



Second-Party Opinion  
**Comisión Federal de Electricidad**  
**Sustainable Financing Framework**

**Evaluation Summary**

Sustainalytics is of the opinion that the CFE Sustainable Financing Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2021, the Green Bond Principles 2021 and the Social Bond Principles 2021. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds – Renewable Energy, Energy Efficiency, Clean Transportation, Green Buildings and Access to Free or Subsidized Essential Services (Digital Inclusion) – are aligned with those recognized by the Green Bond Principles and the Social Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 7, 9 and 11.



**PROJECT EVALUATION / SELECTION** CFE’s internal process in evaluating and selecting projects is overseen by its Corporate Direction of Strategic Planning team along with the Subcommittee for Evaluation of Investment Projects, the Investments Commission and Investments and Strategy Committee, with final approval from the Board of Directors. CFE has in place environmental and social risk management processes that are applicable to all allocation decisions in the Framework. Sustainalytics considers the environmental and social risk management processes to be adequate and the project selection process in line with market practice.



**MANAGEMENT OF PROCEEDS** CFE’s processes for management of proceeds is tracked by the Company’s Corporate Finance Team through an investment folder that tracks expenses and documentation using unique project identifiers. Pending allocation of the proceeds will be managed according to the Company’s Investment Policy. CFE intends to allocate all proceeds within 24 months of the issuance and has established a lookback period of 24 months prior to each issuance. This is in line with market practice.



**REPORTING** CFE intends to report on allocation of proceeds on its website on an annual basis until full allocation. The report will include information on the allocation of net proceeds by individual project or by category, the share of proceeds used for financing and refinancing, and the balance of unallocated proceeds. In addition, CFE is committed to reporting on relevant impact metrics. Sustainalytics views CFE’s allocation and impact reporting as aligned with market practice.

<b>Evaluation date</b>	January 27, 2022
<b>Issuer Location</b>	Mexico City, Mexico

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## Introduction

Comisión Federal de Electricidad (“CFE”, or the “Company”) is an electric power company operating as a productive state enterprise, wholly owned by the Mexican Federal Government, headquartered in Mexico City, Mexico. Founded in 1937, the Company is responsible for the generation, transmission, distribution and marketing of electricity in Mexico. As of September 2021, CFE had a generation capacity of 58,897MW, 110,333 kilometres of transmission grid, 878,049 kilometres of distribution grid, 56,855 kilometres of fiber optic grid, 16 divisional distribution management facilities and 91,544 employees. CFE generates approximately 67% of the electricity in Mexico (including power contracted from Independent Power Producers) and provides power to 99% of the population.

CFE has developed the CFE Sustainable Financing Framework (the “Framework”) under which it intends to issue green and/or social bonds and loans and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that aim to reduce the company’s greenhouse gas (GHG) emissions and promote the expansion of essential services, such as internet access. The Framework defines eligibility criteria in five areas:

1. Renewable Energy
2. Energy Efficiency
3. Clean Transportation
4. Green Buildings
5. Access to Free or Subsidized Essential Services (Digital Inclusion)

CFE engaged Sustainalytics to review the CFE Sustainable Financing Framework, dated January 2022, and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP) and Social Bond Principles 2021 (SBP).<sup>1</sup> This Framework will be published in a separate document.<sup>2</sup>

### Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>3</sup> opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2021, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.11, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of CFE’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. CFE representatives have confirmed (1) they understand it is the sole responsibility of CFE to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

<sup>1</sup> The Sustainability Bond Guidelines, Green Bond Principles, and Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

<sup>2</sup> The Sustainable Financing Framework is available on Comisión Federal de Electricidad’s website at: <https://www.cfe.mx/finanzas/financiamiento-informacion/Documents/Sustainable%20Financing%20Framework.pdf>

<sup>3</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and CFE.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond and loan proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that CFE has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the CFE Sustainable Financing Framework

Sustainalytics is of the opinion that the CFE Sustainable Financing Framework is credible and impactful, and aligns with the four core components of the GBP and GLP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
  - The eligible categories – Renewable Energy, Energy Efficiency, Clean Transportation, Green Buildings and Access to Free or Subsidized Essential Services (Digital Inclusion) – are aligned with those recognized by the GBP and SBP
  - Under the Renewable Energy category, CFE intends to invest in the construction, development or acquisition of renewable energy projects including solar photovoltaic and concentrated solar power (CSP), offshore and onshore wind, geothermal and hydroelectric projects. This category may also include expenditures towards long-term (>5 years) Power Purchase Agreements (PPAs) to source wind and solar energy as well as the installation of electricity transmission lines to improve transmission and reduce curtailment of renewable energy from the above-mentioned sources.
    - CFE has confirmed that CSP plants will generate at least 85% of electricity from solar sources.
    - Eligible geothermal energy projects will have direct emissions less than 100 gCO<sub>2</sub>/kWh.
    - New hydroelectric projects financed will be run-of-river hydroelectric projects with low storage capacity, or large hydro projects with installed capacity greater than 25 MW. For all facilities, CFE intends to conduct third-party reviews to assess the environmental and social risks as well as carbon emissions intensity. In addition, CFE may also finance the refurbishment of existing hydroelectric facilities that results in an increase in generation efficiency, operational lifespan or renewable energy output while maintaining or improving operational safety. Eligible facilities that have been in operation since before 2020 will have a power density greater than 5 W/m<sup>2</sup> or carbon emissions intensity lower than 100 gCO<sub>2</sub>e/kWh. Eligible facilities that started operation in 2020 and after are required to have power density greater than 10 W/m<sup>2</sup> or carbon emissions intensity less than 50 gCO<sub>2</sub>e /kWh.
    - CFE has confirmed that electricity transmission lines being financed under the Framework will be exclusively used to connect renewable energy power plants or would carry at least 90% renewable electricity.
    - Sustainalytics considers the above-mentioned criteria as aligned with market practice.
  - Under the Energy Efficiency category, CFE may finance projects or activities that reduce or increase energy efficiency by at least 30% including:
    - LED lighting, installation of heating, ventilation, air conditioning (HVAC), refrigeration, and electrical equipment;

