

Comisión Federal de Electricidad

Type of Engagement: Annual Review

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Engagement Team:

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Introduction

Since 2022, Comisión Federal de Electricidad (“CFE” or the “Company”) issued twenty labelled bonds,¹ (collectively, the “Sustainable Financing Instruments”) and raised MXN 64,740.30 million² to finance and refinance projects and assets related to renewable energy, energy efficiency, climate change adaptation and resilience and access to free or subsidized essential services such as fixed wireless broadband projects. In July 2025, CFE engaged Sustainalytics to review the projects financed with proceeds from the Sustainable Financing Instruments (the “Nominated Expenditures”) and provide an assessment as to whether they met the use of proceeds criteria and whether CFE complied with the reporting commitments in the 2022 CFE Sustainable Financing Framework³ which was updated in November 2024.^{4,5,6} Sustainalytics provided a Second-Party Opinion on the original Framework in January 2022⁷ and on the updated Framework (the “Framework”) in November 2024.⁸ This is Sustainalytics’ second annual review of CFE’s allocation and reporting on the Sustainable Financing Instruments.⁹

Evaluation Criteria

Sustainalytics evaluated the Nominated Expenditures and CFE’s 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 CFE has issued eight labelled bonds between September 2024 and April 2025: i) in September 2024, two sustainable bonds of MXN 9,686.25 million and MXN 19,372.50 million with maturity dates of January 2030 and 2035, respectively; ii) in December 2024, three sustainable bonds of MXN 2,876 million, MXN 3,481 million and MXN 3,643 million, with maturity dates of Dec 2026, March 2030 and Dec 2034, respectively; and iii) in April 2025, three sustainable bonds of MXN 3,691 million, MXN 4,338 million and MXN 6,970 million, with maturity dates of April 2028, March 2034 and March 2037, respectively.

² CFE has confirmed to Sustainalytics that this amount includes proceeds raised from bonds issued during the 2024–2025 period, totalling MXN 54,058.7 million, and MXN 10,681.6 million from previous issuances.

³ CFE, “Sustainable Financing Framework”, (2022), at: https://www.cfe.mx/finanzas/financiamiento/Documentos/CFE_%20Sustainable%20Financing%20Framework.pdf.

⁴ CFE has confirmed to Sustainalytics that all financed projects are eligible under the updated 2024 Sustainable Financing Framework.

⁵ CFE, “Sustainable Financing Framework”, (2024), at: <https://www.cfe.gob.mx/finanzas/financiamiento/ESG/Marco%20de%20Financiamiento%20Sostenible%20de%20la%20CFE/2024/2024%20CFE%20Sustainable%20Financing%20Framework.pdf>.

⁶ The updated Framework incorporated new categories such as rural electrification, climate change adaptation and resilience, pollution prevention and control, and others.

⁷ Sustainalytics, “Second-Party Opinion, Comisión Federal de Electricidad Sustainable Financing Framework”, (2022), at: [https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/comisi%C3%B3n-federal-de-electricidad-sustainable-financing-framework-second-party-opinion-\(1\)e7891ed4-a369-4c63-8b79-409e0e966b77.pdf?sfvrsn=52ad9871_1](https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/comisi%C3%B3n-federal-de-electricidad-sustainable-financing-framework-second-party-opinion-(1)e7891ed4-a369-4c63-8b79-409e0e966b77.pdf?sfvrsn=52ad9871_1).

⁸ Sustainalytics, “Second-Party Opinion, CFE Sustainable Financing Framework”, (2024), at: https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/cfe-sustainable-financing-framework-second-party-opinion-2024.pdf?sfvrsn=5fb74426_1.

⁹ The first annual review on the Sustainable Financing Instruments was conducted in August 2024 for projects financed under the 2022 version of the Framework. This is the first annual review of the Sustainable Financing Instruments that includes those issued under the 2024 Framework.

