

SUSTAINABLE BONDS WITH GENDER PERSPECTIVE FRAMEWORK

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Table of Contents

Glossary	3
Introduction	4
1. Products and services	6
2. Banobras Commitment to Sustainability and Gender Perspective	8
3. Banobras Sustainability Framework	11
4. Alignment with the Sustainability Bond Guidelines	14
4.1 Use of Proceeds	14
4.1.1 Eligible Categories	14
4.1.2 Exclusion criteria	27
4.2 Selection and evaluation process of projects financed through Sustainable Bonds with Gender Perspective	28
4.2.1 Risk Mitigation	29
4.3 Management of Proceeds	30
4.4 Impacts and Use of Proceeds Reports	31
5. External Review	34

Glossary

BANOBRAS	Banco Nacional de Obras y Servicios Públicos, S.N.C.
IADB	Inter-American Development Bank
ENIF	National Survey of Financial Inclusion (Encuesta Nacional de Inclusión Financiera)
ENIGH	National Household Income Expenditure Survey (Encuesta Nacional de Ingresos y Gastos de los Hogares)
ENOE	National Survey of Occupation and Employment (Encuesta Nacional de Ocupación y Empleo)
GBP	Green Bond Principles
ICMA	International Capital Markets Association
IF	Financial Intermediary
OECD	Organization for Economic Cooperation and Development
SDG	Sustainable Development Goals
IFO	International Finance Organizations
EAP	Economically Active Population
PI	Institutional Program 2020-2024
NDP	National Development Plan 2019-2024
PRONAFIDE	National Development Financing Program 2020-2024
SBG	Sustainability Bond Guidelines
SBP	Social Bond Principles
SHCP	Ministry of Finance and Public Credit
UNOPS	United Nations Office for Project Services
WB	World Bank

INTRODUCTION

Banobras, as part of the Development Banking System, is the financial executing arm of the Government of Mexico that promotes financing for the development of infrastructure and the provision of public services that foster an increase in the country's productivity and competitiveness, as well as an improvement in the quality of life and the welfare of the population.

Banobras' mandate is to finance or refinance public or private investment projects in infrastructure and public services as well as, with the same operations, contribute to the institutional strengthening of federal, state, and municipal governments, with the purpose of contributing to the **sustainable development** of the country.

Among the public works and services that Banobras promotes are large infrastructure projects that improve the competitiveness of the regions and that contribute to boost their productivity, as well as social infrastructure projects that generate a direct impact in the basic needs of people and close inequality gaps.



Water well and pumping station construction, Palizada, Campeche

1. Products and services

Banobras has a wide range of financial products and services to promote the development of infrastructure in the country, in addition to providing technical assistance that contributes to the financial and institutional strengthening of subnational governments and managing trusts related to its target sector. Additionally, it promotes investment opportunities in infrastructure projects in various strategic sectors.

Banobras' products and services fulfill the financial needs of sub-national governments, project finance, as well as federal state-owned companies.



Banobras' main products and services are described below:

1. Products for subnational governments:

- A) Traditional loans with different payment sources (federal transfers);
- B) Current account loans and contingent credit lines;
- C) Restructuring and refinancing of bank liabilities;
- D) Banobras-FAIS Financing Program;
- E) Financial guarantees;
- F) Guaranteed refinancing; and
- G) Technical Assistance Programs.

2. Project Finance products:

- A) Traditional loans;
- B) Co-financing and syndicated loans;
- C) Financing through financial intermediaries;
- D) Financial guarantees;
- E) Letters of credit; and
- F) Guaranteed refinancing.

3. Promotion of infrastructure projects:

A) Proyectos México Hub

4. Trusts Management:

A) Management of public and private trusts.

B) Management of the National Infrastructure Fund (FONADIN), the vehicle of the Federal Government that promotes infrastructure projects and attracts private investment through:

- Recoverable and Non-Recoverable financial resources; and
- Sector Programs (Transportation, Water and Solid Waste)

Water well and pumping station construction,
Palizada, Campeche



2. Banobras Commitment to Sustainability and Gender Perspective

As one of the world's largest economies, Mexico has a privileged geographic location, access to natural resources, and extensive biodiversity. This situation requires a commitment to the environment conservation and the pursuit of the present and future development of the population with a sustainable approach.

The Government of Mexico has assumed international commitments in terms of sustainable development. In accordance with these commitments, the National Development Plan 2019-2024 (NDP), a document that defines the national planning strategy for the public policies of the current Federal Government, highlights the actions that contribute to the fulfillment of the commitments assumed internationally, such as the 2030 Agenda for Sustainable Development.

As an example, one of the guiding principles that the NDP sets is **“Leave no one behind, leave no one out”**, that states that economic growth must be inclusive and, therefore, incorporate a focus on respect for indigenous peoples, substantive equality between women and men, reject all forms of discrimination, and adopt a development model that respects the inhabitants and their habitat.

Additionally, the National Development Financing Program 2020-2024 (PRONAFIDE) establishes the priority strategies that will ensure the necessary financial resources for the Government of Mexico to carry out actions that increase population's well-being.

As one of these actions, investment in infrastructure and the provision of public services are essential to close gaps regarding social inequality, promote the inclusion of vulnerable groups and contribute to environmental conservation.