- Energy storage systems such as battery storage for electricity from renewable energy sources;
- Smart grid investments such as the replacement of copper with fiber optic grids to reduce technical losses, costs and improve safety;
- Investments aimed at optimizing energy consumption and reducing losses such as energy management systems for POPs and automated metering;
- Energy consumption measurement and control systems including industrial thermometers and equipment to enhance control and measurement of the electrical system such as sensors, advanced software and control rooms, automation of substations or feeders, and voltage control capabilities.

CFE has confirmed that carbon-intensive technologies and fossil fuel-powered equipment will be excluded from this category. Sustainalytics views positively the Framework's inclusion of a defined energy efficiency threshold for the installation of energy efficiency systems, equipment and technologies and considers investments under this category to be aligned with market practice.

- Under the Clean Transportation category, CFE may finance zero-direct emissions and hybrid vehicles as well as infrastructure to support electric vehicles such as charging stations. CFE intends to finance the following types of vehicles under this category.
  - Fully electric passenger vehicles such as buses as well as freight vehicles;
  - Vehicles and rolling stock for electrified public transport, such as electrified rail, trams, trolleybuses and cable cars;
  - Hybrid passenger and freight vehicles with emissions thresholds under 50 gCO<sub>2</sub>/p-km and 25 gCO<sub>2</sub>/t-km, respectively.

Based on the emissions thresholds as well as CFE's framework level exclusion of projects related to fossil fuels, Sustainalytics considers these investments as aligned with market practice.

- The Green Buildings category includes expenditures related to the acquisition, construction or retrofitting of green buildings with the following eligibility criteria.
  - CFE may finance the acquisition or construction of buildings that fall within the top 15% of the national stock, based on Primary Energy Demand or carbon emissions intensity. Eligible projects may also include those that have received or are expected to receive any of the following minimum green building certification level: LEED (Gold or above), BREEAM (Excellent or above), and HQE (Excellent or above). Sustainalytics views the schemes specified in the Framework to be credible and the levels selected as impactful and aligned with market practice (see Appendix 1 for further information on the referenced building standards).
  - For building retrofits, CFE has established criteria requiring that the building results in a minimum of 30% emissions or energy performance improvement over the ASHRAE 90.1 2010 baseline or equivalent. Sustainalytics views this to be aligned with market practice.
- Under the Access to Free or Subsidized Essential Services (Digital Inclusion) category, CFE intends to finance the development of fixed wireless broadband services, such as access points for internet services, for low-income and underserved populations<sup>4</sup> in areas without wired connectivity in Mexico. Based on the well-defined target population covering low-income and underserved communities in Mexico, Sustainalytics considers investments in this category to be in alignment with market practice.
- Sustainalytics notes that CFE has in place Framework level exclusions for activities involving the exploitation of human rights and investments in fossil fuel-related projects.
- Project Evaluation and Selection:
  - Selected members of CFE's Corporate Direction of Strategic Planning will be responsible for the selection of projects under the Framework. The selected projects will be reviewed by the Subcommittee for the Evaluation of Investment Projects, the Investments Commission, the Investments and Strategy Committee and ultimately, by the Board of Directors ("the Board"). The Board is responsible for approving the allocation of proceeds to the eligible projects.
  - CFE's Subcommittee for the Evaluation of Investment Projects will review the list of Eligible Green Projects against the Eligibility and Exclusion Criteria on an annual basis. In case of

<sup>4</sup> CFE intends to identify low-income and underserved populations by following government definitions for the measurement of poverty and for the identification of the most vulnerable regions or "Priority Attention Zones", as identified by the National Council for Evaluation of Social Development Policy. For more information on poverty measurement methodology, see: <https://www.coneval.org.mx/Medicion/Paginas/Glosario.aspx>. Further details regarding the "Priority Attention Zones" can be found at: [http://dof.gob.mx/2020/BIENESTAR/ZONAS\\_PRIORITARIAS\\_2021.pdf](http://dof.gob.mx/2020/BIENESTAR/ZONAS_PRIORITARIAS_2021.pdf).

- projects that no longer meet the Eligible Criteria, CFE will reallocate the proceeds to eligible projects.
- CFE has in place processes to evaluate the environmental and social risks associated with the eligible projects in accordance with company-level policies and in compliance with Mexican legal and regulatory requirements. These processes are applicable to all allocation decisions in the Framework. Sustainalytics considers these processes to be adequate. Refer to Section 2 for additional details.
  - Based on the allocation of responsibilities and the presence of risk management processes, Sustainalytics considers this process to be in line with market practice.
- **Management of Proceeds:**
    - Allocation of the net proceeds generated from sustainable financing instruments will be tracked by the Company's Corporate Finance Team through an investment folder that tracks expenses and documentation using unique project identifiers.
    - Pending allocation, the proceeds generated from the sustainable financing instruments may be held in cash or cash equivalent or other liquid instruments, in temporary investments or used to reduce outstanding indebtedness unrelated to fossil fuel projects and according to the Company's Investment Policy.
    - CFE intends to allocate all proceeds within 24 months of each issuance and has established a lookback period of 24 months prior to each issuance
    - Based on defined allocation timeframe and the temporary investments, Sustainalytics considers this process to be in line with market practice.
  - **Reporting:**
    - CFE intends to publish a Sustainable Financing Instruments Report annually on its website. The Report will include information on the allocation of net proceeds by individual project or by category, the share of proceeds used for financing and refinancing, and the balance of unallocated proceeds.
    - The Report will also include impact metrics, where feasible, including GHG emissions reduced/avoided (tonnes of CO<sub>2</sub>e), renewable energy generation (MWh or GJ), capacity of renewable energy plants served by transmission systems (MW), amount of energy savings (MWh/GWh or GJ), green building certifications, and the number of low-income and underserved beneficiaries and localities as well as the number of access points created in such areas.
    - Based on the commitment to allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