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

Use of Proceeds Category	Eligibility Criteria	KPI
Renewable Energy	<p>Expenditures that help supply energy from renewable and low-carbon sources. Renewable energy sources include:</p> <ul style="list-style-type: none"> • Wind: (onshore and offshore) <ul style="list-style-type: none"> ○ Construction of new wind energy facilities ○ Development, expansion, production, maintenance, refurbishment and/or repowering of existing wind energy facilities ○ Acquisition of wind energy facilities or businesses • Solar: (photovoltaic and CSP¹⁰) <ul style="list-style-type: none"> ○ Construction of new solar energy facilities ○ Development, expansion, production, maintenance, refurbishment and/or repowering of existing solar energy facilities ○ Acquisition of solar energy facilities or businesses • Geothermal: <ul style="list-style-type: none"> ○ Construction of new Geothermal energy facilities ○ Development, expansion, production, maintenance, refurbishment and/or repowering of existing geothermal energy facilities ○ Acquisition of geothermal energy facilities or businesses ○ Geothermal projects shall only be eligible if their direct emissions will be less than 100 g CO₂/kWh • Hydroelectric: <ul style="list-style-type: none"> ○ Construction of new run-of-river and other hydroelectricity facilities¹¹ ○ Refurbishment, modernization and/or maintenance of existing hydroelectricity facilities with the 	<ul style="list-style-type: none"> ▪ Annual GHG emissions reduced/avoided (tCO₂e) ▪ Annual renewable energy generation in MWh (electricity) and GJ (other energy) ▪ Capacity of renewable energy plant(s) to be served by transmission systems (MW)

¹⁰ To be eligible, CSP plants must generate at least 85% of electricity from solar sources.

¹¹ To determine if construction of new hydroelectricity facilities constitute an eligible Investment, CFE will assess the size, location, carbon intensity scoring, risk (including environmental and social risks) and the criteria set forth for construction of facilities post 2020. The Company's assessment will be subject to review by a reputable third party.

	<p>purpose of increasing generation efficiency, operational life span and/or renewable energy output while maintaining or improving the level of operational safety</p> <ul style="list-style-type: none"> ○ Acquisition of hydroelectricity facilities or businesses, including pumped storage assets ○ A hydropower facility in operation before 2020 is eligible if it has either: <ul style="list-style-type: none"> ● A power density > 5W/m²; or ● GHG emissions intensity < 100 g CO₂e/kWh ○ A hydropower facility commencing operation in 2020 or after is eligible if it has either: <ul style="list-style-type: none"> ● A power density > 10W/m²; or ● GHG emissions intensity < 50 g CO₂e/kWh ● <u>Bioenergy (Biomass or Biogas):</u> <ul style="list-style-type: none"> ○ Development, construction, installation and maintenance of facilities and related infrastructure that produce electricity exclusively from biomass, biogas or bioliquids, excluding electricity generation from blending of renewable fuels with biogas or biofuels ○ Acquisition of Bioenergy facilities or businesses ○ Bioenergy facilities shall only be eligible if their direct emissions will be less than 100 g CO₂/kWh and feedstock is either derived from waste materials or certified sustainable crop¹² ● <u>Low-Carbon Hydrogen:</u> <ul style="list-style-type: none"> ○ Development, construction, installation and maintenance of 	
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¹² Waste feedstock limited to non-recyclable municipal solid waste, forestry or sustainable agriculture residues. Non-waste feedstock from sustainable agriculture with credible certifications (e.g. Roundtable for Sustainable Biomaterials, International Sustainability and Carbon Certification, Bonsucro Roundtable for Responsible Soy) that does not compete with food sources or is not sourced from areas with high biodiversity and carbon stock.