In this sense, as a fundamental tool for financing the country's sustainable economic development and social welfare, PRONAFIDE establishes strategies for Development Banks to promote a greater inclusion of priority sectors, monitoring the incorporation of social, environmental and governance criteria in the financing of infrastructure projects.

In this context, Development Banks have a transformative role to promote projects with high social impact that consider gender perspective, needs of other vulnerable groups, and the preservation of the environment.

For this reason, Banobras seeks to contribute to the fulfillment of the commitments that the Mexican Government has assumed in terms of climate change and sustainable development, in line with the best practices of the financial sector in this matter.

Banobras has the ability to generate a Network of Allies that promote Sustainability. Its multiplier effect lies in attracting new investors for the development of sustainable projects, as well as generating incentives to promote the participation of other agents in the sector and encourage the alignment of their loan portfolio to the objectives that the Mexican Government has set in terms of sustainable development.

Since 2017, Banobras has had a Sustainable Bonds Framework that establishes the necessary criteria to allocate the resources raised to the development of projects that pursue the preservation of the environment and social projects that contribute to the population's well-being.

This document updates the Framework and represents an opportunity to **recognize the incorporation of Gender Perspective as a fundamental action that addresses the historical vulnerability faced by women, and other vulnerable groups, in the country**, as well as the incorporation of elements that contribute to strengthen the process of issuing thematic bonds based on the progress that Banobras has made in terms of sustainability in recent years.

Recent studies conclude that limited access and low participation in infrastructure development are precisely some of the aspects that affect the most women's empowerment possibilities (UNOPS 2019). Similarly, empirical analysis show how women's greater access to infrastructure services has a strong positive correlation with inclusive economic growth, as a result of greater participation of women in the labor force and a more equitable income distribution (World Bank, 2012).

Throughout its almost nine decades of history, Banobras has contributed to the well-being of Mexicans, through financing for infrastructure and public services, contributing to the economic and social development of the country. In this context, Banobras is aware that gender equality is a fundamental principle of human rights and essential to achieve a more prosperous, fair and sustainable society. So Banobras wishes to position itself as a benchmark in promoting a gender approach in the development banking sector, mainly through linking gender perspective and the financing of infrastructure projects and public services, and recognizes the right to substantive equality between women and men, as well as the specific rights of women and girls, established in national legislation and international agreements.

All in all, incorporating a gender perspective in this new Framework for the issuance of Sustainable Bonds is essential, while locating Banobras as a pioneer and benchmark in the region, by introducing and putting in

practice cutting edge concepts and criteria, as well as international best practices on gender perspective in infrastructure development.

Currently, some Infrastructure projects financed by Banobras must comply with:

- ◆ Environmental Impact Statement (MIA): Instrument of environmental policy that has the objective of preventing, mitigating and restoring damage to the environment, as well as the regulation of works or activities to avoid or reduce their negative effects on the environment and on human health.
- ◆ Social Impact Assessment (EVIS): Contains the identification of towns in the area of influence of a project, as well as the identification, characterization, prediction and assessment of the consequences that could arise, mitigation measures and social management plans.

Additionally, the Performance Standards of the International Finance Corporation and the Equator Principles are considered in those projects evaluated by the Environmental and Social Management System.



Football soccer field,
Palizada, Campeche

3. Banobras Sustainability Framework

Banobras Sustainability Framework is a set of policies and guidelines that establish the Bank’s action field to incorporate best practices in Environmental, Social and Gender Perspective topics, in order to allocate resources to meet current needs, without risking the needs of the future.

This Framework considers the protection of the environment, as well as economic and social development to promote populations’ well-being, under a governance system. The framework sets forth its own structure and operation through collegiate bodies and internal policies, intending to direct Banobras’ actions towards the fulfillment of its legal objective, with consideration of its contribution to sustainable development.

In line with international efforts, such as the 2030 Agenda for Sustainable Development and the Paris Agreements, and national ones such as the Special Climate Change Program 2021-2024 and the National Program for Equality between Men and Women, the Bank’s CEO signed an Environmental and Social Policy, as well as a Gender Policy.

Therefore, Banobras has an **Environmental and Social Policy** that incorporates environmental and social principles, as well as guidelines in its institutional strategy, portfolio management, governance structure and internal processes.

This policy is based on principles of environmental and social responsibility and is implemented through the Sustainable Bank Strategy.

It considers 6 strategic axes:

	Governance		Social Indicators for Well-being
	Internal Processes and Strategic Alliances		Promotion of Sustainable Projects
	Environmental and Social Risk Management¹		Communication and Transparency

¹ In the following link, the Environmental and Social Policy of Banobras and its Sustainable Bank Strategy that considers the Management of Environmental and Social Risks can be consulted: <https://www.gob.mx/banobras/documentos/politica-ambiental-y-social-y-estrategia-banco-sustentable>

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Mexico City

INFRASTRUCTURE IS NOT GENDER-NEUTRAL

Banobras also has, for the first time in its history, a **Gender Policy**. This policy integrates gender perspective, in both the organizational culture and Banobras' financing operations to contribute to the achievement of substantive equality and the full exercise of rights of women and men.

