

REPORT OF FACTUAL FINDINGS (AGREED-UPON PROCEDURE)

By VIGEO EIRIS

For Energía Renovable de la Península, S.A.P.I. de C.V's 2019 Climate Loan
Pre-issuance verification based on Climate Bonds Standard version 2.1

October 4th, 2019

SCOPE

Energía Renovable de la Península S.A.P.I. de C.V (hereafter “the Borrower”) is considering the issuance of its first 2019 Climate Loan (the “Loan”) and intends to use the proceeds to finance a 90MW onshore greenfield windfarm to be located in Yucatan, Mexico: the Peninsula Windfarm (the “Selected Project”).

In this context, Vigeo Eiris (the “Verifier”) has been commissioned, as an independent third-party provider approved by the Climate Bonds Standards Board, by the Borrower to perform the Pre-Issuance Verification of the Loan. This verification has been conducted in accordance with the Climate Bonds Standard (CBS) version 2.1 requirements (i.e. Part A: General requirements to be applied for all Climate Bonds, Part B: Climate Bonds Initiative Wind Sector Eligibility Criteria Version 1.1).

The work undertaken by Vigeo Eiris to form this verification statement included:

- Planning and management of the verification
- Desk review of the Loan and associated documentation provided by the Borrower
- Assessment of evidences provided by the Borrower against the Climate Bonds Standard 2.1 and the sector standard and technical criteria (Wind Sector Eligibility Criteria Version 1.1)
- Internal quality control on the assurance report and conclusions
- Provision of Vigeo Eiris' report of factual findings

We have conducted our pre-issuance verification between June 26th and August 9th, 2019. The methodology, criteria, findings and assurances addressed by this Agreed-Upon Procedure are in accordance with relevant general principles and professional standards of independent auditing, and in line with the International Standard on Related Services 4400 (ISRS 4400).

RESPONSIBILITIES OF THE BORROWER AND OF VIGEO EIRIS

This statement relies on the information provided by the Borrower to the Verifier: documentation and explanations presented during the assessment, based on the understanding that this information was provided to Vigeo Eiris in good faith. Vigeo Eiris has not performed any audit nor other test to check the accuracy of the information provided by the Borrower.

The Borrower is fully responsible for attesting the compliance with its commitments as defined in its policies, for their implementation and their monitoring, and for the information provided.

SUMMARY OF FACTUAL FINDINGS

The proceeds from the Loan will be allocated to one windfarm, for which environmental objectives have been set in the Green Loan Framework (based on the latest version forwarded to Vigeo Eiris on August 7th, 2019). These resources will be used to finance, in full or in part, the Selected Project. The Selected project falls in the ‘Wind Energy’ classification under the ‘Energy’ head of the Climate Bonds Taxonomy and the technical criteria from the sector-specific standards. The Borrower took the commitment to review the Loan after one year to reaffirm conformance with the Climate Bonds Standard.

This Report of factual findings is valid as of the date of issuance limited to the Energía Renovable de la Península, S.A.P.I. de C.V's first Green Loan. It is provided by Vigeo Eiris to the Borrower and the Climate Bonds Initiative.

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Disclaimer

Transparency on the relation between Vigeo Eiris and the Borrower: Vigeo Eiris has not conducted any consulting nor audit mission for the Borrower until so far. No established relationship (financial or others) exists between Vigeo Eiris and the Borrower.

Liability: this Report of factual findings is a document prepared by the Verifier that conveys the Verifier's findings on the Loan alignment with the relevant requirements of the Climate Bonds Standard, but it does not provide Climate Bonds Certification itself. Providing these findings does not mean that Vigeo Eiris certifies the tangibility, the excellence or the irreversibility of the projects financed by the Green Loan. No assurance is provided by Vigeo Eiris regarding the financial performance of the Borrower nor of the Loan, nor the value of any investment in the Loan, nor of the environmental footprint of the Loan or the compliance with the commitments taken by the Borrower.

Vigeo Eiris cannot be liable for any loss suffered as a result of information or data provided by the Borrower. Vigeo Eiris is not liable for the induced consequences when third parties use this opinion either to make investments decisions or any kind of business transaction.