	<p>low-carbon hydrogen production capacity including investments in production processes aiming at promoting electrolysis efficiency with low-carbon energy sources</p> <ul style="list-style-type: none"> ○ Acquisition of low-carbon hydrogen production facilities or businesses ○ For the avoidance of doubt, low-carbon hydrogen includes green hydrogen (i.e. produced via electrolysis from renewable energy), and blue hydrogen (i.e. produced through steam reforming or autothermal reforming with carbon capture and storage), where the carbon footprint of these projects is less than the threshold value established below ○ To be eligible, one of the following thresholds must be met: <ol style="list-style-type: none"> 1) Electricity to be produced by electrolysis and powered 100% by renewable energy sources OR 2) The average carbon intensity of the electricity produced that is used for hydrogen manufacturing is at or below 100 g CO₂e/kWh OR 3) Hydrogen production direct CO₂ emissions equal to or less than 3 tCO₂e/t of hydrogen • The purchase of renewable energy from wind and solar power facilities, pursuant to long-term (≥ 5 years) power purchase agreements (PPAs), including those entered into prior to the issuance of the Sustainable Financing Instrument as well as later extensions. • Investments in the installation of electricity transmission lines¹³ that facilitate increased development and connection of renewable electricity generation sources, including: <ul style="list-style-type: none"> ○ Capital investments into integrating the grid through interconnections across Mexico in order to: <ul style="list-style-type: none"> ▪ Improve transmission of low-carbon and renewable energy sources into the grid, 	
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¹³ To be eligible, transmission lines would be either dedicated exclusively to renewable energy power plants or would carry at least 90% renewable energy.

	<p>specifically solar, wind, hydroelectric,¹⁴ geothermal¹⁵ and low-carbon hydrogen</p> <ul style="list-style-type: none"> ▪ Reduce the curtailment of existing renewable electricity generation capacity ▪ Facilitate the development of new renewable energy generation through better connecting regions with high renewable generation potential and low demand with areas of high demand and low potential 	
<p>Energy Efficiency</p>	<p>Expenditures related to projects that could result in increased energy efficiency, using best efforts basis to ensure all projects achieve at least a 30% energy efficiency improvement.</p> <p>Eligible Projects include, but are not limited to:</p> <ul style="list-style-type: none"> ▪ Financing of electric powered machinery or incorporation of energy-saving technologies, including LED lighting technology ▪ Energy storage systems and smart grids¹⁶ ▪ Energy-efficient heating, ventilation, air conditioning (HVAC),¹⁷ refrigeration and electrical equipment ▪ Investments for optimization of energy consumption and reducing energy loss, such as energy management systems for POPs and automated metering ▪ Investments in energy consumption measurement and control systems, including industrial thermometers ▪ Equipment to increase the controllability and observability of the electricity system and enable the integration of renewable energy sources (sensors and measurement tools, including advanced software and control rooms, automation of substations or feeders, and voltage control capabilities) ▪ Construction and operation of facilities that store low-carbon hydrogen 	<ul style="list-style-type: none"> ▪ Annual energy savings in MWh/GWh (electricity) or GJ/TJ (other energy savings) ▪ Annual GHG emissions reduced/avoided (tCO₂e)

¹⁴ To be eligible, project must follow threshold criteria for Hydroelectric Renewable Energy outlined above.

¹⁵ To be eligible, project must follow threshold criteria for Geothermal Renewable Energy outlined above.

¹⁶ Battery storage will only be applicable to those generated by renewable energy.

¹⁷ HVAC/refrigeration and other equipment powered by fossil fuel will be excluded from eligibility.