This Policy is based on 6 principles:

- 1) Right to equality;
- 2) Women's Empowerment;
- 3) Affirmative Actions;
- 4) Women as Agents of Change;
- 5) Intersectionality and
- 6) Zero Tolerance of Violence against Women.

Likewise, it is implemented through 6 strategic axes:



**Political Will
and Governance**



**Resource Allocation
and Budget**



Organizational Culture



Processes and Procedures



Gender Capacity Building



**Monitoring and
Accountability**

The actions that Banobras carries out in line with its Sustainability Framework have the objective of **promoting sustainable development, allowing preservation of ecosystems and the environment, reducing inequality gaps and providing Mexicans a country with welfare.**

As part of these actions, Banobras develops schemes that promote greater investment in projects with positive impacts in terms of sustainability. Moreover, Banobras has financial solutions that provide preferential financial conditions for infrastructure projects with a high social impact, that contribute to the preservation of the environment and that consider gender perspective in their development.

In this way, the Bank seeks to generate a multiplier effect in the granting of credit, by optimizing the channeling of resources to projects that are aligned with the Bank's strategic objectives and its Sustainability Framework.



Women's Park,
Zapopan, Jalisco

4. Alignment with the Sustainability Bond Guidelines

The International Capital Market Association (ICMA) seeks to promote the integrity of the sustainable bond market by anticipating and meeting investor expectations.

Sustainable Bonds are those bonds where the funds will be applied exclusively to finance or refinance a combination of Green Projects and Social Projects. Sustainable Bonds must comply with the four core components of the latest versions of the Green and Social Bond Principles and the Sustainability Bond Guidelines published by the ICMA in June 2021:



Use of Proceeds



Process for Project Evaluation and Selection



Management of Proceeds



Reporting

How Banobras approaches the four components for the issuance of its Sustainable Bonds with Gender Perspective is detailed below.


The recommendations issued by ICMA, in collaboration with the International Financial Corporation and UN Women, to advance Gender Equality objectives were also considered in the design of this framework².

4.1 Use of Proceeds

Banobras will allocate the net resources obtained from its Sustainable Bond to finance or refinance, totally or partially, directly or indirectly (through lines of credit for other financial institutions), Eligible Projects that belong to any of the Eligible Categories listed and detailed below.

4.1.1 Eligible Categories

1. Affordable basic infrastructure: Public Works, basic social actions and investments that directly



Urbanization, Ixhuatán, Chiapas

² Bonds to Bridge the Gender Gap: A Practitioner's Guide to Using Sustainable Debt for Gender Equality. International Capital Markets Association in collaboration with the International Financial Corporation and UN Women. 2021: <https://www.unwomen.org/en/digital-library/publications/2021/11/bonds-to-bridge-the-gender-gap>

benefit sectors of the population that are in conditions of social backwardness and extreme poverty in terms of what is established in article 33 of the Fiscal Coordination Law³, including:

A) Potable water projects, sewage, drainage, latrines, urbanization, electrification of poor neighborhoods (Installation of power lines to provide electricity to rural and poor communities), basic infrastructure of the health and education sector, housing improvement⁴.

B) Paving rural roads⁵, sidewalks building/repairing and sports facilities.

This category also includes recognition of those loans that promote affordable basic infrastructure works in those territorial demarcations (municipalities) that have a majority presence of female population or female heads of households above the national average. The foregoing constitutes a strategy of targeting

and accelerating gaps reduction in access to basic infrastructure services between women and men. This ensures that the population benefited by the projects is made up mostly of women, or by communities with a high proportion of households headed by women.

The projects considered under this category could be financed by the Banobras-FAIS Program or by granting direct loans to states and municipalities.



Water well and pumping station construction, Palizada, Campeche

³ Excerpt from article 33 of the Fiscal Coordination Law: “the entities, the municipalities and the territorial demarcations, will be destined exclusively to the financing of works, basic social actions and investments that directly benefit the population in extreme poverty, localities with high or very high level of social backwardness in accordance with the provisions of the General Law of Social Development, and in the areas of priority attention”. “Works and actions that preferably benefit the population of the municipalities, territorial demarcations and localities that present higher levels of social backwardness and extreme poverty in the entity”. The National Council for the Evaluation of Social Development Policy (CONEVAL) is the public body in charge of establishing the guidelines and criteria for the definition, identification and measurement of poverty and social backwardness. According to CONEVAL, the Extreme Poverty Line for Income Line is equivalent to the monetary value of the food basket per person per month and it is part of the target population, in addition to localities with a high or very high level of social backwardness in accordance with the provisions of the General Law of Social Development and in priority attention areas. https://www.coneval.org.mx/Evaluacion/NME/Documents/Ley_General_de_Desarrollo_Social.pdf

⁴ Projects that refer to the consolidation of housing quality and spaces, prioritizing those that already have basic services, to improve the well-being of the population. Waste materials of low or no durability (cardboard sheet) or that put people's health or integrity at risk (asbestos sheets) should not be considered. Home improvement is defined in two subdimensions: the housing construction material and its spaces.

⁵ It does not refer to the construction of highways but to the paving of rural roads, which improves connectivity and promotes the development of communities.