### **Alignment with Sustainability Bond Guidelines 2021**

Sustainalytics has determined that the CFE Sustainable Financing Framework aligns to the four core components of the GBP and GLP. For detailed information please refer to Appendix 2: Sustainability Bond/Sustainability Bond Programme External Review Form.

## **Section 2: Sustainability Strategy of CFE**

### **Contribution of framework to Comisión Federal de Electricidad's sustainability mandate**

Sustainalytics is of the opinion that CFE demonstrates a commitment to sustainability with a focus on five key environmental and social areas: (i) promoting the generation of electrical energy from clean energy sources, (ii) improving energy efficiency through modernization and retrofitting equipment and technology, (iii) deploying environmentally friendly technology to improve productivity, (iv) reducing GHG emissions, and (v) promoting social development to strengthen communities, by using existing infrastructure to develop internet access.<sup>5</sup> The following commitments outlined in the Company's 2020 Annual Report, business plans and the Framework align well with the eligible use of proceeds categories.

- With a focus on generating electricity from renewable sources, Mexico's Secretary of Energy, in coordination with the CFE and the Energy Regulatory Commission has established a goal of 30% of electricity being derived from clean energy sources by the end of 2021 and 35% by 2024. This will be accomplished through investments in increasing generation from renewable sources such as hydroelectricity and research for the development of other clean energy projects. In 2020, 20% of total energy generated by CFE was derived from clean sources including hydroelectric, nuclear,

<sup>5</sup> CFE, "Social Development", at: [https://www.cfe.mx/desarrollo\\_social/Pages/default.aspx](https://www.cfe.mx/desarrollo_social/Pages/default.aspx)

geothermal and wind.<sup>6</sup> Furthermore, CFE aims to modernize and enhance the capacity of 9 hydroelectric plants and has set a target to increase hydroelectric energy generation capacity by 264 MW by 2024 from a 2021 baseline.<sup>7</sup>

- Regarding the improvement of energy efficiency, CFE focuses on retrofitting and modernizing equipment and technology. CFE has set a target of reducing technical and non-technical losses within the distribution process from 13.1% in 2019 to 12.7% by 2024. This is achieved by modernizing metering systems, strengthening commercial processes and electric infrastructure and regularizing services in areas impacted by irregular land use. The Company is also modernizing its grids by replacing aging substations and power lines. CFE also aims to develop its smart-grid technology (i.e., a two-way digital communication medium between CFE and its customers) by automating electricity distribution grid operations to better monitor end-user demand and reduce non-technical losses.<sup>8</sup>
- In order to reduce the usage of fossil fuels, CFE aims to expand EV charging stations. Under its 2022-2026 Business Plan, the company expects to install at least seven electric car charging stations per year in strategic zones across Mexico to reduce the use of fossil fuels by the public.<sup>9</sup>
- As a part of the Company's 2022-2026 Business Plan, CFE intends to reduce its CO<sub>2</sub> emissions intensity by over 18%, going from 494 gCO<sub>2</sub>/KWh in 2020 to 324 gCO<sub>2</sub>/KWh (as measured by the Ministry for the Environment and Natural Resources or SEMARNAT) by the end of 2026. CFE will work with independent power producers to achieve this target.<sup>10</sup> Mexico's General Law on Climate Change mandates the creation of an emissions trading system as a cost-effective strategy to reduce GHG emissions and meet the commitments within Mexico's National Development Plan. As a result, CFE, in collaboration with the Ministry for the Environment and Natural Resources, has developed the Preparation of a System of Emissions Trading in Mexico to adhere to this mandate.<sup>11</sup> Furthermore, under this program, CFE has built a Learning Network to develop projects to reduce GHG emissions from the operation of generation plants. In terms of social development, CFE aims to serve underprivileged communities across Mexico by providing free internet access. Specifically, the Company aims to have 200,000 access points to provide internet service to 130,000 localities by 2025. CFE's strategy is to connect the transmission and distribution grid to its optic fiber net grid. Under CFE's Telecom and Internet for All programme, the company identifies priority locations through the implementation of five phases. As of September 30, 2021, CFE had approximately 56,855 km of national fiber optic network that covers more than 280 counties and 55 million citizens.<sup>12</sup>

Sustainalytics is of the opinion that the CFE Sustainable Financing Framework is aligned with the company's overall sustainability mandate and initiatives and will further the Company's action on its key environmental and social priorities.