	<ul style="list-style-type: none"> Conversion of existing underground gas storage facilities into dedicated low-carbon hydrogen storage 	
Pollution Prevention and Control	<ul style="list-style-type: none"> Expenditures related to replacement or retrofitting of natural gas transmission and distribution networks that enables the integration of low-carbon hydrogen and other low-carbon gases (e.g. biogas), which enable increasing the share of cleaner energy sources into the national systems while maintaining the current network's operating and safety standards.¹⁸ Construction, development, and/or maintenance of electrical and substation facilities, systems or equipment aiming at reducing greenhouse gas emissions ("GHG", including Sulphur Hexafluoride or "SF6") or replacement projects and/or GHG control devices (i.e., release monitoring equipment). Expenditures related to the acquisition, development, construction, operation and maintenance of land, facilities, systems, or equipment used for prevention, remediation, treatment of contaminated soil or recycling of waste. 	<ul style="list-style-type: none"> Annual GHG emissions reduced/avoided (tCO₂e) Waste diverted from landfill (tonnes)
Climate Change Adaptation and Resilience	<ul style="list-style-type: none"> Expenditures related to disaster recover, reconstruction and/or enhancing resiliency of generation, transmission and distribution networks via infrastructure upgrades, improvements or retrofits to mitigate, adapt and/or monitor the impact of climate change and extreme weather-related events and impacts (e.g. severe windstorms, hurricanes, droughts, floods, extreme heat, wildfires, as well as other impacts and changing weather patterns). Vulnerability assessments will be undertaken and adaptation plans developed for these investments, where applicable. 	<ul style="list-style-type: none"> Kilometers of transmission and/or distribution lines/stations upgraded, improved, or retrofitted Adaptation projects completed
Access to Free or Subsidized Essential Services (Digital Inclusion)	<p>Expenditures related to funding the construction, improvement, acquisition or maintenance and operation of facilities and equipment needed to provide fixed wireless broadband service in areas without availability of wired services to the Target Population, including non-climate-related natural disaster recovery and/or reconstruction expenditures.</p> <p>Example projects include, but are not limited to:</p>	<ul style="list-style-type: none"> Target population with fixed wireless broadband service Target population with additional access points Target population with access to internet service

¹⁸ For the avoidance of doubt, gas network expansion is not an eligible expenditure under this framework.

	<ul style="list-style-type: none"> ▪ CFE Telecomunicaciones e Internet para Todos¹⁹: expansion projects that seek to create 200,000 access points to provide internet service to 130,000 localities across Mexico by 2025 	<ul style="list-style-type: none"> ▪ Number of connections with technology 4G LTE ▪ Number of connections with technology Satellite
Access to Free or Subsidized Essential Services (Electricity)	Expenditures related to funding the construction, improvement, acquisition or maintenance and operation of facilities and equipment needed to provide Electricity service in areas without availability for the Target Population, including non-climate-related natural disaster recovery and/or reconstruction expenditures.	<ul style="list-style-type: none"> ▪ Target population connected to electricity services ▪ Electrification in popular neighbourhoods ▪ Electrification in rural areas ▪ Circuit km installed ▪ Distribution transformers installed ▪ Solar power plants installed ▪ Isolated systems (Individual Solar Modules) installed

Issuer's Responsibility

CFE 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 CFE's Sustainable Financing Instruments. The work undertaken as part of this engagement included collection of documentation from CFE and review of said documentation to assess conformance with the Framework.

Sustainalytics relied on the information and the facts presented by CFE. 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 CFE.

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,¹⁹ 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. CFE has disclosed to Sustainalytics that 95.1% of the proceeds from the Sustainable Financing Instruments were allocated as of July 2025 and CFE intends to allocate the remaining proceeds from the Sustainable Financing Instruments by August 2026.

¹⁹ 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.

Detailed Findings

Table 2: 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.	CFE reported on at least one KPI per use of proceeds category.	None

Appendices

Appendix 1: Allocation Reporting

Table 3: Allocation Reporting from the Sustainable Financing Instruments

Use of Proceeds Category	Project Description	Number of Projects	Proceeds Allocated in 2021 (MXN Million)	Proceeds Allocated in 2022 (MXN Million)	Proceeds Allocated in 2023 (MXN Million)	Proceeds Allocated in 2024 (MXN Million)	Total Amount Allocated in 2025 (MXN Million)
Renewable Energy	Refurbishment and/or maintenance of hydroelectric and geothermal plants.	51	0.00	0.00	875.20	845.90	1,721.10
	Purchase of renewable energy from wind and photovoltaic plants.	45	0.00	0.00	12,773.42	12,670.05	25,443.50
	Installation of electrical transmission lines that facilitate greater development and connection of renewable sources of electricity generation.	2	0.00	0.00	5,435.60	1,001.20	6,436.80
Energy Efficiency	Energy-efficient heating, ventilation and air conditioning, refrigeration and electrical equipment	1	0.00	0.00	53.40	15.40	68.90
	Optimization of energy consumption and reduction of energy losses.	3	3,193.20	2,677.20	4,379.40	3,442.50	13,692.30
Pollution Prevention and Control	Construction, development, and/or maintenance of electrical and substation facilities, systems or equipment aiming at reducing greenhouse gas emissions ("GHG", including Sulphur Hexafluoride or "SF6") or replacement projects and/or GHG control devices (i.e. release monitoring equipment).	1	0	0	1.0	0	1.0
Climate Change Adaptation and Resilience	Expenses related to recovery from natural disasters.	4	0.00	0.00	835.50	2,322.60	3,158.10
Access to Free or Subsidized Essential	Fixed wireless broadband service in areas without "cable" service availability.	2	0.00	0.00	3700.40	3,967.60	7,668.00