Drainage and sewage, Ixhuatán, Chiapas

Infrastructure projects related to the Urbanization category are established in the Contribution Fund for Social Infrastructure (FAIS) Guidelines⁵. In the case Infrastructure projects related to the Urbanization category are established in the Contribution Fund for Social Infrastructure (FAIS) Guidelines⁶. In the case of these projects, Banobras grants financing following the provisions of the law:

Second Title FAIS Operation

“Acts and actions aimed at the use or exploitation of the land, within urbanized or developable areas, such as subdivisions, mergers, re-lotifications, or urbanizations in general that include the execution

of works under the modalities of expansion, construction, equipment, improvement, rehabilitation and installation”. These projects will aim to allow population living within the impacted localities to access public facilities such as parks, sidewalks, and better quality urban roads.

2. Public services infrastructure:

Development, construction, installation, operation and improvement of infrastructure for the provision of public services, including:

A) Public infrastructure for health services, education and professional training, such as hospitals, considering those that provide

⁶ https://dof.gob.mx/nota_detalle.php?codigo=5641245&fecha=25/01/2022

several medical specialties, health clinics, educational establishments, training centers for low-income populations⁷. In particular, those hospitals or medical units that have services that meet the specific needs of women, such as gynecological-obstetric services, maternity wards, reproductive health, identification and treatment of oncological conditions (breast or cervical cancer), or other typical women's diseases, will be recognized. On the other hand, those educational works that consider the construction and equipment of educational institutions, training centers and shelters with facilities for the care (exclusive or priority) of women will also be recognized.

B) Infrastructure that promotes coexistence between socially vulnerable groups⁸ such as cultural

centers, childcare centers, sports centers, feeding centers, mental health therapy centers and rescue of public spaces⁹. This infrastructure will be accessible to all the population regardless of their ability to pay for it.

C) Conditioning, maintenance, renovation, and development of public markets where the population can have access to consumer staple products within their localities or construction and adaptation of public offices and/or buildings for ease of access of women, vulnerable population, to different types of services in the same physical space (usually related to sexual and reproductive health, job training and business development, and services for survivors of violence against women).



Health center, Ixhuatán, Chiapas

⁷ According to CONEVAL, it refers to the population whose income is insufficient to acquire the goods and services that are required to meet basic needs. https://www.coneval.org.mx/SalaPrensa/Comunicadosprensa/Documents/2021/COMUNICADO_009_MEDICION_POBREZA_2020.pdf

⁸ When discrimination focuses historically and systematically against people that belong to a specific group, you are talking of vulnerable groups that, by constantly having fewer opportunities, and restricted access to rights, they are in a position of disadvantage to the rest of society. These groups are: Elders, Afrodescendants, Religious beliefs, Ethnicity, Migrants and refugees, Women, Children, People with disabilities, People with HIV, Sexual diversity, Youth, Domestic workers. The source of the definition is the National Council to Prevent Discrimination (CONAPRED), and can be found at https://www.conapred.org.mx/index.php?contenido=pagina&id=46&id_opcion=38&op=38

⁹ It refers to areas, open spaces, or properties of human settlements destined for the use, enjoyment, or collective use of generalized access and free transit.



Construction of classrooms,
Ixhucatán, Chiapas

3. Disaster recovery: Reconstruction works of public services infrastructure damaged by a Disturbing Natural Phenomenon will be managed following the Specific Operation Guidelines to address the damage triggered by disturbing natural phenomena and support the population affected by natural hazards in accordance with the Program for the Attention of Emergencies due to Natural Hazards or the regulations on the matter that replaces it.

The works and actions that may be considered will be those corresponding to Banobras' service sectors, distributed as follows, and provided to all the population regardless of their ability to pay:



Highways
(toll free)



Public Education Facilities



Public Sports Facilities



Public Health Facilities



Urban Roads



Solid Waste
(aligned with category 8)



Waterworks, sewage and dams¹⁰



Fishing infrastructure such as public docks or public piers



Tourism
(such as Integrally Planned Centers and Integral Tourism Projects developed by the National Tourism Promotion Fund¹¹)



Culture
(such as artistic or historical public facilities)



Archaeological, Artistic and Historical Monuments
(according to the definition of the Federal Law on Monuments and Archaeological, Artistic and Historical Zones).

The detail of the projects will be the exclusive responsibility of the Federal Agency or Entity that coordinates each sector.

The purpose of the reconstruction will be to leave the affected assets

¹⁰ Dams are run-of-river with no artificial reservoir or has a life cycle carbon intensity of <100g CO₂e/kWh or has a power density greater than 5W/m² and the financing will not increase the size of the existing dam.

¹¹ Integrally Planned Center (CIP). Large-scale tourism center with national impact, developed by FONATUR following the guidelines established in a Master Plan with a long-term planning horizon that comprehensively considers tourism, urban, environmental, social and economic aspects, and that requires for its implementation of important actions to endow or complement regional infrastructure. A CIP may be developed as a single project or based on two or more Comprehensive Tourism Projects.

Integral Tourism Project (PTI). Medium-scale tourism project with regional impact, developed by FONATUR following the guidelines established in a Master Plan with a medium-term planning horizon, which comprehensively considers tourism, urban, environmental, social and economic aspects. and that it has basic regional infrastructure for its implementation.