#### **Well-positioned to address common environmental and social risks associated with the projects**

While Sustainalytics recognizes that the net proceeds from the bonds and/or loans issued under the Framework will be directed towards eligible projects that are expected to have positive environmental impact, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects, could include biodiversity impacts from land use changes due to construction/development of large infrastructure, waste generated from construction, project related GHG emissions, human and worker health and safety and community relations. Sustainalytics is of the opinion that CFE is able to manage and/or mitigate potential risks through implementation of the following:<sup>13</sup>

<sup>6</sup> CFE, "Reporte Anual 2020", at: [https://www.cfe.mx/finanzas/reportes-](https://www.cfe.mx/finanzas/reportes-financieros/Reportes%20Anuales%20Documentos/Reporte%20anual%202020.pdf)

[financieros/Reportes%20Anuales%20Documentos/Reporte%20anual%202020.pdf](https://www.cfe.mx/finanzas/reportes-financieros/Reportes%20Anuales%20Documentos/Reporte%20anual%202020.pdf)

<sup>7</sup> CFE, "Plan de Negocios 2022 – 2026", (2022), at: [https://cdn.cfe.mx/cdn/2019/Archivos/Plan%20de%20Negocios%202022-](https://cdn.cfe.mx/cdn/2019/Archivos/Plan%20de%20Negocios%202022-2026%20V48%20PUBLICA.pdf)

[2026%20V48%20PUBLICA.pdf](https://cdn.cfe.mx/cdn/2019/Archivos/Plan%20de%20Negocios%202022-2026%20V48%20PUBLICA.pdf)

<sup>8</sup> CFE, "Reporte Anual 2020", at: [https://www.cfe.mx/finanzas/reportes-](https://www.cfe.mx/finanzas/reportes-financieros/Reportes%20Anuales%20Documentos/Reporte%20anual%202020.pdf)

[financieros/Reportes%20Anuales%20Documentos/Reporte%20anual%202020.pdf](https://www.cfe.mx/finanzas/reportes-financieros/Reportes%20Anuales%20Documentos/Reporte%20anual%202020.pdf)

<sup>9</sup> CFE, "Plan de Negocios 2022 – 2026", (2022), at: [https://cdn.cfe.mx/cdn/2019/Archivos/Plan%20de%20Negocios%202022-](https://cdn.cfe.mx/cdn/2019/Archivos/Plan%20de%20Negocios%202022-2026%20V48%20PUBLICA.pdf)

[2026%20V48%20PUBLICA.pdf](https://cdn.cfe.mx/cdn/2019/Archivos/Plan%20de%20Negocios%202022-2026%20V48%20PUBLICA.pdf)

<sup>10</sup> CFE, "Plan de Negocios 2022 – 2026", (2022), at: [https://cdn.cfe.mx/cdn/2019/Archivos/Plan%20de%20Negocios%202022-](https://cdn.cfe.mx/cdn/2019/Archivos/Plan%20de%20Negocios%202022-2026%20V48%20PUBLICA.pdf)

[2026%20V48%20PUBLICA.pdf](https://cdn.cfe.mx/cdn/2019/Archivos/Plan%20de%20Negocios%202022-2026%20V48%20PUBLICA.pdf)

<sup>11</sup> Ministry for the Environment and Natural Resources, "Clean Energy Certificates and Emissions Trading In Mexico: Reciprocal Effects and Interactions", (2018), at: [https://www.gob.mx/cms/uploads/attachment/file/415523/Clean\\_Energy\\_Certificates\\_and\\_Emissions\\_Trading.pdf](https://www.gob.mx/cms/uploads/attachment/file/415523/Clean_Energy_Certificates_and_Emissions_Trading.pdf)

<sup>12</sup> CFE, "Reporte Anual 2020", at: [https://www.cfe.mx/finanzas/reportes-](https://www.cfe.mx/finanzas/reportes-financieros/Reportes%20Anuales%20Documentos/Reporte%20anual%202020.pdf)

[financieros/Reportes%20Anuales%20Documentos/Reporte%20anual%202020.pdf](https://www.cfe.mx/finanzas/reportes-financieros/Reportes%20Anuales%20Documentos/Reporte%20anual%202020.pdf)

<sup>13</sup> Ibid.

- CFE mitigates negative environmental risks by complying with applicable environmental laws and regulations, alongside restrictions around water consumption and wastewater discharge, air and noise emissions, waste disposal and the use and management of waste and toxic material under these regulations. As of 2020, CFE complies with all applicable environmental laws, including the General Law of Environmental Equilibrium and Protection, which is Mexico's primary law for the environment. The Company has also received 20 permits and environmental resolutions in 2020 for their operations, infrastructure maintenance and environmental impact assessments as a part of its due diligence process.
- To mitigate and manage biodiversity risk, CFE submits projects for review and authorization to the SEMARNAT. The review is conducted on CFE's environmental impact and risk assessment at generation plants, gas pipelines, transmission lines and electrical substations. Furthermore, studies are conducted on soil usage and quality, land use changes in forest areas, social impact assessment and pollutant dispersion resulting from activities. It ensures that permissible limits are not exceeded, measures are in place to manage and mitigate environmental risks and therefore, activities do not generate ecological imbalances.<sup>14</sup>
- Regarding risks related to waste generated from construction and GHG emissions arising from projects, CFE participates in a voluntary National Environmental Audit Program to ensure compliance with regulations, promote effective environmental performance and improve competitiveness. The audit covers compliance with administrative requirements and atmospheric emissions, wastewater discharges, hazardous waste management, soil and subsoil contamination and noise pollution regulations. It also covers risk management and mitigation, safety, emergency care, training, applicable international standards and criteria compliance, good engineering practices and the optimization of energy consumption. Auditors will assess repairs, infrastructure and studies, plans, programs and procedures.<sup>15</sup>
- To reduce risks involving human health and safety, outlined in CFE's Code of Ethics, CFE operates in accordance with OHSAS 18001: 2007 (Occupational Health and Safety Management Systems)<sup>16,17</sup> which protects workers' health and well-being while on-site as well as reduce workplace hazards.<sup>18,19</sup>
- With regard to community relations, the Accident Prevention Program requires that the SEMARNAT conduct an evaluation of risks to prevent harmful effects of installations and operations on communities.<sup>20</sup>

Based on these policies, standards and assessments, Sustainalytics is of the opinion that CFE has implemented adequate measures and is well-positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

### Section 3: Impact of Use of Proceeds

All five use of proceeds categories are aligned with those recognized by the GBP and GLP. Sustainalytics has focused on three below where the impact is specifically relevant in the local context.

