

SECOND PARTY OPINION

on the sustainability of on Mexico's SDG Sovereign Bond Framework

V.E considers that Mexico's SDG Sovereign Bond Framework is aligned with the four core components of the ICMA's Green Bond Principles 2021 ("GBP") and Social Bond Principles 2021 ("SBP").

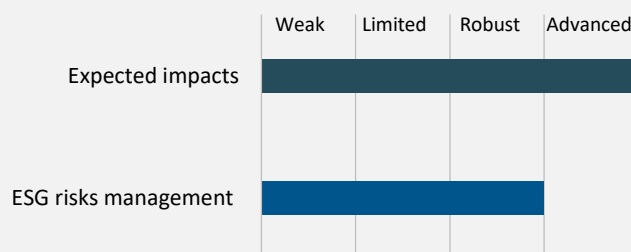


Framework

Contribution to Sustainability:



○ Advanced
 ○ Limited
 ○ Robust
 ○ Weak



SDG Mapping



Characteristics of the Framework

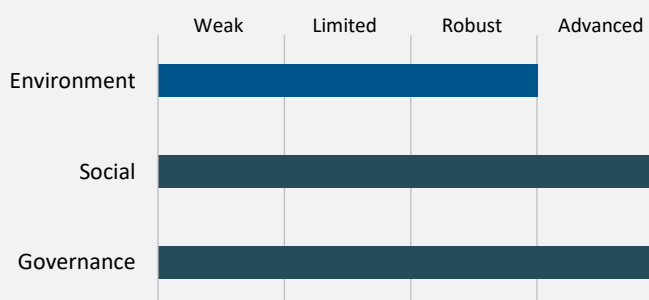
Eligible Categories	<ul style="list-style-type: none"> - 8 Categories of Eligible Social Expenditures - 6 Categories of Eligible Green Expenditures
Project locations	Mexico
Existence of framework	Yes
Share of refinancing	2021 Bond will only finance Eligible Expenditures in Mexico's 2021 Federal Budget
Look back period	

Issuer

ESG Performance as of June 2021



○ Advanced
 ○ Limited
 ○ Robust
 ○ Weak



Coherence

Coherent

Partially coherent

Not coherent

V.E considers that Mexico's SDG Sovereign Framework is coherent with Mexico's strategic sustainability priorities, and that it contributes to the achievement of its sustainable development commitments and targets.

Key findings

V.E considers that Mexico's SDG Bond Sovereign Framework is aligned with the four core components of the ICMA's Green Bond Principles and Social Bond Principles.

The Issuer has formalized fourteen SDG Eligible Categories (the "Eligible Categories") in the SDG Sovereign Bond Framework. The net proceeds of the 2021 Bond will exclusively finance, in part or in full, expenditures ("the Eligible Sustainable Expenditures" or "the Eligible Expenditures") falling under twelve of the fourteen Eligible Categories.

The Issuer has committed to request the update of this SPO in case of any change in the Portfolio of Eligible Sustainable Expenditures and/or the Framework to confirm its continued alignment with the GBP and SBP 2021.

Use of Proceeds – aligned with GBP & SBP

- The Eligible Categories are defined in general terms in the Framework. For the 2021 Bond issuances, the Issuer has identified a Portfolio of Eligible Sustainable Expenditures in line with the definitions of green and social projects outlined in the GBP & SBP. The target populations that will benefit from the Social Eligible Expenditures have been clearly defined. The Issuer has applied a relevant geospatial eligibility criterion based on the Social Gap Index¹, to identify and target regions where the gaps in achieving the SDGs are the greatest (see Evaluation and Selection section p.21).
- The Sustainable Objectives are clearly defined, are relevant for all Eligible Sustainable Expenditures and set in coherence with sustainability objectives defined in international standards.
- The Expected Environmental Benefits are considered clear, relevant, and measurable, and will be quantified for all the Eligible Sustainable Expenditures in the reporting.
- The Issuer has communicated that the 2021 Bond issuance will only finance Eligible Expenditures of the 2021 Federal Budget. Future Bonds issuances will only finance Eligible Expenditures from budgets of the year of the issuance, in compliance with the Mexican regulatory framework in place.
Of note, the Issuer may include liability management operations to buyback outstanding conventional bonds. The Issuer has declared that they will transparently report on the buyback operations financed by the Bonds in the impact report.

Evaluation and Selection - aligned with GBP & SBP

- The Process for Expenditures Evaluation and Selection has been clearly defined by the Issuer. It is considered well-structured in all the evaluation and selection steps. The roles and responsibilities are clear and include relevant internal expertise. The Process will be publicly disclosed in the Framework.
- The Eligibility Criteria in the Framework has been defined in general terms by the Issuer. For the 2021 Bond, the Issuer has identified a Portfolio of Eligible Sustainable Expenditures with clear environmental and/or social benefits. The Issuer has committed to request the update of this SPO in case of any change in the Portfolio of Eligible Sustainable Expenditures and/or the Framework to confirm its continued alignment with the GBP & SBP 2021.
- The E&S risk identification and mitigation process is publicly disclosed within this SPO and is considered robust. The process combines monitoring, identification, and corrective measures for a majority of Eligible Sustainable Expenditures (see detailed analysis on pp. 24-27).

Management of Proceeds - aligned with GBP & SBP and best practices identified by V.E

- The Process for the Management and Allocation of Proceeds is clearly defined and detailed by the Issuer. It is publicly available in the Framework.
- The Government of Mexico intends to allocate the proceeds by last day of the end of the fiscal year.
- The net proceeds of the Bonds will be managed and tracked by the Issuer in an appropriate manner and attested to in a formal internal process.
- Information on the intended types of temporary placement for the balance of the unallocated net proceeds is publicly disclosed.

¹ <https://www.coneval.org.mx/Medicion/IRS/Paginas/Que-es-el-indice-de-rezago-social.aspx>

- The Issuer has committed that the balance of the tracked net proceeds will be periodically adjusted to match allocations to Eligible Sustainable Expenditures made during that period for as long as the Bond is outstanding.
- The Issuer has provided information on the process that will be followed in case of divestment or postponement of an Eligible Sustainable Expenditure and it has committed to reallocate the proceeds to expenditures that are compliant with the Framework within 12 months.

Reporting - aligned with GBP & SBP and best practices identified by VE

- The Issuer has committed to report on the allocation of Use of Proceeds annually and until Bond maturity. The report will be publicly available on SHCP's website.
- The reporting will cover relevant information related to the allocation of financing proceeds and to the expected environmental and social benefits of the expenditures. The Issuer has also committed to report on material developments, issues and controversies related to the Eligible Green Expenditures.
- The reporting methodology and assumptions used to report on environmental benefits of the Eligible Sustainable Expenditures will be publicly disclosed in the annual reports.
- An external auditor will verify the tracking and allocation of funds to Eligible Sustainable Expenditures until full allocation and later in case of material changes. The environmental and social benefits will be verified by other government bodies.

Contact

Sustainable Finance Team | VEsustainablefinance@vigeo-eiris.com

SCOPE

V.E was commissioned to provide an independent opinion (thereafter “Second Party Opinion” or “SPO”) on the sustainability credentials and management of the SDG Sovereign Bonds² (“Bonds”) to be issued by the United Mexican States (hereafter “the Government of Mexico”, “Mexico” or the “Issuer”) in compliance with the SDG Sovereign Bond Framework (the “Framework”) created to govern their issuances.

Our opinion is established in accordance with V.E’s Environmental, Social and Governance (ESG) exclusive assessment methodology and to the latest version of the voluntary guidelines of ICMA’s Green Bond Principles (GBP) and Social Bond Principles (“SBP”) voluntary guidelines (referred together as the “GBP & SBP”), both edited in June 2021.

Our opinion is built on the review of the following components:

- Framework: we have assessed the Portfolio of Eligible Sustainable Expenditures (as of June 6th, 2021) and its potential contribution to sustainability, the Framework’s alignment with the four core components of the GBP & SBP 2021, and their coherence with the Issuer’s sustainable development commitments.

The Issuer has committed to request the update of this SPO in case of any material change³ in the Portfolio of Eligible Sustainable Expenditures and/or the Framework to confirm its continued alignment with the GBP & SBP 2021.

- Issuer: we have assessed the sustainability performance of the Issuer (Sovereign Sustainability Rating©).

Our information sources are multi-channel, combining data (i) gathered from public sources, press content providers and stakeholders, (ii) from V.E’s exclusive ESG rating database, and (iii) information provided by the Issuer, through documents and interviews conducted with the Government of Mexico via a telecommunications system.

We carried out our due diligence for the Framework assessment from December 30th, 2019 to February 18th, 2020, and the Portfolio assessment was updated in June 2021. We consider that we were provided with access to all the appropriate documents and interviewees we solicited. Reasonable efforts have been made to verify data accuracy.

Type of External Reviews supporting this Framework

<input checked="" type="checkbox"/>	Pre-issuance Second Party Opinion	<input type="checkbox"/>	Independent verification of impact reporting
<input checked="" type="checkbox"/>	Independent verification of funds allocation	<input type="checkbox"/>	Climate Bond Initiative Certification

² The “SDG Sovereign Bond” is to be considered as the bonds to be potentially issued from time to time, subject to the discretion of the Issuer. The name “SDG Sovereign Bond” has been decided by the Issuer: it does not imply any opinion from V.E.

³ A material change in the Portfolio refers to the financing of Eligible Categories that have not been evaluated in this review or to Eligible Expenditures that are of a different nature than the Eligible Expenditures evaluated in the current Portfolio.

COHERENCE

Coherent
Partially coherent
Not coherent

V.E considers that Mexico's SDG Sovereign Bond Framework is coherent with Mexico's strategic sustainability priorities, and that it contributes to the achievement of its sustainable development commitments and targets.

In 2015, the United Nations Member States adopted the 2030 Agenda for Sustainable Development with the 17 Sustainable Development Goals (SDGs), recognising the urgent challenge of achieving sustainable development, including combating climate change. Reaching these goals requires the transition of all economic sectors towards sustainable development models, and the immediate action of all public and private actors. In particular, national governments must mobilise to achieve Sustainable Development Goals through regional and global leadership, the integration of sustainability in policies, budgets, institutions and regulatory frameworks, and by working with all stakeholders.

Mexico appears to acknowledge its role in providing solutions to address sustainability challenges and achieving the SDGs. In line with its commitment to the 2030 Agenda, the Government of Mexico created in 2015 a new technical committee led by the Office of the Presidency and including 26 entities, called the Specialized Technical Committee of the Sustainable Development Goals ("CTEODS", for its acronym in Spanish). The purpose of CTEODS is to monitor indicators and evaluate public policies oriented towards the compliance of Mexico to the SDGs. In April 2017, Mexico established the National Council of the 2030 Agenda for Sustainable Development, in December 2019 it published the National Strategy for the implementation of the Agenda 2030 and made amendments to the *Ley de Planeación* (Planning Act) to integrate sustainable development in Mexico's national budget.

Mexico identified the following priority themes for the integration of the SDGs into its national planning, budgetary and fiscal policies:

- Social and economic inclusion.
- A multidimensional approach to poverty.
- Gender equality and empowerment of women.
- The implementation of the rights of indigenous and Afro-Mexican peoples.
- The recognition of the rights of migrants and their positive contribution to development.
- The conservation of biodiversity, biocultural heritage and traditional knowledge and the adoption of national commitments to address climate change.
- The protection and strengthening of the Rule of Law.

Mexico has formalized sustainability strategies and policies, coupled in some cases with quantified targets, in particular the ratification of the Paris Climate Agreement and its National Determined Contribution (NDC) in 2016; updated in 2020. The NDC commits Mexico to unconditionally reduce its Greenhouse Gases (GHG) emissions by 22% and Black Carbon emissions by 51% by 2030. Additionally, as a conditional contribution, Mexico could increase its reductions up to 36% for GHG and 70% for black carbon.

Mexico has incorporated the principles and objectives of the 2030 Agenda into its development plans, public policies and federal budgets. Its "National Development Plan 2019-2024" ("NDP") is structured around three pillars: justice and the rule of law, social and economic rights, and sustainable and equitable economic development.

Since the 2018 Federal Budget, the Mexican Government, through the Ministry of Finance and Public Credit ("SHCP" for its acronym in Spanish or "Secretaría de Hacienda y Crédito Público"), has established a formal link between the current national planning process, the global 2030 Agenda, and the SDGs. This link allows for strategic planning towards to 2030 Agenda and monitoring and reporting of results and impacts. The Government makes public policy decisions based on the yearly budgetary approval process, to propose to the Chamber of Deputies budgetary resource allocations aligned with the SDGs. The yearly budgetary approval process takes into consideration the National Development Planning System, and the Performance and Evaluation System. The methodology used to link the annual budgets with the SDGs is explained in the *Presupuesto de Egresos de la Federación* (PEF) of each year, publicly available on the Mexican Government Website.