Both definitions can be consulted in: http://dgeiawf.semarnat.gob.mx:8080/aproot/dgeia_mce/html/RECUADROS_INT_GLOS/D2_TURISMO/D2_GLOS_TURISMO.htm

in operating conditions, preferably better than those that prevailed before the Disturbing Natural Phenomenon, considering a comprehensive risk management approach and promoting the construction of safe, resilient and inclusive communities.

4. Sustainable transportation: Any project related to low-energy or low-carbon public transportation assets, systems, infrastructure, components or services, including:

A) Acquisition and maintenance of electric or hydrogen powered buses or public transport vehicles.

B) Design, construction, operation, and maintenance of public transport programs and projects with zero direct emissions land transport activities, including:

- Metro lines: new lines, expansion
- Light rail transit
- Electric buses
- Tram, trolleybus, bus and rail
- Trains

C) Acquisition and maintenance of buses and hybrid public transport vehicles, as well as technologies that provide a reduction in the

emission of pollutants from the start of their operation (clean technology diesel fueled), such as buses and passenger trains¹², or;

D) Design, construction, operation, and maintenance of infrastructure for low carbon transport, including:

- Infrastructure and infrastructure improvements dedicated to public mass transportation (including BRTs).

- Infrastructure required for zero direct emissions transport (e.g., electric charging points, electricity grid connection upgrades or hydrogen fueling stations).

- Infrastructure and equipment (including fleets) for active mobility (walking, cycling, e-bikes and e-scooters).

- Intermodal infrastructure to connect different means of clean public transportation, monitoring and control systems, passenger safety systems and infrastructure along with paths and parking for bikes.

E) Any type of electric mobility equipment (for example, motorcycles, bicycles, scooters, and

¹² Regarding BRT buses, buses and passenger trains powered by fossil fuel eligibility criteria, Banobras will consider for this category projects that meet the universal passenger public transport threshold of 50g CO₂/passenger-km, according to the best international practices as considered by the European Union taxonomy, as well as the Land Transport Criteria of the Climate Bond Initiative <https://bit.ly/3D2kq5x>

In some specific cases of projects with high social impact and gender perspective that also consider best international practices, a threshold up to 75g CO₂/passenger-km will be considered. This threshold is aligned with a 2-degree-compliant emissions trajectory considered by Climate Bond Initiative for 2020. Banobras will preferably consider transport projects, that have emissions closer to the 50g CO₂/passenger-km threshold.

These thresholds will be updated in 2025 or once the national taxonomy is published, whichever comes first.

Key Performance Indicators such as CO₂ or CO₂e emissions reduction will also be considered for projects in this category. Projects will also comply with the NOM044, which states the maximum permitted emissions for public transport vehicles: https://dof.gob.mx/nota_detalle.php?codigo=5513626&fecha=19/02/2018#gsc.tab=0

segways) or passenger vehicles (cars) that have an emission threshold at or below 50gCO₂/km¹³ that aim to improve mobility in order to provide any public service.

This category also considers those projects that have specific components that promote the use of public transport projects by vulnerable groups, such as women and people with disabilities, and allows them access to more opportunities.

5. Renewable energy: Development, construction, installation, operation, and improvements of renewable energy systems such as:

- A) Equipment and installations totally dedicated to the generation of renewable energy; or
- B) Transmission infrastructure fully dedicated to renewable energy generation sources.

Projects must comply with the definitions of renewable energies outlined in the Energy Transition Law¹⁴ and may include wind, solar¹⁵, ocean, geothermal, biomass¹⁶, and hydroelectric projects¹⁷.

Likewise, those projects that incorporate a gender perspective in the different stages of their development are recognized and can be corroborated through the Social Impact Assessment in compliance with the provisions of the Electricity Industry Law.



¹³ The test procedure that will be used for vehicles complying with the mentioned threshold is the World Harmonized Light-duty Vehicle Test Procedure (WLTP) or as stated in the CBI Transport Criteria Document published in January 2020 any other similar emissions testing procedures.

¹⁴ <https://www.diputados.gob.mx/LeyesBiblio/pdf/LTE.pdf>

¹⁵ Electricity generated from wind power or solar power projects must comply with at least 85% renewable sources.

¹⁶ Considering agricultural and forestry residues. Also consider the following eligibility criteria: (1) the feedstock comes from a certified source, with the following certifications and thresholds: RSB, ISCC Plus and (2) the lifecycle emissions of the project is less than 100g CO₂e/kWh.

¹⁷ Only new hydroelectric projects will be financed. For all new hydro projects, market practice is to ensure that an environmental and social impact assessment is conducted with no significant risk identified and there should be no major controversies associated with the financed projects.



Solar park
Puerto Libertad, Sonora

6. Energy efficiency: Development, construction, installation, operation and improvement of projects (products or technology) that reduce energy consumption or improve efficiency, such as:

A) Projects that involve the installation, maintenance, or replacement of efficient heating, ventilation, air conditioning, refrigeration, lighting, and electrical equipment;

B) Projects that enable energy performance monitoring and modeling such as the design and installation of digital controls, sensors, or building information systems; or

C) Projects that optimize the amount and time of energy consumption, minimizing load peaks, such as the design and installation of metering systems, smart grids, energy load control systems.



