for Inclusive Growth in Mexico", (2020), at: <https://www.oecd.org/inclusive-growth/gender-equality-and-empowerment-of-women-for-inclusive-growth-mexico-january-2020.htm?msclid=29a41892b06811ec9063485a707c9e7a>

⁴³ Ibid.

Importance of increasing renewable energy generation in Mexico

Mexico is the world's 13th largest GHG emitter, accounting for 1.3% of global GHG emissions.⁴⁴ Since 2013, the country has continually reported historical GHG emissions at levels higher than those projected under its Nationally Determined Contribution (NDC) baseline, which puts Mexico behind its plan to meet the Paris Agreement (1.5°C) goal.⁴⁵ While Mexico's renewable energy generation capacity has doubled between 2012-2021,⁴⁶ the carbon intensity of the country's energy mix has remained almost unchanged during the period.⁴⁷ As of 2020, fossil fuels continued to make up approximately 87% of the country's energy mix.⁴⁸ This stagnation highlights the need for further investments in renewable energy in Mexico, which has the potential to generate 46% of its electricity from renewable sources by 2030, owing to its diverse renewable energy resource base.⁴⁹

The Government of Mexico has set a target to generate at least 35% of power from clean energy sources by 2024 and at least 50% by 2050.⁵⁰ The country through its NDC intends to achieve a 22% reduction in its GHG emissions by 2030 and a 50% reduction by 2050, below 2000 levels.⁵¹ These goals were also adopted into the country's General Climate Change Law in 2018.⁵²

Based on the above, Sustainalytics is of the opinion that Banobras' investments in renewable energy projects, including those based on wind, solar, ocean, geothermal, biomass and hydroelectric energies are expected to be impactful and have the potential to contribute to Mexico's targets regarding renewable energy.

Importance of investments in clean transportation in Mexico

Between 2019 and 2020, the transportation sector accounted for 36% of Mexico's total GHG emissions, relying primarily on fossil fuels with 99.7% of its energy mix coming from oil sources, such as gasoline and diesel. Reducing the transport sector's GHG emissions is therefore critical in enabling Mexico's progression towards a low-carbon economy, according to the Climate Bonds Initiative.^{53,54} As part of its NDC under the Paris Agreement, Mexico has committed to reducing black carbon by 51% by 2030 compared to a business-as-usual scenario.⁵⁵ The Mexican government made commitments to reduce emissions from the transport sector by implementing policies and measures targeting combustion motor vehicles, encouraging alternative transportation systems, and promoting clean transportation programmes.^{56,57} The Mexican government introduced the National Electric Mobility Strategy, for example, to increase the uptake of electric vehicles through incentives.⁵⁸

Based on the above, Sustainalytics is of the opinion that financing under the Sustainable Transportation category has the potential to provide positive environmental impacts by improving public transport infrastructure and supporting the adoption of electric and low-carbon vehicles.

⁴⁴ MIT Climate Portal, "Climate Change in Mexico", (2020) at: <https://climate.mit.edu/posts/climate-change-mexico>

⁴⁵ Climate Action Tracker, "Country Summary: Mexico" (2021) at: <https://climateactiontracker.org/countries/mexico/>

⁴⁶ IRENA, "Renewable Capacity Statistics 2022", (pg. 4) at: https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2022/Apr/IRENA_RE_Capacity_Statistics_2022.pdf

⁴⁷ Climate Transparency, "Brown to Green: G20 Transition Towards a Net-Zero Emissions Economy - Mexico", (2019), at: https://www.climate-transparency.org/wp-content/uploads/2019/11/B2G_2019_Mexico.pdf

⁴⁸ Climate Transparency, "Mexico", (2020), at: <https://www.climate-transparency.org/wp-content/uploads/2020/11/Mexico-CT-2020-WEB2.pdf>

⁴⁹ IRENA, "Renewable Energy Prospects: Mexico", (2015), at: <https://www.irena.org/publications/2015/May/Renewable-Energy-Prospects-Mexico>

⁵⁰ Netherlands Enterprise Agency, "Opportunities in the Mexican Renewable Energy Sector", (2018), at: <https://www.rvo.nl/sites/default/files/2019/04/opportunities-in-the-mexican-renewable-energy-sector.pdf>

⁵¹ NRDC, "The Road from Paris: Mexico's Progress Toward its Climate Pledge", (2017), at: <https://www.nrdc.org/sites/default/files/paris-climate-agreement-progress-2017-mexico-ib.pdf>