By creating a Framework to issue SDG Sovereign Bonds intended to finance Eligible Expenditures related, among others, to food security, healthcare, education, water and sanitation, energy, employment, infrastructure, transport, and biodiversity,

the Issuer coherently aligns with its sustainability strategy and commitments and addresses the main governmental issues in terms of action to bridge the SDG gap.

ISSUANCE

The Issuer has described the main characteristics of the Bonds within a formalised SDG Sovereign Bond Framework (the last updated version was provided to V.E on February 17th, 2020) which covers the four core components of the GBP & SBP 2021. In addition, the Issuer has provided a Portfolio of Eligible Sustainable Expenditures (provided on June 6th, 2021), which will be financed by the 2021 Bond. The Issuer has made the Framework publicly accessible on its website⁴, in line with good market practices.

Alignment with the Green Bond Principles & Social Bond Principles

Use of Proceeds



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 - The Sustainable Objectives are clearly defined, are relevant for all Eligible Sustainable Expenditures and set in coherence with sustainability objectives defined in international standards.
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BEST PRACTICES

- ⇒ The expected benefits related to the carbon impact of projects have been estimated ex ante with clear baselines for all eligible categories.
- ⇒ The Issuer will only be financing expenditures from Mexico’s 2021 Federal Budget.


⁴ The Framework is available in the following website: [UMS - SDG Sustainable Bond Framework 200831 1903 \(hacienda.gob.mx\)](https://www.hacienda.gob.mx/ums-sdg-sustainable-bond-framework-200831-1903)

⁵ <https://www.coneval.org.mx/Medicion/IRS/Paginas/Que-es-el-indice-de-rezago-social.aspx>

Table 1. V.E' analysis of Eligible Sustainable Expenditures, Sustainability Objectives and Expected Benefits as presented in the Issuer's Framework

- Nature of expenditures: Eligible Green Expenditures will be limited to Mexico's Federal Budget (*Presupuesto de Egresos de la Federación* ("PEF")) for the relevant fiscal year and will include government expenditures in the form of direct or indirect investments, subsidies, grant, loan, tax expenditures and operating and intervention expenditures.
- Location of Eligible Expenditures: Mexico.

Of note, the Eligible Expenditures are included in Mexico's 2021 National Budget approved by the Congress. These expenditures are regulated by publicly available laws and procedures, which include specific descriptions, objectives, responsible entities, requirements, and beneficiaries. The Eligible Expenditures not financed in the 2021 Bond issuances are indicated in grey in Table 1.

SDG ELIGIBLE CATEGORY	USE OF PROCEEDS DESCRIPTION DEFINITION & ELIGIBILITY CRITERIA ⁶	OBJECTIVES AND BENEFITS	ELIGIBLE EXPENDITURES IN 2021'S PORTFOLIO	V.E'S ANALYSIS
 2 Zero Hunger Ensure food security and access to essential services	2.1 Production subsidies to small and medium farmers (≤20ha) for basic food products. - Basic food products are based on the food basket, which is taken from the national food balance sheets published by the UN Food and Agriculture Organization (FAO). <i>*Geospatial criteria applied</i>	<u>Food Security</u> <i>Increase the agricultural productivity of small-medium farmers</i> <i>Ensure availability of basic food products</i> <i>Ensure access to food products</i> <u>Socioeconomic advancement</u> <i>Increase the income of small-medium producers</i>	The Eligible Portfolio includes expenditures related to the programmes called "Guarantee Prices for Basic Food Products" ⁷ , " <i>Sembrando Vida</i> " ⁸ and "Wellbeing Production" ⁹ of the Government of Mexico.	The Eligible Category is defined in general terms. Nevertheless, the Issuer has communicated the exact list of Eligible Expenditures to be financed with the 2021 Bond including its nature and location. V.E confirms that the expenditures in the Portfolio are in line with ICMA's social project definitions. Certain Eligible Expenditures, such as the programme " <i>Sembrando Vida</i> ", include elements of technical assistance to farmers to implement sustainable agriculture. An area for improvement is to include additional criteria to promote the development of sustainable agricultural practices in all Eligible Expenditures, in line with best practices. The target populations that will benefit from this Eligible Expenditures have been clearly defined, namely small and medium farmers as defined by the Mexican Government in national legislations (≤20ha) in the priority areas identified by the Issuer. The Social Objective is clearly defined, it is relevant and set in coherence with sustainability objectives defined in international standards.
	2.2 Training to small and medium farmers to increase production yields (≤20ha). <i>*Geospatial criteria applied</i>			
	2.3 Consumption subsidies for basic food products. - Basic food products are based on the food basket, which is taken from the national food balance sheets published by the UN Food and Agriculture Organization (FAO).			
	2.4 Free public-school meals.			


⁶ In black: Eligible Expenditures to be financed by the 2021 Bond.




In grey and italic: Eligible Expenditures not to be financed by the 2021 Bond.





⁷ <https://www.gob.mx/preciosgarantia>

⁸ <https://www.gob.mx/bienestar/acciones-y-programas/programa-sembrando-vida>

⁹ <https://www.gob.mx/produccionparaelsenstar>



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	<p><i>2.5 Promoting the resilience of the agricultural sector through universal insurance coverage for small and medium producers (≤20ha) (e.g. to cover losses resulting from weather climate related events such as droughts or floods, as well as plagues, earthquakes and other agricultural risks).</i></p> <p><i>*Geospatial criteria applied</i></p>			<p>The expected Social Benefit is clear, it is considered relevant, measurable, and will be quantified in the reporting.</p>
 <p>3 Good Health and Well-Being</p> <p>Ensure effective access to quality healthcare services</p>	<p>3.1 Financing to construct, equip, operate hospitals, clinics and health care centres for the provision of public/free/subsidized health services.</p> <p>3.2 Infrastructure and equipment for the provision of public emergency medical response and disease control services.</p> <p>3.3 Educational and vocational training centres for medical, public health and emergency response professionals.</p> <p>3.4 Provision/distribution of public healthcare equipment and services.</p> <p>3.5 Support to public health professionals through the purchase of materials, mobility and / or training.</p> <p>3.6 The use and deployment of technological advancements in the public health system to detect and prevent diseases.</p> <p>3.7 Public services, and equipment to improve sexual and maternal and women health.</p> <p>3.8 Addiction prevention and care public programmes.</p> <p>3.9 Prevention and care of sexual transmitted infections public programmes.</p> <p>3.10 Public health related research and technological development funding.</p> <p><i>*Geospatial criteria applied</i></p>	<p><u>Equal access to quality healthcare services</u></p> <p><i>Increase universal coverage of preventive and curative public health services</i></p> <p><i>Increase the training and development of public healthcare professionals</i></p> <p><i>Support the research and development of healthcare treatments</i></p>	<p>All Eligible Expenditures are part of Mexico's national public health system, including the following programs, among others:</p> <ul style="list-style-type: none"> - Vaccination programme. - Health Care and Free Medicines for the Population without Labour Social Security. - Prevention and care of HIV / AIDS and other STDs. - Training and training of human resources for health. - Addiction prevention and care. - Research and technological development in health. - Maternal, sexual and reproductive health. 	<p>The Eligible Category is defined in general terms. Nevertheless, the Issuer has communicated the exact list of Eligible Expenditures to be financed with the 2021 Bond including its nature and location. V.E confirms that the expenditures in the Portfolio are in line with ICMA's social project definitions.</p> <p>The target populations that will benefit from this Eligible Expenditures have been clearly defined, namely the whole population in the priority areas identified by the Issuer.</p> <p>The Social Objective is clearly defined, it is relevant and set in coherence with sustainability objectives defined in international standards.</p> <p>The expected Social Benefit is clear, it is considered relevant, measurable, and will be quantified in the reporting.</p>

SDG ELIGIBLE CATEGORY	USE OF PROCEEDS DESCRIPTION DEFINITION & ELIGIBILITY CRITERIA ⁶	OBJECTIVES AND BENEFITS	ELIGIBLE EXPENDITURES IN 2021'S PORTFOLIO	V.E's ANALYSIS
 4 Quality Education Improve education infrastructure and provide school with basic furniture	4.1 Construction and improvement of public schools, campus, student housing. 4.2 Purchase of hardware equipment for public education purposes. <i>*Geospatial criteria applied</i>	<u>Equal access to education</u> <i>Improve education infrastructure and services</i> <i>Increase the access to quality education for all, in particular vulnerable students</i> <i>Increase the supply of qualified teachers</i> <i>Increase the number of adults with skills for employment</i>	Eligible Expenditures are part of Mexico's national public education system, including the following programs, among others: <ul style="list-style-type: none"> - National Reconstruction Program. - Universities for Well-being Benito Juárez García. - Expansion of Initial Education. - Production and distribution of books and educational materials. - Maintenance program and educational physical infrastructure. 	The Eligible Category is defined in general terms. Nevertheless, the Issuer has communicated the exact list of Eligible Expenditures to be financed with the 2021 Bond including its nature and location. V.E confirms that the expenditures in the Portfolio are in line with ICMA's social project definitions. The target populations that will benefit from the Eligible Expenditures have been clearly defined, namely the students and education professionals in the priority areas identified by the Issuer. The Social Objective is clearly defined, it is relevant and set in coherence with sustainability objectives defined in international standards.
 4 Quality Education Ensure inclusive and quality education for all and promote lifelong learning	4.3 Students scholarships (to cover fees or living cost) for basic education high school, undergraduate or post-graduate. 4.4 Educational grants. 4.5 Training for educational professionals of the public education system, including post-graduate education. 4.6 Technical training to young unemployed people. 4.7 Financing of universities for low-income students. 4.8 Needs-based educational scholarships (to cover fees or living cost) for basic education, high school, undergraduate or postgraduate. <i>*Geospatial criteria applied</i>		Eligible Expenditures are part of Mexico's national public education system, including among others: <ul style="list-style-type: none"> - Elisa Acuña Scholarship Program. - Program for Teaching Professional Development. - Postgraduate scholarships and quality support. - Universal Scholarship for High School Students Benito Juárez. The Issuer has made a distinction between scholarships and grants, as scholarships conduct a merit-based selection process, while grants are given to specific populations without a merit-based selection process.	The expected Social Benefit is clear, it is considered relevant, measurable, and will be quantified in the reporting.
 6 Clean Water and Sanitation Access to clean water and sanitation	6.1 Construction and improvement of water treatment public infrastructure. 6.2 Construction of water distribution public network or maintenance. 6.3 Subsidized water tariffs. 6.4 Rehabilitation of public water treatment plants. 6.5 Public sanitation projects.	<u>Equal access to Water Services</u> <i>Improve water and sanitation infrastructure</i>	Eligible Expenditures are part of the programs and initiatives Mexico's National Water Commission (CONAGUA, for its initials in Spanish), including infrastructure for drinking water, sewerage and sanitation, as well as programs for the sustainable management of water resources.	The Eligible Category is defined in general terms. Nevertheless, the Issuer has communicated the exact list of Eligible Expenditures to be financed with the 2021 Bond including its nature and location. V.E confirms that the expenditures in the Portfolio are in line with ICMA's social project definitions.

