

# NAFIN GREEN BOND PROJECTS REVIEW

October 19, 2016

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## Introduction

In October 2015, Nacional Financiera, S.N.C, (“NAFIN”) issued a green bond aimed at funding eligible wind energy generation projects in Mexico. In October 2016, NAFIN engaged Sustainalytics to review all the projects funded in 2015 through the issued green bond, and provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the Green Bond Framework.

## Compliance Evaluation Criteria

Sustainalytics evaluated all eight wind farm projects for compliance based on whether the projects:

1. Met the Use of Proceeds criteria outlined in the Green Bond Framework
2. Reported on two Key Performance Indicators (KPIs) outlined in the Green Bond Framework

Sustainalytics has not verified the methodology or accuracy of the carbon emissions data reported as part of this engagement.

Table 1 lists the Use of Proceeds and Reporting criteria.

**Table 1: Use of Proceeds and Reporting Criteria**

| Use of Proceeds criteria | Key Performance Indicator (KPI)                |
|--------------------------|--|
| Renewable Energy         | Energy produced from renewable sources         |
|                          | CO2e or other GHG Emissions reduced or avoided |

## Issuing Entity’s Responsibility

NAFIN is responsible for providing accurate information and documentation relating to the details of the project that has been funded, including description of projects, estimated and realized costs of projects, and project impact.

## Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of NAFIN’s Green Bond Framework and provided an independent opinion. The work undertaken as part of this engagement included conversations with relevant NAFIN employees and review of relevant documentation to confirm the conformance with the Green Bond Framework.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the review.

## Exceptions

No exceptions were identified.

All projects aligned with the Renewable Energy Use of Proceeds criteria as well as the Reporting criteria.

## Conclusion

Based on the limited assurance procedures conducted, nothing has come to Sustainalytics’ attention that causes us to believe that, in all material respects, the allocation of USD 332.1 million from NAFIN’s green bond, issued to fund eligible green projects, is not in conformance with the Use of Proceeds and Reporting criteria outlined in the NAFIN Green Bond Framework.

## Detailed Findings

**Table 2: Detailed Findings**

| <b>Eligibility Criteria</b>     | <b>Procedure Performed</b>   | <b>Factual Findings</b>  | <b>Error or Exceptions Identified</b> |
|---------------------------------|--|--|---------------------------------------|
| <b>Use of Proceeds Criteria</b> | Verification of eight projects funded by the green bond in 2015 to determine if projects aligned with the Use of Proceeds Criteria outlined in the Green Bond Framework and above in Table 1.    | All eight projects reviewed complied with the Use of Proceeds criteria | None                                  |
| <b>Reporting Criteria</b>       | Verification of eight projects funded by the green bond in 2015 to determine if impact of projects was reported in line with the KPIs outlined in the Green Bond Framework and above in Table 1. | All eight projects reviewed complied with the Reporting criteria       | None                                  |

## Appendix 1: List of Projects Reviewed and Project Impact

| Project Name              | Location        | Sustainalytics' Comments               | Year | NAFIN Investment as of September 30, 2016 |                | Installed Capacity<br>(in MW) | Energy Production<br>(GWh/year) <sup>(2)</sup> | Sustainalytics' Comments                   | Reduction of Greenhouse Gases<br>t-CO <sub>2</sub> <sup>(3)</sup> | Sustainalytics' Comments                |
|---------------------------|-----------------|--|------|---|----------------|-------------------------------|--|--|---|---|
|                           |                 | Project Meets Use of Proceeds Criteria |      | (US\$ in million)                         | Million Ps.    |                               |  | Energy Reporting Meets Criteria (yes / no) |   | GHG Reporting Meets Criteria (yes / no) |
| <i>Wind Farms</i>         |                 |  |      |   |                |                               |  |  |   |   |
| Wind Farm Coahuila        | Coahuila        | yes                                    | 2016 | 54.8                                      | 1,061.7        | 199.5                         | 698.7  | yes  | 317,209   | yes                                     |
| Wind Farm Zacatecas       | Zacatecas       | yes                                    | 2015 | 58.5                                      | 1,133.6        | 130.0                         | 337.2  | yes  | 153,088   | yes                                     |
| Wind Farm Baja California | Baja California | yes                                    | 2014 | 37.9                                      | 735.3          | 155.1                         | 374.6  | yes  | 170,062   | yes                                     |
| Wind Farm Nuevo León 1    | Nuevo León      | yes                                    | 2014 | 34.6                                      | 669.6          | 126.0                         | 452.0  | yes  | 205,203   | yes                                     |
| Wind Farm Nuevo León 2    | Nuevo León      | yes                                    | 2014 | 34.4                                      | 667.2          | 126.0                         | 452.0  | yes  | 205,203   | yes                                     |
| Wind Farm Oaxaca 6        | Oaxaca          | yes                                    | 2013 | 43.9                                      | 849.9          | 137.5                         | 470.0  | yes  | 213,378   | yes                                     |
| Wind Farm Oaxaca 5        | Oaxaca          | yes                                    | 2013 | 34.9                                      | 677.1          | 160.0                         | 578.7  | yes  | 262,751   | yes                                     |
| Wind Farm Oaxaca 4        | Oaxaca          | yes                                    | 2012 | 33.0                                      | 640.3          | 164.0                         | 514.6  | yes  | 233,628   | yes                                     |
| <b>TOTAL</b>              |                 |  |      | <b>332.1</b>                              | <b>6,434.7</b> | <b>1,198.1</b>                | <b>3,877.8</b>                                 |  | <b>1,760,523.7</b>  |   |

(1) Calculated as per the Centro de Estudio de Tecnologías Energéticas Renovables methodology:  
 $t\text{-CO}_2 = \text{Annual Production (MWh/year)} * \text{Annual Electricity Factor (tCO}_2\text{/MWh, 0.454 for 2014)}$

(2) Considering outstanding balance as of September 2016. Figures in MXNmm provided by NAFIN.



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