⁵² WRI, "Choosing the Right Path: Low-Cost Policy Options for Enhancing Mexico's Climate Goals While Achieving Long-Term Social Benefits", (p12) at: https://wriorg.s3.amazonaws.com/s3fs-public/choosing-right-path_0.pdf

⁵³ Godinho, G. et al., (2020), "Mexico – Climate Transparency Report", Climate Transparency, at: <https://www.climate-transparency.org/wp-content/uploads/2020/11/Mexico-CT-2020-WEB2.pdf>

⁵⁴ Climate Bonds Initiative, "Financing Low-Carbon Transport in Mexico", (2021), at: https://www.climatebonds.net/files/reports/cbi_mextrans2021_eng.pdf

⁵⁵ Ministry of Environmental and Natural Resources, (2020), "Nationally Determined Contributions – 2020 Update", Government of Mexico, at: <https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Mexico%20First/NDC-Eng-Dec30.pdf>

⁵⁶ Ibid.

⁵⁷ Grados, M.G. et al. (2020), "Making Transport Paris-Compatible", Climate Transparency, at: <https://www.climate-transparency.org/wp-content/uploads/2020/04/CT-Decarbonization-Transport-Mexico-DIGITAL.pdf>

⁵⁸ Johnson, C. et al. (2020), "Foundations of an Electric Mobility Strategy for the City of Mexicali", National Renewable Energy Laboratory, at: https://afdc.energy.gov/files/u/publication/electric_mobility_strategy_mexicali.pdf

Alignment with/contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by the year 2030. The bonds issued under the Framework are expected to advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Affordable Basic Infrastructure	6. Clean water and sanitation 5. Gender equality	6.2 By 2030, achieve access to adequate and equitable sanitation and hygiene for all and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations 5.6 Ensure universal access to sexual and reproductive health and reproductive rights as agreed in accordance with the Programme of Action of the International Conference on Population and Development and the Beijing Platform for Action and the outcome documents of their review conferences
Public Services Infrastructure	3. Good health and well-being 5. Gender equality	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all 5.6 Ensure universal access to sexual and reproductive health and reproductive rights as agreed in accordance with the Programme of Action of the International Conference on Population and Development and the Beijing Platform for Action and the outcome documents of their review conferences
Disaster Recovery	1. No poverty	1.5 By 2030, build the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related, extreme events and other economic, social and environmental shocks and disasters
Sustainable transportation	11. Sustainable cities and communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Renewable Energy	7. Affordable and clean energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency	7. Affordable and clean energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Water Efficiency and Wastewater Management	6. Clean water and sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally
Pollution Prevention and Control	12. Responsible consumption and production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

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Infrastructure and Support Public Services in Municipalities and Communities with High Levels of Insecurity and Violence against Women	5. Gender equality 16. Peace, justice and strong institutions	5.1 End all forms of discrimination against all women and girls everywhere 16.1 Significantly reduce all forms of violence and related death rates everywhere
--	--	--

Conclusion

Banobras has developed the Banobras Sustainable Bonds with Gender Perspective Framework under which it may issue sustainability bonds and use the proceeds to finance and refinance a range of projects that promote sustainable development and socioeconomic empowerment of women in Mexico, including those related to the provision and repair of basic public infrastructure, renewable energy distribution, energy efficient systems, clean transportation, water management and efficiency and programmes to promote awareness of gender equality. Sustainalytics considers that the projects funded by the bond proceeds are expected to provide positive environmental and social impacts.

The Framework outlines a process by which the proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Framework is aligned with the overall sustainability strategy of the Bank and that the use of proceeds categories will contribute to the advancement of the UN SDGs 1, 3, 5, 6, 7, 11, 12, and 16. Additionally, Sustainalytics is of the opinion that Banobras has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that Banobras is well-positioned to issue sustainability bonds and that the Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2021 (GBP) and Social Bond Principles 2021 (SBP).