Restriction on Distribution and Use of this Factual Findings Report: at the discretion of the Borrower.

VERIFICATION CRITERIA & FINDINGS

The evidence, information and explanations supporting the Green Loan issuance provided by Energía Renovable de la Península, S.A.P.I. de C.V to Vigeo Eiris were both historical (for projects selection process and nominated projects) and hypothetical or projected (for the expected environmental benefits, the proposed financial accounting system, and the monitoring & reporting system associated to the Loan, to be implemented over the term of the Loan).

The Borrower showed a high responsiveness in providing information to the Verifier. We consider that the procedures we have performed and the evidence we have obtained are sufficient and appropriate to provide a basis for our findings.

Summary criteria for assertions of compliance with the pre-issuance requirements of Climate Bonds Standard version 2.1

Vigeo Eiris has assessed Energía Renovable de la Península, S.A.P.I. de C.V first Green Loan and the nominated projects and assets against criteria and requirements detailed within the Climate Bonds Standard version 2.1:

- Part A: General requirements to be applied for all Climate Bonds
 1. Selection of Nominated Projects & Assets
 2. Internal Processes & Controls
 3. Reporting Prior to Issuance
- Part B: Wind Sector Eligibility Criteria of the Climate Bonds Standard (Version 1.1)

Assessment of Energía Renovable de la Península, S.A.P.I. de C.V first Green Loan against Pre-Issuance Requirements of Climate Bonds Standard

CBI requirements	Vigeo Eiris' factual findings	Gap analysis
Part A: General Requirements		
1. Selection of Nominated Projects & Assets		
Clause 1.1 Check for proof of existence of documented decision-making process which is used to determine the eligibility of Nominated Projects and Assets	<p>The Credit Agreement and the Green Loan Framework indicate that the proceeds of the Green Loan will be allocated to the financing of the development, construction and operation of the Peninsula 90MW onshore greenfield windfarm to be located in Yucatan, Mexico, as well as all related interconnection and ancillary assets - the "Project".</p> <p>The decision-making process is detailed within the Green Loan Framework, which includes an environmental and social due diligence assessment of the Project, carried out by an independent third party. The goal of the due diligence is to analyze the status of the wind farm with regards to its compliance with Mexican laws and the specific environmental and social regulations. The report aims to identify and evaluate the environmental and social risks of the Project and to propose related mitigation measures.</p>	None

CBI requirements	Vigeo Eiris' factual findings	Gap analysis
	The independent third party is also in charge of assessing the compliance of the Project with the Equator Principles to ensure that the Project meets the performance standards and adherence to the Performance Standards of the International Finance Corporation (IFC).	

CBI requirements	Vigeo Eiris' factual findings	Gap analysis
Part A: General Requirements		
1. Selection of Nominated Projects & Assets		
<p>This includes, without limitation:</p> <p>1.1.1. a statement on the environmental objectives of the loan</p>	<p>Energía Renovable de la Península S.A.P.I. de C.V's Green Loan Framework includes the objectives of the Selected Project, which are:</p> <ul style="list-style-type: none"> - The development, construction and operation of the Peninsula onshore greenfield windfarm to be located in Yucatan, Mexico, consisting of 36 Envision 2.5 MW turbines for a total Project rated output of 90 MW. The Project also includes one owned substation, transmission lines owned by the Federal Electricity Commission and associated infrastructure. - The Project's annual net output on a P50 basis is estimated to be 302.1GWh. <p>The Borrower reports that the expected CO2 emissions avoided are of 0.129 MtCO2e per year for the project and of 0.093 MtCO2e per year for the green loan. The calculation of avoided emissions is based on the assumption that the plant will produce 302.1 GWh/year on average and using the 0.434 tCO2e/MWh emission factor for the grid in Mexico¹ and a 0.007 tCO2e/MWh LCA emission factor for windpower in general.²</p>	None
<p>1.1.2. a process to determine whether the Nominated Projects & Assets meet the eligibility requirements specified in Part B (Eligibility) of the Climate Bonds Standard</p>	<p>The Peninsula Green Loan Framework defines the eligibility criteria of the Eligible Green Assets, which are: "Renewable energy - including production, transmission, appliances and products; and more specifically onshore windpower energy projects or transmission and supporting infrastructures."</p> <p>The Project meets the eligibility requirements of the Climate Bonds Standard as it falls in the 'Wind' classification under the 'Energy' head of Climate Bonds Taxonomy (see Part B).</p>	None

¹ Data available at : https://www.jcm.go.jp/mx-jp/methodologies/62/attached_document1.