#### Importance of renewable energy investments in Mexico

Mexico established the Energy Transition Law<sup>21</sup> in 2015 to advance renewable energy projects that support the country in the achievement of its Nationally Determined Contributions (NDC) under the Paris Agreement.<sup>22</sup> The law aims to increase the share of clean energy in Mexico to 35% by 2024, and 43% by 2030.<sup>23</sup> A report

<sup>14</sup> CFE, "Reporte Anual 2020", at: <https://www.cfe.mx/finanzas/reportes-financieros/Reportes%20Anuales%20Documentos/Reporte%20anual%202020.pdf>

<sup>15</sup> Federal Attorney for Environmental Protection, "National Environmental Audit Program", (2020), at: <https://www.gob.mx/profepa/acciones-y-programas/programa-nacional-de-auditoria-ambiental-56432>

<sup>16</sup> CFE, "Código de Ética", (2019), at: [https://www.cfe.mx/transparencia\\_etica/etica/Documents/Codigo%20de%20Etica.pdf](https://www.cfe.mx/transparencia_etica/etica/Documents/Codigo%20de%20Etica.pdf)

<sup>17</sup> ISO 45001 (Occupational Health and Safety) is being phased in as of 2018 in lieu of OHSAS 18001:2007 (Occupational Health and Safety Management Systems) as a new and distinct standard. Organizations can migrate to the new standard by 2021 [refer to the following link: <https://www.iso.org/news/ref2271.html>]

<sup>18</sup> British Standards Institution, "OHSAS 18001", at: <https://www.bsigroup.com/en-CA/BS-OHSAS-18001-Occupational-Health-and-Safety/>

<sup>19</sup> International Organization for Standardization, "Occupational Health and Safety – ISO 45001", at: <https://www.iso.org/files/live/sites/isoorg/files/store/en/PUB100427.pdf>

<sup>20</sup> CFE, "Guía Para La Elaboración De Programas Para La Prevención De Accidentes, Para Su Aplicación En Instalaciones De CFE", (2019) at: <https://lapem.cfe.gob.mx/normas/pdfs/u/SPA00-01.pdf>

<sup>21</sup> The Law Reviews, "The Renewable Energy Law Review: Mexico", (2020) at: <https://thelawreviews.co.uk/title/the-renewable-energy-law-review/mexico>

<sup>22</sup> Gobierno Federal, "Intended Nationally Determined Contribution", at: [https://www.gob.mx/cms/uploads/attachment/file/162973/2015\\_indc\\_ing.pdf](https://www.gob.mx/cms/uploads/attachment/file/162973/2015_indc_ing.pdf)

<sup>23</sup> Gobierno Federal, "Intended Nationally Determined Contribution", at: [https://www.gob.mx/cms/uploads/attachment/file/162973/2015\\_indc\\_ing.pdf](https://www.gob.mx/cms/uploads/attachment/file/162973/2015_indc_ing.pdf)

released by the International Renewable Energy Agency (IRENA) acknowledges that Mexico can generate 46% of its electricity from renewable sources by 2030.<sup>24</sup> To achieve this target, the IRENA report identifies the potential for rapid expansion of wind and solar photovoltaic generation, and additional contributions from hydroelectricity.<sup>25</sup>

While there has been an increase in renewable energy generation capacity, the energy mix's carbon intensity has remained almost unchanged since 2011. The increase in renewable energy generation has been offset by the rise in fossil-based energy sources used to meet growing energy demand.<sup>26</sup> The stagnation of the energy mix's carbon intensity highlights the need for further investments in clean energy. As of 2020, Mexico was generating 17.1% of its electricity from renewable sources, with hydropower energy contributing to half of that figure.<sup>27</sup> Furthermore, power demand is growing at a rate of approximately 2.9% per year, driven by the increasing electricity consumption in both rural and urban areas.<sup>28</sup> Significant investments in infrastructure and technology will be required to achieve the country's current renewable energy generation targets.

Sustainalytics considers that CFE will be able to contribute to supporting Mexico in achieving its renewable energy targets and advancing the renewable energy technologies identified as crucial to ensure that the country fulfils its international commitments.

### Importance of green building investments in Mexico

Buildings produced nearly 40% of global energy-related GHG emissions in 2020 and thus represent a significant opportunity for the achievement of global emissions reduction targets.<sup>29</sup> As the second-largest construction market in Latin America, Mexico's building sector can help the country achieve its national GHG reduction targets, which includes a 36% reduction in GHG emission by 2030.<sup>30,31</sup>

The International Finance Corporation (IFC) forecasts that only about 9% of new construction in Mexico will be comprised of green buildings by 2025.<sup>32</sup> This forecast is indicative of lagging investment in the sector which is supported by Climate Bonds Initiative data showing that as of 2020, only 10.6% of all Mexican green bond proceeds have gone towards low-carbon buildings.<sup>33</sup> In 2020, Mexico committed in its Nationally Determined Contribution (NDC) to reducing its GHG emissions by 22-36% by 2030 below business-as-usual projections.<sup>34</sup> In this regard, Mexico has planned to reduce energy consumption in the building sector by 18% by 2030 compared to 2021 levels, by promoting the construction of sustainable buildings with greater energy efficiency.<sup>35</sup>

CFE's Framework includes financing for certified green building projects that will help advance national goals to decrease the GHG emissions of the Mexican built environment.