Appendix

Appendix 1: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Banco Nacional de Obras y Servicios Públicos, S.N.C.
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	Banobras Sustainable Bonds with Gender Perspective Framework
Review provider's name:	Sustainalytics
Completion date of this form:	August 19, 2022
Publication date of review publication:	
Original publication date <i>[please fill this out for updates]</i>:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP and SBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other <i>(please specify)</i> : | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

eligible categories for the use of proceeds are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDG 1, 3, 5, 6, 7, 11, 12, and 16.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input checked="" type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify): |

If applicable please specify the environmental taxonomy, if other than GBPs:

Use of proceeds categories as per SBP:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Affordable basic infrastructure | <input checked="" type="checkbox"/> Access to essential services |
| <input type="checkbox"/> Affordable housing | <input type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input checked="" type="checkbox"/> Other (please specify): Public Services Infrastructure, Disaster Recovery, Infrastructure and Support Public Services in Municipalities and Communities with High Levels of Insecurity and Violence against Women |

If applicable please specify the social taxonomy, if other than SBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Banobras' internal process in evaluating and selecting projects is overseen by its Monitoring Unit of the Bond Resources comprised of members from the Treasury, Analysis and Sustainable Strategy and Planning and Evaluation departments. Banobras has a framework to assess environmental and social risks. Sustainalytics encourages the Bank to extend this evaluation to all projects financed to align with market expectation. Sustainalytics considers the process overseen by the Monitoring Unit of the Bond Resources for project evaluation and selection to be in line with market practice.

Evaluation and selection

- | | |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- | | |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

Banobras' Monitoring Unit will track allocation to eligible projects internally following a portfolio approach. Pending full allocation, unallocated proceeds will be held in liquid instruments issued by the Federal Government, Institute for the Protection of Bank Savings or by national banks. This is in line with market practice.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (please specify): |

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Additional disclosure:

- | | |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify): |

4. REPORTING

Overall comment on section (if applicable):

Banobras intends to report on allocation of proceeds on its website on an annual basis until full allocation. Allocation reporting will include confirmation that the use of the resources complies with the Framework, the amount of resources assigned to each eligible category, the amount of resources assigned to each eligible category in which a clear gender perspective component is distinguished, the balance of unallocated net resources, items of the impact report, the amount and percentage of resources assigned to refinancing. Additionally, Banobras is committed to reporting on relevant impact metrics. Sustainalytics views Banobras' allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Sustainability Bond financed share of total investment |
| <input checked="" type="checkbox"/> Other (please specify):
Confirmation that use of resources of the bond complies with Framework, amount assigned to each eligible category in which a clear gender perspective component is distinguished, the balance of unallocated net resources, items of the impact report, amount and percentage of resources assigned to refinancing | |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

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Impact reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported (expected or ex-post):

- | | |
|---|--|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| <input type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Number of beneficiaries |
| <input checked="" type="checkbox"/> Target populations | <input checked="" type="checkbox"/> Other ESG indicators (please specify):
Number of municipalities and federal entities, levels of marginalization observed, detail on service sectors (e.g. urbanization, electrification, sewage, housing, etc.), indicators for municipalities with a female population above the national average, geographical location of medical units, number of registered beds, number and list of medical specialties, geographical location of educational establishments, educational level corresponding to the schools, student enrollment, identification of beneficiaries by sex or specialized care, states with natural disaster recovery projects and description (where applicable) of infrastructure recovered, decrease in transfer times, number of low emission transport units deployed, socioeconomic value of freed travel time, annual generation of renewable energy (MWh/GWh), installed renewable energy capacity (MW), volume of water or wastewater collected/stored/treated, number and name of the municipalities benefited through the eligible projects developed, reduction in indicators of insecurity and violence (including women), number of works or infrastructure projects carried out explicitly as a programme, compensatory policy, awareness or promotion in favor of gender equality, women participation ratio in projects and sectors. |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Means of Disclosure

- | | |
|--|--|
| <input type="checkbox"/> Information published in financial report | <input checked="" type="checkbox"/> Information published in sustainability report |
|--|--|

- Information published in ad hoc documents
- Other (please specify):
- Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- Consultancy (incl. 2nd opinion)
- Certification
- Verification / Audit
- Rating
- Other (*please specify*):

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP

- i. **Second-Party Opinion:** An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
- iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green, Social and Sustainability Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world’s leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world’s foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2021, Climate Bonds Initiative named Sustainalytics the “Largest Approved Verifier for Certified Climate Bonds” for the fourth consecutive year. The firm was also recognized by Environmental Finance as the “Largest External Reviewer” in 2021 for the third consecutive year. For more information, visit www.sustainalytics.com.

