

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

Type of Engagement: Annual Review

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Introduction

In 2023, Banco Nacional de Obras y Servicios Públicos, S.N.C. (“Banobras” or the “Issuer”) issued two sustainable bonds with a gender perspective, namely BANO 23X and BANO 23-2X, to refinance investments in public services infrastructure and sustainable transportation (the “2023 Sustainable Bonds”). In 2024, Banobras engaged Sustainalytics to review the projects financed with proceeds from the 2023 Sustainable Bonds (the “Nominated Projects”), and provide an assessment as to whether the projects meet the use of proceeds criteria and the reporting commitments outlined in the Banobras Sustainable Bonds with Gender Perspective Framework (“the Framework”)¹. Sustainalytics provided a Second-Party Opinion on the Framework in August 2022.² This is Sustainalytics’ second annual review of allocation and reporting of the instruments issued under the Framework, following a previous review in October 2023.³

Evaluation Criteria

Sustainalytics evaluated the Nominated Projects based on whether they:

1. Meet 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.

¹ The Banobras Sustainable Bonds with a Gender Perspective Framework (2022), is available at: https://www.gob.mx/cms/uploads/attachment/file/763440/27092022_Ingles_Informe_Sustentable_Septiembre_vf_authorized.pdf

² Sustainalytics, “Second-Party Opinion, Banobras”, (2021), at:

<https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/banobras-sustainable-bonds-with-gender-perspective-framework-second-party-opinion.pdf>

³ Sustainalytics, “Annual Review, Banobras”, (2023), at:

<https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/banobras-annual-review-2023.pdf>

Table 1: Use of Proceeds Categories and Eligibility Criteria

Use of Proceeds Category	Eligibility Criteria
Public services infrastructure	<p>Development, construction, installation, operation and improvement of infrastructure for the provision of public services, including:</p> <ol style="list-style-type: none"> I. 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 populations⁴. 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. II. Infrastructure that promotes coexistence between socially vulnerable groups⁵ such as cultural centers, childcare centers, sports centers, feeding centers, mental health therapy centers and rescue of public spaces⁶. This infrastructure will be accessible to all the population regardless of their ability to pay for it. III. 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).
Sustainable transportation	<p>Any project related to low-energy or low-carbon public transportation assets, systems, infrastructure, components or services, including:</p> <ol style="list-style-type: none"> I. Acquisition and maintenance of electric or hydrogen powered buses or public transport vehicles. II. 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. III. 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 trains⁷, or; IV. 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

⁴ 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.

⁵ 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, Afro-descendants, Religious beliefs, Ethnicity, Migrants and refugees, Women, Children, People with disabilities, People with HIV, Sexual diversity, Youth, Domestic workers.

⁶ 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.

⁷ 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.

	<p>means of clean public transportation, monitoring and control systems, passenger safety systems and infrastructure along with paths and parking for bikes.</p> <p>V. 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 50gCO₂/km⁸ that aim to improve mobility in order to provide any public service.</p> <p>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.</p>
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Table 2: Use of Proceeds Categories and Associated Key Performance Indicators

Use of Proceeds	Key Performance Indicators
Public services infrastructure	<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.</p> <p>In both sectors, as far as possible, the identification of beneficiaries by sex or specialized care will be carried out.</p>
Sustainable transportation	<p>People/Users transported; Decrease in transfer times; Number of low emission transport units deployed; Annual GHG emissions reduced/avoided in tons of CO₂-equivalent per year; Socioeconomic value of freed travel time.</p>

⁸ 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.

Issuer's Responsibility

Banobras is responsible for providing accurate information and documentation relating to the details of the funded projects, including descriptions 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' 2023 Sustainable 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,⁹ 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 Banobras Sustainable Bonds with Gender Perspective Framework. Banobras has disclosed to Sustainalytics that the proceeds from the 2023 Sustainable Bonds (BANOB 23X & BANOB 23-2X) were fully allocated as of December 2023.

Detailed Findings

Table 3: Detailed Findings

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the Nominated Projects to determine alignment with the use of proceeds criteria outlined in the Framework.	All projects reviewed complied with the use of proceeds criteria.	None
Reporting Criteria	Verification of the Nominated Projects to determine if impact was reported in line with the KPIs outlined in the Framework.	All projects reviewed reported on at least one KPI per use of proceeds category.	None

⁹ Sustainalytics' limited assurance process includes reviewing documentation relating to details of projects, as provided by the issuing entity, which is responsible for providing accurate information. These may include descriptions of projects, estimated and realized costs, and reported impact. Sustainalytics has not conducted on-site visits to projects.

Appendix

Appendix 1: Allocation and Reported Impact

Banobras has identified projects financed between March 2018 and July 2022 that are eligible for funding by the two sustainability bond issuances, namely BANOB 23X (2,793 million pesos) and BANOB 23-2X (3,690 million pesos) for a total amount of MXN 6.48 billion (equivalent to USD 343.1 million)¹⁰. 100%¹¹ of the net proceeds from the issuances were used to refinance existing projects.

Use of Proceeds Category	Eligible Projects Financed and Reported Impact	Portfolio Balance ¹² (USD million)
Public services infrastructure	<p>Funding provided to multiple projects in the education sector located in all 32 federative entities of Mexico, supported through the Escuelas al CIEP Program¹³ which derives resources from the Multiple Contributions Fund (or FAM-Fondo de Aportaciones Múltiples). This translates to the following impacts:</p> <ul style="list-style-type: none"> • 3,356 campuses included (90% elementary level, 7% high school and 3% university level) and 68% of these campuses have a female majority. • 916,759 students are enrolled and over 50% are female. 	297.9
Sustainable transportation	<p>The proceeds from the issuance of sustainable bonds was used to refinance a mass public transportation service project denominated Mi Macro Periférico.</p> <ul style="list-style-type: none"> • The project is 41.5 kilometers long, has 42 stations and 300 low emission busses. It has over 300 thousand daily users and has 1.5 hours of travel time in the metropolitan area. The project saves less than an hour of travel and helps to avoid 10,500 tCO₂ emissions¹⁴ annually. 	94.6
Total balance of the loan portfolio (USD million)		392.5

¹⁰ Exchange rate at issuance date (17 March 2023): 18.8977 pesos per dollar.

¹¹ Pro-rata computation on proceeds to USD 343.1 million given that a total of USD 392.5 million was allocated by Banobras to assets refinanced.

¹² As of December 2023.

¹³ One of the largest programmes developed by the Mexican Government for the rehabilitation and improvement of educational establishments in the country.

¹⁴ According to the Land Transport Criteria (Version 2) methodology, the calculation of CO₂ emissions per p-km of the "Mi Macro Periférico" project stands at 18.6gCO₂/ km; GHG emissions under 50gCO₂/p-km.

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