

# Banco Nacional de Obras y Servicios Públicos, Sociedad Nacional de Crédito (Banobras)

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**Engagement Team:**

John-Paul Iamonaco, [john-paul.iamonaco@morningstar.com](mailto:john-paul.iamonaco@morningstar.com), (+1) 416 861 0403

Han Xing, [han.xing@morningstar.com](mailto:han.xing@morningstar.com)

## Introduction

In October 2022, Banco Nacional de Obras y Servicios Públicos, S.N.C. (“Banobras” or the “Bank”) issued two sustainable bonds with a gender perspective to finance investments in affordable basic infrastructure, public services infrastructure and sustainable transportation, under the Banobras Sustainable Bonds with Gender Perspective Framework dated September (“the Framework”).<sup>1</sup> In October 2023, Banobras engaged Sustainalytics to review the projects financed with proceeds from the 2022 sustainability bond issuances and provide an assessment as to whether the projects met the use of proceeds criteria and the reporting commitments outlined in the Framework.

## Evaluation Criteria

Sustainalytics evaluated the projects and assets funded with proceeds from the 2022 sustainability bonds, namely BANOB 22X and BANOB 22-2X, based on whether they:

1. Met the use of proceeds and eligibility criteria defined in the Framework; and
2. Reported on at least one key performance indicator (KPI) for each use of proceeds category defined in the Framework.

**Table 1: Use of Proceeds Categories and Eligibility Criteria**

Use of Proceeds Category	Eligibility Criteria
<b>Affordable basic infrastructure</b>	<p>Public Works, basic social actions and investments that directly 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 Law, including:</p> <ul style="list-style-type: none"> <li>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 improvement.</li> <li>B) Paving rural roads, sidewalks building/repairing and sports facilities.</li> </ul> <p>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.</p> <p>The projects considered under this category could be financed by the Banobras- FAIS Program or by granting direct loans to states and municipalities.</p> <p>Infrastructure projects related to the Urbanization category are established in the Contribution Fund for Social Infrastructure (FAIS) Guidelines. 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</p>

<sup>1</sup> The Banobras Sustainable Bonds with a Gender Perspective Framework, is available at: [https://www.gob.mx/cms/uploads/attachment/file/763440/27092022\\_Ingles\\_Informe\\_Sustentable\\_Septiembre\\_vf\\_autorizado.pdf](https://www.gob.mx/cms/uploads/attachment/file/763440/27092022_Ingles_Informe_Sustentable_Septiembre_vf_autorizado.pdf)

	<p>urbanized or developable areas, such as subdivisions, mergers, relocations, 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.</p>
<b>Public services infrastructure</b>	<p>Development, construction, installation, operation and improvement of infrastructure for the provision of public services, including:</p> <ul style="list-style-type: none"> <li>A) Public infrastructure for health services, education and professional training, such as hospitals, considering those that provide several medical specialties, health clinics, educational establishments, training centers for low-income populations. 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.</li> <li>B) Infrastructure that promotes coexistence between socially vulnerable groups such as cultural centers, childcare centers, sports centers, feeding centers, mental health therapy centers and rescue of public spaces. This infrastructure will be accessible to all the population regardless of their ability to pay for it.</li> <li>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).</li> </ul>
<b>Sustainable transportation</b>	<p>Any project related to low-energy or low-carbon public transportation assets, systems, infrastructure, components or services, including:</p> <ul style="list-style-type: none"> <li>A) Acquisition and maintenance of electric or hydrogen powered buses or public transport vehicles.</li> <li>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 and Trains.</li> <li>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 trains, or;</li> <li>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.</li> <li>E) Any type of electric mobility equipment (for example, motorcycles, bicycles, scooters, and segways) or passenger vehicles (cars) that have an emission threshold at or below 50gCO<sub>2</sub>/km<sup>12</sup> that aim to improve mobility in order to provide any public service.</li> </ul>

	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.
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**Table 2: Use of Proceeds Categories and Associated Key Performance Indicators**

Use of Proceeds	Key Performance Indicators
<b>Affordable basic infrastructure</b>	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.
<b>Public services infrastructure</b>	<u>Health sector:</u> Geographical location of the medical units; Number of registered beds; Number and list of medical specialties; Number of beneficiaries.  <u>Education sector:</u> 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.
<b>Sustainable transportation</b>	People/Users transported; Decrease in transfer times; Number of low emission transport units deployed; Annual GHG emissions reduced/avoided in tons of CO <sub>2</sub> -equivalent per year; Socioeconomic value of freed travel time.

## Issuer's Responsibility

Banobras is responsible for providing accurate information and documentation relating to the details of the funded projects, including description of projects, amounts allocated and project impact.

## Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from Banobras' sustainability bonds. The work undertaken as part of this engagement included collection of documentation from Banobras and review of said documentation to assess conformance with the Banobras Sustainable Bonds with Gender Perspective Framework.