### Importance of clean transportation investments in Mexico

Mexico's energy demand per capita increased by 18% between 1990 and 2010, with the transport sector being one of the main contributors to the rising demand.<sup>36</sup> Mexico's GHG emission reduction targets can be met by

<sup>24</sup> IRENA, "Renewable Energy Prospects: Mexico" (2015), at: [http://www.irena.org/-/media/Files/IRENA/Agency/Publication/2015/IRENA\\_REmap\\_Mexico\\_report\\_2015.pdf?la=en&hash=8A259915297B04B0D50A422EDF48AD87007B56B1](http://www.irena.org/-/media/Files/IRENA/Agency/Publication/2015/IRENA_REmap_Mexico_report_2015.pdf?la=en&hash=8A259915297B04B0D50A422EDF48AD87007B56B1)

<sup>25</sup> IRENA, "Renewable Energy Prospects: Mexico" (2015), at:

<sup>26</sup> Climate Transparency, "Mexico", at: <https://www.climate-transparency.org/wp-content/uploads/2020/11/Mexico-CT-2020-WEB2.pdf>

<sup>27</sup> IEA, "Electricity generation mix in Mexico, 1 Jan - 30 Sep, 2019 and 2020", at: <https://www.iea.org/data-and-statistics/charts/electricity-generation-mix-in-mexico-1-jan-30-sep-2019-and-2020>

<sup>28</sup> IEA, "Countries: Mexico", at: <https://www.iea.org/countries/mexico>

<sup>29</sup> Climate Bonds Initiative, "Financing Low-Carbon Buildings in Mexico", (2020) at: [https://www.climatebonds.net/files/reports/cbi\\_mexicoconstruction\\_english.pdf](https://www.climatebonds.net/files/reports/cbi_mexicoconstruction_english.pdf)

<sup>30</sup> WRI, "Will Mexico Rise to the Zero-carbon Buildings Challenge?", (2020) at: <https://www.wri.org/blog/2020/02/zero-carbon-buildings-mexico>

<sup>31</sup> Climate Bonds Initiative, "Financing Low-Carbon Buildings in Mexico", (2020) at: [https://www.climatebonds.net/files/reports/cbi\\_mexicoconstruction\\_english.pdf](https://www.climatebonds.net/files/reports/cbi_mexicoconstruction_english.pdf)

<sup>32</sup> IFC, "Green Buildings Market Intelligence Mexico Country Profile", at: <https://www.edgebuildings.com/wp-content/uploads/2017/09/Mexico-GreenBuilding-Market-Intelligence.pdf>

<sup>33</sup> Climate Bonds Initiative, "Financing Low-Carbon Buildings in Mexico", (2020) at: [https://www.climatebonds.net/files/reports/cbi\\_mexicoconstruction\\_english.pdf](https://www.climatebonds.net/files/reports/cbi_mexicoconstruction_english.pdf)

<sup>34</sup> Mahajan, Forbes, 2019, Mexico Climate Policy Can Boost Its Economy, Save \$5 Billion, Prevent 26,000 Deaths By 2030, <https://www.forbes.com/sites/energyinnovation/2019/05/20/mexico-climate-policy-can-boost-its-economy-save-5-billion-prevent-26000-deaths-by-2030/?sh=211f764a1615>

<sup>35</sup> European Investment Bank, "Mainstreaming a sustainable energy transition for Public Buildings in Mexico City", at: <https://www.eib.org/attachments/fs-felicity-mexico-city-en.pdf>

<sup>36</sup> Veysey, Jason, et al., (2015), "Pathways to Mexico's climate change mitigation targets: A multi-model analysis", Elsevier, at: <https://reader.elsevier.com/reader/sd/pii/S0140988315001346?token=BEB2C0B32E0C38F48A2E1F33E0EADC25500ED13DD7B9DB7B8FFBFB18B7C484B7D04637ED4EE829C2CCF3348C2EE8A37D>

changes in the transportation sector such as better urban infrastructure, more efficient vehicles, and lower carbon fuels.<sup>37,38</sup> Almost 48% of the energy consumed in Mexico is used to move goods and people, and the combustion of gasoline in transport makes this sector the second highest source of GHG emissions in the country.<sup>39</sup> With Mexico City ranking fifth among the most populated cities in the world with 21 million people and 33.4 million vehicles,<sup>40</sup> the clean transportation projects can positively impact the country's emissions. The Mexican government is planning to replace local transportation with zero-emission vehicles and promote private electrical vehicles (EV) through exemption of local taxes.<sup>41</sup>

Sustainalytics is of the opinion that financing under the Clean Transportation category has the potential to provide positive environmental impacts by supporting the adoption of electric and low carbon vehicles and improving public transport infrastructure.

### Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The bonds and loans issued under the CFE Sustainable Financing Framework advances the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Green Buildings	11. Sustainable Cities and Communities	11.B By 2020, substantially increase the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, resilience to disasters
Access to Free or Subsidized Essential Services	9. Industry, Innovation and Infrastructure	9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and trans-border infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all

## Conclusion

CFE has developed the CFE Sustainable Financing Framework under which it may issue green and/or social bonds and loans and use the proceeds to finance renewable energy, energy efficiency, clean transportation, green buildings and access to free and subsidized essential services (digital inclusion) projects. Sustainalytics

<sup>37</sup> Veysey, Jason, et al., (2015), "Pathways to Mexico's climate change mitigation targets: A multi-model analysis", Elsevier, at: <https://reader.elsevier.com/reader/sd/pii/S0140988315001346?token=BEB2C0B32E0C38F48A2E1F33E0EADC25500ED13DD7B9DB7B8FFBFB18B7C484B7D04637ED4EE829C2CCF3348C2EE8A37D>

<sup>38</sup> The World Bank, "Climate Investment Opportunities in Emerging Markets", (2016) at: <http://documents.worldbank.org/curated/en/602971510740408248/pdf/121277-WP-IFC-Climate-Investment-Opportunity-Report-Dec-PUBLIC.pdf>

<sup>39</sup> Financing low-carbon transport in Mexico, at: [https://www.climatebonds.net/files/reports/cbi\\_mextrans2021\\_eng.pdf](https://www.climatebonds.net/files/reports/cbi_mextrans2021_eng.pdf)

<sup>40</sup> International Trade Administration, "Market Intelligence" at: <https://www.trade.gov/market-intelligence/mexico-hybrid-and-electric-vehicles>

<sup>41</sup> International Trade Administration, 2020, Mexico Hybrid and Electric Vehicles, available: <https://www.trade.gov/market-intelligence/mexico-hybrid-and-electric-vehicles>

## Comisión Federal de Electricidad Sustainable Financing Framework

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considers that the projects funded by the sustainability bond proceeds are expected to provide positive environmental and social impact.

The Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Framework is aligned with the overall sustainability strategy of the company and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 7, 9 and 11. Additionally, Sustainalytics is of the opinion that CFE has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the proceeds.

Based on the above, Sustainalytics is confident that Comisión Federal de Electricidad is well-positioned to issue sustainability bonds and that the CFE Sustainable Financing Framework is robust, transparent, and in alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021 and Social Bond Principles 2021.

## Appendices

### Appendix 1: Overview of Referenced Green Building Certification Schemes

	LEED <sup>42</sup>	BREEAM <sup>43</sup>	HQE <sup>44</sup>
<b>Background</b>	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.	BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK. Used for new, refurbished and extension of existing buildings.	The Haute Qualité Environnementale or HQE (High Quality Environmental standard) is a standard for green building in France, based on the principles of sustainable development first set out at the 1992 Earth Summit. The standard was launched in 2005 and is controlled by HQE and certificate is issued by Cerway/ Certivea/ Cerqual.
<b>Certification levels</b>	<ul style="list-style-type: none"> <li>• Certified</li> <li>• Silver</li> <li>• Gold</li> <li>• Platinum</li> </ul>	<ul style="list-style-type: none"> <li>• Pass</li> <li>• Good</li> <li>• Very Good</li> <li>• Excellent</li> <li>• Outstanding</li> </ul>	<ul style="list-style-type: none"> <li>• Pass</li> <li>• Good</li> <li>• Very Good</li> <li>• Excellent</li> <li>• Exceptional</li> </ul>
<b>Areas of Assessment: Environmental Performance of the Building</b>	<ul style="list-style-type: none"> <li>• Energy and atmosphere</li> <li>• Sustainable Sites/Location and Transportation</li> <li>• Materials and resources</li> <li>• Water efficiency</li> <li>• Indoor environmental quality</li> <li>• Innovation in Design</li> <li>• Regional Priority</li> </ul>	<ul style="list-style-type: none"> <li>• Management</li> <li>• Energy</li> <li>• Land Use and Ecology</li> <li>• Pollution</li> <li>• Transport</li> <li>• Materials</li> <li>• Water</li> <li>• Waste</li> <li>• Health and Wellbeing</li> <li>• Innovation</li> </ul>	<ul style="list-style-type: none"> <li>• Energy</li> <li>• Environment (Site, Components, Worksite, Water, Waste, Maintenance)</li> <li>• Comfort (Hydrothermal, Acoustic, Visual, Olfactory)</li> <li>• Health (Spaces quality, Air Quality, Water Quality) Principles of Equivalence</li> </ul>
<b>Requirements</b>	Prerequisites (independent of level of certification) + Credits with associated points.  These points are then added together to obtain the LEED level of certification.  There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools- /Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).	Prerequisites depending on the levels of certification + Credits with associated points.  This number of points is then weighted by item <sup>66</sup> and gives a BREEAM level of certification, which is based on the overall score obtained (expressed as a percentage). Majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their BREEAM performance score.  BREEAM has two stages/ audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.	Prerequisites (independent of level of certification) + Points-based performance level: Performing and High Performing  The Prerequisite level is obtained when all the minimum requirements for a target are met, while the Performing and High Performing levels are obtained based on a percentage of points given per target, allowing for flexibility.  Based on the total number of stars obtained per area, an overall HQE level is then given.  Environmental certificates are assigned at all stages of the building life cycle, and onsite audits are required.
<b>Performance display</b>			

<sup>42</sup> More information on the LEED certification scheme at: <https://new.usgbc.org/leed>.

<sup>43</sup> More information on the BREEAM certification scheme at: <https://www.breeam.com/>.