Solar park
Puerto Libertad, Sonora

7. Water efficiency and wastewater management:

Development, construction, installation, maintenance and improvement of projects (products or technology) that reduce water consumption or improve resource efficiency, including:

A) New or existing facilities used for the collection, treatment, recycling, or reuse of water, stormwater, or wastewater¹⁸; or

B) New or existing infrastructure for water distribution including aqueducts, pumps, drainage systems and latrines¹⁹, tunnels and canals.

C) Water operation organisms that are in charge of operating, maintaining and managing water and sewage systems to provide these services to the population of states or municipalities.

Wastewater treatment plant, Atotonilco, Hidalgo



¹⁸ Projects considered in this category won't come from fossil fuel operations.

¹⁹ Different from those considered in Category 1, which considers financing through the Banobras-FAIS Program or direct credits to states and municipalities for the development of projects aligned to FAIS items.



8. Pollution prevention and control:

Development, construction, installation, operation and improvement of projects (products or technology) that reduce and manage emissions and waste generated, including:

A) New or existing facilities, systems, and equipment used for the collection, treatment, recycling,

or reuse of emissions, solid waste, hazardous waste, or contaminated soil; or

B) New or existing facilities, systems, and equipment used to divert waste from landfills (the process of diverting waste from landfills through recycling and source reduction activities) or reduce emissions.

9. Infrastructure and support public services in municipalities and communities with high levels of insecurity and violence against women:

Development, construction, installation, operation and infrastructure improvements for the provision of public services aimed at addressing these problems:

A) Infrastructure and equipment for municipal public services related to public safety equipment and installations (such as CCTV²⁰ and surveillance, panic buttons, mobility for security officers²¹) and emergency services with command and control centers.

B) Shelters, hostels and service houses for victims of violence.

Furthermore, for those eligible projects within categories 1 to 9 described above, additional explicit elements will be recognized that contribute to mitigate the gender and other vulnerable groups' gaps in the target population as best practices, identifying the following:

²⁰ The dependencies of the states and municipalities are the ones in charge of capturing the comprehensive information for investigation and decision-making in matters of public security, and they have to comply with the Federal Law on Protection of Personal Data Held by Private Parties, and the General Law on Protection of Personal Data Held by Obligated Subjects.

²¹ Any type of mobility equipment for security personnel from group transportation (buses, patrol cars) to personal mobility (bicycles, scooters, segways, etc.). In any case, mobility equipment will have to comply with universal emission threshold.

²² For example, in the design of public transport projects, factors such as changing stations for babies, nursing rooms, pedestrian lighting, neighborhood maps, the permeability of the stations (they have transparent glass walls for greater safety of users), the installation of video surveillance cameras, the presence of elements that allow greater security are considered.

²³ As an example, training programs for women bus drivers.



Line 2, Cablebús, Mexico City

A) Have been executed as part of state or municipal planning under a gender perspective cross-cutting approach²².

B) Have plans for the incorporation of labor from vulnerable groups, mainly women in the design, planning, execution, operation and maintenance of projects, representing a balance between the hired personnel and seeking equitable compensation according to the job positions exercised²³.

C) Have compliance with regulations regarding inclusion, accessibility or specific attention to vulnerable groups.

D) Be part of Special Programs carried out by National or International Organizations focused specifically on gender issues, that include support and/or technical assistance for the design, construction, monitoring and/or development of capacities and performance indicators, as a way to construct synergies that leverage the impact of resources to finance infrastructure projects with a gender perspective, such as UN Women Safe Cities and Safe Public Spaces program or IADB's Women's City Centers.

4.1.2 Exclusion criteria

The following investment projects will not be financed with resources from Banobras' Sustainable Bonds with Gender Perspective:

1. Any product or activity that is considered illegal under Mexican laws and regulations, or as established in international conventions and agreements.
2. Those related with other funding sources through International Financial Organizations.
3. Those that contravene the Bank's objectives in terms of sustainability by being associated with highly

polluting sources or processes that represent a significant risk to the environment in terms of greenhouse gas (GHG) emissions, solid waste, hazardous waste²⁴, or pollution of water and soil.

4. Projects that represent some negative effect or obstacle to access resources by women, their communities, or any population group in a vulnerable condition.

5. When the project location, the price and resources used in it represent an obstacle to the use of the infrastructure by the target population (particularly in the case of women or marginalized groups).

6. When the new infrastructure implies job displacement or unemployment of women or marginalized populations that currently provide any service in a particular industry.

7. Production or activities that involve forced labor, child labor or any other violation of the fundamental principles and rights of people at work.

8. Activities that violate lands that are owned by indigenous peoples or have been claimed by adjudication, without full documented consent.

9. Projects that imply violations of national and international agreements and treaties regarding the indigenous and native population.

²⁴ Hazardous waste related projects in this category have a management plan to mitigate the risks associated with such waste.

10. Projects that significantly alter or damage cultural heritage.

11. Any impact on a protected natural area, national park or another similar area, unless it can be demonstrated through an environmental assessment that the project:

- (i) will not result in the degradation of the area;
- (ii) prevents, mitigates and considers all those necessary measures to minimize negative impacts on the environment and/or;
- (iii) will generate positive environmental and social benefits.

