

# Second-Party Opinion

## Sabadell México Sustainability Financing Framework



### Evaluation Summary

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



**USE OF PROCEEDS** The eligible categories for the use of proceeds – Green Buildings, Renewable Energy, Energy Efficiency, Clean Transportation, Efficient and Climate Resilient Water Management, Environmentally Sustainable Agriculture, SMEs, Social Infrastructure, and Social Housing – are aligned with those recognized by both the Green Bond Principles, Social Bond Principles, Green Loan Principles, and Social Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDG 1,2,6,7 and 11.



**PROJECT EVALUATION / SELECTION** Sabadell México’s Sustainability Committee, comprised of senior management and C-suite members, will be in charge of evaluating and selecting eligible projects. Banco Sabadell’s Risk Management Division will assess environmental and social risks related to eligible projects, and this process is applicable to all allocation decisions under the Framework. Sustainalytics considers these risk management systems to be adequate and the project selection process to be in line with market practice.



**MANAGEMENT OF PROCEEDS** Sabadell México’s Sustainability Committee will be responsible for managing and tracking net proceeds. Sabadell México intends to fully allocate proceeds within 24 months of the respective issuance. Pending allocation, net proceeds may be held in cash or cash equivalent instruments, held in temporary investments, used to reduce indebtedness, or earmarked for the nominated loans. This is in line with market practice.



**REPORTING** Sabadell México intends to report on the allocation of proceeds on its website and until maturity. The allocation report will provide information on the amount of net proceeds and the balance of unallocated proceeds. In addition, Sabadell México is committed to reporting on relevant impact metrics. Sustainalytics views Sabadell México’s allocation and impact reporting as aligned with market practice.

<b>Evaluation Date</b>	September 17, 2021
<b>Issuer Location</b>	Mexico City, Mexico

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## Introduction

Banco Sabadell, S.A. Institución de Banca Múltiple (“Sabadell México”, or the “Bank”) is a subsidiary of the Spanish multinational financial services company, Banco Sabadell (the “Group”). The Group offers services such as commercial banking and mortgages, insurance, consumer loans and private banking services. By the end of June 2021, Sabadell México operates in 10 cities in Mexico and holds a corporate and business banking loan portfolio of around MXN 85 billion and customer funds raised of around MXN 50 billion.

Sabadell México has developed the Sustainability Financing Framework (the “Framework”) under which it intends to issue one or more green, social and sustainability bonds and/or loans, and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that aim to reduce greenhouse gas (GHG) emissions, promote the sustainable management of waste, water and natural resources, and improve access to essential services and basic infrastructure among vulnerable populations.

The Framework defines eligible green categories in the following six areas:

1. Green Buildings
2. Renewable Energy
3. Energy Efficiency
4. Clean Transportation
5. Efficient and Climate Resilient Water Management
6. Environmentally Sustainable Agriculture

The Framework defines eligible social categories in the following three areas:

1. SMEs
2. Social Infrastructure
3. Social Housing

Sabadell México engaged Sustainalytics to review the Sustainability Financing Framework, dated September 2021, and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP), Social Bond Principles 2021 (SBP),<sup>1</sup> Green Loan Principles 2021 (GLP), and Social Loan Principles 2021 (SLP).<sup>2</sup> This Framework will be published in a separate document.<sup>3</sup>

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>4</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, and the Green Loan Principles 2021, as administered by LMA, APLMA, and LSTA;
- 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 1.10, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

<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 Green Loan Principles and Social Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at: <https://www.lsta.org/content/green-loan-principles/#> and <https://www.lsta.org/content/social-loan-principles-slp/>

<sup>3</sup> The Sabadell México Sustainability Bond Framework will be available on Sabadell México’s website at: <url>

<sup>4</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.

As part of this engagement, Sustainalytics held conversations with various members of Sabadell México'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. Sabadell México representatives have confirmed (1) they understand it is the sole responsibility of Sabadell México 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.

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

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 Sabadell México has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Sustainability Financing Framework

Sustainalytics is of the opinion that the Sustainability Bond Framework is credible, impactful and aligns with the four core components of the SBG, GBP, SBP, GLP, and SLP. Sustainalytics highlights the following elements of Sabadell México's Sustainability Financing Framework:

- Use of Proceeds:
  - The eligible categories – Green Buildings, Renewable Energy, Energy Efficiency, Clean Transportation, Efficient and Climate Resilient Water Management, Environmentally Sustainable Agriculture, SMEs, Affordable Basic Social Infrastructure, and Social Housing – are aligned with those recognized by the GBP, SBP, GLP, and SLP.
  - Under the Green Buildings category, expenditures may include financing for the design, construction or retrofitting of residential and commercial green buildings. Eligible projects are those that have or are expected to receive the following minimum green building certification level or above: LEED "Gold", BREEAM "Excellent", EDGE, and ECO CASA. For building retrofits, the Bank has established a criterion requiring that the building result in a minimum of 20% energy performance improvement or achieve one of the previously stated eligible levels of certification. 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).
  - Within the Renewable Energy category, the Framework includes the provision of loans to finance the acquisition, development and/or retrofitting of renewable energy facilities including solar photovoltaic energy generation, concentrated solar power (CSP) plants, onshore and offshore wind, hydropower, geothermal, thermovalorization (waste-to-energy), and green hydrogen for electricity generation. Sustainalytics notes the following thresholds and additional eligibility criteria:

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- Regarding CSP, the Bank has confirmed that a large majority of electricity (greater than 85%) will be generated from solar energy sources, Sustainalytics views this to be aligned with market practice.
- For hydroelectric power, Sabadell México has confirmed that new projects will be limited to small scale with a capacity under 25 MW, and have in place, an environmental and social risk assessment conducted by a third-party. The Bank may also finance the refurbishment of existing hydroelectric projects and has communicated to Sustainalytics that this will not involve expenditures that increase dam and/or reservoir capacity. This eligibility criterion is in line with market expectations.
- For geothermal energy projects, the Framework specifies that this will be limited to projects with direct emissions intensity under 100gCO<sub>2</sub>/kWh. Sustainalytics considers this threshold to be in line with market practice.
- For thermovalorization projects which relate to the incineration of municipal solid waste, the Bank has confirmed that recyclables will be segregated prior to energy conversion. Please refer to the footnote for more information on thermovalorization.<sup>5,6</sup> Sustainalytics views this to be aligned with market practice.
- Green hydrogen production projects will rely on water electrolysis powered by renewables which Sustainalytics considers to be in line with market practice.
- Under the Energy Efficiency category, Sabadell México intends to finance projects that support improvement in energy efficiency including the following:
  - Building retrofit projects that result in a minimum threshold energy performance improvement on 20%. This may include lighting improvements such as LEDs, building insulation, upgrades to HVAC systems, solar heating systems as well as cool roof infrastructure. Sabadell México has confirmed that fossil fuel powered equipment will be excluded from this category. Sustainalytics views this to be aligned with market practice.
  - As part of this category, the Bank may also provide general corporate purpose lending to companies that derive at least 90% of their revenue from the design, sale or installation of certain energy efficient products and/or technologies such as solar heating systems, LED lighting, sensor controls as well as cool roof infrastructure. Sustainalytics recognizes that the GBP, SBP, GLP, and SLP require project-based financing, and that there is, in general, less transparency with non-project-based financing. For general corporate financing, by placing a minimum quantitative threshold of 90% of revenue that such company must derive from eligible activities under the Framework, Sustainalytics believes that Sabadell México has ensured that proceeds from the instruments issued will be directed to environmental activities that generate positive impact.
  - Smart grids, and storage systems that facilitate integration of renewables or increase renewable energy production (e.g. battery mechanical or pumped storage). As part of this category, the Bank may consider investments in energy recovery technology from thermo-chemical or bio-chemical conversion processes. Some examples of such projects include heat recovery for hot water from A/C of refrigeration systems or water recovery systems with treatment for 100% reuse.
    - While noting the variety of definitions and applications of “smart grid” technology, Sustainalytics views positively investments that are designed to improve grid efficiency and encourages the Bank to select projects that are clearly anticipated to deliver tangible efficiency improvements.
    - Regarding refrigeration systems, Sustainalytics notes that Sabadell México may upgrade energy-efficient mechanical cooling systems. Sustainalytics recommends Sabadell México to consider low-GWP refrigerants(s) for such