SDG ELIGIBLE CATEGORY	USE OF PROCEEDS DESCRIPTION DEFINITION & ELIGIBILITY CRITERIA ⁶	OBJECTIVES AND BENEFITS	ELIGIBLE EXPENDITURES IN 2021'S PORTFOLIO	V.E's ANALYSIS
 6 Clean Water and Sanitation Water supply and management for productive sectors	6.6 Conserve, rehabilitate and modernize hydro-agricultural infrastructure. 6.7 Rainwater collector systems. 6.8 Pumping station operation, surveillance of wells systems.	<u>Sustainable Use of Natural Resources</u> Reduce the use of water in the agriculture sector	N/A	The target populations that will benefit from this Eligible Expenditures have been clearly defined, namely the whole population, promoting equal access to water services. The Environmental and Social Objectives are clearly defined, they are considered relevant and set in coherence with sustainability objectives defined in international standards. The expected Environmental and Social Benefit are clear, they are considered relevant, measurable, and will be quantified in the reporting.
 6 Clean Water and Sanitation Water related hazards (resilience/climate change adaptation)	6.9 Development of new methodologies and technological platforms to improve meteorological and hydrological forecasts. 6.10 Development of water related hazards emergency plans and procedures (Expand the capacity of Emergency Care Centre). 6.11 Develop and adapt projects for the construction, operation and maintenance of public sanitation infrastructure (increased resilience of sewer function and operations). 6.12 Expenditures in public hydraulic infrastructure assets and rehabilitation and conservation of dams and head structures.	<u>Climate Change Adaptation</u> Improve the response to climate change related events. <u>Access to Water Services</u> Improve and guarantee the access to water	Eligible Expenditures under this category are part of the programs and initiatives of Mexico's National Water Commission (CONAGUA, for its initials in Spanish) to rehabilitate and maintain dams to promote the provision and sustainable management of water services and prevent floods. ¹⁰	 The expected Environmental and Social Benefit are clear, they are considered relevant, measurable, and will be quantified in the reporting. <i>(see analysis in previous page)</i>
 7 Affordable and Clean Energy  13 Climate Action Access to affordable,	7.1. Transmission and distribution lines that meet the technical criteria for the EU Taxonomy for Sustainable Activities ¹¹ . 7.2. Energy storage associated with the integration of eligible renewable energy investments, or smart grid investments such as: <ul style="list-style-type: none"> - Mechanical technology: pumped hydroelectric energy storage (PHES), compressed air energy storage (CAES). - Thermal and thermochemical technology: sensible heat or latent heat, energy by sorption. - Chemical technology: storage in the form of oxygen or hydrogen gas. 	<u>Climate Change Mitigation</u> Avoid GHG emissions Increase renewable energy production capacity Increase energy storage capacity <u>Access to energy</u> Increase access to affordable, reliable and modern energy services	The Eligible Expenditure under this category is the Fund for Energy Transition and Sustainable Use of Energy (FOTEASE for its acronym in Spanish), a public policy instrument of the Ministry of Energy whose objective is to implement actions that contribute to the fulfilment of the National Strategy for Energy Transition and Sustainable Energy Use.	The Eligible Category is defined in general terms. Nevertheless, the Issuer has communicated the exact list of Eligible Expenditures to be financed with the 2021 Bond including its nature and location. V.E confirms that the expenditures in the Portfolio are in line with ICMA's green project definitions. The Environmental Objective is clearly defined, it is relevant and set in coherence with sustainability objectives defined in international standards. The expected Environmental Benefit is clear, it is considered relevant, measurable, and will be quantified in the reporting.

¹⁰ https://www.gob.mx/cms/uploads/attachment/file/55358/MIR_Programa-k111.pdf


¹¹ TEG Report on EU Taxonomy : https://ec.europa.eu/info/files/190618-sustainable-finance-teg-report-taxonomy_en

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reliable modern energy	7.3. Dedicated smart grid investments or training programs to facilitate the efficient integration of renewable energy and energy efficiency programs.			
 7 Affordable and Clean Energy  13 Climate Action Increasing the share of renewable energy and improving energy efficiency	<p>7.4 Financing of programs for the sustainable use of energy.</p> <p>7.5. Maintenance of clean energy infrastructure in line with the EU Taxonomy for Sustainable Activities¹³.</p> <p>7.6. Investments in projects from renewable energy sources as per the EU Taxonomy for Sustainable Activities¹³. Including the production of electricity from Solar PV, Concentrated Solar Power, Wind Power, Ocean Energy, Geothermal (below 100gCO₂/kWh), Bioenergy and Hydropower below 25MW; and Hydro Power above 25MW that meets the following criteria:</p> <ul style="list-style-type: none"> - Emissions intensity below 100gCO₂e/kWh (or a power density greater than 5 MW/m²). - Meets strict Adaptation and Resilience criteria by an independent assessor using the using the ESG Gap Analysis Tool¹². - The project is not located in (or close to: 10km terrestrial distance or 50km maritime distance) a Key Biodiversity Area¹³. <p>Identified Hydropower plants do not appear on RepRisk¹⁴.</p>	<p><u>Climate Change Mitigation</u></p> <p>Avoid GHG emissions</p> <p>Increase renewable energy production capacity</p>	N/A	
	7.7. Energy efficiency investments in public buildings that result in energy savings of at least 20%.	<p><u>Climate Change Mitigation</u></p> <p>Avoid GHG emissions</p> <p>Energy savings</p>	The Eligible Expenditure under this category is the program called "Management, promotion, supervision and evaluation of the sustainable use	

¹² International Hydropower Associate ESG Gap Analysis Tool: <https://www.hydropower.org/esg-tool>


¹³ <http://www.keybiodiversityareas.org/site/mapsearch>




¹⁴ <https://www.reprisk.com/>

SDG ELIGIBLE CATEGORY	USE OF PROCEEDS DESCRIPTION DEFINITION & ELIGIBILITY CRITERIA ⁶	OBJECTIVES AND BENEFITS	ELIGIBLE EXPENDITURES IN 2021'S PORTFOLIO	V.E's ANALYSIS
	<p>7.8. Programs dedicated to energy efficiency improvements in both the private and public sectors.</p> <p>7.9. <i>Financing of the operation and programmes of the National Commission for the Efficient Use of Energy.</i></p>		of energy" by the National Commission for the Efficient Use of Energy (CONUEE for its acronym in Spanish), a national program through which CONUEE follows up on its objective of promoting energy efficiency and constituting itself as a technical body for the sustainable use of energy, in accordance with the mandate of the Energy Transition Law (LTE), articles 17 and 18 thereof.	
 <p>8 Decent Work and Economic Growth</p> <p>Ensure full, productive and decent employment for all</p>	<p>8.1 Infrastructure and programs to increase access to financing and financial services including improved access to welfare payments to the vulnerable and disadvantage groups.</p> <p>8.2. <i>Tools to strengthen financial knowledge and protection for consumers.</i></p> <p>8.3. <i>Infrastructure and programs to increase access to financial services to people and micro and small enterprises.</i></p> <p>8.4. <i>Programs to increase and strengthen access to financial literacy.</i></p> <p>8.5. <i>Build new bank branches in isolated and rural areas.</i></p> <p>8.6. <i>Development and strengthening of digital payment systems.</i></p> <p><i>*Geospatial criteria applied</i></p>	<p><u>Access to Financial Services</u></p> <p><i>Increase access to financing and financial services</i></p>	Eligible Expenditures under this category are part of Mexico's Financial Inclusion Policy ¹⁵ 2020-2024 of the National Council of Financial Inclusion, which has formalized objectives, strategies, action plans and indicators. The Policy considers relevant social risks related to financial inclusion initiatives, namely: financial education, financial protection and accessibility.	<p>The Eligible Category is defined in general terms. Nevertheless, the Issuer has communicated the exact list of Eligible Expenditures to be financed with the 2021 Bond including its nature and location. V.E confirms that the expenditures in the Portfolio are in line with ICMA's social project definitions.</p> <p>The target populations that will benefit from the Eligible Category have been clearly defined, namely populations in the priority areas identified by the Issuer. As well as indigenous and afro-Mexican populations in the priority areas identified by the Issuer.</p> <p>The Social Objectives are clearly defined, they are considered relevant and set in coherence with sustainability objectives defined in international standards.</p> <p>The expected Social Benefits are clear, they are considered relevant, measurable, and will be quantified in the reporting.</p>
	<p>8.7. Employment generation in sustainable tourism for indigenous people and Afro-Mexicans.</p> <p>8.8. Community projects in food self-sufficiency in indigenous and Afro-Mexican communities.</p> <p>8.9. Construction of productive infrastructure (collection, selection and packaging centres, sawmills, infrastructure for livestock) in indigenous and Afro-Mexican communities.</p>	<p><u>Food Security</u></p> <p><i>Improve food self-sufficiency</i></p> <p><u>Socioeconomic advancement and empowerment</u></p> <p><i>Promote the conservation of cultural heritage</i></p> <p><i>Strengthen the economic productivity of indigenous</i></p>	Eligible Expenditures under this category are part of the Program for the Integral Well-being of Indigenous People ¹⁶ (PROBIPI, for its initial in Spanish) operated by the National Institute of Indigenous Peoples. Its objectives is to contribute to the integral development and common well-being of indigenous and Afro-Mexican peoples and communities, as subjects of public law, promoting the implementation and effective exercise of their rights; the access to the justice; the use and	

¹⁵ <https://www.gob.mx/cnbv/acciones-y-programas/politica-nacional-de-inclusion-financiera-43631>

¹⁶ <http://www.inpi.gob.mx/focalizada/2021/probiipi/infraestructura/index.html>

SDG ELIGIBLE CATEGORY	USE OF PROCEEDS DESCRIPTION DEFINITION & ELIGIBILITY CRITERIA ⁶	OBJECTIVES AND BENEFITS	ELIGIBLE EXPENDITURES IN 2021'S PORTFOLIO	V.E's ANALYSIS
	<p>8.10. Maintain and develop exchange networks to promote ancestral indigenous knowledge and practices.</p> <p>8.11. Conservation of cultural, educational and natural heritage centres.</p> <p><i>*Geospatial criteria applied</i></p>	<p><i>and Afro-Mexican communities</i></p> <p><u>Employment generation</u></p> <p><i>Increase the employment of and enterprises run by indigenous or Afro-Mexican people</i></p>	<p>conservation of their lands, territories, natural resources, biodiversity and the environment; support for its strategic economic and productive activities; the construction of roads and infrastructure of basic services and the strengthening of their cultural heritage, within a framework of respect for their self-determination, autonomy and forms of organization.</p>	
	<p>8.12. Scholarships for employment training.</p> <p>8.13. Development and maintenance of employment training centres.</p> <p>8.14. Development of employment training programs.</p> <p><i>*Geospatial criteria applied</i></p>	<p><u>Socioeconomic advancement and empowerment</u></p> <p><i>Increase the number of youth and adults with relevant skills for employment</i></p> <p><i>Decrease of youth not currently in education, employment or training</i></p>	N/A	
 <p>9 Industry, Innovation and Infrastructure</p> <p>A lack of access to regional infrastructure and services</p>	<p>9.1. Development of rural and feeder roads in areas that lack connectivity, or in areas lacking access to key social infrastructure (e.g. schools healthcare).</p> <p>9.2. Increased access to and development of broadband internet (Optic fiber networks).</p> <p><i>*Geospatial criteria applied</i></p>	<p><u>Access to Basic Infrastructure</u></p> <p><i>Increase connectivity</i></p>	<p>Eligible Expenditures under this category include among others:</p> <ul style="list-style-type: none"> - Program for the conservation of rural roads and feeder roads infrastructure. - Supervision, regulation, inspection, verification and administrative services of road construction and conservation. - Construction projects for feeder roads and rural roads. - Road construction projects. 	<p>The Eligible Category is defined in general terms. Nevertheless, the Issuer has communicated the exact list of Eligible Expenditures to be financed with the 2021 Bond including its nature and location. V.E confirms that the expenditures in the Portfolio are in line with ICMA's social project definitions.</p> <p>The target populations that will benefit from the Eligible Category have been clearly defined, namely the population in the priority areas identified by the Issuer.</p> <p>The Social Objectives are clearly defined, they are considered relevant and set in coherence with sustainability objectives defined in international standards.</p> <p>The expected Social Benefits are clear, they are considered relevant, measurable, and will be quantified in the reporting.</p>





