

Corpovael S.A.B. de C.V.

POST-ISSUANCE VERIFICATION LETTER

LOW CARBON BUILDINGS CRITERIA OF THE CLIMATE BONDS STANDARD

Type of engagement: Assurance Engagement

Period engagement was carried out: October 2022

Approved verifier: Sustainalytics

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Scope and Objectives

In December 2020, Corpovael S.A.B. de C.V. (CADU) issued a Certified Climate Bond (CADU 20V or the “CADU Green Bond”) aimed at financing low-carbon residential buildings. In October 2022, CADU engaged Sustainalytics to review the projects financed or refinanced between July 2019 to June 2021 through the issued green bond (the “Nominated Projects”) and provide an assessment as to whether the Nominated Projects met the Post-Issuance Requirements of the Low Carbon Buildings¹ criteria of the Climate Bonds Standard Version 3.0². Sustainalytics provided a pre-issuance verification in August 2020.³

The Nominated Projects include:

- Residential buildings that obtained the ECO CASA Programme certification with a minimum IDG “E” level⁴

Schedule 1 provides details of the Nominated Projects and disbursement of proceeds.

Post-Issuance Evaluation Criteria

Post-issuance Requirements of the Climate Bonds Standard Version 3.0:

- Use of Proceeds
- Evaluation and Selection of Projects & Assets
- Management of Proceeds
- Reporting

Issuing Entity’s Responsibility

CADU is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, total development cost of each project and disbursed amounts.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of the CADU Green Bond, issued to finance the Nominated Projects, and provided

¹ Climate Bonds Initiative, Low Carbon Buildings Criteria under the Climate Bonds Standard, at:

https://www.climatebonds.net/files/files/standards/Buildings/Low%20Carbon%20Building%20Criteria_V_1_1_July2020.pdf

² Climate Bonds Initiative, Climate Bonds Standard Version 3.0, at:

https://www.climatebonds.net/files/files/Climate%20Bonds_Standard_Version%203_0_December%202017.pdf

³ Sustainalytics, “CADU Climate Bonds Standard Pre-Issuance Verification”, (2020), at: <https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/corpovael-s-a-b-de-c-v/cadu-climate-bonds-standard-pre-issuance-verification/cadu-climate-bonds-standard-pre-issuance-verification-pdf>

⁴ An IDG “E” level represents buildings that achieve a GHG emission reduction from 20% to 40%. Sustainalytics notes that a 20% carbon reduction target complies with CBI’s standard for bonds with a tenor of up to 10 years; bonds including assets meeting this criterion must not have longer tenors in order to be covered by this verification. The baseline is based in the ECO CASA programme of Mexico’s Federal Mortgage Society (Spanish: Sociedad Hipotecaria Federal, SHF).

an independent opinion informing CADU as to the conformance of the green bond with the Post-Issuance Requirements and criteria of the Climate Bonds Standard.

Sustainalytics has relied on the information and the facts presented by CADU with respect to the Nominated Projects. Sustainalytics is not responsible, nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by CADU.

Sustainalytics makes all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the CADU Green Bond.

Verifier's Responsibility

Sustainalytics conducted the verification in accordance with the Climate Bonds Standard Version 3.0 and with International Standard on Assurance Engagements 3000 (ISAE 3000) – Assurance Engagements other than Audits or Reviews of Historical Financial Information.

The work undertaken as part of this engagement included conversations with relevant CADU employees and review of relevant documentation to assess the conformance of the CADU Green Bond with the Post-Issuance Requirements of the Climate Bonds Standard Version 3.0.

Exceptions

No exceptions were identified. All projects aligned with the Post-Issuance Requirements of the Climate Bonds Standard Version 3.0 and were in conformance with the low carbon buildings criteria.

Conclusion

Based on the limited assurance procedures conducted and evidence obtained, nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the allocation of MXN 502 million (USD 25 million) from the CADU Green Bond is not in conformance with the Post-Issuance Requirements of the Climate Bonds Standard.

Schedule 1: Detailed Overview of Nominated Projects

CADU has confirmed that all the Nominated Projects have achieved at least a minimum reduction of 20% in CO₂ emissions against the baseline determined by Mexico's Federal Mortgage Society (Sociedad Hipotecaria Federal) and measured with the tool for the Energy Efficient Design of Housing (DEEVi).