<sup>5</sup> Thermovalorization involves the decomposition of inorganic waste using heat where the vapor released during the decomposition is used to generate electricity.

<sup>6</sup> Agencia EFE, “Experts say Mexico waste-disposal plant would violate international treaty”, (2017), at: <https://www.efe.com/efe/english/life/experts-say-mexico-waste-disposal-plant-would-violate-int-l-treaty/50000263-3297345>

- cooling systems and promote robust refrigerant leak control, detection, monitoring, while ensuring recovery, reclamation/recycling, or destruction of refrigerants at the end of life.
- With regards to storage, Sustainalytics views technologies and systems that increase renewable energy proportion in the energy mix as aligned with market practice.
    - Regarding transmission and distribution, the Bank has confirmed that eligible projects will be those aimed at reducing the curtailment of renewable energy in the grid.
  - For the Clean Transportation category, eligible projects may include the provision of retail loans for the procurement of low-to-zero-emission vehicles (private, public and commercial); rail transport of freight and electric passenger trains; and supporting infrastructure including electric railway infrastructure, electric vehicle charging stations, and infrastructure for active mobility.
    - Sustainalytics notes that the Framework defines low-emission vehicles as those with tailpipe emissions lower than 75gCO<sub>2</sub>/km and considers this threshold to be in line with market expectations for low-carbon light-duty passenger vehicles (LDVs).
    - Freight rail transport financed under the Framework will be limited to vehicles that are electric or meet an emissions threshold of 25gCO<sub>2</sub>/tonne-km. This is in line with market practice.
  - For the Efficient and Climate Resilient Water Management category, Sabadell México intends to finance infrastructure for water and wastewater treatment systems, including rainwater collection, water conservation, and water recycling projects with the following conditions:
    - Sabadell México intends to finance desalination treatment systems that are; (i) powered by low-carbon sources such as renewables and/or; (ii) have an average carbon intensity of the electricity used for desalination at or below 100gCO<sub>2</sub>e/kWh. These are also limited to projects that have a management plan for brine disposal. Sabadell México has confirmed that wastewater treatment projects will not relate to fossil fuel operations.
    - Sustainalytics views financing infrastructure for water and wastewater treatment systems meeting the above conditions as aligned with market practice.
  - For the Environmentally Sustainable Agriculture category, Sabadell México intends to finance the following:
    - Projects that align with the "Protected Agriculture Criteria" of the Climate Bond Initiative (CBI).<sup>7</sup> Eligible activities that Sabadell México is contemplating include: (i) greenhouses and crop production technologies and techniques that improve the growing conditions relative to open field agriculture and energy efficiency; (ii) facilities dedicated to protected agriculture in Mexico such as: air and light control systems, precision plant nutrition systems, and insect protection; (iii) protected agriculture facilities in Mexico such as PVC film or glass greenhouses, shade houses and systems for closure isolation; and (iv) irrigation and other water-related infrastructure. Sustainalytics views projects that improve water and energy efficiency in agriculture to be aligned with market expectations.
    - Agricultural projects that are certified under at least one of the following certification schemes:<sup>8</sup> Bonsucro, Intercultural Federation of Organic Agriculture Movements (IFOAM), ISCC PLUS, ProTerra, Rainforest Alliance Standard, Roundtable on Responsible Soy (RTRS), Roundtable on Sustainable Biomass (RSB), Soil Association and UTZ Certified. Sustainalytics considers these schemes to be credible and impactful for agricultural activities and are likely to have positive environmental impact. See Appendix 2 for Sustainalytics' assessment of these schemes.

<sup>7</sup> Climate Bonds Initiative (CBI), at: <https://www.climatebonds.net/files/files/standards/protected-agriculture/protected-agriculture-background-paper-mexico.pdf>

<sup>8</sup> In contrast to most credible certification schemes, BCI does not require adherence to specific performance standards, focusing instead on encouraging the attainment of improved performance over time. In addition, Sustainalytics also notes that BCI allows for the use of genetically modified organisms. Notwithstanding these drawbacks, and noting the positive ambition of the BCI scheme, Sustainalytics does not consider the use of BCI as an eligibility criterion that detracts from the credibility of the Framework.

- The Framework also relies on the considers Better Cotton Initiative (BCI) for eligibility of agricultural projects. In contrast to most credible certification schemes, BCI does not require adherence to specific performance standards, focusing instead on encouraging the attainment of improved performance over time. In addition, Sustainalytics also notes that BCI allows for the use of genetically modified organisms. Notwithstanding these drawbacks, and noting the positive ambition of the BCI scheme, Sustainalytics does not consider the use of BCI as an eligibility criterion that detracts from the credibility of the Framework.
  - Sustainable food production systems including for the efficient use of water, waste management, solar and wind powered water-pumping systems, and fertilizers. The Bank has confirmed that this will exclude financing of activities related to inorganic and/or synthetic fertilizers which Sustainalytics views to be aligned with market practice.
  - Anaerobic biodigesters that use plant-based agricultural residue as a part of agricultural processes and manufacturing to produce bioenergy. Sustainalytics views these investments as aligned with market expectations.
- For the SMEs category, the Bank intends to provide financing for small and medium-sized enterprises (SMEs) as a means to reduce the inequality in economic growth for these businesses. The Framework relies on the Bank's internal definition of SMEs as those with annual sales under USD 50 million, in line with Banco Sabadell Spain and the European Commission<sup>9</sup> Sustainalytics considers this definition of SMEs to be aligned with market practice.
- Under the Social Infrastructure category, the Bank intends to finance public infrastructure projects for the benefit of underserved, low- and middle-income populations. Eligible projects include financing of public hospitals, public transportation infrastructure that meets the Clean Transportation eligibility criteria (i.e. 50CO<sub>2</sub>e/passenger-kilometer), and multimodal infrastructure for public transport. Sustainalytics view positively investments towards projects that provide public services to support underserved target populations.
- For the Social Housing Category, Sabadell México intends to provide financing to homebuilders for social housing that are qualified under Mexico's Infonavit<sup>10</sup> or the FOVISSSTE<sup>11</sup> social housing program targeting low- and middle- income population which are in line with the thresholds of those programs.<sup>12, 13</sup> Sustainalytics view the definition of low- and middle-income population in accordance with the national social housing program to be aligned with the market practice.
- Project Evaluation and Selection:
  - Banco Sabadell's Sustainable Committee, comprised of the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer, the Sustainability Manager, the Chief Marketing Officer, the Chief Human Resources Officer, Treasurer and the Head Structured Finance, will be responsible for reviewing and validating the eligible green and social projects to be included in the bond issuance or loan financing.
  - Banco Sabadell has a Risk Management division in place to evaluate the sustainable operations that meet the defined criteria under the Framework. Environmental and social risks