SDG ELIGIBLE CATEGORY	USE OF PROCEEDS DESCRIPTION DEFINITION & ELIGIBILITY CRITERIA ⁶	OBJECTIVES AND BENEFITS	ELIGIBLE EXPENDITURES IN 2021'S PORTFOLIO	V.E's ANALYSIS
 11 Industry, Innovation and Infrastructure Increasing the usage of mass transit and rail use for freight	<p>11.1. Electrified rail transport infrastructure for freight and/or passenger transport & acquisition of new electric rolling stock.</p> <p>11.2. <i>Bus-rapid-transit infrastructure and fleets that meet Bronze, Silver or Gold score under the BRT Standard.</i></p> <p>11.3. <i>Intermodal exchange hubs enabling transfers:</i></p> <ul style="list-style-type: none"> - <i>Combined transport platforms: e.g. rail-road, rail-river.</i> - <i>Multimodal platforms allowing access to clean modes (train station, river port...).</i> <p>11.4. <i>Discount fees for public transport services for students, unemployed people, disabled people, veterans.</i></p> <p>11.5. <i>Reimbursement of public transit passes for civil servants.</i></p>	<p><u>Access to Basic Infrastructure</u></p> <p><i>Increase access to public transport</i></p> <p><u>Climate Change Mitigation</u></p> <p><i>Reduce GHG emissions from transport</i></p>	<p>The Issuer has declared that Eligible Sustainable Expenditures under this category is part of Mexico's Ministry of Communication and Transport National Development Plan 2019 – 2024 (Secretaria de Comunicaciones y Transportes). The Eligible Expenditure is an electrical railway, the first stage of the inter-urban train Mexico-Toluca¹⁷.</p>	<p>The Eligible Category is defined in general terms. Nevertheless, the Issuer has communicated the exact Eligible Expenditure to be financed with the 2021 Bond including its nature and location. V.E confirms that the expenditures in the Portfolio are in line with ICMA's green project definitions and best market standards.</p> <p>The Environmental and Social Objectives are clearly defined, they are considered relevant and set in coherence with sustainability objectives defined in international standards.</p> <p>The expected Environmental and Social Benefits are clear, they are considered relevant, measurable, and will be quantified in the reporting.</p>
 14 Life Below Water Water biodiversity and resources	<p>14.1. <i>Conservation, restoration and sustainable management of watersheds.</i></p>	<p><u>Natural Resource Conservation</u></p> <p><i>Restore hydrological resources</i></p> <p><i>Improve water quality</i></p> <p><u>Pollution Prevention and Control</u></p> <p><i>Reduce marine pollution from land-based activities</i></p>	N/A	
 15 Life on Land Conservation, restoration and sustainable use of terrestrial and	<p>15.1. Support for sustainable forestry development.</p> <p>15.2. Sustainable management and maintenance of National Parks and Conservation Areas.</p> <p>15.3. <i>Wildlife conservation programs.</i></p> <p>15.4. Programs for the protection and restoration of ecosystems and priority species.</p>	<p><u>Sustainable Use of Natural Resources</u></p> <p><i>Sustainably manage forests</i></p> <p><u>Biodiversity Conservation</u></p> <p><i>Protect biodiversity in priority species</i></p>	<p>Eligible Expenditures under this category are conservation or sustainable management initiatives of the National Commission of Forests (CONAFOR for its acronym in Spanish) and the National Protected Areas Commission (CONANP for its acronym in Spanish) respectively. CONANP has identified a list of priority species in Mexico.</p>	<p>The Eligible Category is defined in general terms. Nevertheless, the Issuer has communicated the exact list of Eligible Expenditures to be financed with the 2021 Bond including its nature and location. V.E confirms that the expenditures in the Portfolio are in line with ICMA's green project definitions.</p> <p>The Environmental Objectives are clearly defined, they are considered relevant and set in coherence with</p>





¹⁷ <http://aldf.gob.mx/archivo-ce20b77dbaff3c024f3ee106b8a50002.pdf>




SDG ELIGIBLE CATEGORY	USE OF PROCEEDS DESCRIPTION DEFINITION & ELIGIBILITY CRITERIA ⁶	OBJECTIVES AND BENEFITS	ELIGIBLE EXPENDITURES IN 2021'S PORTFOLIO	V.E's ANALYSIS
inland freshwater ecosystems				<p>sustainability objectives defined in international standards.</p> <p>The expected Environmental Benefits are clear, they are considered relevant, measurable, and will be quantified in the reporting.</p>

SDG Contribution

The Eligible Categories are likely to contribute to eleven of seventeen United Nations' Sustainable Development Goals ("SDGs"), namely:

ELIGIBLE CATEGORY	SDG	SDG TARGETS
Ensure food security and access to essential services Ensure effective access to quality healthcare services Ensure inclusive and quality education for all and promote lifelong learning Access to clean water and sanitation Ensure full, productive and decent employment for all	 1 No Poverty	1.2 By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions 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
Water related hazards (resilience/climate change adaptation)		1.5 By 2030, build the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters
Ensure food security and access to essential services	 2 Zero Hunger	2.1 By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round 2.3 Double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment 2.A Increase investment, including through enhanced international cooperation, in rural infrastructure, agricultural research and extension services, technology development and plant and livestock gene banks in order to enhance agricultural productive capacity in developing countries, in particular least developed countries
Ensure effective access to quality healthcare services, eliminate discriminatory barriers, close service gaps between different social groups and regions and ensure the generation and effective use of healthcare resources	 3 Good Health and Well-Being	3.1 By 2030, reduce the global maternal mortality ratio to less than 70 per 100,000 live births 3.2 By 2030, end preventable deaths of new-borns and children under 5 years of age, with all countries aiming to reduce neonatal mortality to at least as low as 12 per 1,000 live births and under-5 mortality to at least as low as 25 per 1,000 live births 3.3 By 2030, end the epidemics of AIDS, tuberculosis, malaria and neglected tropical diseases and combat hepatitis, water-borne diseases and other communicable diseases 3.5 Strengthen the prevention and treatment of substance abuse, including narcotic drug abuse and harmful use of alcohol 3.7 By 2030, ensure universal access to sexual and reproductive health-care services, including for family planning, information and education, and the integration of reproductive health into national strategies and programmes 3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all
Improve education infrastructure and provide school with basic furniture Ensure inclusive and quality education for all and promote lifelong learning	 4 Quality Education	4.1 By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes 4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university 4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship 4.5 By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including

ELIGIBLE CATEGORY	SDG	SDG TARGETS
		<p>persons with disabilities, indigenous peoples and children in vulnerable situations</p> <p>4.6 By 2030, ensure that all youth and a substantial proportion of adults, both men and women, achieve literacy and numeracy</p> <p>4.A Build and upgrade education facilities that are child, disability and gender sensitive and provide safe, non-violent, inclusive and effective learning environments for all</p> <p>4.B By 2020, substantially expand globally the number of scholarships available to developing countries, in particular least developed countries, small island developing States and African countries, for enrolment in higher education, including vocational training and information and communications technology, technical, engineering and scientific programmes, in developed countries and other developing countries</p>
Access to clean water and sanitation	 6 Clean Water and Sanitation	<p>6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all</p> <p>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</p> <p>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</p>
Access to clean water and sanitation		6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity
<p>Access to affordable, reliable modern energy</p> <p>Increasing the share of renewable energy and improving energy efficiency</p>	 7 Affordable and Clean Energy	<p>7.2 By 2030, increase substantially the share of renewable energy in the global energy mix</p> <p>7.3 By 2030, double the global rate of improvement in energy efficiency</p>
Ensure full, productive and decent employment for all	 8 Decent Work and Economic Growth	<p>8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services</p> <p>8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value</p> <p>8.9 By 2030, devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products</p> <p>8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all</p>
<p>A lack of access to regional infrastructure and services</p> <p>Increasing the usage of mass transit and rail use for freight</p>	 9 Industry, Innovation and Infrastructure	<p>9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all</p>
Access to clean water and sanitation		9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities

ELIGIBLE CATEGORY	SDG	SDG TARGETS
Increasing the usage of mass transit and rail use for freight	 11 Industry, Innovation and Infrastructure	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.
Water related hazards (resilience/climate change adaptation)		13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries
Access to affordable, reliable modern energy Increasing the share of renewable energy and improving energy efficiency	 13 Climate Action	UN SDG 13 consists of taking urgent action to combat climate change and its impacts. States can contribute to this goal by reducing GHG emissions from transport through the transition towards electric vehicles; investing in renewable energy; improving energy efficiency; investing in natural carbon sinks as well as in technologies and solutions that address climate change mitigation and adaptation.
Conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems	 15 Life on Land	<p>15.1 By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements</p> <p>15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally</p> <p>15.3 By 2030, combat desertification, restore degraded land and soil, including land affected by desertification, drought and floods, and strive to achieve a land degradation-neutral world</p> <p>15.4 By 2030, ensure the conservation of mountain ecosystems, including their biodiversity, in order to enhance their capacity to provide benefits that are essential for sustainable development</p> <p>15.5 Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species</p>

Evaluation and Selection of Eligible Sustainable Expenditures



- The Process for Expenditures Evaluation and Selection has been clearly defined by the Issuer. It is considered well-structured in all the evaluation and selection steps. The roles and responsibilities are clear and include relevant internal expertise. The Process will be publicly disclosed in the Framework.
- The Eligibility Criteria in the Framework has been defined in general terms by the Issuer. For the 2021 Bond, the Issuer has identified a Portfolio of Eligible Sustainable Expenditures with clear environmental and/or social benefits. The Issuer has committed to request the update of this SPO in case of any change in the Portfolio of Eligible Sustainable Expenditures and/or the Framework to confirm its continued alignment with the GBP & SBP 2021.
- The E&S risk identification and mitigation process is publicly disclosed within this SPO and is considered robust. The process combines monitoring, identification, and corrective measures for a majority of Eligible Sustainable Expenditures (see detailed analysis on pp. 24-27).

Process for Project Evaluation and Selection

All Eligible Expenditures are part of Mexico's National Budget approved by the Congress and are regulated by publicly available laws and procedures.

Since 2017 the Government of Mexico has been working on the establishment of high-level public policy priorities to meet the Agenda 2030 via the National Council of the Agenda 2030 for Sustainable Development (the "Council"). This Council is composed by 19 government ministries, 7 non-sectorial institutions, and 2 autonomous agencies. The Council is led by the President of Mexico and they meet once a year. This Council designed a workplan addressing the priority areas to achieve the implementation of the 2030 Agenda at the federal level, also promoting the adoption of these measures at state and municipal levels. The Executive Commission is in charge of aligning efforts made by states and municipalities on the SDGs. The four committees of the National Council of the 2030 Agenda for Sustainable Development are in charge of monitoring the development of the workplan, and the Specialized Technical Committee of the Sustainable Development Goals (CTEODS, for its acronym in Spanish) is in charge of monitoring the indicators and evaluating the public policies that contribute to Mexico's SDGs. Since 2018, the Mexican Federal Government has established a formal link between the current national planning process and the SDGs. This process is formalised in the Planning Law ("Ley de Planeación" in Spanish) and implemented in the annual National Budget, carried out by the SHCP.

For the SDG Sovereign Bonds, SHCP is responsible for:

- The evaluation and pre-selection of Eligible Expenditures according to the Framework and based on the list of prioritised expenditures provided by each Ministry, and which are already approved by the National Budget and linked to the SDGs.
- The notional allocation of funds raised to the identified Eligible Expenditures
- Creating the investors reports

The Eligible Budget of each Bond will be validated by the Committee of Inclusive Sustainable Economy (CISE for its acronym in Spanish), one of the SDG Specialized Technical Committees.

In addition, the UNDP has participated as a reviewer in the creation of the methodology (guidelines) used to link Mexico's national budget with the Agenda 2030. In the context of the SDG Sovereign Bonds, the UNDP will provide a technical opinion to SHCP, if necessary, on the alignment of Eligible Expenditures with the SDGs and act as an observer of the selection process.

The traceability and verification of the selection and evaluation of the expenditures is ensured throughout the process:

- The SHCP will monitor on monthly basis and until the maturity date, the continued compliance of the Eligible Expenditures with the general guidelines defined in the Framework. In case an Eligible Expenditure is found ineligible, it will be removed from the Portfolio of Eligible Expenditures. Any changes in the Portfolio will be publicly disclosed in the annual reports.

- The Issuer will also monitor on monthly basis potential ESG controversies linked with the Eligible Expenditures. The SHCP will remove any Eligible Expenditure that is subject to major environmental, social or governance controversies. An area of improvement is to define what will be considered a “major controversy”.
- The traceability of the decisions made on the selection of projects is recorded in the meeting minutes.
- An independent external auditor will verify the compliance of the Eligible Sustainable Expenditures with the eligibility criteria and process defined in the Framework.

Eligibility Criteria

The process relies on selection criteria defined in general terms (see Use of Proceeds section). The Issuer has identified a Portfolio of Eligible Sustainable Expenditures to be financed by the 2021 Bond issuances. V.E has assessed this Portfolio to confirm that all the Eligible Sustainable Expenditures will have potential environmental and/or social benefits. The Issuer has committed to externally verify the alignment of future Eligible Expenditures with the Framework, and market standards and best practices.

In addition, the SHCP applies economic and technical filters, including:

- expenditures allowed by the Mexican Law of Public Debt,
- compliance with environmental and social national regulations,
- exclusion criteria formalised in the Framework,
- defined guidelines and operational procedures of the Eligible Expenditure, and
- at least one direct contribution of the Eligible Expenditure to the SDGs, as established by the mechanisms to link the national budget with the 2030 Agenda.

The target populations that will benefit from the social Eligible Expenditures have been clearly defined. The issuer has applied a relevant geospatial eligibility criterion based on the Social Gap Index¹⁸, to identify and target vulnerable populations, namely regions in Mexico where the gaps in achieving the SDGs are the greatest.

- This criterion allows to identify “priority areas” defined as regions with a “very high”, “high” or “medium” level of Social Gap, according to data from the Social Gap Index. The Social Gap Index is calculated by the Census of Population and Housing (INEGI for its initials in Spanish). It consists of 11 sub-indicators, which measure the access to education, health, habitat and basic services in Mexico, allowing the adequate identification of regions where the gaps in achieving the SDGs are the greatest.
- The Issuer has specified in the Framework whether the geospatial eligibility criteria has been applied to each of the Eligible Expenditures. We consider that the geospatial eligibility criterion has been applied to relevant Eligible Categories.
- The list of target populations described in the Framework are examples of potential main beneficiaries within the zones that meet the geospatial eligibility criteria. The Issuer does not apply additional sub-filters, besides the geospatial eligibility criteria and the specific programs’ requirements.