<sup>44</sup> Cerway, "HQE", at: <http://www.behqe.com/>

## Appendix 2: Sustainability Bond / Sustainability Bond Programme - External Review Form

### Section 1. Basic Information

<b>Issuer name:</b>	Comisión Federal de Electricidad
<b>Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:</b>	CFE Sustainable Financing Framework
<b>Review provider's name:</b>	Sustainalytics
<b>Completion date of this form:</b>	January 27, 2022
<b>Publication date of review publication:</b>	

### Section 2. Review overview

#### SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds        | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting                                    |

#### ROLE(S) OF REVIEW PROVIDER

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification   | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other ( <i>please specify</i> ):                       |  |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

#### EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

### Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

## 1. USE OF PROCEEDS

Overall comment on section (if applicable):

The eligible categories for the use of proceeds – Renewable Energy, Energy Efficiency, Clean Transportation, Green Buildings and Access to Free or Subsidized Essential Services, – are aligned with those recognized by the Green Bond Principles and the Social Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 7, 9 and 11.

### Use of proceeds categories as per GBP:

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Renewable energy  | <input checked="" type="checkbox"/> Energy efficiency  |
| <input type="checkbox"/> Pollution prevention and control   | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation  | <input checked="" type="checkbox"/> Clean transportation   |
| <input type="checkbox"/> Sustainable water and wastewater management  | <input type="checkbox"/> Climate change adaptation   |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes                            | <input checked="" type="checkbox"/> Green buildings  |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP | <input type="checkbox"/> Other (please specify):   |

If applicable please specify the environmental taxonomy, if other than GBP:

### Use of proceeds categories as per SBP:

- |   |   |
|---|---|
| <input type="checkbox"/> Affordable basic infrastructure  | <input type="checkbox"/> Access to essential services   |
| <input type="checkbox"/> Affordable housing   | <input type="checkbox"/> Employment generation (through SME financing and microfinance)   |
| <input type="checkbox"/> Food security  | <input type="checkbox"/> Socioeconomic advancement and empowerment  |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input checked="" type="checkbox"/> Other (please specify): Access to Free or Subsidized Essential Services (Digital Inclusion) |

If applicable please specify the social taxonomy, if other than SBP:

## 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

CFE's internal process in evaluating and selecting projects is overseen by its Corporate Direction of Strategic Planning team along with the Subcommittee for Evaluation of Investment Projects, the Investments Commission and Investments and Strategy Committee, with final approval from the Board of Directors. CFE has in place environmental and social risk management processes that are applicable to all allocation decisions in the Framework. Sustainalytics considers the environmental and social risk management processes to be adequate and the project selection process in line with market practice.

#### Evaluation and selection

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives                     | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories               |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available                | <input type="checkbox"/> Other ( <i>please specify</i> ):   |

#### Information on Responsibilities and Accountability

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other ( <i>please specify</i> ):  |  |

### 3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

CFE's processes for management of proceeds is tracked by the Company's Corporate Finance Team through an investment folder that tracks expenses and documentation using unique project identifiers. Pending allocation of the proceeds will be managed according to the Company's Investment Policy. CFE intends to allocate all proceeds within 24 months of the issuance and has established a lookback period of 24 months prior to each issuance. This is in line with market practice.

#### Tracking of proceeds:

- |   |
|---|
| <input checked="" type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other ( <i>please specify</i> ):   |

#### Additional disclosure:

- |   |   |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
|---|---|

- |   |   |
|---|---|
| <input type="checkbox"/> Allocation to individual disbursements                             | <input type="checkbox"/> Allocation to a portfolio of disbursements |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other ( <i>please specify</i> ):           |

#### 4. REPORTING

Overall comment on section (if applicable):

CFE intends to report on allocation of proceeds on its website on an annual basis until full allocation. The Report will include information on the allocations of net proceeds by individual project or by category, the share of proceeds used for financing and refinancing, and the balance of unallocated proceeds. In addition, CFE is committed to reporting on relevant impact metrics. Sustainalytics views CFE's allocation and impact reporting as aligned with market practice.

#### Use of proceeds reporting:

- |  |  |
|--|--|
| <input type="checkbox"/> Project-by-project            | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other ( <i>please specify</i> ):        |

#### Information reported:

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Allocated amounts     | <input type="checkbox"/> Sustainability Bond financed share of total investment |
| <input type="checkbox"/> Other ( <i>please specify</i> ): |   |

#### Frequency:

- |   |                                      |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual                | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other ( <i>please specify</i> ): |                                      |

#### Impact reporting:

- |  |  |
|--|--|
| <input type="checkbox"/> Project-by-project            | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other ( <i>please specify</i> ):        |

#### Information reported (expected or ex-post):

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings                                  |
| <input type="checkbox"/> Decrease in water use              | <input checked="" type="checkbox"/> Number of beneficiaries                         |
| <input checked="" type="checkbox"/> Target populations      | <input checked="" type="checkbox"/> Other ESG indicators ( <i>please specify</i> ): |
|   | Annual renewable energy generation in MWh (electricity) and GJ (other energy)       |

Capacity of renewable energy plant(s) to be served by transmission systems (MW)

LEED, BREEAM, HQE or equivalent environmental certification scores

Number of additional access points created in low-income and underserved localities

#### Frequency

- Annual
  Semi-annual  
 Other (please specify):

#### Means of Disclosure

- Information published in financial report
  Information published in sustainability report  
 Information published in ad hoc documents
  Other (please specify): Information published in Annual Report  
 Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

**USEFUL LINKS** (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

<https://www.cfe.mx/finanzas/reportes-financieros/pages/reportes-anales.aspx>

#### SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

##### Type(s) of Review provided:

- Consultancy (incl. 2<sup>nd</sup> opinion)
  Certification  
 Verification / Audit
  Rating  
 Other (please specify):

**Review provider(s):**

**Date of publication:**

#### ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP

- i. Second-Party Opinion: An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles and the Social Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.

- 
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
  - iii. Certification: An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
  - iv. Green, Social and Sustainability Bond Scoring/Rating: An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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