

Banco Nacional de Obras y Servicios Públicos, S.N.C.

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Engagement Team:

Aishwarya Ramchandran, aishwarya.ramchandran@morningstar.com

Camilo Barrientos, camilo.barrientos@morningstar.com

Introduction

In May 2024, Banco Nacional de Obras y Servicios Públicos, S.N.C. (“Banobras” or the “Issuer”) issued a sustainable bond with a gender perspective, namely BANOB 24X, to refinance investments in public services infrastructure and sustainable transportation in Mexico. In 2025, Banobras engaged Sustainalytics to review the projects financed with proceeds from the BANOB 24X bond (the “Nominated Expenditures”) and provide an assessment as to whether they meet the use of proceeds criteria and whether Banobras complied with the reporting commitments 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’ third annual review of allocation and reporting of the instruments issued under the Framework, following a previous review in March 2024.³

Evaluation Criteria

Sustainalytics evaluated the Nominated Expenditures and Banobras’ reporting 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 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 Sustainable Bonds with Gender Perspective Framework”, (2022), at:

[https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/banobras/banobras-sustainable-bonds-with-gender-perspective-framework-second-party-opinion-\(2022\)/banobras-sustainable-bonds-with-gender-perspective-framework-second-party-opinion-\(2022\)](https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/banobras/banobras-sustainable-bonds-with-gender-perspective-framework-second-party-opinion-(2022)/banobras-sustainable-bonds-with-gender-perspective-framework-second-party-opinion-(2022))

³ Sustainalytics, “Annual Review, Banobras”, (2024), at: [https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/banobras/banco-nacional-de-obras-y-servicios-p%C3%BAblicos-s.n.c.-\(banobras\)-annual-review-\(2024\)/banco-nacional-de-obras-y-servicios-p%C3%BAblicos-s.n.c.-\(banobras\)-annual-review-\(2024\)](https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/banobras/banco-nacional-de-obras-y-servicios-p%C3%BAblicos-s.n.c.-(banobras)-annual-review-(2024)/banco-nacional-de-obras-y-servicios-p%C3%BAblicos-s.n.c.-(banobras)-annual-review-(2024))

Table 1: Use of Proceeds Categories, Eligibility Criteria and Associated KPIs⁴

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 populations.⁵ 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 groups⁶ such as cultural centers, childcare centers, sports centers, feeding centers, mental health therapy centers and rescue of public spaces.⁷ 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). <p>This category includes various projects in the education sector, supported through the <i>Escuelas al CIEN</i> Program, an initiative created by the Mexican Government to improve the quality of school facilities and ensure appropriate conditions for children's education.</p>
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 trains⁸, or; IV. Design, construction, operation, and maintenance of infrastructure for low carbon transport, including: Infrastructure and infrastructure improvements

⁴ The Nominated Expenditures are in the categories Public Services Infrastructure and Sustainable Transportation.

⁵ 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.

⁶ When discrimination focuses historically and systematically against people that belong to a specific group, this entails 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.

⁷ 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.

⁸ 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>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.</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/km⁹ 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: 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>

Issuer's Responsibility

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

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from Banobras' BANOB 24X bond. The work undertaken as part of this engagement included collection of documentation from Banobras and review of said documentation to assess conformance with the Sustainable Bond 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.

⁹ 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.

Conclusion

Based on the limited assurance procedures conducted,¹⁰ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the Nominated Expenditures 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 BANOBS 24X bond were fully allocated as of May 2024.

Detailed Findings

Table 3: Detailed Findings

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

¹⁰ 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 June 2020 and December 2023 that are eligible for funding by the BANO 24X bond for a total amount of MXN 8.3 billion (equivalent to USD 491.3 million).^{11,12} 100%¹³ of the net proceeds from the issuance were used to refinance existing projects.

Use of Proceeds Category	Eligible Projects Financed and Reported Impact	Portfolio Balance ¹⁴ (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 CIEN Program¹⁵ 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"> • 5,495 campuses included (91% elementary level, 6% middle schools and 3% high schools) • 42% of these campuses have a female majority out of a total of 1,374,849 students enrolled. • 26% of the municipalities where the campuses are located have a medium, high, or very high level of marginalization. 	256.3
Sustainable Transportation	<p>The proceeds from the issuance of BANO 24X were used to refinance the development of low carbon and low energy transportation projects, including Mexicable, in Ecatepec de Morelos and Tlalnepantla de Baz in the State of Mexico.</p> <ul style="list-style-type: none"> • The project is an 8.25-kilometre-long cable car, with 7 stations and 200 cabins each with a capacity of 10 passengers. It has over 40 thousand daily users and will reduce travel times by over 45 minutes. This helps to avoid 17,000 tCO₂ emissions annually. <p>Additionally, financing for the development of sustainable transportation projects with a focus on gender and vulnerable populations in various neighbourhoods in Mexico City.¹⁶ The projects include:¹⁷</p> <p>i) A public transportation corridor for Metrobús Line 5.</p> <ul style="list-style-type: none"> • The corridor is 28.5 kilometres long with 51 stations. It benefits 5.6 million people and has a daily ridership of 270 thousand while reducing travel times by 30%. The project avoids 44,585 tCO₂ annually. • The project will include the “Safe and Secure Traveling for Women” Program and gender related training for personnel and police to promote safe public transportation spaces. <p>ii) Electric trolleybus transportation system.</p>	285.3

¹¹ The period to identify projects financed was communicated to Sustainalytics. The Issuer has further communicated that this period considered the first disbursement made by the financed projects.

¹² Exchange rate on the date of issuance: MXN 16.8947 per dollar.

¹³ Pro-rata computation on proceeds to USD 491.3 million given that a total of USD 541.5 million was allocated by Banobras to assets refinanced.

¹⁴ As of April 2024. Exchange rate at the end of April 2024: MXN 17.0958 per dollar.

¹⁵ One of the largest programmes developed by the Mexican Government for the rehabilitation and improvement of educational establishments in the country.

¹⁶ Neighbourhoods include: Gustavo A. Madero, Venustiano Carranza, Iztacalco, Iztapalapa, Coyoacán, Tlalpan, Xochimilco, Iztapalapa, Álvaro Obregón, Miguel Hidalgo, Cuauhtémoc, Benito Juárez, Iztacalco and Coyoacán.

¹⁷ Banobras has communicated to Sustainalytics that the metrobus has actual emissions of 5 gCO₂/passenger-kilometer, which is below the 50 gCO₂/passenger-kilometer threshold established in the Framework. Meanwhile, the electric trolleybus and metro are zero-emission transport.

	<ul style="list-style-type: none"> • The project is 7.6 kilometres long with 11 stations. It benefits 1.8 million people and has over 76 thousand daily riders and will reduce travel times by 40 minutes. The trolleybuses have a 50% increase in energy efficiency. • The system also includes guidelines to prevent sexual violence in public transport. <p>iii) Modernization of the Buen Tono substation of Line 1 of the Collective Transportation System (Metro).</p> <ul style="list-style-type: none"> • The project includes the replacement of an 85-kilovolt high-voltage substation, 17 rectifier substations, and the medium-voltage and traction power cabling. A total of 700 meters of underground galleries were constructed, including three circular sections. The project includes 65 stations which serve 3.1 million daily passengers. The supply of electricity is guaranteed for train traffic as well as optimal operation of escalators elevators, ticket offices, toll card refill machines and turnstiles. 	
Total balance of the loan portfolio (USD million)	541.5	

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