<sup>9</sup> The European Commission sets a maximum annual turnover for Medium-sized company to be 50 million Euro. Given that Sabadell Mexico's internal criterion falls below this threshold, Sustainalytics considers this threshold as sufficient classification. For more information, refer to: the European Commission, "Internal Market, Industry, Entrepreneurship and SMEs", available at: [https://ec.europa.eu/growth/smes/sme-definition\\_en](https://ec.europa.eu/growth/smes/sme-definition_en)

<sup>10</sup> Government of Mexico, Infonavit, available: <https://www.gob.mx/epr/prensa/infonavit-is-the-main-mexican-state-institution-for-ensuring-that-families-can-exercise-their-constitutional-right-to-decent-housing-epr>

<sup>11</sup> Government of Mexico, FOVISSSTE, available: <https://www.gob.mx/fovissste#1975>

<sup>12</sup> The minimum monthly salary required to be eligible for the INFONAVIT program is \$ 2725 Pesos. Available information can be found: INFONAVIT My Credit, How Much Will INFONAVIT Lend Me in 2021, at: <https://micreditoinfonavit.com/cuanto-me-presta-infonavit/>

<sup>13</sup> According to the Organisation for Economic Co-operation and Development, a person with \$ 20,000 Pesos per month with a household of four people belongs to middle-income class; a person with \$ 7,500 Pesos with a household of two people belongs to the lowest income category. Both low- and middle-income category are eligible for the INFONAVIT program. For more information, please refer to: Mexico Daily Post, Mexican middle class, how much do they earn per month, and what's its size in Mexico? according to Inegi, June 2021, at: <https://mexicodailypost.com/2021/06/16/mexican-middle-class-how-much-do-they-earn-per-month-and-whats-its-size-in-mexico-according-to-inegi/>

- associated with the projects will be evaluated by this division. Sustainalytics considers these environmental and social risk management systems to be adequate and aligned with market expectations. For additional details, see Section 2.
- Based on the defined governance structure and cross-divisional participation in project evaluation and approval, Sustainalytics considers this process to be in line with market practice.
  - Management of Proceeds:
    - Proceeds from the issuance will be tracked and supervised by the Bank's Sustainability Committee. Sabadell México intends to fully allocate proceeds within 24 months of each respective issuance. The Framework defines a five-year lookback period for refinancing projects, which is somewhat longer than market practice.
    - Pending allocation, net proceeds may be held in cash or cash equivalent instruments, used to reduce indebtedness, or earmarked for the nominated loans.
    - Based on clear definitions of how proceeds will be tracked, held, and disbursed, Sustainalytics considers this process to be in line with market practice.
  - Reporting:
    - Sabadell México will provide publicly available allocation and impact reporting on an annual basis and until the maturity of the bonds or loans on the Bank's corporate website. The allocation report will contain information about the amount of net proceeds allocated to each eligible loan, and information on the split between new financing and refinancing.
    - The impact reporting will include environmental and social impact metrics, where feasible, such as score and level of environmental certifications, estimation of GHG emissions avoided (tCO<sub>2</sub>e), amount of energy saved (MWh/year), water treated, waste recycled, number of beneficiaries and number of new tenants.
    - Based on the commitment to both 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 Sustainability Financing Framework aligns with the four core components of the GBP, SBP, GLP, and SLP. For detailed information please refer to Appendix 3: Sustainability Bond/ Sustainability Bond Programme External Review Form.

## Section 2: Sustainability Strategy of Sabadell México

### Contribution of Framework to Banco Sabadell's sustainability strategy

Sustainalytics is of the opinion that Sabadell México demonstrates a commitment to sustainability by incorporating the Sustainable Development Goals ("SDGs") into its business strategy and adopting the United Nations Principles for Responsible Banking. The Group developed the Sustainable Finance Plan<sup>14</sup> which incorporates sustainability priorities into their business model, risk assessment and management processes and stakeholder engagement. Four objectives were then established to advance these sustainability priorities: (i) support customers in the transition to a more sustainable model; (ii) "enable investors to contribute to sustainability"; (iii) "adapt the organization to the new paradigm"; and (iv) "contribute to the transition to a more sustainable society". To support these commitments, Sustainalytics highlights the following programmes and initiatives outlined in the Group's Non-Financial Disclosures Report 2020 under three pillars including, Responsible Business, Environment, and Society:<sup>15</sup>

- Responsible Business – The Group aims to finance and invest in sustainable projects to reduce negative impacts to the environment. This includes the financing of renewable energy projects. In 2020, the Group invested EUR 1.13 billion for new lending, refinancing and restructuring projects. Additionally, loans have been provided to SMEs and individuals to retrofit infrastructure with more energy efficient equipment and technologies as well as providing clean transportation and mobility solutions by financing hybrid and electric vehicles. By the end of 2019, the Group certified EUR 363,934 worth of loans for energy efficiency and 140 ECO commercial vehicles were financed. To create social impact the Group has been a participant of the Social Housing Fund (*Fondo Social de*

<sup>14</sup> Banco Sabadell, "Non-Financial Disclosures Report 2020", (p6), at: <https://www.grupbancsabadell.com/corp/en/sustainability/reports.html>

<sup>15</sup> Banco Sabadell, "Non-Financial Disclosures Report 2020", at: <https://www.grupbancsabadell.com/corp/en/sustainability/reports.html>

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*la Vivienda*) since 2013 and has contributed 400 properties for customers who have had to surrender or lost their properties due to debt settlements or foreclosures. Furthermore, the Group has assigned 110 properties to 44 non-profit organizations to support disadvantaged social groups as of 2019.

