

Second-Party Opinion

Grupo Murano Green Financing Framework



Evaluation Summary

Sustainalytics is of the opinion that the Grupo Murano Green Financing Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible category for the use of proceeds, Green Buildings, is aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in the eligible category will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 11.



PROJECT EVALUATION AND SELECTION Grupo Murano's Sustainability Committee will be responsible for assessing and selecting projects that comply with the Framework's eligibility criteria. The committee will comprise the Company's Chief Operating Officer, the Chief Financial Officer and at least one independent member with experience in corporate sustainability. Grupo Murano has an environmental and social risk management protocol in place, to identify and manage or mitigate environmental and social risks associated with the projects being financed. Sustainalytics considers this project selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS Grupo Murano will deposit net bond proceeds in a separate bank account. Any proceeds not immediately allocated will be managed and invested by an independent trustee or a collateral agent in marketable government and investment grade securities. Grupo Murano commits to only invest in securities that are aligned with the objectives of the Framework and Grupo Murano's Sustainability Strategy and Policies. Furthermore, the Company intends to fully allocate bond proceeds within 24 months after issuance. This is in line with market practice.



REPORTING Grupo Murano commits to report on the allocation and impact of bond proceeds on its website on an annual basis. Allocation reporting will include quantitative and qualitative information such as the stage of projects under development, allocated and unallocated proceeds. Grupo Murano intends to report on relevant impact indicators. Sustainalytics views the reporting commitments to be in line with market practice.

Evaluation Date July 2, 2024¹

Issuer Location Mexico City, Mexico

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¹ This document updates the Second-Party Opinion originally provided by Sustainalytics in April 2021

Introduction

Grupo Murano ("Murano", or the "Company") is a real estate development company that acquires, develops and manages industrial, residential, corporate and hospitality properties across 6 cities in Mexico. Founded in 2010, Murano is headquartered in Mexico City and has a property portfolio of more than 465,000 square meters.²

Murano has developed the Grupo Murano Green Financing Framework dated July 2024 (the "Framework") under which it intends to issue green bonds and use the proceeds to finance and refinance, in whole or in part, existing and future real estate projects that adhere to high environmental standards. The Framework defines eligibility criterion in one area:

1. Green Buildings

Murano engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework's environmental credentials and its alignment with the Green Bond Principles 2021 (GBP).³ The Framework has been published in a separate document.⁴

Scope of work and limitations of Sustainalytics' Second-Party Opinion

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent⁵ opinion on the alignment of the reviewed Framework with 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 Green 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 1.16, 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 Grupo Murano'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. Grupo Murano representatives have confirmed (1) they understand it is the sole responsibility of Grupo Murano to ensure that the information provided is complete, accurate and 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.

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

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 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 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,

² Grupo Murano, "Key figures of the portfolio", at: <https://www.murano.com.mx/en/>

³ The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

⁴ The Grupo Murano Green Financing Framework is available on Murano's website at: <https://www.murano.com.mx/en/sustentabilidad>

⁵ 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.

reliability or completeness of any facts or statements and related surrounding circumstances that Grupo Murano has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Grupo Murano Green Financing Framework

Sustainalytics is of the opinion that the Grupo Murano Green Financing Framework is credible and impactful and aligns with the four core components of the GBP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The eligible category, Green Buildings, is aligned with those recognized by the GBP.
 - Murano has communicated to Sustainalytics that refinancing activities under the Framework, if any, will be limited to capital expenditures. Therefore, the Framework does not establish a look-back period for refinancing activities.
 - Murano intends to finance the construction and development of green buildings, particularly two hotels in Mexico City and Cancun, that have received or are expected to receive EDGE Green Building Certification.⁶
 - Sustainalytics considers investments in EDGE certified green buildings as aligned with market practice and expects it to generate positive environmental benefits.
- Project Evaluation and Selection:
 - Murano has established a Sustainability Committee (the "Committee") that will be responsible for assessing and selecting projects that meet the eligibility criteria set out in the Framework. The Committee will comprise the Company's Chief Operating Officer, the Chief Financial Officer and at least one independent member with experience in corporate sustainability.
 - The Committee has also established a process to identify and manage or mitigate environmental and social risks associated with the projects being financed. For additional details, refer to Section 2.
 - Based on the delineation of responsibility and the presence of a risk management system, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - The Committee will be responsible for overseeing the allocation of net proceeds to eligible projects. The Company's Investment Committee will review the development of each project throughout the construction stage.
 - Murano will deposit net bond proceeds in a separate bank account. Any proceeds not immediately allocated will be managed and invested by an independent trustee or a collateral agent in marketable government and investment grade securities. Murano commits to only invest in securities that are aligned with the objectives of the Framework and Murano's Sustainability Strategy and Policies. Furthermore, the Company intends to fully allocate bond proceeds within 24 months after issuance.
 - Based on the delegated authority for tracking and allocating proceeds, and disclosure around temporary use of proceeds, Sustainalytics considers this to be aligned with market practice.
- Reporting:
 - Murano commits to report on the allocation of bond proceeds and the associated impact, on its website on an annual basis. Murano further commits to obtain a verification of the allocation report from an accredited, independent third-party.
 - Allocation reporting will include quantitative and qualitative information such as the stage of projects under development, allocated and unallocated proceeds.
 - The reports will be supplemented by performance reports to include, where feasible, key impact indicators such as measures to track the reduction of CO₂ emissions, energy consumption, and efficiency and savings on water consumption.
 - Based on Murano's commitment to allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