Sustainalytics relied on the information and the facts presented by Banobras. Sustainalytics is not responsible nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by Banobras.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight of the review.

## Conclusion

Based on the limited assurance procedures conducted,<sup>2</sup> nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed projects do not conform with the use of proceeds criteria and reporting commitments in the Framework. Banobras has disclosed to Sustainalytics that the proceeds from the sustainability bonds were fully allocated as of 21 October 2022.

<sup>2</sup> Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the funded projects, including description of projects, their estimated and realized costs and impact, as provided by the issuing entity, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

## Detailed Findings

Table 3: Detailed Findings

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
<b>Use of Proceeds Criteria</b>	Verification of the projects funded with proceeds from the 2022 sustainable bonds to determine if projects aligned with the use of proceeds criteria outlined in the Framework and Table 1 above.	All projects reviewed complied with the use of proceeds criteria	None
<b>Reporting Criteria</b>	Verification of the projects funded with proceeds from the 2022 sustainable bonds to determine if impact of projects was reported in line with the KPIs outlined in the Framework and Table 2 above.	All projects reviewed reported on at least one KPI per use of proceeds criteria.	None

## Appendix

### Appendix 1: Allocation and Reported Impact

Banobras has identified projects financed between October 2017 and July 2022, that are eligible for funding by the BANO 22X and BANO 22-2X issuances for a total amount of MXN 4.4 billion.

Use of Proceeds Category	Eligible Projects Financed and Reported Impact	Net Proceeds Allocation (MXN billion)
<b>Affordable basic infrastructure</b>	Funding provided to 43 projects through the Banobras-FAIS Program, including one operation for a state government and 42 loans to municipalities located in the states of Aguascalientes, Chiapas, Chihuahua, Hidalgo, Jalisco, Michoacán, Nuevo León and Veracruz de Ignacio de la Llave. Banobras has reported the level of social marginalization for each project, ranging from very low to very high level of social marginalization. Additionally, Banobras has reported service sectors of projects, including drinking water, sewer, drainage, urbanization, electrification, basic infrastructure for health and education sectors. Additionally, Banobras has reported municipalities with female populations above the national average.	1.1
	Funding provided to 47 projects <sup>3</sup> developed by subnational governments located in the states of Durango, Chiapas, Mexico, Nuevo León, Tamaulipas and Veracruz de Ignacio de la Llave. Projects include six public parks, one central municipal square, seven public sports units, 11 works related to rural road paving and sidewalk building/repairing; 17 works that increase access to drinking water and sewage services; four electrification projects and one work to improve basic educational spaces. Banobras has reported gender perspectives for each of these projects.	
<b>Public services infrastructure</b>	Funding provided to one project in the healthcare sector, involving the construction of two Neonatal Intensive Care Units located in Manzanillo and Colima, and three projects in the educational sector, which include a Cultural Laboratory located in Monterrey, Nuevo León, a Transition Center for the Social Assistance of Girls, Boys and Adolescents "Monarcas" located in Escobedo, Nuevo León and an Artistic, Leisure and Cultural Center (CALUC) located in Zapopan, Jalisco.	0.4
<b>Sustainable Transportation</b>	Funding provided to the Cablebus project for the development of sustainable mobility systems through the construction of Line 1 and Line 2 of Mexico City Cablebús that serves densely populated and marginalized areas of Mexico City, reducing travel times and providing safe and innovative service. The Cablebus project aims to reduce 16,653 tons of CO2 emissions annually.  <b>Line 1:</b> People/Users transported: 55,000 users daily Decrease in transfer times: From 90 to 33 minutes Number of low emission transport units deployed: 1 Annual GHG emissions reduced/avoided in tons of CO2-equivalent per year: 2,738.	3.1

<sup>3</sup> Banobras has communicated to Sustainalytics that all 47 projects comply with the Contribution Fund for Social Infrastructure (FAIS) Guidelines.

	<p>Socioeconomic value of freed travel time: Social savings of MXN 494.5 million annually</p> <p><b>Line 2:</b></p> <p>People/Users transported: 75,000 users daily</p> <p>Decrease in transfer times: From 80 to 40 minutes</p> <p>Number of low-emission transport units deployed: 1</p> <p>Annual GHG emissions reduced/avoided in tons of CO2-equivalent per year: 9,299</p> <p>Socioeconomic value of freed travel time: Social savings of MXN 473.2 million annually</p>	
<b>Total Allocated Amount (MXN Billion)</b>		4.6
<b>Percentage of Refinancing</b>		100% <sup>4</sup>

<sup>4</sup> Pro-rata computation on proceeds to MXN 4.4 billion given that a total of MXN 4.6 billion was allocated by Banobras to assets refinanced.

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