- Environment – To minimize the environmental footprint of its own operations and processes, the Group focuses on reducing CO<sub>2</sub> emissions, waste management and resource consumption. As part of this goal, the Group became signatory of the Carbon Disclosure Project and it has established an Environmental Policy to ensure that CO<sub>2</sub> emissions are reduced from its own operations.<sup>16</sup> To ensure the sustainable use of resources, including energy and water, the Group has implemented eco-efficiency measures and has an environmental management system compliant to ISO 14001. To minimize energy consumption for example, the Group has been replacing HVAC equipment with more energy-efficiency models and installing LED lights and photovoltaic panels. Between 2019 and 2020, the Group reduced its energy consumption by 13%, alongside water consumption, through water-saving mechanisms for bathroom facilities and taps.
- Society – Through the Banco Sabadell Private Foundation (“the Foundation”) and collaboration with social-sector institutions, the Group has developed multiple initiatives that create social impact. Some of these initiatives include financial education activities such as supporting SMEs towards internationalization, employee volunteer hours to advance social causes for vulnerable and underserved populations, poverty eradication, social housing management and advancements in medical research and health. The Foundation allocated EUR 3.4 million towards partnerships and initiatives that are aligned with SDGs that create broad social impact. The Group also financed EUR 260,000 for new COVID-19 relief projects.

Sustainalytics is of the opinion that Sabadell México’s efforts are indicative of the importance of sustainability to the Bank. Therefore, Sustainalytics believes that Sabadell México’s Framework is aligned with the Banco Sabadell’s programs and initiatives and will further the Bank’s action on its overall sustainability strategy.

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

While Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards eligible projects that are expected to have positive environmental and social impact, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. As a financial provider, Sabadell México has limited involvement in the development of specific projects. Nonetheless, Sabadell México should take steps to mitigate key risks related to the projects that will be financed, including land-use change issues, project-related greenhouse gas emissions; workers’ health and safety during construction and/or operation; and increased exposure of local communities to adverse effects. Additionally, there are risks associated with being exposed to controversial companies or projects as a result of the Bank’s lending activities.

Sustainalytics is of the opinion that Sabadell México is able to manage and/or mitigate potential risks through implementation of the following:

- The Group’s Environmental Policy<sup>17</sup> defines the principles that they follow to construct the Group’s Environmental Management System (EMS) following the ISO 14001 standard<sup>18</sup> and requires the Group to identify and assess environmental issues that may cause a negative impact. The Group also has a Code of Conduct for Suppliers<sup>19</sup> in place which requires its suppliers to comply with legislation on environmental protection and encourages responsible environmental conduct of its suppliers.
- Banco Sabadell’s disclosure is in line with the recommendations of Task Force on Climate-related Financial Disclosures (TCFD) guidelines, which is structured in accordance with the TCFD’s four key elements: governance, strategy, risk management and metrics and targets. A TCFD working group, composing of representatives from the Group’s CFO office, Economics & Fund Strategy, Public

<sup>16</sup> Banco Sabadell, “Corporate Social Responsibility - Environmental Policy”, (2009), at:

<https://www.grupbancsabadel.com/corp/en/sustainability/polices-codes-and-rules.html>

<sup>17</sup> Banco de Sabadell, “Environmental Policy”, available at:

[https://www.grupbancsabadel.com/corp/files/1454335666243/en\\_medioambiente\\_policy\\_2009.pdf](https://www.grupbancsabadel.com/corp/files/1454335666243/en_medioambiente_policy_2009.pdf)

<sup>18</sup> Banco de Sabadell, “Sustainability”, available: <https://www.grupbancsabadel.com/corp/en/sustainability/commitment-to-sustainability.html>

<sup>19</sup> Banco de Sabadell, “Code of Conduct for Banco Sabadell Group Supplier”, available at:

[https://www.grupbancsabadel.com/corp/files/1454335664692/code\\_of\\_conduct\\_for\\_banco\\_sabadell\\_group\\_suppliers.pdf](https://www.grupbancsabadel.com/corp/files/1454335664692/code_of_conduct_for_banco_sabadell_group_suppliers.pdf)

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Equities, Risk Management and Valuations teams, is established to implement the TCFD recommendations at Banco Sabadell.<sup>20</sup>

- The Group has established a Policy on Action in the Community<sup>21</sup> which outlines principles that Banco Sabadell should follow for any sponsorship activities. The policy ensures reputation and good standing of the organizations responsible for social actions, and emphasis on the importance of social and cultural focus for underprivileged or deprived groups for actions in the community.
- Banco Sabadell has established an Environmental and Social Risk Management Manual<sup>22</sup> which includes the Environmental and Social Risk Management Process the Group takes to identify, evaluate and mitigate environmental and social risks associated with their financial activities.
- Banco Sabadell has established a Corporate Ethics Committee to foster ethical conduct across the group and has enacted corporate-wide standards and processes mandating ethical behavior through its Code of Conduct<sup>23</sup>.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Sabadell México 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 nine use of proceeds categories are aligned with those recognized by GBP, SBP, GLP or SLP. 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>24</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>25</sup> The law aims to increase the share of clean energy in Mexico to 35% by 2024, and 43% by 2030.<sup>26</sup> A report released by the International Renewable Energy Agency (“IRENA”) mentioned that Mexico can generate 46% of its electricity from renewable sources by 2030.<sup>27</sup> To achieve this target, the IRENA report contemplates the potential for rapid expansion of wind and solar photovoltaic generation, and additional contributions from hydroelectricity.<sup>28</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 demands.<sup>29</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 half of it.<sup>30</sup> Furthermore, power demand is growing at a rate of approximately 2.9% per year, driven by increasing consumption in both rural and urban areas.<sup>31</sup> Significant investments in infrastructure and technology will be required to achieve the country’s current renewable energy generation targets.

<sup>20</sup> Banco de Sabadell, “Code of Conduct for Banco Sabadell Group Suppliers”, available at:

[https://www.grupbancsabadell.com/corp/files/1454335664692/code\\_of\\_conduct\\_for\\_banco\\_sabadell\\_group\\_suppliers.pdf](https://www.grupbancsabadell.com/corp/files/1454335664692/code_of_conduct_for_banco_sabadell_group_suppliers.pdf)

<sup>21</sup> Banco de Sabadell, “Policy On Action In The Community - Sponsorship And Support”, available at:

[https://www.grupbancsabadell.com/corp/files/1454335667085/en\\_accionsocial\\_02\\_policyonactioninthecommunity.pdf](https://www.grupbancsabadell.com/corp/files/1454335667085/en_accionsocial_02_policyonactioninthecommunity.pdf)

<sup>22</sup> Sabadell México has shared with Sustainalytics, in confidence, relevant material pertaining to its environmental and social risk practices.