² Data available at : https://www.eumayors.eu/IMG/pdf/technical_annex_en.pdf.

CBI requirements	Vigeo Eiris' factual findings	Gap analysis
<p>Clause 1.2</p> <p>The Borrower shall assess that all proposed Nominated Projects & Assets to be associated with the loan meet the loan's documented objectives as stated under Clause 1.1 and are compliant under Part B of the Climate Bonds Standard.</p>	<p>The single Project associated with the Green Loan, as described in Clause 1.1.1, meets the eligibility requirements of the Climate Bonds Standard as it falls in the 'Wind' classification under the 'Energy' head of Climate Bonds Taxonomy and complies with the Wind technical criteria.</p> <p>An independent third party has been appointed to perform an environmental and social due diligence assessment on the Peninsula Windfarm.</p>	None

CBI requirements	Vigeo Eiris' factual findings	Gap analysis
Part A: General Requirements		
1. Selection of Nominated Projects & Assets		
<p>Clause 1.3</p> <p>The Borrower shall document the Nominated Projects & Assets which are proposed to be associated with the loan and which have been assessed as likely to be Eligible Projects & Assets. The Borrower shall establish a list of Nominated Projects & Assets which can be kept up-to-date during the term of the loan.</p>	<p>The Credit Agreement and the Green Loan Framework clearly define the only Project to be financed and describe its main characteristics.</p>	None
<p>Clause 1.4</p> <p>Nominated Projects & Assets shall not be nominated to other Climate Bonds unless it is demonstrated by the Borrower that distinct portions of the Nominated Projects & Assets are being funded by different Climate Bonds or that the existing Climate Bond is being refinanced via another Climate Bond.</p>	<p>The Borrower confirms that the Selected Project has not been nominated to another Climate Loan or Bond. This can be confirmed through the absence of the Project within the Climate Bonds Initiative's database.</p> <p>In addition, clause 7.21 of the Credit Agreement specifies that the Borrower cannot incur in any other indebtedness other than Permitted Indebtedness as specified under clause 9.02, which prohibits any other senior secured debt.</p> <p>The Peninsula wind farm is funded by both debt and equity. The borrower has transparently communicated to Vigeo Eiris that a distinct portion of the Peninsula wind farm equity -</p>	None

CBI requirements		Vigeo Eiris' factual findings	Gap analysis
		(which is distinct from the debt at the wind farm level that is being funded through the current Project) has been funded through resources raised through ACS SCE 2018 Green Bond (https://www.climatebonds.net/files/files/2018-04%20SP%20ACS.pdf).	
Clause 1.5			
	The expected Net Proceeds of the loan shall be no greater than the Borrower's debt obligation to the proposed Nominated Projects & Assets, or the Fair Market Value of the proposed Nominated Projects & Assets.	<p>According to the (confidential) information included in the Credit Agreement that has been provided to Vigeo Eiris, the expected net proceeds of the loan represent 68.3% of the estimated total amount of financial resources needed for the Selected Project – and are therefore no greater than the Borrower's debt obligation to the Nominated Projects.</p> <p>Remaining costs are funded from equity contributions and sponsors.</p>	None

CBI requirements		Vigeo Eiris' factual findings	Gap analysis
Part A: General Requirements			
2. Internal Processes & Controls			
Clause 2.1			
	2.1. The systems, policies and processes to be used for management of loan funds and investments made shall be documented by the Borrower and disclosed to the Verifier, and shall include arrangements for the following activities:	The Green Loan Framework formalizes the mechanisms for the management of net proceeds. The Credit Agreement precises the mechanisms and rules for the request of drawdowns from the Borrower. Both have been presented to Vigeo Eiris.	None