The exclusion criteria are considered relevant and exhaustive as they cover the main topic in terms of environmental and social responsibility, in line with good market practices.

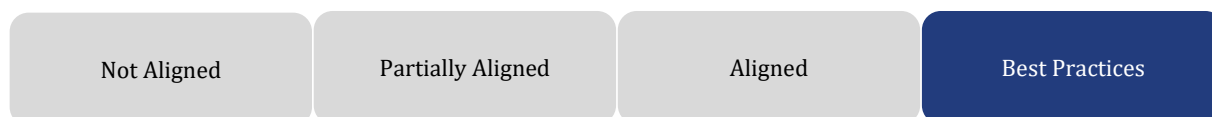
- The Issuer is committed to exclude any Eligible Expenditure aiming at financing the exploration, production or transportation of fossil fuels; the generation of nuclear power, alcohol, weapons, tobacco, palm oil, cattle/beef production, conflict minerals or adult entertainment industry.
- In addition, all expenditures will be screened to ensure that they do not involve deforestation or degradation of biodiversity, child labour or forced labour, breach Mexico’s anti-corruption laws, and Mexico’s environmental, social and governance policies and procedures.

¹⁸ <https://www.coneval.org.mx/Medicion/IRS/Paginas/Que-es-el-indice-de-rezago-social.aspx>

BEST PRACTICES

- ⇒ The Issuer reports that it will monitor compliance of selected expenditures with eligibility criteria throughout the life of the bonds and has provided details on content, frequency, duration and on procedure adopted in case of non-compliance.
- ⇒ The Issuer reports that it will monitor potential ESG controversies associated with the eligible expenditures throughout the bond's lifecycle and has provided details on frequency, content and procedures in case a controversy is found on a project.

Management of Proceeds



- The Process for the Management and Allocation of Proceeds is clearly defined and detailed by the Issuer. It is publicly available in the Framework.
- The Government of Mexico intends to allocate the proceeds by last day of the end of the fiscal year.
- The net proceeds of the Bonds will be managed and tracked by the Issuer in an appropriate manner and attested to in a formal internal process.
- Information on the intended types of temporary placement for the balance of the unallocated net proceeds is publicly disclosed.
- The Issuer has committed that the balance of the tracked net proceeds will be periodically adjusted to match allocations to Eligible Sustainable Expenditures made during that period for as long as the Bond is outstanding.
- The Issuer has provided information on the process that will be followed in case of divestment or postponement of an Eligible Sustainable Expenditure and it has committed to reallocate the proceeds to expenditures that are compliant with the Framework within 12 months.

Management Process

- The net proceeds from each SDG Sovereign Bond issuance will be transferred to the Treasury Account of Mexico to finance the Federal Budget of the relevant year and monitored by SHCP on a quarterly basis. The 2021 Bond will only finance expenditures of the 2021 Federal Budget, meaning net proceed will be fully allocated by December 31st, 2021.
- SHCP is responsible for managing the proceeds and for monitoring the budgetary program on a quarterly basis, ensuring the advance in the execution of Eligible Expenditures and that the Eligible Expenditures continue to comply with the eligibility criteria, until the maturity date.
- SHCP has committed that unallocated proceeds are to be held in the Treasury, in accordance with the TESOFE's law. The Issuer has declared that it will not finance any GHG intensive activities, controversial activities, or activities facing material ESG issues.
- The Issuer has committed to maintain a surplus of Eligible Expenditures in the Portfolio. In case the Portfolio is smaller than the Bonds' net proceeds outstanding, SHCP has committed to include an amount equal to the notional gap in cash or short-term money market instruments until alternative qualifying expenditure can be identified.
- The Issuer has committed to monitor the pool of Eligible Expenditures on a quarterly basis, so that in case of projects postponement, cancelation, divestment or ineligibility, or in case an Eligible Expenditure has matured, the no longer eligible expenditure will be replaced by a new Eligible Expenditure. Any changes in the Portfolio will be publicly disclosed in the annual reports.

BEST PRACTICES

- ⇒ The allocation period is less than 12 months.
- ⇒ The Issuer has provided information on the procedure that will be applied in case of expenditure ineligibility/divestment and has committed to reallocate divested proceeds to expenditures that are compliant with the Framework within 12 months.

Monitoring & Reporting

Not Aligned	Partially Aligned	Aligned	Best Practices
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- The Issuer has committed to report on the allocation of Use of Proceeds annually and until Bond maturity. The report will be publicly available on SHCP's website.
- The reporting will cover relevant information related to the allocation of financing proceeds and to the expected environmental and social benefits of the expenditures. The Issuer has also committed to report on material developments, issues and controversies related to the Eligible Green Expenditures.
- The reporting methodology and assumptions used to report on environmental benefits of the Eligible Sustainable Expenditures will be publicly disclosed in the annual reports.
- An external auditor will verify the tracking and allocation of funds to Eligible Sustainable Expenditures until full allocation and later in case of material changes. The environmental and social benefits will be verified by other government bodies.

Process

The monitoring and reporting processes are structured and based on relevant internal and external expertise and involve relevant departments of the Issuer:

- SHCP will manage the proceeds from the Bonds and monitor the advance of the budgetary programme on a quarterly basis.
- SHCP will be in charge of collecting and consolidating the information on the allocation of proceeds and environmental and social benefits, and creating the Allocation and Impact Reports:
 - The SDGs' National Platform – an open data source tool monitored by the INEGI (National Institute of Statistics and Geography). Data will be disaggregated and georeferenced at national, state and municipal levels.
 - CONEVAL will generate relevant information on the progress attained by social programs.
 - Each Ministry will provide specific impact monitoring metrics for the Eligible Sustainable Expenditures under their responsibility. In particular, Mexico has implemented a Performance Evaluation System which commits the SHCP to monitor program performance using indicators structured in a matrix that identifies outputs or outcomes, as well as by collecting information from independent evaluations.
- The UNDP will act as an observer and, as required, provide technical assistance to SHCP for the development of the impact report.
- The CTEODS will review the final report and coordinate with other relevant entities.
- Mexico's Superior Audit Office (Auditoria Superior de la Federación), the independent external auditor of the Chamber of Deputies, will annually verify the allocation of proceeds to Eligible Expenditures.

Indicators

The Issuer has committed to transparently communicate at Eligible Expenditure level, on:

- Allocation of proceeds: The indicators selected by the Issuer to report on the allocation of proceeds are relevant and exhaustive.

REPORTING INDICATORS

- ⇒ Description of the Eligible Expenditures undertaken
- ⇒ The total amount of funding allocated to selected Eligible Expenditures*
- ⇒ Type of budgetary expenses
- ⇒ The amount of available unallocated proceeds and type of temporary placements
- ⇒ The co-financing share of Eligible Expenditures (if applicable)

*Of note, the Issuer has declared that there will be no refinancing. In addition, the Mexican Law of Public Debt prohibits the disclosure of specific funding sources allocated to public expenditures. Mexico will disclose the total amount of funding allocated to each Eligible Expenditure without differentiating the funding provided by the Bond.

- Environmental and social benefits: The Issuer has identified potential output and/or impact indicators for all the Eligible Categories (see 4. Appendix of the Framework). These are considered clear, relevant and exhaustive.

The Issuer is committed to work with relevant national and international institutions to identify appropriate indicators when producing the impact report. In addition, the UNDP will provide a non-binding public opinion and recommendations, in necessary, on the impact report.

SDG ELIGIBLE CATEGORY	BENEFITS INDICATORS	
	EXAMPLE OUTPUT INDICATORS	EXAMPLE, POTENTIAL OUTCOME &/OR IMPACT INDICATORS
Ensure food security and access to essential services	<ul style="list-style-type: none"> - Target population recipients by program - Number of claims processed p.a. and % of claims approved 	<ul style="list-style-type: none"> - Decrease in prevalence of undernourishment (% population) - % of Food products being produced within the limit of 250 km per meal - % of seasonal produce per meal - Increase in the number of people provided with safe, nutritious and sufficient food
Ensure effective access to quality healthcare services,	<ul style="list-style-type: none"> - Increase in the number of: <ul style="list-style-type: none"> o hospital and other healthcare facilities built/upgraded o medical consultations per year (General Practitioners, Specialists) - Number of patients treated by program 	<ul style="list-style-type: none"> - Healthy life expectancy at birth (years) - Maternal mortality (per 100,000 live births) - Under 5 mortality (per 1,000 live births) - Incidence of tuberculosis (per 100,000) - HIV prevalence (per 1,000) - Births attended by skilled health personnel (%) - Prevalence of underweight (% of children under 5, weight for age)

SDG ELIGIBLE CATEGORY	BENEFITS INDICATORS	
	EXAMPLE OUTPUT INDICATORS	EXAMPLE, POTENTIAL OUTCOME &/OR IMPACT INDICATORS
Improve education infrastructure and provide schools with basic furniture	<ul style="list-style-type: none"> - Area of classroom space that was built, converted, or expanded for use within educational facilities (m2) 	<ul style="list-style-type: none"> - Proportion of schools with access to: (a) electricity; (b) the Internet; (c) computers; (d) adapted infrastructure and materials for students with disabilities; (e) basic drinking water; (f) single-sex basic sanitation facilities; and (g) basic handwashing facilities - Proportion of schools with access to: electricity; the Internet; computers, adapted infrastructure and materials for students with disabilities, basic drinking water, single sex basic sanitary facilities, and basic handwashing facilities
Ensure inclusive and quality education for all and promote lifelong learning	<ul style="list-style-type: none"> - Number of beneficiaries - Scholarship amount (M\$) 	<ul style="list-style-type: none"> - School dropout reduction in target regions and among target populations - School performances improvement of the beneficiaries (e.g. rate of repetition of school years) - Social diversity improvement in class - PISA score (0-600) - Share of resilient students among disadvantaged students (%) - Increase in the number of young people from low income backgrounds progressing to higher education
Access to clean water and sanitation	<ul style="list-style-type: none"> - Km of water distribution network built - Number of water treatment plants - Volume of clean water provided - % of municipal wastewater collected that is treated - Volume of untreated sewage that is treated and either reused or disposed 	<ul style="list-style-type: none"> - Water loss in pipelines (%) - Improvement in the % of public buildings (inc. schools) with: <ul style="list-style-type: none"> o Basic drinking water o Basic sanitation facilities o Basic handwashing facilities - % of the population that has daily access to piped water and basic sanitation - Decrease in diseases related to poor water quality (episodes of diarrhea, especially for children)
Water supply and management for productive sectors	<ul style="list-style-type: none"> - Efficiency in water use measured as % of gross value added among water used - Improvement in water use efficiency in agricultural, industrial and tourism sectors 	<ul style="list-style-type: none"> - Yield improvement of basic crops in areas with irrigation infrastructure

SDG ELIGIBLE CATEGORY	BENEFITS INDICATORS	
	EXAMPLE OUTPUT INDICATORS	EXAMPLE, POTENTIAL OUTCOME &/OR IMPACT INDICATORS
Water related hazards (resilience/climate change adaptation)	<ul style="list-style-type: none"> - Minimization of flood risks and improved property protection (especially productive areas) and emergency capacities improvement: <ul style="list-style-type: none"> o Number of additional storm tanks o Drainage networks built in km o Weather radars o Number of evacuation shelters - Number of people and/or enterprises benefitting from measures to mitigate the consequences of floods and droughts 	<ul style="list-style-type: none"> - Reallocation of buildings/critical facilities outside high-risk flood areas, especially from vulnerable coastal zones (number of people or buildings) - Number of inhabitants or cities protected against floods: <ul style="list-style-type: none"> o Reduction of the number of residents that have experienced flood disasters o Reduction of death tolls caused by floods - Reduction of the damage on existing wastewater infrastructure (pipes, pumping stations, tanks, treatment plants), water services disruption (number of days)
Access to affordable, reliable modern energy Increasing the share of renewable energy and improving energy efficiency	<ul style="list-style-type: none"> - Production capacity (GW) - Annual production GWh (real/estimated for operating and construction assets) - Amount of stored energy / storage capacity and technology used (GWh stored) - % and absolute (kWh) of annual energy savings 	<ul style="list-style-type: none"> - Annual GHG emissions avoided (tCO₂e)
Ensure full, productive and decent employment for all	<ul style="list-style-type: none"> - Number of jobs created - Number of branches opened - Increase to the number of loans, deposits or insurance products granted - Number of community projects that generate food self sufficiency - Number of projects funded - Number of training programs completed - Number of scholarships granted - Number of training centres developed 	<ul style="list-style-type: none"> - Increase in the % of population with access to bank accounts or mobile-money - Increase in the % of eligible beneficiaries accessing social security - Increase in % of female run enterprises - Increase in the % of enterprises run by indigenous or Afro-Mexican people - Percentage of training program participants obtaining employment within 12 months
A lack of access to regional infrastructure and services	<ul style="list-style-type: none"> - Percentage of households having access to internet - Percentage of households having access to internet above 3Mbps - Length of road construction with equitable access (km) 	<ul style="list-style-type: none"> - Reduction of travel time - Reduction of days without access to essential services (e.g. schools, healthcare, markets)
Increasing the usage of mass transit and rail use for freight	<ul style="list-style-type: none"> - Length of low carbon tracks built - Increase in passenger km 	<ul style="list-style-type: none"> - Traffic modal split data change (percentage of trips made by road, rail and inland waterways) - Public Transport and Sustainable Mobility <ul style="list-style-type: none"> o modal shift (number of additional public transport users) o emissions of greenhouse gas avoided (t eq.CO₂)
Water biodiversity and resources	<ul style="list-style-type: none"> - Number of basins and regulated aquifers - Number of operating erosion control systems - Hydrological restoration (number of sites) 	<ul style="list-style-type: none"> - Chemical status improvement of water (surface and groundwaters) - % of surface water quality monitoring sites with good ambient quality - Maintenance of hydrological environmental services