⁶ EDGE: at: <https://www.edgebuildings.com/certify/certification/>

Alignment with Green Bond Principles 2021

Sustainalytics has determined that the Grupo Murano Green Financing Framework aligns with the four core components of the GBP.

Section 2: Sustainability Strategy of Murano

Contribution to Murano's sustainability strategy

Murano demonstrates its commitment to sustainability by focusing on developing real estate projects that incorporate environmental and social considerations such as energy and water efficiency, biodiversity conservation measures, and community well-being. Murano's sustainability strategy revolves around three principles: i) good corporate governance; ii) proactive environmental stewardship based on the principles of risk mitigation and environmental protection; and iii) stakeholder participation through which the Company seeks to engage with the communities where it is present to create a positive impact.⁷

Murano's Sustainability and Risk Committee has established the Company's sustainability strategy in collaboration with the board of directors. The committee is also responsible for implementing best practices to strengthen the Company's sustainability strategy. In 2021, Murano commenced targeted reporting by publishing its inaugural Sustainability Report⁸ which identifies the environmental and social priorities for the Company, including the promotion of energy efficient technologies, biodiversity protection in areas where it operates, the efficient use of water and waste management plans to reduce its environmental impacts, and screening to identify suppliers that follow and apply the same principles.⁹

In addition, the Company has based its resource management plan on the Equator Principles and uses the principles to guide its assessment of environmental and social risks in projects. Further, Murano has established a series of flora and fauna protection mechanisms such as the relocation of wild animals and reforestation of native species where appropriate.¹⁰

Sustainalytics is of the opinion that the Grupo Murano Green Financing Framework is aligned with the Company's overall sustainability strategy and will further the Company's action on its key environmental priorities. Nevertheless, Sustainalytics encourages the Company to define time-bound and quantifiable sustainability targets to support its sustainability practices.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the net proceeds from the bonds issued under the Framework will be directed towards eligible projects that are expected to have a positive environmental impact. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects include issues involving land use and loss of biodiversity associated with large-scale infrastructure development; emissions, effluents and waste generated in construction projects; occupational health and safety; and community relations and stakeholder participation.

Sustainalytics is of the opinion that Murano is able to manage or mitigate potential risks through implementation of the following:

- To manage risks related to land use and biodiversity issues, and waste, emissions and effluents generated during large-scale construction projects, Murano has established an environmental risk management strategy and Waste and Effluents Management Policy that focuses on reducing emissions, protecting ecosystems beyond legal compliance, and minimizing waste generated during construction activities.^{11,12} Further, Murano conducts environmental and social risk assessments prior to the development of projects to identify and address relevant risks.¹³ The Company's Sustainability Committee manages the environmental impacts of construction projects by overseeing the projects' compliance with the guidelines established by the International Finance Corporation (IFC)'s EDGE certification.¹⁴ Finally, the Company also follows the Equator Principles' requirements for risk categorization, environmental and social risk assessments, compliance with relevant laws and engagement with local communities.¹⁵
- To address occupational health and safety hazards, the Company ensures that all contractors involved in large-scale construction projects comply with the safety, health and environmental

⁷ Murano, "Sustainability Report 2020", at: <https://investorcloud.s3.amazonaws.com/murano/GobiernoCorporativo/ESG/Sostenibilidad-Murano-2020-en-.pdf>

⁸ Ibid.

⁹ Ibid.

¹⁰ Ibid.

¹¹ Ibid.

¹² Murano, "Grupo Murano Green Financing Framework", at: <https://www.murano.com.mx/en/sustentabilidad>

¹³ Ibid.

¹⁴ Ibid.

¹⁵ Ibid.

protection standards as outlined in the Mexican Federal Labour Law.¹⁶ Further, the Company also conducts trainings on health and safety practices for employees, contractors and subcontractors during various stages of construction projects.¹⁷

- Regarding community relations and stakeholder participation, Murano's Community Relations Policy outlines its commitment to reduce the impact of its projects on the surrounding communities and to foster stakeholder relations through effective communication and engagements.^{18,19}

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

Section 3: Impact of Use of Proceeds

The use of proceeds category is aligned with those recognized by the GBP. Sustainalytics has focused below on where the impact is specifically relevant in the local context.