Services (Digital Inclusion)	Satellite internet connectivity service for rural communities	1	0.00	0.00	858.50	704.50	1,563.00
Access to Free or Subsidized Essential Services (Electricity)	Electrification of popular colonies	1	0.00	0.00	86.10	56.90	143.00
	Rural electrification projects	1	0.00	0.00	739.20	964.10	1,703.30
Total Allocated Amount		112	3,193.20	2,677.20	29,737.75	25,990.69	61,598.91
Total Unallocated Amount							3,141.44
Total Proceeds Raised							64,740.35

Appendix 2: Reported Impact

Table 4: Cumulative Reported Impact from the Sustainable Financing Instruments

Use of Proceeds Category	Project	KPI	Reported Impact for 2021	Reported Impact for 2022	Reported Impact for 2023	Reported Impact for 2024
Renewable Energy	Refurbishment and/or maintenance of hydroelectric and geothermal plants	Annual energy generation (MWh)	-	-	26,412,312	26,539,647
		Annual GHG emissions reduced/avoided in tCO ₂	-	-	11,568,593	11,783,578
		Population benefited	-	-	14,315,057	13,903,159
	Purchase of renewable energy from wind and photovoltaic plants.	Annual GHG emissions reduced/avoided in tCO ₂	-	-	5,594,339	5,371,689
		Population benefited	-	-	3,815,918	3,642,574
Energy Efficiency	Energy-efficient heating, ventilation and air conditioning, refrigeration and electrical equipment	Annual GHG emissions reduced/avoided in tCO ₂ e	-	-	684	768
		Energy Saved (MWh)	-	-	1,573	1,755
	Optimization of energy consumption and reduction of energy losses.	Energy losses avoided (MWh)	9,757,000	9,124,000	11,108,680	9,783,740
		Energy saved (MWh)	-	-	-	8,700
Pollution Prevention and Control	Equipment aiming at reducing greenhouse gas emissions ("GHG", including Sulphur Hexafluoride or "SF6") or replacement projects and/or GHG control devices	Annual GHG emissions reduced/avoided in tCO ₂ e	-	-	147,730	178,284
Climate Change Adaptation and Resilience	Expenses related to recovery from natural disasters.	Population benefited	-	-	852,622	1,739,668
		Transmission lines repaired	-	-	-	200
Access to Free or Subsidized Essential Services (Digital Inclusion)	Areas without cable service availability	Number of access points installed in localities	-	-	34,827	15,145
	Satellite internet connectivity service for rural communities	Number of locations served by CFE TEIT	-	-	17,416	22,876
		Number of localities in poverty conditions served by CFE TEIT	-	-	3,018	3,308
		Number of free internet connections	-	-	34,827	15,145

		Number of communication towers installed	-	-	1,439	2,455
		Number of connections with technology (4G LTE)	-	-	26,193	1,079
		Number of connections with satellite technology	-	-	7,866	7,968
		Total population benefited	-	-	103,591,048	111,273,325
Access to Free or Subsidized Essential Services (Electricity)	Electrification of popular colonies	Distribution network expansion (km-c)	-	-	151	102
		Number of distribution transformers installed	-	-	790	371
	Rural electrification projects	Distribution network expansion (km-c)	-	-	2,027	3,944
		Number of distribution transformers installed	-	-	7,541	14,565
		Off-grid systems (individual solar modules) installed	-	-	11,163	14,412
		Total population benefited	-	-	44,689	57,160

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