12. Manufacture or sale of radioactive materials, except purchases of medical equipment, measuring equipment and any equipment for which it can be shown that the source of radioactivity will be insignificant or adequately covered.

13. Construction and reconstruction of naval or military infrastructure, as well as weapons, military equipment and ammunition.

14. Commercial logging operations in primary rainforest.

15. Production or trade of wood products or other forest products from forests without the corresponding sustainable management plan.

16. Treatment projects of wastewater coming from fossil fuel operations (such as produced water from fracking).

17. Financing for waste treatment for the entity responsible for the contamination.

4.2 Selection and evaluation process of projects financed through Sustainable Bonds with Gender Perspective

To carry out a control of the resources obtained through the Sustainable Bond with Gender Perspective, Banobras' Treasury will designate a Monitoring Unit of the Bond Resources (conformed by members of the Treasury Department (3), Analysis and Sustainable Strategy Department (3) and Planning and Evaluation Department (2))²⁵. That Unit will work with the offices in charge of coordinating the implementation of the Gender Policy and the Environmental and Social Policy, as well as with the offices involved in the financing of sustainable infrastructure projects to select existing and future projects that: i) are aligned with the objectives and institutional strategy of Banobras in terms of Sustainable and Gender Banking Strategy and ii) belong to any of the Eligible Categories described in section 4.1.1.

For the selection of projects, Banobras has developed a two-stage approach to assess project eligibility:

1. The corresponding offices will provide information to the Monitoring Unit of the Resources of the Sustainable Bond with Gender Perspective so that it can filter and select the projects that have a positive environmental and/or

²⁵ It refers to the number of members of each Department that participate in the Monitoring Unit of Bond Resources.

social impact following the Eligible Categories described in section 4.1.1 of this Reference Framework.

2. The Monitoring Unit for the Resources of the Sustainable Bond with Gender Perspective will supervise the issuance of the Bond and will be in charge of approving the projects that qualify for the use of the resources under this Framework.

4.2.1 Risk Mitigation

To adopt the best practices in environmental and social risk management, Banobras has an Environmental and Social Risk Management System (SARAS) that is documented through the Environmental and Social Risk Management Manual (SARAS Manual).

The Banobras SARAS is the set of policies, procedures and methodologies based on compliance with the current legal framework in environmental and social matters and on the best international practices, which allow identifying, evaluating, mitigating and reducing the environmental and social risks associated with projects financed by the Bank.

SARAS is operated by a specialized technical area, called the Environmental and Social Management Unit (UGAS),

headed by the Environmental and Social Risk Management Department within the Credit Department. This area has specialized profiles in the management of these types of risks.

The scope of the SARAS is defined based on the type of operation and the credit amount. SARAS is applicable to the following operations:

1. Loans for Project Finance
2. Loans to financial intermediaries, with the exception of induced loans (guarantees, contingent lines, endorsements and counterparty transactions carried out with financial intermediaries by the trading desks).
3. Loans funded with external resources from international financial organizations and international green funds.

The scope of the SARAS will be progressive until it covers all the activities or projects financed by Banobras, so the SARAS Manual will be updated to modify the filter thresholds described or to include additional operations to those indicated in the preceding paragraphs, as evaluated by the UGAS with the approval of the authorities empowered to incorporate modifications to the SARAS Manual.



4.3 Management of Proceeds

The net resources obtained from the Sustainable Bond with Gender Perspective will be fully allocated before the expiration date of said bond within 36 months, in order to finance or refinance, in whole or in part, Eligible Projects that belong to any of the Eligible Categories described in section 4.1 Use of Proceeds and which may be:

1. Originated and disposed after the issuance of the bond.
2. Originated before the issuance of the bond and disbursed after the issuance of the bond.
3. Originated and disbursed before the issuance of the bond with an age of no more than 5 years and considering only the current credit amount.

Likewise, as a good market practice, Banobras will ensure continuous allocation such that the value of outstanding eligible loans remain equal or greater than the net proceeds.

Before fully allocation, the net resources of the bond will be invested in liquid instruments issued by The Federal Government, by the Institute for the Protection of Bank Savings, or by national banks with a AAA credit quality rating on a local scale.

For the administration of the resources, the Monitoring Unit of the Resources of the Sustainable Bond with Gender Perspective will have the following functions, including but not limited to:

- ◆ Carry out a follow-up of the outstanding balances of the financing disbursed to the Eligible Projects, so that projects are financed with the resources obtained by the Sustainable Bond with Gender Perspective.
- ◆ Instruct the investment of the resources of the Sustainable Bond with a Gender Perspective that are not funding Eligible Projects in the mentioned liquid instruments²⁶.
- ◆ Prepare a monthly report detailing the use of the resources obtained through the Sustainable Bond with Gender Perspective, which will be presented periodically to the Banobras Finance and Asset and Liability Management Committee. This information will be available for investors on an annual basis.

The projects financed with the Sustainable Bond with Gender Perspective would have a lookback period of 5 years, since the core business of Banobras is long-term financing (+15 years) and the majority of the credits have a cash disposal schedule between 2 and 5 years.