Low-carbon residential buildings:

Project	Date of construction	Number of units	IDG	Financed Amount (MXN million)
Aldea Tulum	June 2021 – March 2022	890	690 level C 200 level D	290,610,106
Pescadores II Etapa 4	July 2019 – February 2020	41	Level D	11,282,936
Pescadores II Etapa 5	July 2020 – December 2020	294	Level D	82,576,598
Barrio Cielo Nuevo Etapa 1	July 2019 – July 2020	374	Level C	99,914,078
Total ⁵	–	1,599	1,064 level C 535 level D	484,383,718

⁵ Related transaction costs amounted to MXN 18,344,824, for a combined total of MXN 502,728,542.

Schedule 2A: Post-Issuance Requirements of the Climate Bonds Standard

<p>Use of Proceeds</p>	<p>5.1 The Net Proceeds of the Bond shall be allocated to the Nominated Projects.</p> <p>5.2 All Nominated Projects shall meet the documented objectives of the Bond as stated under Clause 6.1.1 and shall be in conformance with the requirements of Part C of the Climate Bonds Standard.</p> <p>5.3 The Issuer shall allocate the Net Proceeds to Nominated Projects within 24 months of issuance of the Bond, or the Issuer shall disclose in post-issuance reporting as per clause 8.3 the estimated timeline for allocation of net proceeds to Nominated Projects. Net proceeds may be reallocated to other Nominated Projects at any time while the Bond remains outstanding.</p> <p>5.4 Nominated Projects shall not be nominated to other Certified Climate Bonds, Certified Climate Loans, Certified Climate Debt Instruments, green bonds, green loans or other labelled instruments (such as social bonds or SDG bonds) unless it is demonstrated by the Issuer that:</p> <p>5.4.1. distinct portions of the Nominated Projects are being funded by different Certified Climate Bonds, Certified Climate Loans, Certified Climate Debt Instruments, green bonds, green loans or other labelled instruments or;</p> <p>5.4.2. the existing Certified Climate Bond, Certified Climate Loan or Certified Climate Debt Instrument is being refinanced via another Certified Climate Bond, Certified Climate Loan or Certified Climate Debt Instrument.</p> <p>5.5 Where a proportion of the Net Proceeds of the Bond are used for refinancing, the Issuer shall track the share of the Net Proceeds used for financing and refinancing and identify which Nominated Projects may be refinanced. This may also include the expected look-back period for refinanced Nominated Projects.</p> <p>5.6 The Net Proceeds of the Bond shall be tracked by the Issuer following a formal internal process which is documented in accordance with Clause 3.1.</p> <p>5.7 The Net Proceeds of the Bond shall be no greater than the Issuer’s total investment exposure or debt obligation to the Nominated Projects, or the relevant proportion of the total Market Value of the Nominated Projects which are owned or financed by the Issuer.</p> <p>5.8 Additional Nominated Project & Assets may be added to, or used to substitute or replenish, the portfolio of Nominated Project & Assets as long as the additional Nominated Project & Assets are eligible under Part C of the Climate Bonds Standard and are consistent with the Bond’s objective as set out in Clause 6.1.1.</p> <p>5.8.1. Where additional Nominated Projects are covered by Sector Eligibility Criteria which were not included in the scope of either the Pre-Issuance Verification or the Post-Issuance Verification engagements, the Issuer shall engage a Verifier to provide a Verifier’s Report covering at least the conformance of the additional Nominated Projects with the relevant Sector Eligibility Criteria under Part C of the Climate Bonds Standard.</p>
<p>Process for Evaluation and Selection of Projects & Assets</p>	<p>6.1 The Issuer shall document and maintain a decision-making process which it uses to determine the continuing eligibility of the Nominated Projects. This includes, without limitation:</p> <p>6.1.1. A statement on the climate-related objectives of the Bond;</p> <p>6.1.2. How the climate-related objectives of the Bond are positioned within the context of the Issuer’s overarching objectives, strategy, policy and/or processes relating to environmental sustainability;</p>