Impact of green buildings in Mexico

In 2022, the operations of buildings accounted for 26% of total global energy-related emissions.²⁰ With Mexico being the second-largest construction market in Latin America, building design will be an integral part of the country's ability to reach its climate targets.²¹ Mexico is projected to have significant growth in the building sector with 2.6 million new residential buildings and USD 286 billion in investment between 2018 and 2025.²² In 2022, 13.5% of the country's total energy-related CO₂ emissions came from direct and indirect emissions of the building sector.²³

As a signatory to the Paris Agreement,²⁴ the Mexican government has committed to reducing its GHG emissions by up to 35% by 2030, relative to a business-as-usual scenario.^{25,26} The government considers the residential and commercial buildings sector as a key economic sector in achieving its ambition. In this regard, the Mexican government aims to reduce energy consumption in the buildings sector by promoting the construction of sustainable buildings with greater energy efficiency.²⁷ As part of its plan, the government has established the National Model Energy Conservation Code (IECC-Mexico), that regulates requirements related to energy conservation for new constructions and existing buildings in the country.^{28,29}

Green building projects that obtain EDGE certification must meet the requirement of at least 20% or more savings in energy, water and embodied energy in materials, and therefore have the potential to increase investments in green assets.³⁰ Based on the above context, Sustainalytics recognizes the importance of making the building stock in Mexico more energy-efficient and promoting green buildings to reduce the country's GHG emissions, and considers that the projects funded under Murano's Green Financing Framework have the potential to contribute to the country's long-term climate targets.

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 issued under the Grupo Murano Green Financing Framework are expected to advance the following SDG and target:

¹⁶ Start-Ops Mexico, "Mexican Labor Law", (2022), at: <https://start-ops.com.mx/mexican-laws/labor-law-in-english/>

¹⁷ Murano, "Sustainability Report 2020", at: <https://investorcloud.s3.amazonaws.com/murano/GobiernoCorporativo/ESG/Sostenibilidad-Murano-2020-en-.pdf>

¹⁸ Murano, "Grupo Murano Green Financing Framework", at: <https://www.murano.com.mx/en/sustentabilidad>

¹⁹ Murano, "Code of Conduct", (2024), at: <https://investors.murano.com.mx/static-files/43e281ed-94d0-435e-90b7-ec78a928def7>

²⁰ International Energy Agency, "Buildings", (2023), at: <https://www.iea.org/energy-system/buildings#tracking>

²¹ World Resources Institute, "Will Mexico Rise to the Zero-carbon Buildings Challenge?", (2020) at: <https://www.wri.org/blog/2020/02/zero-carbon-buildings-mexico>.

²² Ibid.

²³ Climate Transparency, "Climate Transparency Report - Mexico", (2022), at: <https://www.climate-transparency.org/wp-content/uploads/2022/10/CT2022-Mexico-Web.pdf>

²⁴ United Nations, "The Paris Agreement", at: <https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement>

²⁵ United Nations & Government of Mexico, "Contribución Determinada a Nivel Nacional Actualización 2022", (2022), at: https://unfccc.int/sites/default/files/NDC/2022-11/Mexico_NDC_UNFCCC_update2022_FINAL.pdf

²⁶ Climate Action Tracker, "Mexico", (2022), at: <https://climateactiontracker.org/countries/mexico/targets/>

²⁷ United Nations & Government of Mexico, "Contribución Determinada a Nivel Nacional Actualización 2022", (2022), at: https://unfccc.int/sites/default/files/NDC/2022-11/Mexico_NDC_UNFCCC_update2022_FINAL.pdf

²⁸ Climate Transparency, "Climate Transparency Report: Comparing G20 Climate Action – Mexico", (2022), at: <https://www.climate-transparency.org/wp-content/uploads/2022/10/CT2022-Mexico-Web.pdf>

²⁹ International Energy Agency, "Building Energy Conservation Code", (2019), at: <https://www.iea.org/policies/2473-building-energy-conservation-code>

³⁰ Grupo Murano, "Sustainability", at: <https://www.murano.com.mx/en/sustentabilidad>

Use of Proceeds Category	SDG	SDG target
Green Buildings	11. Sustainable Cities and Communities	11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries

Conclusion

Grupo Murano has developed the Grupo Murano Green Financing Framework under which it may issue green bonds, and use the proceeds to finance existing and future real estate projects that adhere to high environmental standards. Sustainalytics considers that the eligible projects are expected to provide positive environmental impacts.

The Grupo Murano Green Financing Framework outlines processes for tracking, allocation and management of proceeds, and makes commitments for Grupo Murano to report on allocation and impact. Sustainalytics considers that the Framework is aligned with Grupo Murano's overall sustainability strategy and that the use of proceeds will contribute to the advancement of the UN Sustainable Development Goal 11. Additionally, Sustainalytics considers that Grupo Murano has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that Grupo Murano is well positioned to issue green bonds and that the Grupo Murano Green Financing Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021.

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In case of discrepancies between the English language and translated versions, the English language version shall prevail.

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