²⁶ Banobras' Deputy General Directorate of Finance will manage the resources of the Sustainable Bond, which will be allocated to eligible projects. Any portion of the net proceeds from the issue that have not been allocated due to the absence of eligible projects will be temporarily invested in accordance with the Bank's internal liquidity management policy, keeping them in liquid assets or bank accounts.

4.4 Impacts and Use of Proceeds Reports

Assignment reports

One year after the issuance of a Sustainable Bond with Gender Perspective, Banobras will publish a report on its website (<https://www.gob.mx/banobras/archivo/documentos>). The Banobras Sustainable Bond with Gender Perspective Report will be updated every year until full allocation, and then updated as needed in case of new developments.

The Banobras Sustainable Bond with Gender Perspective Report will contain at least the following:

1. Confirmation that the use of the resources of the Sustainable Bond with Gender Perspective complies with its Framework;
2. The amount of resources assigned to each Eligible Category;
3. The amount of resources assigned to each Eligible Category in which a clear gender perspective component is distinguished in accordance with the provisions of section 4.1.1. when it is applicable;
4. The balance of unallocated net resources;
5. Items of the impact report as described below.
6. The amount and percentage of resources assigned to refinancing.

Impact Reports

Banobras commits, as far as possible, to focus efforts to make reports of the indicators that can be considered for each eligible category. The reports will include statistics grouped by eligible category and, if feasible, an analysis of outstanding projects will be provided in the form of a Use Case Analysis.

Likewise, details will be provided on the calculation methodology for the indicators that may be required.

The proposed indicators for each eligible category are described below.



Eligible Category / Cross Sectional Indicator	Indicators
1. Affordable Basic Infrastructure	<p>Number of municipalities and federal entities; levels of marginalization observed; detail on service sectors (e.g. urbanization, electrification, sewage, housing, etc.)</p> <p>Indicators for municipalities with a female population above the national average.</p>
2. Infrastructure of Public Services	<p>Health sector: Geographical location of the medical units; Number of registered beds; Number and list of medical specialties; Number of beneficiaries.</p> <p>Education sector: Geographical location of educational establishments; Educational level corresponding to the schools; Student enrollment. In both sectors, as far as possible, the identification of beneficiaries by sex or specialized care will be carried out.</p>
3. Disaster recovery	States with natural disaster recovery projects and description (if available) of infrastructure recovered.
4. Sustainable transport	People/Users transported; Decrease in transfer times; Number of low emission transport units deployed; Annual GHG emissions reduced/avoided in tons of CO ₂ -equivalent per year; Socioeconomic value of freed travel time.
5. Renewable energy	Annual GHG emissions reduced/avoided in equivalent tons of CO ₂ ; Annual generation of renewable energy in MWh/GWh; Installed renewable energy capacity in MW.
6. Energy efficiency	Savings in electricity billing in the municipalities with Eligible Public Lighting Projects; Annual GHG emissions reduced/avoided in tons of CO ₂ equivalent as a result of lower electricity consumption.
7. Water efficiency and wastewater management	Volume of water or wastewater collected / stored / treated.
8. Pollution Prevention and Control	As far as possible, the direct beneficiaries of the projects.
9. Infrastructure and Public Support Services in Municipalities and Communities with High Levels of Insecurity and Violence against Women	Number and name of the municipalities benefited through the eligible projects developed within this category. Reduction in indicators of insecurity and violence, in particular, efforts will be made, to the extent possible, to indicate a reduction in violence against women.

Use Case Analysis. A use case belonging to an Eligible Category may be published, highlighting a brief description, location, characteristics of social and environmental impact and gender perspective. The foregoing to the extent of the permanence of the credit portfolio originated and the availability of information.



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5. External Review

The Banobras Sustainable Bond with Gender Perspective follows ICMA'S²⁷ SBC, SBP and GBP 2021, and in this sense, it must have, prior to the issuance of the Sustainable Bond with Gender Perspective based on this Framework, a second opinion of an independent third party that verifies the adherence of the Framework of the Sustainable Bond with Gender Perspective of Banobras to those guidelines.

This Second Opinion will be published on the website of the independent third party before the issuance of a bond, as well as in the Sustainability section of the Banobras website.

Before the first anniversary of the issuance of the Sustainable Bond with Gender Perspective, Banobras will request an independent third party to review the credits financed with the Banobras Sustainable Bond with Gender Perspective, to assess the compliance of the credits with the “Banobras Sustainable Bonds with Gender Perspective Framework”.

This review will be carried out every year until total allocation of the Bond resources. The independent third party will provide a review report, which Banobras will publish on its website (<https://www.gob.mx/banobras/documentos/bonos-sustentables-con-perspectiva-de-genero?state=published>). In case the annual review identifies allocations for projects that do not comply with Banobras' Framework for Sustainable Bonds with Gender Perspective, Banobras will allocate the corresponding amounts to different projects that comply with the Framework for Sustainable Bonds with Gender Perspective or will invest these resources in liquid instruments.



²⁷ <https://bit.ly/3cXKi8b>

<https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Social-Bond-Principles-June-2021-140621.pdf>

<https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/>

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