<sup>23</sup> Banco de Sabadell, Code of Conduct, 2020, available at:

[https://www.grupbancsabadell.com/corp/files/1454335664390/en\\_conduct\\_code\\_banco\\_sabadell\\_group\\_-\\_code\\_of\\_conduct.pdf](https://www.grupbancsabadell.com/corp/files/1454335664390/en_conduct_code_banco_sabadell_group_-_code_of_conduct.pdf)

<sup>24</sup> The Law Reviews, “The Renewable Energy Law Review: Mexico”, (2020) at: <https://thelawreviews.co.uk/title/the-renewable-energy-law-review/mexico>

<sup>25</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>26</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>27</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>28</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>29</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>30</sup> Climate Transparency, “Mexico”, at: <https://www.climate-transparency.org/wp-content/uploads/2020/11/Mexico-CT-2020-WEB2.pdf>

<sup>31</sup> IEA, “Electricity generation mix in Mexico, 1 Jan - 30 Sep, 2019 and 2020”, at: <https://www.iea.org/data-and-statistics/charts/electricity-generationmix-in-mexico-1-jan-30-sep-2019-and-2020>

<sup>31</sup> IEA, “Countries: Mexico”, at: <https://www.iea.org/countries/mexico>

## Sabadell México Sustainability Financing Framework

Sustainalytics considers that Sabadell México will be able to contribute to Mexico achieving its renewable energy targets and advance key renewable energy technologies to ensure the country reaches 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>32</sup> As the second-largest construction market in Latin America, Mexico's building sector can help the country achieve its national GHG reduction targets, including a 36% reduction by 2030.<sup>33,34</sup> The World Resources Institute mentions the current Mexican building policy environment is aligned with the achievement of the UN-endorsed Zero Carbon Buildings for All Initiative, which strives to decarbonize the global building stock.<sup>35</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>36</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>37</sup> Mexico committed to reducing its GHG emissions by 50% by 2050 compared to 2000 levels.<sup>38</sup> In this regard, Mexico has planned to reduce energy consumption in the building sector by 18% by 2030 by promoting the construction of sustainable buildings with greater energy efficiency.<sup>39</sup>

Sabadell México's Framework includes financing for certified green building projects that Sustainalytics expects to support 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>40</sup> As estimated by models, Mexico's GHG emission reduction targets can be met by changes in the transportation sector, such as better urban infrastructure, more efficient vehicles, and lower carbon fuels.<sup>41,42</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 source of GHG emissions in the country.<sup>43</sup> With Mexico City ranking fifth among the most populated cities in the world with 21 million people and 33.4 million vehicles,<sup>44</sup> the clean transportation projects can positively impact the country's emissions.

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 for improving public transport infrastructure.

<sup>32</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>33</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>34</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>35</sup> WRI, "Accelerating Building Decarbonization: Eight Attainable Policy Pathways to Net Zero Carbon Buildings for All", (2019) at: <https://files.wri.org/d8/s3fs-public/accelerating-building-decarbonization.pdf>

<sup>36</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>37</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>38</sup> Government of Mexico, "Intended Nationally Determined Contribution", (2014), 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>39</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>40</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>41</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>42</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>43</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>44</sup> International Trade Administration, "Market Intelligence" at: <https://www.trade.gov/market-intelligence/mexico-hybrid-and-electric-vehicles>

### 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 bond(s) and loan (s) issued under the Sustainability Financing Framework advances the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Green Buildings	11. Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
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
Efficient and Climate Resilient Water Management	6. Clean Water and Sanitation	6.2 By 2030, achieve access to adequate and equitable sanitation and hygiene for all and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations 6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally
Environmentally Sustainable Agriculture	2. Zero Hunger	2.4 By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality
SMEs	1. No Poverty	1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance
Affordable Basic Infrastructure	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

## Sabadell México Sustainability Financing Framework

Social Housing	11. Sustainable Cities and Communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
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### Conclusion

Sabadell México has developed the Sabadell México Sustainability Financing Framework under which it may issue sustainability bonds and/or loans and use the proceeds to finance and/or refinance green projects including green buildings, energy efficiency projects, renewable energy projects, clean transportation projects, efficient and climate resilient water management projects and environmentally sustainable agricultural projects as well as social projects such as affordable housing, SMEs to reduce inequality, and public infrastructure projects. Sustainalytics considers that the projects funded by the sustainability bond and/or loan proceeds are expected to provide positive environmental and social impact.

The Sabadell México Sustainability Financing 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 Sabadell México Sustainability Financing 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, in particular SDGs 1, 2, 6, 7 and 11. Additionally, Sustainalytics is of the opinion that Sabadell México 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 Sabadell México is well-positioned to issue sustainability bonds and/or loans and that the Sabadell México Sustainability Financing Framework is robust, transparent, and in alignment with the core components of the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2021, and Green Loan Principles 2021.

## Appendices

### Appendix 1: Certification Schemes for Green Buildings

	LEED	BREEAM	EDGE	ECOCASA
<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, this scheme can be used for new, refurbished and extension of existing buildings.	EDGE (or "Excellence in Design for Greater Efficiencies") is a green building standard and certification system developed by the International Finance Corporation and applicable in 140 countries.	ECOCASA seeks to incorporate technologies to improve water and energy efficiency in residential homes.
<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>• Certified/ non-certified</li> </ul>	<ul style="list-style-type: none"> <li>• Level I</li> <li>• Level II</li> <li>• Level III</li> </ul>
<b>Areas of assessment</b>	<ul style="list-style-type: none"> <li>• Energy and atmosphere</li> <li>• Sustainable Sites</li> <li>• 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>• Climatic Conditions of the Location</li> <li>• Monthly average wet and dry bulb temperature; Monthly average outdoor wind velocity; Monthly average outdoor humidity, Solar radiation intensity; Annual average rainfall; Carbon dioxide intensity of the electricity grid; Average cost of energy (by fuel type) and water.</li> <li>• Building Type and Occupant Use</li> <li>• Homes: for both apartments and houses (assumptions for area and occupancy are based on income categories); Hotels: for both hotels and resorts (assumptions for area, occupancy and the type of support services are based on the star rating of the property); Offices: assumptions are based on occupancy density and hours of use; Hospitals: assumptions are based on the type of hospital (e.g., nursing home, private or public hospital, clinic or diagnostic center); Retail: assumptions are based on the type of retail building (e.g., department store, mall, supermarket, light</li> </ul>	<p>1. DEEVi (Energy-Efficient Housing Design) is a tool used to measure electricity and gas consumption taking into consideration the location and home design. The calculation accounts for temperature, humidity, house occupation, internal heat gain, internal humidity gain, air quality and ventilation. The tool determines an energy consumption rate by surface square meter to make data comparable.</p> <p>2. SAAVi (Water housing saving simulation) is a tool that estimates water consumption per resident (liters per person, per day) based on home water devices (toilets, faucets, shower, washing machine, laundry room). This information is validated by a government the National Commission of Water (CONAGUA).</p> <p>3. The Overall Performance Index (iDG) uses the data provided by DEEVi and SAAVi and takes into consideration climatic conditions, water availability in different regions and type of housing to determine a final evaluation scale from A (most efficient) to G (least efficient).</p>