	<p>6.1.3. The Issuer’s rationale for issuing the Bond;</p> <p>6.1.4. A process to determine whether the Nominated Projects meet the eligibility requirements specified in Part C of the Climate Bonds Standard;</p> <p>6.1.5. Other information provided by the Issuer as described in Clause 2.2</p>
Management of Proceeds	<p>7.1 The Net Proceeds of the Bond shall be credited to a sub account, moved to a sub-portfolio or otherwise identified by the Issuer in an appropriate manner, and documented.</p> <p>7.2 The Issuer of the Bond shall maintain the earmarking process to manage and account for allocation of Net Proceeds to the Nominated Projects as described in Clause 3.1.3</p> <p>7.3 While the Bond remains outstanding, the balance of the tracked Net Proceeds shall be reduced by amounts allocated to Nominated Projects. Pending such allocations to Nominated Projects, the balance of unallocated Net Proceeds shall be:</p> <p>7.3.1. Held in temporary investment instruments that are cash, or cash equivalent instruments, within a Treasury function; or</p> <p>7.3.2. Held in temporary investment instruments that do not include greenhouse gas intensive projects which are inconsistent with the delivery of a low carbon and climate resilient economy; or</p> <p>7.3.3. Applied to temporarily reduce indebtedness of a revolving nature before being redrawn for investments or disbursements to Nominated Projects.</p>
Reporting – Post-issuance	<p>8.1 The Issuer shall prepare an Update Report at least annually while the Bond remains outstanding.</p> <p>8.1.2. The Update Report shall be made available to holders of the Bond and to the Climate Bonds Standard Board.</p> <p>8.1.3. The Issuer should provide an Update Report to holders of the Bond on a timely basis in case of material developments.</p>

Schedule 2B: Conformance to the Post-Issuance Requirements of the Climate Bonds Standard

Evaluation Criteria	Factual Findings	Error or Exceptions Identified
Use of Proceeds	<p>5.1 A list of Nominated Projects is provided in Schedule 1.</p> <p>5.2 The Nominated Project & Assets meets the documented objectives of the finance and are in conformance with the requirements of Part C of the Climate Bonds Standard.</p> <p>5.3 The Net Proceeds have been allocated to Nominated Projects within six months (between December 21, 2020, to June 1, 2021) of issuance of the bond.</p> <p>5.4 CADU confirms that the Nominated Projects have not be nominated to other Certified Climate Bonds, Certified Climate Loans, Certified Climate Debt Instruments, green bonds, green loans or other labelled instruments (such as social bonds or SDG bonds).</p> <p>5.5 CADU confirmed that it has tracked the share of the Net Proceeds from CADU 20V in a separate bank account.</p> <p>5.6 The CADU Green Bond Framework⁶ documents that the Net Proceeds were tracked following a formal internal process.</p> <p>5.7 CADU has confirmed that the Net Proceeds raised are no greater than the total investment exposure or debt obligation to the Nominated Projects which are owned or financed by the Issuer.</p> <p>5.8 N/A</p> <p>5.8.1 N/A</p>	None
Process for Evaluation and Selection of Projects & Assets	<p>6.1 The CADU Green Bond Framework documents a decision-making process which it uses to determine the continuing eligibility of the Nominated Projects. This includes, without limitation:</p> <p>6.1.1 A statement on the climate-related objectives of the financing;</p> <p>6.1.2 How the climate-related objectives of the financing are positioned within the context of the CADU's overarching objectives, strategy, policy and/or processes relating to environmental sustainability;</p> <p>6.1.3 CADU's rationale for issuing the bond;</p> <p>6.1.4 A process to determine whether the Nominated Project meet the eligibility requirements specified in the Climate Bonds Standard;</p> <p>6.1.5 Other information provided by CADU as described in Clause</p>	None
Management of Proceeds	<p>7.1 CADU confirmed that Net Proceeds of the bond were credited to a separate account and identified by CADU in an appropriate manner, and documented.</p>	None

⁶ CADU, "CADU Green Bond Framework", (2020), at: <https://www.climatebonds.net/files/files/CADU%20Green%20Bond%20Framework.pdf>

	<p>7.2 CADU confirmed that it maintained an earmarking process to manage and account for allocation of Net Proceeds to the Nominated Projects.</p> <p>7.3 CADU has confirmed that while the financing remained outstanding, the balance of the tracked Net Proceeds were reduced by amounts allocated to Nominated Projects. Pending allocation, the Net Proceeds were held in cash equivalent and deployed when required.</p>	
<p>Reporting – Post-issuance</p>	<p>8.1. CADU is committed to preparing an Update Report at least annually while the financing remains outstanding.</p> <p>8.1.2. The Update Report will be made available to the lenders and to the Climate Bonds Standard Board.</p> <p>8.1.3. CADU will provide an Update Report to the lenders on a timely basis in case of material developments.</p>	<p>None</p>

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