SDG ELIGIBLE CATEGORY	BENEFITS INDICATORS	
	EXAMPLE OUTPUT INDICATORS	EXAMPLE, POTENTIAL OUTCOME &/OR IMPACT INDICATORS
Conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems	- Areas converted to sustainable management practices (Ha)	- Areas under restoration/rehabilitation (km2) - Areas conserved &/or recovered (km2)

BEST PRACTICES
<p>⇒ The Issuer will report on the Use of Proceeds until bond maturity.</p> <p>⇒ The Issuer's report will be publicly available.</p> <p>⇒ The reporting will cover relevant information related to the allocation of proceeds and to the expected sustainable benefits of the Eligible Expenditures. The Issuer has also committed to report on material development related to the projects, including ESG controversies.</p> <p>⇒ The issuer will report on allocation of proceeds and on environmental/social benefits at eligible expenditure level.</p> <p>⇒ The indicators selected by the Issuer are exhaustive with regards to allocation reporting.</p> <p>⇒ The indicators selected by the Issuer are clear and relevant and cover all expected benefits associated with the Eligible Sustainable Expenditure Categories.</p> <p>⇒ The reporting methodology and assumptions used to report on environmental and social benefits of the Eligible categories will be disclosed publicly.</p>

Contribution to sustainability

Expected Impacts

The potential positive Impact of the eligible projects on environmental and social objectives is considered to be advanced.

Of note, more than 90% of the Eligible Expenditures to be financed by the 2021 Bond fall under the social categories, which are considered to potentially have a high positive impact as they apply the geospatial criterion that targets the populations in most need or categories that target the universal and equal access to essential services.

ELIGIBLE CATEGORY	EXPECTED IMPACT	ANALYSIS
Ensure food security and access to essential services	ADVANCED	<p>According to the Government of Mexico, the country faces a situation of high dependence on food from abroad. The country imports almost half of the food it consumes and also most of the inputs, machinery, equipment, implements and fuels for agriculture. The Mexican countryside has the potential and human capital – particularly small- and medium-scale producers – to raise production and productivity and reduce food dependency.</p> <p>The eligible expenditures include programs directed to support the improve the production capacity of small and medium farmers in Mexico. Two of the three programs financed go beyond the provision of subsidies guarantee prices for small producers, providing also capacity building and technical assistance, inputs, equipment and machinery. In addition, the Issuer will apply the geospatial criterion to this category, meaning that it will target “priority areas” in Mexico defined as regions with a “very high”, “high” or “medium” level of Social Gap, according to data from the Social Gap Index. Consequently, the eligible expenditures under this category are considered to potentially have an advance positive impact, as they promote long-term social benefits and empowerment among the populations in most need.</p> <p>An area for improvement is to systematically integrate sustainable agriculture practices into all Eligible Expenditures under this category in order to also promote environmental benefits and sustainable management of resources.</p>

ELIGIBLE CATEGORY	EXPECTED IMPACT	ANALYSIS
Ensure effective access to quality healthcare services	ADVANCED	<p>According to the OECD, one of the biggest challenges of Mexico in terms of healthcare is the unequal access to healthcare services. Mexico is one of the 3 countries of the OECD that do not have a universal healthcare system.</p> <p>Eligible Expenditures under this category are focused on promoting the coverage expansion of healthcare services in particular for those populations not covered by any of the existing health care mechanisms. Eligible Expenditures also include training programs to healthcare professionals, research and prevention programs, among others. Eligible Expenditures under this category are considered to potentially have an advanced positive impact as they promote long-term and equal access to healthcare.</p>
<p>Improve education infrastructure and provide school with basic furniture</p> <p>Ensure inclusive and quality education for all and promote lifelong learning</p>	ADVANCED	<p>According to the OECD, higher education is one of the drivers of inclusive growth. It is estimated that increasing the access to good quality higher education has the potential to bring important social benefits to countries such as the increase in social awareness, the strengthening of democratic participation, reduction of inequalities and criminality and raise productivity and innovation.</p> <p>The Eligible Expenditure under this category are mainly directed to promote access to higher education through scholarships and grants, as well as improving the education infrastructure. The Issuer will apply the geospatial criterion to this category, meaning that it will target “priority areas” in Mexico defined as regions with a “very high”, “high” or “medium” level of Social Gap, according to data from the Social Gap Index. Consequently, the eligible expenditures under this category are considered to potentially have an advance positive impact, as they promote long-term social benefits and empowerment among the populations in most need.</p>
<p>Access to clean water and sanitation</p> <p>Water supply and management for productive sectors</p>	ADVANCED	<p>According to the United Nations, despite the progress, billions of people still lack access to drinking water and sanitation services. Water scarcity in certain parts of the country and inadequate drinking water and wastewater treatment infrastructure continue to represent significant challenges in Mexico. More than half of Mexican households with access to piped water receive services on an intermittent basis, particularly in smaller municipalities and poor areas¹⁹.</p> <p>Eligible Expenditures under this category are aiming to strengthen the integral and sustainable management of water in Mexico, including programs related to the construction and improvement of drinking water and wastewater infrastructure.</p> <p>Eligible Expenditures under this category are considered to potentially have an advanced positive impact as they promote long-term and equal access to drinking water and sanitation services.</p>
Water related hazards (resilience/climate change adaptation)	ROBUST	<p>According to NASA’s Earth Observatory²⁰ Mexico is experiencing one of its most widespread and intense droughts in decades. As of April 15, 2021, nearly 85 percent of the country is facing drought conditions Large reservoirs across the country are standing at exceptionally low levels, straining water resources for drinking, farming, and irrigation.</p> <p>The Eligible Expenditures under this category are part of the programs and initiatives of Mexico’s National Water Commission (CONAGUA, for its initials in Spanish) to rehabilitate and maintain dams to promote the provision and sustainable management of water services and prevent floods.²¹ Eligible Expenditures under this category are considered to potentially have an robust positive impact as they promote long-term and equal access to water and adaptation to climate change. Dams can have potential negative impacts in the local environment, limiting its overall positive impact.</p>
<p>Access to affordable, reliable modern energy</p> <p>Increasing the share of renewable energy and improving energy efficiency</p>	ROBUST	<p>The promotion of renewable energy and energy efficiency is key to achieve the Paris Agreement targets set by the Government of Mexico, namely, to unconditionally reduce GHG emissions in 2030 by 22% below its baseline.</p> <p>Eligible Expenditures under this category include programs and funds of the Government of Mexico aimed at promoting energy transition towards renewable energy and energy efficiency. We consider that eligible expenditures will potentially have a robust positive impact. V.E does not have visibility on the specific technologies that will be promoted in terms of energy transition nor energy savings thresholds, needed to ensure that negative impacts will be minimal.</p>

¹⁹ <https://water.org/our-impact/where-we-work/mexico/>

²⁰ <https://earthobservatory.nasa.gov/images/148270/widespread-drought-in-mexico>

²¹ https://www.gob.mx/cms/uploads/attachment/file/55358/MIR_Programa-k111.pdf

ELIGIBLE CATEGORY	EXPECTED IMPACT	ANALYSIS
Ensure full, productive and decent employment for all	ADVANCED	<p>Eligible Expenditures under this category fall address two different social challenges:</p> <p>1) Mexico's Financial Inclusion Policy²² 2020-2024 of the National Council of Financial Inclusion, which has formalized objectives, strategies, action plans and indicators. The Policy considers relevant social risks related to financial inclusion initiatives, namely: financial education, financial protection and accessibility.</p> <p>2) Program for the Integral Well-being of Peoples²³ (PROBIPI, for its initial in Spanish) operated by the National Institute of Indigenous Peoples. Its objective is to contribute to the integral development and common well-being of indigenous and Afro-Mexican peoples and communities.</p> <p>The geospatial criterion will be applied to both sub-categories, promoting long-term benefits and the empowerment of the populations in most need.</p>
A lack of access to regional infrastructure and services	ROBUST	<p>Eligible Expenditures under this category aim to improve the connectivity of rural areas. The geospatial criterion will be applied, promoting long-term benefits to the regions in Mexico in most need of road connectivity improvement to access essential services such as education and health. Although, road construction projects can have negative environmental impacts, limiting the overall positive impact of the initiatives.</p>
Increasing the usage of mass transit and rail use for freight	ADVANCED	<p>States have a key role in reducing CO2 emissions and pollution by financing alternative modes of transport and improving fuel efficiency in the transport sector (which remains one of the most energy intensive and polluting sectors). The Eligible Expenditure under this category is an electrical passenger railway, the first stage of the inter-urban train Mexico-Toluca²⁴, which is expected to have an advanced positive impact as it provides long-term environmental benefits as well as potential social co-benefits in terms of employment generation and connectivity. Electrical railways are considered as net zero emission transport by internationally recognized standards of sustainable activities (i.e. the EU Taxonomy and CBI).</p>
Conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems	ROBUST	<p>States have a key role in financing biodiversity and ecosystem protection as private funds are limited in this area. The Eligible Expenditures under this category have a long-term approach that seek to contribute to the sustainable management of natural resources and land, as well as the conservation of terrestrial biodiversity. An area for improvement is to define the criteria or standards that will be used to identify sustainable forestry projects.</p>
OVERALL ASSESSMENT	ADVANCED	

²² <https://www.gob.mx/cnbv/acciones-y-programas/politica-nacional-de-inclusion-financiera-43631>

²³ <http://www.inpi.gob.mx/focalizada/2021/probipi/infraestructura/index.html>

²⁴ <http://aldf.gob.mx/archivo-ce20b77dbaff3c024f3ee106b8a50002.pdf>

ESG Risks Identification and Management systems in place at project level

The identification and management of the environmental and social risks associated with the majority of Eligible Expenditures are considered robust.

As of today, the Issuer appears to have identified the relevant social risks associated to financial inclusion programs (financial education, indebtedness risk prevention, clarity of information related to the financial services, promotion of reduced fees and requirements). However, we have no visibility on the measures in place to manage these social risks due to the initial stage of the programs.

Integration of ESG factors in public tenders

Mexico has established environmental, social and governance policies and procedures, which are monitored and controlled by the relevant Ministries during the execution of public investment projects and productive activities.

- Prior the selection of the Eligible Expenditures, the SHCP verifies their compliance with economic, legal and environmental regulation.

An area for improvement is to create a single formalised mechanism followed by all Ministries for the integration of social responsibility factors by the contractors/suppliers in charge of construction and/or operation of projects, through minimum selection criteria and contractual clauses regarding respect for human and labour rights, working conditions, and health and safety measures. In addition, an area for improvement is to homogenise the procedures to monitor and control the performance of contractors/suppliers on these criteria throughout the life of the projects.

Environmental risks

Mexico has a formalised process to identify and evaluate the potential environmental impact of investment in projects in the industry, infrastructure, manufacture and services sectors, named the Environmental Impact Statement (hereafter “MIA” for its acronym in Spanish). The implementation of the MIA is regulated by Mexico’s Law for the General Ecological Equilibrium and the Protection of the Environment (LEGEEPA for its acronym in Spanish) and state laws, including a specific list of projects and activities that must be subject to a MIA.