			<p>industry or warehouse); Education: assumptions are based on the type of educational facility (e.g., pre-school, university or sports facility), as well as occupancy density and hours of use.</p> <ul style="list-style-type: none"> <li>• Design and Specifications</li> <li>• Thermal properties of the building envelope; Window to Wall Ratio; Building Orientation</li> <li>• Calculation of the End Use Demand</li> <li>• Overall energy demand in buildings; heating ventilation and air conditioning demand; virtual energy for comfort, energy demand for hot water requirements; lighting energy demand; water demand in buildings; estimations on rainwater harvesting or recycled water onsite; embodied energy in building materials.</li> </ul>	
<b>Requirements</b>	<p>Minimum requirements independent of level of certification; point-based scoring system weighted by category to determine certification level.</p> <p>The rating system is adjusted to apply to specific sectors, such as: New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, and Existing Buildings: Operation and Maintenance.</p>	<p>Minimum requirements depending on the level of certification; scoring system weighted by category, producing a percentage-based overall score. The majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their performance score.</p> <p>BREEAM has two stages/ audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.</p>	<p>To achieve the EDGE standard, a building must demonstrate a minimum 20% reduction in operational energy consumption, water use and embodied energy in materials as compared to typical local practices.</p>	<p>To achieve certification residential buildings should achieve a minimum energy and water savings of 20% compared to the baseline of the region (D or E)</p>
<b>Qualitative Considerations</b>	<p>Widely accepted within the industry, both in North America and internationally, and considered a guarantee of strong performance.</p>	<p>Used in more than 70 countries: Good adaptation to the local normative context. Predominant environmental focus, lower levels are less strict than LEED.</p>	<p>Strong assurance of overall quality due to the EDGE's development under the IFC umbrella.</p>	<p>Developed with the backing of the PassivHaus institute specifically for use in the Mexican context. Endorsed by government regulations.</p>
<b>Performance display</b>				

## Appendix 2: Overview of Referenced Agriculture Certification Schemes




	Better Cotton Initiative (BCI) <sup>45</sup>	Bonsucro <sup>46</sup>	The Intercultural Federation of Organic Agriculture Movements
<b>Background</b>	The Better Cotton Initiative (BCI) is a global non-profit cotton sustainability program that seeks to (i) reduce the environmental impact of cotton products, (ii) improve livelihoods and economic development in cotton producing areas, (iii) improve commitment to and flow of Better Cotton through supply chain, and iv) ensure credibility and sustainability of the Better Cotton Initiative.	Bonsucro was developed out of the Better Sugarcane Initiative, an international multi-stakeholder NGO whose purpose is to lower the environmental and social impacts of sugarcane production. The Bonsucro Production Standard aims to ensure that the sugarcane production and sugarcane derived products are sustainably produced.	The Intercultural Federation of Organic Agriculture Movements (IFOAM) is an NGO that represents more than 160-member organizations, including farmers, producers, traders, research and lobby organizations, environmental and consumer NGOs and companies. Its main purpose is to promote knowledge, principles and practices about organic agriculture. The Family of Standards contains all standards endorsed as organic by the Organic Movement.
<b>Clear positive impact</b>	Transforming cotton production worldwide by developing 'Better Cotton' as a sustainable mainstream commodity.	Promoting sustainable sugarcane production.	Promoting sustainable practices for organic agriculture.
<b>Minimum standards</b>	In order to receive a license to grow 'Better Cotton', farmers must comply with a set of minimum requirements and "improvement" criteria across seven key principles: crop protection, water stewardship, soil health, biodiversity enhancement & land use, fibre quality, decent work and effective management. The principles and criteria form the global definition of what is considered 'Better Cotton'. In recognition of the differences in production methods and workforces, BCI distinguishes between the minimum requirements for three categories of farmers (smallholders, medium farms and large farms).	The Bonsucro Production Standard sets minimum requirements in the areas of legal compliance, biodiversity and ecosystem impacts, human rights, production and processing and continuous improvement.	Each standard, which is a part of IFOAM, has its own set of minimum requirements.
<b>Scope of certification or programme / Directly addressing social and environmental risk</b>	BCI addresses key risks through its requirements, including human rights, child labor, biodiversity use, water stewardship and pesticide use.	Bonsucro addresses key risks such as human and labour rights, ecosystem management, biodiversity and land use through its criteria.	The IFOAM standards addresses different risk, including such as soil, pesticide, synthetic fertilizers and land use, through its criteria.
<b>Verification of standards and risk mitigation</b>	BCI conducts supply chain monitoring and audits to ensure that companies sourcing cotton as Better Cotton comply with relevant Chain of Custody requirements, and to ensure continuous improvement.	Certified entities undergo third-party audits to ensure compliance with criteria.	Certified entities undergo third-party verification according to the specific IFOAM standard.
<b>Third party expertise and multi-stakeholder process</b>	The WWF founded the Better Cotton Initiative in 2005. BCI partners with the following standards, which are all recognized by BCI as being equivalent to the Better Cotton Standard System: myBMP (My Best Management Practice) in Australia, ABRAPA (Associação Brasileira dos Produtores	Bonsucro is a full member of the ISEAL Alliance and respects the ISEAL Code of Good Practice for Setting Social and Environmental Standards and the Impacts Code.	IFOAM maintains an Organic Guarantee System, which is a non-profit independent evaluation program that provides customers with trusted organic labels. The Standards Requirements Committee is responsible for developing the

<sup>45</sup> BCI Principles and Criteria, Version 2.1: <https://bettercotton.org/wp-content/uploads/2019/06/Better-Cotton-Principles-Criteria-V2.1.pdf>

<sup>46</sup> Bonsucro: <https://www.bonsucro.com/>

	de Algodão) in Brazil, 'Cotton made in Africa' (CmiA) and 'Smallholder Cotton Standard' (SCS) of Aid by Trade Foundation (AbTF).		IFOAM Standards Requirements (COROS), which serve as the basis for the approval of standards under the IFOAM Family of Standards. COROS was developed jointly by IFOAM, FAO and UNCTAD.
<b>Performance Display</b>			
<b>Qualitative considerations</b>	Global recognition across 21 countries. In 2018, 2 million licensed BCI Farmers produced 5.1 metric tonnes of Better Cotton, accounting for 19% of global cotton product. Some observers have cited the BCI's lack of commitment to a full phase out of synthetic chemicals among other social and environmental challenges.	Bonsucro has certified around 3.37% of global sugarcane production and covers 3.70% of global area of sugarcane, having 207 member organizations in over 20 countries.	In 2016, IFOAM was formed out of 40 governmental bodies, 297 companies and 245 civil society organizations. In total, IFOAM has around 800 affiliates in 117 countries.