CBI requirements	Vigeo Eiris' factual findings	Gap analysis
<p>2.1.1. Tracking of proceeds: The Net Proceeds of the loan can be credited to a sub-account, moved to a sub-portfolio, or otherwise tracked by the Borrower in an appropriate manner and documented.</p>	<p>Clause 6.03 of the Credit Agreement specifies that drawdown requests under the borrowing facility must be evidenced with payments of project costs certified by the Technical and Environmental Advisor.</p> <p>The Green Loan Framework specifies that the net proceeds of the Green Loan shall be allocated to Eligible Green Assets as soon as possible after they have been released by the lender and in any event before the maturity of the Green Loan.</p> <p>Pending the full allocation to Eligible Green Assets, the proceeds will be credited to a dedicated account or tracked internally by Energia Renovable de la Peninsula's systems.</p>	None
<p>2.1.2. Managing unallocated proceeds: The balance of unallocated Net Proceeds can be managed as per the requirements in Clause 6.2</p>	<p>The Green Loan Framework specifies that the balance of unallocated proceeds shall be held in the form of temporary cash or cash equivalent investment instruments in line with Peninsula's treasury management, satisfying clause 6.2.1.</p>	None
<p>6.2.1. Held in temporary investment instruments that are cash, or cash equivalent instruments, within a Treasury function; or</p>		
<p>6.2.2. Held in temporary investment instruments that do not include greenhouse gas intensive projects which are inconsistent with the delivery of a low carbon and climate resilient economy; or</p>		
<p>6.2.3. Applied to temporarily reduce indebtedness of a revolving nature before being redrawn for investments or disbursements to Nominated Projects & Assets.</p>		
<p>2.1.3. Earmarking funds to Nominated Projects & Assets: an earmarking process that can be used to manage and account for funding to the Nominated Project and enables estimation of the share of the Net Proceeds being used for financing and refinancing.</p>	<p>The Green Loan Framework specifies that the net proceeds of the Green Loan will be solely dedicated to supporting total project costs of the Peninsula Windfarm. The Borrower is a special purpose entity that has been established to support all project costs, and drawdowns towards Peninsula will be made according to a specific schedule with the sole objective to support the costs associated to the Project. Pending the full allocation, the proceeds will be credited in a dedicated account or tracked internally in Peninsula's systems.</p> <p>The Credit Agreement (clause 7.11), also specifies that the Borrower has not engaged in any business or activity other than the transactions contemplated by or is a party to, any agreement, contract, undertaking or commitment other than in connection with the Project.</p>	None

CBI requirements		Vigeo Eiris' factual findings	Gap analysis
		The Borrower is not engaged in any business other than the business and activities relating or incidental to the ownership, leasing, licensing, acquisition, development, engineering, construction, start-up, testing, financing, operation and maintenance of the Project.	
3. Reporting to issuance			
Clause 3.1			
	3.1. The Borrower shall disclose in the Loan Disclosure Documentation:	The Credit Agreement indicates that the Borrower seeks to construct, own and operate an approximately 90 MW windfarm located in Yucatan, Mexico and its ancillary facilities (the "Project").	None
	3.1.1. The investment areas, as provided in Clause 9.1, into which the Selected Project fall.		
	3.1.1.1. The investment areas, as provided in Clause 9.1, into which the Selected Project fall.	The Project is an onshore windfarm, falling under the 'Wind' classification under the 'Energy' head of Climate Bonds Taxonomy.	
	3.1.2. The intended types of temporary investment instruments for the management of unallocated proceeds in accordance with Clause 2.1.2.	The Green Loan Framework specifies that the balance of unallocated proceeds shall be held in the form of temporary cash or cash equivalent investment instruments in line with Peninsula's treasury management, satisfying clause 2.1.1 and 6.2.1.	None
	3.1.3. The approach the Verifier has taken to pre-issuance procedures (i.e., whether an Assurance Engagement or an Agreed-Upon Procedures Engagement was undertaken).	The approach taken by the Verifier, i.e. a pre-issuance Agreed-Upon Procedure, conducted by Vigeo Eiris, is disclosed in the Green Loan Framework.	None
	3.1.4. Whether periodic Assurance Engagements will be undertaken during the term of the loan to reaffirm conformance with the Climate Bonds Standard, and the expected frequency of any periodic Assurance.	The Green Loan Framework specifies that Energía Renovable de la Península, S.A.P.I. de C.V commits to review the Loan post-issuance with a Limited Assurance review within one year from the issuance to reaffirm conformance with the Climate Bonds Standard. The Borrower has communicated to Vigeo Eiris that, after the mandatory post-issuance Assurance Engagement, there will not be additional Periodic Assurance Engagements.	None