The Ministry of Environment and Natural Resources of Mexico (SEMARNAT for its acronym in Spanish) is responsible for the evaluation of the MIA. SEMARNAT is responsible for the authorisation/rejection and establishment of conditions for the implementation of projects and activities. SEMARNAT can suspend partially or totally a project/activity if the mitigation measures or conditions are not conducted.

The MIA has to include the characteristics of the project/activity, current environmental conditions of the site/region, the alignment and compliance with the legal environmental laws and regulations, the negative and positive cumulative impacts of the project/activity, the prevention, mitigation and compensation measures that will be carried out during the project/activity, and the methodology and technical instruments used. SHCP declared that all the relevant Eligible Expenditures have been or will be subject to the MIA process.

- Projects/activities with potential impacts on a natural forest have to be subject to a technical study regulated by Mexico’s Sustainable Forestry Development legislation. This study has to demonstrate that biodiversity, soil erosion, water quality and quantity will not be impacted.

An area for improvement is to formalise a list of consultants/services providers authorized to present a MIA to SEMARNAT, to guarantee their technical expertise in the corresponding sector and professional ethics.

The Federal Environmental Protection Attorney (PROFEPA for its acronym in Spanish) is responsible for verifying the compliance with the terms and conditions established in the MIA, by conducting onsite audits of the projects/activities twice a year. Additional onsite audits can be conducted in case of citizen complaints.

An area for improvement is to include environmental responsibility clauses in the contracts with contractors/suppliers in charge of construction and/or operation of projects.

Social Risks

Mexico has integrated the consultation of indigenous populations impacted by projects/activities in the MIA process. Indigenous consultations are appropriately structured via publicly available protocols and are regulated by the National

Commission for the Development of Indigenous Communities. This consulting process is non-binding, meaning that the result of the consultation does not decide the authorisation or rejection of the project/activity.

An area for improvement is to formalise the process for the elaboration of indigenous consultations and to include consultations as a formal requirement for project/activity approval.

Health and safety in the construction sector in Mexico is regulated by the Federal Work Law (“Ley Federal del Trabajo”) and the norm NOM-031-STPS-2011, which establishes clear health and safety conditions to prevent labour risks. The Federal Work Institute is responsible for monitoring the compliance of projects/activities with the norms. On-site visits may be conducted with prior notification to the executing company.

The National Council for the Evaluation of Social Development Policy (CONEVAL for its acronym in Spanish) is responsible for the evaluation of the impact of social projects.

An area for improvement is to clarify how human rights risks are adequately managed, such as the prevention of child, immigrant and forced labour.

Business Ethics Risks

Mexico has developed an e-procurement platform to publicly disclose government procurement information, allowing citizens to monitor the public procurement process and increase transparency.

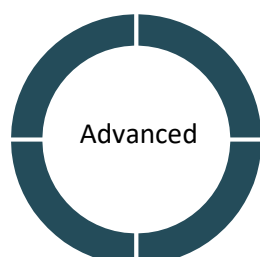
Social Witness is a formal mechanism established by the Mexican government to promote citizen participation in the management of public procurement processes. Citizens can anonymously report on any irregularity they might have witnessed, which is then published in the government’s public procurement platform. In addition, the Ministry of the Public Function created the platform ‘Citizen Complaint of Corruption’ to report inappropriate behaviour by federal civil servants that manage federal resources, participate in public procurement contracts and international commercial transactions.

The Government of Mexico along with civil society have launched the National Anticorruption System (SNA for its acronym in Spanish), which coordinates federal, state and municipal authorities to prevent, investigate and sanction corruption issues. The SNA has a Citizen Participation Committee integrated by 5 citizens with the capacity to demand the follow-up and resolution of complaints by the Ministry of Public Function.

The Mexico’s Superior Audit Office (“Auditoría Superior de la Federación”), the independent external auditor of the Chamber of Deputies, is responsible for auditing the National Budget financial management to prevent conflicts of interest, corruption, fraud, etc.

ISSUER

Level of ESG performance



According to the *Sovereign Sustainability Rating* © last updated by V.E in June 2021, Mexico received a rating of 67/100 which indicates an overall advanced sustainability performance. Mexico ranks 47th out of 178 countries rated in our global sovereign sustainability index, and 32nd out of 37 OECD countries²⁵ rated by V.E²⁶.

V.E's assessment of the Issuer's sustainability performance is based on publicly available information and statistics derived from sources that have been agreed for use in the data collection and rating methodologies for the Sovereign Sustainability Rating.

By sustainability pillar, Mexico has an advanced performance in the Social (60/100) and the Governance (86/100) pillars, and robust performance in the Environmental pillar (55/100).

DOMAIN	COMMENTS	OPINION
Environmental Responsibility	<p>Mexico has a robust performance in the Environmental Responsibility pillar; its score of 55/100 is the lowest across the three pillars of sustainability. The country ranks in the third quartile in V.E's rated sovereign universe (104th out of 178) and the 31st in the OECD group. Mexico's performance is indicative of a high commitment to international environmental conventions, with a mixed performance on indicators related to environmental protection that is specific to an emerging market country with a diversified economy.</p> <p>At the time of the evaluation, Mexico has ratified key international environmental conventions included in our rating framework, including the Paris Agreement, the Convention on Biological Diversity, the United Nations Framework Convention to Combat Desertification, the Stockholm Convention on persistent organic pollutants and the Ramsar Convention on Wetlands. Mexico is not a signatory to the Convention on the Conservation of Migratory Species.</p> <p>According to its first National Determined Contribution (NDC), updated in December 2020, Mexico is committing to reduce GHG emissions by (1) 22% and black carbon emissions by 51% by 2030 in a business-as-usual scenario as unconditional contribution, and (2) by 36% and black carbon emissions by 70% by 2030 in a business-as-usual scenario as conditional contribution.²⁷</p> <p>Like most diversified economies, Mexico must accelerate its energy efficiency efforts and the transition to renewables. Mexico has the tenth highest carbon intensity per unit of economic output (0.204 kg per PPP USD of GDP in 2016²⁸) and the third lowest CO₂ emissions per capita (3.94 metric tons in 2016²⁹) in the OECD group – with both metrics showing stable performance over the last ten years.</p> <p>Mexico has the seventh lowest production of renewable electricity (e.g. solar, wind, geothermal, biomass, excluding hydropower) (5.49% in 2015) and the eleventh lowest</p>	Advanced
		Robust

²⁵ There are 37 countries that are members of the Organization for Economic Cooperation and Development (OECD): Australia, Austria, Belgium, Canada, Chile, Colombia, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Latvia, Lithuania, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States. Source <https://www.oecd.org/about/members-and-partners/>. All these countries are covered by V.E in the Sovereign Sustainability Rating.

²⁶ Note: The Issuer has not been subject to a review of its ability to mitigate sustainability risks based on the review of stakeholder opinion.

²⁷ Mexico's NDC, 2020 (updated submission) <https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Mexico%20First/NDC-Eng-Dec30.pdf>

²⁸ Source : <https://data.worldbank.org/indicator/EN.ATM.CO2E.PP.GD>

²⁹ Source : <https://data.worldbank.org/indicator/EN.ATM.CO2E.PC>

DOMAIN	COMMENTS	OPINION
	<p>consumption of renewable energy (9.22% in 2015) in the OECD group.³⁰ Urban particulate matter (PM2.5) pollution was 22.76 microgram/m3 in 2016, the fourth highest among the OECD peers.³¹</p> <p>Intensified efforts are necessary in areas related to biodiversity, water management, waste, and transition to green growth.</p> <p>Mexico's Red List Index, which is indicative of the rate of biodiversity loss in the country, was 0.68 in 2021, the second lowest in the OECD group.³² At 33.9% of land area, forest cover is lower than the OECD average and follows a long-term downward trend. The country has the 11th highest water withdrawal per capita (700.37 m3/capita in 2018)³³ in the OECD group. Conversely, municipal waste amounted to 359.01 kg/capita in 2019,³⁴ well below the OECD average.</p> <p>Mexico's environmentally related R&D fared below the OECD average at 1.17% of government R&D, while environmentally related taxes (1.29% of GDP in 2019) were the fifth lowest among the OECD economies.³⁵</p>	Limited
		Weak
Social Responsibility	<p>Mexico's performance in the Social Responsibility pillar is advanced, with a score of 60/100. The country ranks in the second quartile in V.E's rated sovereign universe (64th out of 178) and the 34th in the OECD group. With a population of 127.6 million³⁶ and a GDP of USD 20,448 per capita (2019),³⁷ Mexico is identified as a country with high human development by the Human Development Index (HDI).</p> <p>Mexico scores well to moderate on social indicators related to access to education and ICT infrastructure, healthcare, reduction of maternal and child mortality, gender equality and protection of workers' rights.</p> <p>Enrolment rates for primary and secondary education and government spending on education are below the OECD average. Mexico ranked the 61st (out of 193) in the United Nations E-Government Development Index, indicative of the country's largely good provision of online services and telecommunication connectivity.³⁸</p> <p>Pre-pandemic total labour force and youth unemployment rates were lower than the OECD average but recorded long-term downward trends. Youth unemployment was 7.15% of total labour force in 2019, the sixth lowest in the OECD.³⁹</p> <p>Mexico fares below the OECD average in areas related to healthcare accessibility. According to pre-pandemic statistics, the country had a moderate availability and use of health services, with 5.7 nurses & midwives and 2.4 physicians per 1,000 people.⁴⁰ Life expectancy at birth and maternal mortality are the second lowest, and child mortality rates are the lowest in the OECD group.⁴¹</p> <p>Regarding gender equality, Mexico has a mixed performance. According to the Social Institutions and Gender Index (SIGI), Mexico recorded low levels of gender discrimination</p>	<p>Advanced</p> <p>Robust</p>

³⁰ Source : <https://data.worldbank.org/indicator/EG.ELC.RNWX.ZS>; <https://data.worldbank.org/indicator/EG.FEC.RNEW.ZS>

³¹ Source: <http://unstats.un.org/sdgs/indicators/database/?indicator=11.6.2>

³² Source: <http://unstats.un.org/sdgs/indicators/database/?indicator=15.5.1>

³³ Source: <https://data.oecd.org/water/water-withdrawals.htm>

³⁴ Source: <https://data.oecd.org/waste/municipal-waste.htm>

³⁵ Source: https://stats.oecd.org/index.aspx?DataSetCode=GREEN_GROWTH

³⁶ Population, total, World Bank <https://data.worldbank.org/indicator/SP.POP.TOTL>

³⁷ Source: <https://data.worldbank.org/indicator/NY.GDP.PCAP.PP.CD>

³⁸ Source: <https://publicadministration.un.org/egovkb/Data-Center>

³⁹ Source: <https://data.worldbank.org/indicator/SL.UEM.1524.ZS>

⁴⁰ Source: Nurses & midwives per 1,000 people <https://data.worldbank.org/indicator/SH.MED.NUMW.P3>; Physicians per 1,000 people <https://data.worldbank.org/indicator/SH.MED.PHYS.ZS>

⁴¹ Source: <https://databank.worldbank.org/source/world-development-indicators>

DOMAIN	COMMENTS	OPINION
	<p>against women in social settings (0.29 in 2019).⁴² Conversely, the share of women in the political life was the highest in the OECD (48.2% in 2020).⁴³</p> <p>Mexico recorded the third lowest collective bargaining coverage among the OECD economies (9.9% in 2016).⁴⁴ According to International Trade Union Confederation (ITUC), Mexico has received a rating of four in the 2020 ITUC Global Rights Index which means that the country faced systematic violations of workers' rights.⁴⁵</p> <p>Mexico scores low on social indicators related to poverty and income inequality. Income inequality is very high, with a Gini coefficient of 0.45 (2016), the third highest in the OECD group.⁴⁶ Poverty levels have remained stable over the past decade to a rate of 0.166 (2016),⁴⁷ the sixth highest in the OECD group.</p> <p>Regarding the promotion of healthy lives, Mexico shows a mixed performance. The country has the highest proportion of obese or overweight population in the OECD. Conversely, the rate related to harmful use of alcohol is lower than the OECD average.⁴⁸</p>	<p>Limited</p> <p>Weak</p>
Governance Responsibility	<p>Mexico's performance in the Governance Responsibility pillar is assessed as advanced with a score of 86/100. The country ranks in the top quartile in V.E's rated sovereign universe (23rd out of 178) and 18th in the OECD group.</p> <p>This performance is driven primarily by Mexico's high rate of ratification of international treaties and moderate scores in the institutional and governance areas.</p> <p>Mexico has ratified all the key conventions related to the promotion of fundamental human rights, non-discrimination and labour rights, the prevention of corruption and organised crime, and the prevention of weapons proliferation. The country abolished the death penalty for all crimes.⁴⁹</p> <p>Mexico has low to moderate scores in the areas related to the promotion of rule of law, government effectiveness, political stability, control of corruption and democratic accountability that are measured by the Worldwide Governance Indicators. Most areas have recorded stable trends, except control of corruption and government effectiveness which follow downward trends.⁵⁰</p> <p>Mexico ranked as the 137th most peaceful country in the 2020 Global Peace Index (GPI) – according to the Institute for Economic and Peace, the country was the least peaceful in the Central America & The Caribbean region due to an increase in the homicide rate and a surge in cartel activity near the border with the United States.⁵¹</p> <p>According to Coface, Mexico's political and economic outlook poses a high risk for corporate credit defaults as the economic activity is expected to slowly pick up in 2021. High income disparities and high corruption levels are identified as potential risks to the political stability.⁵²</p>	<p>Advanced</p> <p>Robust</p> <p>Limited</p>