	<b>The Roundtable on Sustainable Biomaterials</b>	<b>UTZ Certified</b>	<b>Proterra</b>
<b>Background</b>	The Roundtable on Sustainable Biomaterials (RSB) is an international initiative that promotes and supports the sustainability of biomaterials production and processing, bringing together companies, farmers, NGOs, and inter-governmental agencies. While the RSB was set up in 2007 as a means of ensuring the sustainability of liquid biofuels for transport, in 2013, it expanded its scope to include biomaterials.	The UTZ Label is a global certification system for coffee, cocoa, tea and hazelnuts. The UTZ certification incorporates environmental, social, farm management and farming practices considerations. UTZ merged with Rainforest Alliance in January 2018.	The Proterra Certification is owned and independently run under the Proterra Foundation umbrella.
<b>Clear positive impact</b>	Promoting sustainable biomaterials.	Promoting sustainable practices in Coffee, Cocoa Tea and Hazelnut farming and trading.	Promoting sustainable soy production.
<b>Minimum standards</b>	The RSB sets minimum requirements in the areas of legality, planning, monitoring and continuous improvement, GHG emissions, human and labour rights, rural and social development, local food security, conservation, soil, water and air management, use of technology, inputs and management of waste, land rights and chain of custody.	UTZ establishes a minimum threshold for impact through mandatory points and additional points, and requires farmers to go beyond by demonstrating compliance with an increasingly large proportion of both mandatory and additional points.	Proterra sets minimum standards in 5 areas as it follows: <ul style="list-style-type: none"> <li>• Protection of the Amazon and other High Conservation Value Areas</li> <li>• Good labour practices including workplace safety, equal opportunities, protection of children and absence of forced or analogous forms of labour.</li> <li>• Protection of the rights of communities, indigenous people, and small holders</li> <li>• Good Agricultural Practices regarding soil fertility, water management and reduced input of fertilisers and pesticides</li> <li>• Rigorous Non-GMO requirements (&lt;0.1% to adventitious 0.9% GMO maximum)</li> </ul>
<b>Scope of certification or</b>	The RSB certification addresses key risks such as human and labour rights,	UTZ addresses key risks such as human rights, child labor,	Proterra directly addresses key risks such as environment

<b>programme/ Directly addressing social and environmental risk</b>	supply chain, resource management, and land and biodiversity use through its criteria.	pesticide use and biodiversity use through its criteria.	protection, child labour, forced labour, indigenous peoples' rights, soil fertility, inclusion of GMOs.
<b>Verification of standards and risk mitigation</b>	Certified entities undergo a self-assessment process and, afterward, receives a visit from a third-party auditor. Annual audits will also take place after the validation.	Certified entities undergo third-party verification to ensure compliance with criteria and continuous improvement.	Certified entities undergo third-party verification to ensure compliance with criteria and continuous improvement.
<b>Third party expertise and multi-stakeholder process</b>	RSB is a full member of the ISEAL Alliance and respects its Codes of Good Practice for multi-stakeholder sustainability standards. RSB's benchmarks are available with Rainforest Alliance, the Sustainable Agriculture Network, the Forest Stewardship Council, Bonsucro and the IFC Performance standards.	Standard setting is aligned with the ISEAL Standard Setting Code.	Standard setting is aligned with the ISEAL Standard Setting Code.
<b>Performance Display</b>			
<b>Qualitative considerations</b>	The RSB certification is considered strong by organizations such as WWF, IUCN and NRDC. In 2017, RSB certified 50 industrial facilities and 56 784 hectares of farmland.	UTZ has been criticized for lack of setting minimum wages criteria and for potentially allowing for genetically modified coffee, even though these plants are not yet available. Global recognition across 131 countries around the world. There are 987,000 UTZ Certified farmers in the UTZ programme with more than 368,000 workers on the UTZ certified farms in 41 producing countries and more than 3.4 million hectares of UTZ certified crops. The UTZ name or label is present on more than 15,000 products in 131 countries worldwide.	Methodology and criteria not disclosed. No indication on the scope of applicability of the standard worldwide. Proterra poses restrictions on deforestation similar to those of the RTRS.

	<b>Rainforest Alliance<sup>47</sup></b>	<b>ISCC<sup>48</sup></b>	<b>Soil Association</b>
<b>Background</b>	The Rainforest Alliance Seal is a global certification system for Agriculture, Forestry and Tourism. The Rainforest Alliance certification indicates compliance with the organization's standards for environmental, social and economic sustainability. Rainforest Alliance merged with UTZ in January 2018.	International Sustainability and Carbon Certification ("ISCC") is a German certification system that provides sustainability solutions for traceable and deforestation-free supply chains of agricultural, forestry, waste and/or residue raw materials, non-bio renewables and recycled carbon materials and fuels.	The Soil Association is a UK charity that has developed the world's first organic certification system, now including standards for food and drink products, farming, beauty and wellbeing products, fashion and textiles products, forestry and food service.
<b>Clear positive impact</b>	Promoting sustainable practices in agriculture, forestry and tourism.	Promoting sustainable supply chain practices.	Promoting sustainable practices in farming and growing, abattoirs and slaughtering, livestock markets, fisheries, hides, leathers & skins, aquaculture, seaweed, food and drink, catering, forestry, health and beauty and textile products.
<b>Minimum</b>	Rainforest alliance establishes a	The ISCC system has core	The Soil Association sets


<sup>47</sup> Rainforest Alliance, Sustainable Agriculture Certification: <https://www.rainforest-alliance.org/business/certification/>

<sup>48</sup> International Sustainability Carbon Certification (ISCC): <https://www.iscc-system.org/>

<p><b>standards</b></p>	<p>minimum threshold for impact through critical criteria, and requires farmers to go beyond by demonstrating improved sustainability on 14 continuous improvement criteria.</p>	<p>sustainability criteria requirements that must be met. In addition to the core requirements of ISCC PLUS, voluntary add-ons can be added to adapt ISCC PLUS certificates to meet specific market requirements. Verification of GHG emissions is considered voluntary and can be added by applying as an add-on.</p>	<p>minimum standards per each category on agricultural principles, environmental principles, food processing principles and social principles such as:</p> <ul style="list-style-type: none"> <li>• limiting the types and quantities of pesticides and fertilizers used</li> <li>• building soil fertility and soil stability, and</li> <li>• maintaining and increasing ecological diversity within and around cropped land</li> <li>• the respect of good traditional and pastoral grazing systems</li> <li>• the respect and crop integration within the local climate and topography</li> </ul>
<p><b>Scope of certification or programme / Directly addressing social and environmental risk</b></p>	<p>Rainforest alliance addresses key risks such as human rights, child labour, pesticide use and biodiversity use through its criteria.</p>	<p>Different certifications are available (ISCC PLUS, ISCC EU, ISCC Solid Biomass NL and ISCC Non-GMO) depending on the type of market suppliers are targeting; food, bio-based products, feed and energy. Within each specific certification, different types of agricultural materials are covered.</p> <p>ISCC PLUS includes all types of agricultural and forestry raw materials, waste and residues, non-bio renewables, recycled carbon materials and fuels.</p>	<p>The Soil Association directly addresses key risks such as environmental protection, chemicals use and the compliance with the UN Convention for Human Rights and the core standards of the International Labour Organization (freedom to associate, the right to organize and the right to bargain collectively).</p>
<p><b>Verification of standards and risk mitigation</b></p>	<p>Certified entities undergo third party verification to ensure compliance with criteria and continuous improvement.</p>	<p>Certified entities undergo third party verifications audits to ensure compliance with the sustainability requirements existing based on legal requirements or voluntary agreements.</p>	<p>Certified entities undergo third-party verification to ensure compliance with criteria and continuous improvement. The Soil Association licenses every stage from production on the farm, through processing, to distribution to the consumer.</p>
<p><b>Third party expertise and multi-stakeholder process</b></p>	<p>Standard setting is aligned with the ISEAL Standard Setting Code.</p>	<p>Standard setting is aligned with the UN Global Compact, the ISEAL Standard Setting Code and ISAE 3000.</p>	<p>Standard setting is aligned with the ISEAL Standard Setting Code.</p>
<p><b>Performance Display</b></p>			
<p><b>Qualitative considerations</b></p>	<p>Global recognition across 76 countries around the world. There are 763 Rainforest Alliance certified products and more than 1,354,057 people which have conducted training, certification and verification under the Rainforest Alliance standard. Rigorous on the enforcement of minimum standards and strong governance over the implementaton</p>	<p>Global recognition across more than 100 countries. There are over 23,000 ISCC certified supply chains with approximately 3,500 system users. For ISCC PLUS, no certification schemes other than ISCC are currently accepted which means that all economic operators along the supply chain must demonstrate that the ISCC</p>	<p>Soil Association Certification Ltd. (SACL) is one of the nine approved organic certification bodies in the UK, approved by the UK Department for Environment, Food and Rural Affairs.</p> <p>The Soil Association Certification is UK's leading organic certifier covering over 70% of organic products.</p>