CBI requirements	Vigeo Eiris' factual findings	Gap analysis
Part B: Climate Bonds Taxonomy and Sector-Specific Standards		
Technical criteria for Eligible Projects & Assets: Wind energy		
<p>1. Eligible Projects & Assets relating to wind energy generation shall be Projects & Assets that operate or are under construction to operate in one or more of the following activities:</p>	<p>As indicated in the Green Loan Framework, the Project will consist of:</p> <ul style="list-style-type: none"> - The development, construction and operation of the Peninsula onshore greenfield windfarm to be located in Yucatan, Mexico, made up of 36 Envision 2.5 MW turbines for a total Project rated output of 90 MW; - The Project also includes all related interconnection and ancillary assets: one owned substation, transmission lines owned by the Federal Electricity Commission (Comisión Federal de Electricidad – “CFE”), and associated infrastructure. <p>The Project falls under two out of three technical criteria from the sector-specific standards of the Climate Bonds Taxonomy:</p> <ul style="list-style-type: none"> - The development, construction and operation of wind farms; - Wholly dedicated transmission infrastructure for wind farms. <p>Not applicable:</p> <ul style="list-style-type: none"> - Operational production or manufacturing facilities wholly dedicated to wind energy development. 	None
<p>1.1. The development, construction and operation of wind farms.</p>		
<p>1.2. Operational production or manufacturing facilities wholly dedicated to wind energy development.</p>		
<p>1.3. Wholly dedicated transmission infrastructure for wind farms.</p>		

List of supporting documents provided by Energía Renovable De La Península, S.A.P.I. de C.V:

- Energía Renovable De La Península, S.A.P.I. de C.V's Green Loan Framework (April 2019);
- Peninsula Credit Agreement (January 2019);
- Peninsula Wind Project Technical Due Diligence Review;
- Peninsula Wind Project E&S Gap Analysis and Action Plan;
- Answers to Vigeo Eiris' questionnaire.



Vigeo Eiris is a global provider of environmental, social and governance (ESG) research to investors and public and private corporates. The agency evaluates the level of integration of sustainability factors into organisations' strategy and operations, and undertakes a risk assessment to assist investors and companies' decision-making.

Vigeo Eiris offers a wide range of services:

- ▶ **For investors:** decision making support covering all sustainable and ethical investment approaches (including ratings, databases, sector analyses, portfolio analyses, structured products, indices and more).
- ▶ **For companies & organisations:** supporting the integration of ESG criteria into business functions and strategic operations (including sustainable bonds, corporate ratings, CSR evaluations and more).

Vigeo Eiris is committed to delivering client products and services with high added value: a result of research and analysis that adheres to the strictest quality standards. Our methodology is reviewed by an independent scientific council and all our production processes, from information collection to service delivery, are documented and audited. Vigeo Eiris has chosen to certify all its processes to the latest ISO 9001 standard. Vigeo Eiris is an approved verifier for CBI (Climate Bond Initiative). Vigeo Eiris' research is referenced in several international scientific publications.

With a team of more than 240 experts of 28 different nationalities, Vigeo Eiris is present in Paris, London, Boston, Brussels, Casablanca, Hong Kong, Milan, Montreal, Rabat and Santiago.

The Vigeo Eiris Global Network, comprising 4 exclusive research partners, is present in Brazil, Germany, Israel and Japan.

For more information: www.vigeo-eiris.com