⁴² Source: <https://www.genderindex.org/2019-categories/>

⁴³ Labor force participation rate, female <https://data.worldbank.org/indicator/SL.TLF.CACT.FE.ZS>; Proportion of seats held by women in national parliaments (%) <https://data.worldbank.org/indicator/SG.GEN.PARL.ZS>

⁴⁴ Source: <https://ilostat.ilo.org/topics/collective-bargaining/>

⁴⁵ Source: ITUC Global Rights Index 2020 <https://www.ituc-csi.org/ituc-global-rights-index-2020>

⁴⁶ Source: <https://data.oecd.org/inequality/income-inequality.htm>; <https://data.oecd.org/inequality/poverty-rate.htm>

⁴⁷ Source: <https://data.oecd.org/inequality/poverty-rate.htm#indicator-chart>

⁴⁸ Source: Prevalence of under-five malnutrition <https://unstats.un.org/sdgs/indicators/database/?indicator=2.2.2>; Overweight or obese population <https://data.oecd.org/healthrisk/overweight-or-obese-population.htm>

⁴⁹ Source: <https://www.amnesty.org/en/countries/americas/mexico/>

⁵⁰ Source: Worldwide Governance Indicators (WGI) <https://info.worldbank.org/governance/wgi/>. Vigeo Eiris (VE) calculates performance trends where underlying historical data is available at the source.

⁵¹ The Global Peace Index (GPI) scores 169 countries on a scale of 1-5, where 1 is most peaceful and 5 is least peaceful. Source: https://www.visionofhumanity.org/wp-content/uploads/2020/10/GPI_2020_web.pdf

⁵² V.E (Vigeo Eiris) uses country risk analysis published by Coface to assess the country's business resilience to market risks. Source: <https://www.coface.com/Economic-Studies-and-Country-Risks/Mexico>

DOMAIN	COMMENTS	OPINION
	Mexico's adjusted net savings, including damage from particulate emission pollution (% of GNI) have weakly increased over the past two decades and are the thirteenth lowest in the OECD group, indicating a moderate run down in the country's overall resources and wealth. ⁵³	Weak

⁵³ Adjusted Net Saving (ANS) was developed as an indicator to approximate the change in wealth—based on simple economic theory in which savings equals investment, and investment equals the change in wealth. ANS measures gross national savings, adjusted for gains (spending on education) and losses (consumption of fixed capital, depletion of subsoil assets and forests, pollution damages). Source: <https://data.worldbank.org/indicator/NY.ADJ.SVNG.GN.ZS>

METHODOLOGY

In V.E's view, Environmental, Social and Governance (ESG) factors are intertwined and complementary. As such, they cannot be separated in the assessment of ESG management in any organisation, activity or transaction. In this sense, V.E provides an opinion on the Issuer's ESG performance as an organisation, and on the processes and commitments applicable to the intended issuance.

Our Second Party Opinions (SPOs) are subject to internal quality control at three levels (Analyst, Project Manager and Quality Reviewer). If necessary, this process is complemented by a final review and validation by the Expertise Committee and Supervisor. A right of complaint and recourse is guaranteed to all companies under our review, following three levels: first, the team in contact with the company; then the Executive Director in charge of Methods, Innovation & Quality; and finally, V.E's Scientific Council. All employees are signatories of V.E's Code of Conduct, and all consultants have also signed its add-on covering financial rules of confidentiality.

COHERENCE

Scale of assessment: not coherent, partially coherent, coherent

This section analyses whether the activity to be financed through the selected instrument is coherent with the Issuer's sustainability priorities and strategy, and whether it responds to the main sustainability issues of the sector where the Issuer operates.

ISSUANCE

Alignment with the Green and Social Bond Principles

Scale of assessment: Not aligned, Partially aligned, Aligned, Best Practices

The Framework has been evaluated by V.E according to the International Capital Market Association's (ICMA) Green Bond Principles ("GBP"), Social Bond Principles ("SBP") – both edited in June 2021 and on our methodology based on international standards and sector guidelines applicable in terms of ESG management and assessment.

Use of Proceeds

The definition of the Eligible Projects and their sustainable objectives and benefits are a core element of Green Bonds standards. V.E evaluates the clarity of the definition of the Eligible Categories, as well as the definition and the relevance of the primary sustainability objectives. We evaluate the descriptions of the expected benefits in terms of relevance, measurability and quantification. In addition, we map the potential contribution of Eligible Projects to the United Nations Sustainable Development Goals' targets.

Process for evaluation and selection

The Evaluation and Selection Process is assessed by V.E on its transparency, governance and relevance. The eligibility criteria are assessed on their clarity, relevance and coverage vs. the intended objectives of the Eligible Projects.

Management of proceeds

The process and rules for the management and the allocation of proceeds are assessed by V.E on their transparency, traceability and verification.

Reporting

The monitoring and reporting process and commitments defined by the Issuer are assessed by V.E on their transparency, exhaustiveness and relevance, covering the reporting of both proceeds' allocation and sustainable benefits (output, impact indicators).

Contribution to sustainability

Scale of assessment: Weak, Limited, Robust, Advanced

V.E's assessment of activities' contributions to sustainability encompasses both the evaluation of their expected positive impacts on environmental and/or social objectives, as well the management of the associated potential negative impacts and externalities.

Expected positive impact of the activities on environmental and/or social objectives

The expected positive impact of activities on environmental and/or social objectives to be financed by the Issuer is assessed on the basis of:

- i) the relevance of the activity to respond to an important environmental objective for the sector of the activity; or to respond to an important social need at country level;⁵⁴
- ii) the scope of the impact: the extent to which the expected impacts are reaching relevant stakeholders (i.e. the issuer, its value chain, local and global stakeholders); or targeting those populations most in need;
- iii) the magnitude and durability of the potential impact of the proposed activity on the environmental and/or social objectives (capacity to not just reduce, but to prevent/avoid negative impact; or to provide a structural/long-term improvement);
- iv) only for environmental objectives, the extent to which the activity is adopting the best available option.

ESG risk management for eligible activities

The identification and management of the potential ESG risks associated with the eligible projects/activities are analysed on the basis of V.E's ESG assessment methodology, international standards and sector guidelines applicable in terms of ESG management and assessment.

ISSUER

Level of the Issuer's Sustainability Performance

Scale of assessment of Sustainability Performance: Weak, Limited, Robust, Advanced

V.E has reviewed its Sustainability Sovereign Rating®, resulting from a continuous improvement process and is based on a permanent monitoring of international normative developments as well as stakeholder expectations and debates. This enhanced version includes 69 new factors to meet market needs. The 172 indicators are put into perspective with the UN Sustainable Development Goals and are organized into 56 criteria, 17 sub-domains and 3 rating domains. Of note, the new methodology leads to a decrease in the absolute scores of the majority of countries.

V.E's Sustainability Sovereign Rating® methodology, measures and compares the levels of integration of international public law and soft law frameworks, including for the recent period the Sustainable Development Goals (SDGs), and the action programmes of Agenda 21, adopted by 178 countries at the Rio Earth Summit in 1992. We pay particular attention to the commitments, policies and impacts of public policies in terms of respect of fundamental human rights, access to economic, social, cultural and environmental rights, quality of governance, as well as international solidarity and cooperation. Based on the analysis of a universe composed of 178 countries, the results provide a comparative view of risks and performances, with regard to universally acknowledged sustainability objectives.

V.E's Sustainability Sovereign Rating® methodology is based on three rating domains, all equally weighted in the model: Environment (i.e. environmental protection), Social (i.e. social protection and solidarity) and Institutions (i.e. rule of law and governance):

- Commitment indicators: reflecting the state's level of commitment to the goals and principles set by major international agreements: Conventions, recommendations and statements of the ILO; UN Charters and treaties; guiding principles of the OECD; regional instruments (assuming their full compliance with the United Nations Charter); the Universal Declaration of Human Rights and its related protocols and treaties.
- Result indicators: measuring the efficiency of the country's sustainable development actions. V.E gathers information from diversified sources including international organisations such as intergovernmental organisations, international trade unions and NGOs.

⁵⁴ The importance of a specific social need at country level is assessed on the basis of the country performance on the priority SDG that the project is targeting using data from Sachs, J., Schmidt-Traub, G., Kroll, C., Lafortune, G., Fuller, G., Woelm, F. 2020. The Sustainable Development Goals and COVID-19. Sustainable Development Report 2020. Cambridge: Cambridge University Press.

V.E'S ASSESSMENT SCALES

Scale of assessment of Issuer's ESG performance or strategy and financial instrument's Contribution to sustainability		Scale of assessment of financial instrument's alignment with Green and/or Social Bond and Loan Principles	
Advanced	Advanced commitment; strong evidence of command over the issues dedicated to achieving the sustainability objective. An advanced expected impact combined with an advanced to robust level of E&S risk management and using innovative methods to anticipate new risks.	Best Practices	The Instrument's practices go beyond the core practices of the ICMA's Green Bond Principles by adopting recommended and best practices.
Robust	Convincing commitment; significant and consistent evidence of command over the issues. A robust expected impact combined with an advance to robust level of assurance of E&S risk management or an advanced expected impact combined with a limited level of assurance of E&S risk management.	Aligned	The Instrument has adopted all the core practices of the ICMA's Green Bond Principles.
Limited	Commitment to the objective of sustainability has been initiated or partially achieved; fragmentary evidence of command over the issues. A limited expected impact combined with an advanced to limited level of assurance of E&S risk management; or a robust expected impact combined with a limited to weak level of assurance of E&S risk management; or an advanced expected impact combined with a weak level of assurance of E&S risk management.	Partially Aligned	The Instrument has adopted a majority of the core practices of the ICMA's Green Bond Principles, but not all of them.
Weak	Commitment to social/environmental responsibility is non-tangible; no evidence of command over the issues. A weak expected impact combined with an advanced to weak level of assurance of E&S risk management or a limited expected impact with a weak level of assurance of E&S risk management.	Not Aligned	The Instrument has adopted only a minority of the core practices of the ICMA's Green Bond Principles.

Statement on V.E's independence and conflict-of-interest policy

Transparency on the relation between V.E and the Issuer: V.E has carried out one audit mission or consultancy activity for Government of Mexico (SPO on its 2020 SDG Sovereign Bond Issuance). No established relation (financial or commercial) exists between V.E and the Government of Mexico. V.E's conflict of interest policy is covered by its Code of Conduct, which can be found at <http://vigeo-eiris.com/wp-content/uploads/2018/07/Code-of-Conduct-Vigeo-Eiris-EN.pdf>

This opinion aims at providing an independent opinion on the sustainability credentials and management of the Bond, based on the information which has been made available to V.E. V.E has neither interviewed stakeholders out of the Issuer's employees, nor performed an on-site audit nor other test to check the accuracy of the information provided by the Issuer. The accuracy, comprehensiveness and trustworthiness of the information collected are a responsibility of the Issuer. The Issuer is fully responsible for attesting the compliance with its commitments defined in its policies, for their implementation and their monitoring. The opinion delivered by V.E neither focuses on the financial performance of the Bond/Loan, nor on the effective allocation of its proceeds. V.E is not liable for the induced consequences when third parties use this opinion either to make investments decisions or to make any kind of business transaction. Restriction on distribution and use of this opinion: The deliverables remain the property of V.E. The draft version of the Second Party Opinion by V.E is for information purpose only and shall not be disclosed by the client. V.E grants the Issuer all rights to use the final version of the Second Party Opinion delivered for external use via any media that the Issuer shall determine in a worldwide perimeter. The Issuer has the right to communicate to the outside only the Second Party Opinion complete and without any modification, that is to say without making selection, withdrawal or addition, without altering it in any way, either in substance or in the form and shall only be used in the frame of the contemplated concerned bond/loan(s) issuance. The Issuer acknowledges and agrees that V.E reserves the right to publish the final version of the Second Party Opinion on V.E's website and on V.E's internal and external communication supporting documents.

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