## Sabadell México Sustainability Financing Framework

	of social and environmental mitigation processes.	sustainability criteria have been fulfilled. ISCC focuses on Stage 1 of the biofuel product life cycle; feedstock production and collection.	
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	<b>Roundtable on Responsible Soy (RTRS)<sup>49</sup></b>		
<b>Background</b>	The Round Table for Sustainable Soy (RTRS) works with all involved stakeholders on producing more sustainable soy through the RTRS Standard for Responsible Soy Production.		
<b>Clear positive impact</b>	Promoting sustainable soy production for human consumption, animal feed and biofuels.		
<b>Minimum standards</b>	The RTRS soy certification sets requirements in the areas of legal compliance and good business practices, responsible labour conditions, responsible community relations, environmental responsibility, and good agricultural practices.		
<b>Scope of certification or programme / Directly addressing social and environmental risk</b>	The RTRS soy certification addresses human rights, child labour, forced labour, human health and safety, biodiversity use, soil quality, substance use (agrochemicals), GHG emissions, and resource management (energy, water, waste) through its criteria.		
<b>Verification of standards and risk mitigation</b>	Certified entities undergo third-party audits to ensure compliance with criteria. As the certificate is valid 5 years, the certified entity is subject to annual surveillance surveys.		
<b>Third party expertise and multi-stakeholder process</b>	The RTRS Standard for Responsible Soy Production was developed through the efforts of producers, industry and civil society, which agreed upon the Principles and Criteria for certifying soy as a responsible crop.		
<b>Performance Display</b>			
<b>Qualitative considerations</b>	<p>RTRS has more than 180 members from countries all around the world, selling over 1.3 million tonnes of RTRS certified soy.</p> <p>The RTRS certifications have been criticized for managing allegedly 'flawed' criteria which allow the certification of GMO and herbicide resistant crops. Additionally, the RTRS criteria allow for deforestation of secondary forest areas (not identified as primary or high conservation value).</p> <p>Moreover, in 2009 and 2010 two major Brazilian organisations in the soya supply chain quit the RTRS because the addition of a criteria related to deforestation. RTRS members such as Nidera, Monsanto and DuPont/Pioneer were sanctioned by Argentine authorities in the past due to forced labour, despite the fact that respecting labour laws are a condition for using the RTRS label.</p>		

<sup>49</sup> RTRS: <http://www.responsiblesoy.org/?lang=en>

## Appendix 3: Sustainability Bond / Sustainability Bond Programme - External Review Form

### Section 1. Basic Information

**Issuer name:** Banco Sabadell, S.A. Institución de Banca Múltiple

**Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:** Sustainability Financing Framework

**Review provider's name:** Sustainalytics

**Completion date of this form:** September 17, 2021

**Publication date of review publication:**

### 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 and SBP:

- |  |  |
|--|--|
| <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 – Green Buildings, Renewable Energy, Energy Efficiency, Clean Transportation, Efficient and Climate Resilient Water Management, Environmentally Sustainable Agriculture, SMEs, Social Infrastructure, and Social Housing – are aligned with those recognized by both the Green Bond Principles, Social Bond Principles, Green Loan Principles, and Social Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDG 1,2,6,7 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 GBPs | Other (please specify): Efficient and Climate Resilient Water Management; Environmentally Sustainable Agriculture |

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

**Use of proceeds categories as per SBP:**

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Affordable basic infrastructure   | <input checked="" type="checkbox"/> Access to essential services       |
| Affordable housing  | 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 type="checkbox"/> Other (please specify): social infrastructure |

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

**2. PROCESS FOR PROJECT EVALUATION AND SELECTION**

Overall comment on section (if applicable):

## Sabadell México Sustainability Financing Framework

Sabadell México's Sustainability Committee, comprised of senior management and C-suite members, will be in charge of evaluating and selecting eligible projects. Banco Sabadell's Risk Management Division will assess environmental and social risks related to eligible projects, and this process is applicable to all allocation decisions under the Framework. Sustainalytics considers these risk management systems 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 social and green 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 type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available                           | <input type="checkbox"/> Other (please specify):   |

### 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 (please specify):   |  |

### 3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

Sabadell México's Sustainability Committee will be responsible for managing and tracking net bond proceeds. Sabadell México intends to fully allocate bond proceeds within 24 months of the respective issuance. Pending allocation, bond proceeds may be held in cash or cash equivalent instruments, held in temporary investments, used to reduce indebtedness, or earmarked for the nominated loans. 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 (please specify):  |

### Additional disclosure:

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

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

#### 4. REPORTING

Overall comment on section (if applicable):

Sabadell México intends to report on the allocation of proceeds on its website and on until bond maturity. The allocation report will contain relevant information about the amount of net proceeds allocated to each eligible loan, and the balance of unallocated proceeds. In addition, Sabadell México is committed to reporting on relevant impact metrics. Sustainalytics views Sabadell México'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 (please specify):                 |

##### Information reported:

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

##### Frequency:

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

##### 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 (please specify):                 |

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

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings  |
| <input checked="" type="checkbox"/> Decrease in water use   | <input checked="" type="checkbox"/> Number of beneficiaries   |
| <input type="checkbox"/> Target populations                 | <input checked="" type="checkbox"/> Other ESG indicators (please specify): waste recycled; water treated; number of new tenants |

**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): Sabadell Mexico's corporate website  
 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.)****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 REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP**

- i. Second-Party Opinion: An institution with sustainability expertise that is independent from the issuer may provide 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 Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social 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 sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially 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 or social impact or alignment of reporting with the Principles 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 sustainability 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 and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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