

## **REPORTING ON GREEN BOND**

### **I. Introduction.**

Since 2009, with the General Law to Address Climate Change, Mexico has supported and shown strong leadership on different environmental issues, including climate change and the use of renewable energies. Within this framework, Nafin as a Development Bank created in 2009 the Sustainable Projects Division, which aims at financing environmentally friendly projects, primarily looking at renewable energy infrastructure and generation.

#### Nafin's Green Strategy.

- Climate Change Trust Fund.
- Green Finance.
- Technical Assistance.
- Worked together with the Green Investment Bank to publish a Spanish version of GIB's Green Investment Handbook.
- Participated in different conferences on Climate Finance in Developing Countries and Best Practices for Financing Renewable Energy.
- Pedro Guerra, Treasury and Markets Deputy General Director, participated in the COP 21, which took place in 2015 from November 30<sup>th</sup> to December 11<sup>th</sup> in Paris, participating in several conferences about recent innovations in the Green and Sustainability Bond Market.

#### Green Bond Issuance.

Nafin issued a US\$500m Green Bond on October 29, 2015, this bond was the first Green Bond in Mexico. With this transaction,

Nafin positions itself as a strategic development bank to meet the environmental goals of the Federal Government on the transition to a low carbon economy.

The net proceeds from the issuance of the notes will be used to fund, in whole or in part, the financing of projects being related to renewable energy, including, but not limited to, wind energy generation and/or wholly dedicated transmission infrastructures for wind projects.

### **II. Eligibility criteria.**

The proceeds of the Nafin first Green Bond are planned to be allocated to financing/funding eligible wind energy generation projects in Mexico.

Activities generating energy from wind are eligible for the use of proceeds of the bond and are the focus of Nafin's inaugural Green Bond.

Eligible Projects means financing of, and/or investments in wind energy projects;

- i. committed after or before the issuance of the Notes; or
- ii. are funded or disbursed after the issuance of the Notes; or
- iii. are funded or disbursed during previous financial year.



### III. Funds Monitoring.

On a daily basis, Nafin tracks the net proceeds of Green Bond as follows:

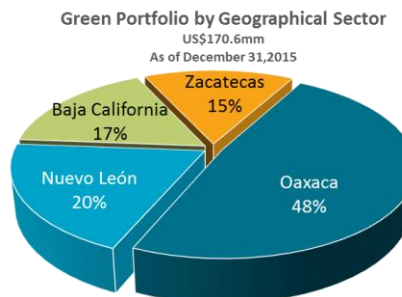
The loans belonging to the Green Portfolio are monitored through our internal loan tracking system (SIRAC). Nafin's Financial Management Department constantly reports the loan balance, disbursements and repayments to Sustainable Projects Department.

On a daily basis, the International Treasury Department consults the latest updated loan balance and identifies the pending disbursements amount, which are held in the liquidity portfolio, and invests them in overnight and short-term financial instruments.

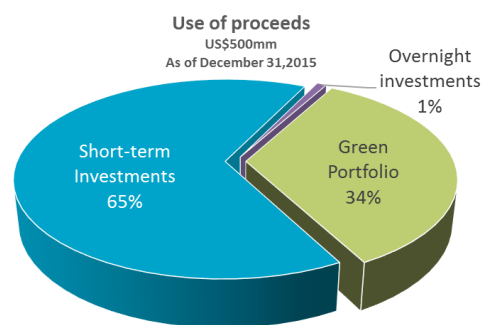
### IV. Management of proceeds.

Actually, Nafin is funding wind projects for a total amount of US\$300.3mm, with a total installed capacity of 1,645MW. These projects are calculated to reduce CO<sub>2</sub> emissions (\*) by almost 2.4 million tons per year.

Nafin's Green Portfolio balance as of December 31, 2015 is **US\$170.6mm.**



Pending US\$329.4mm disbursements are held in our liquidity portfolio, invested in overnight and short-term Investments.



### V. External Audit.

Annually, Nafin will engage Sustainalytics to review the Green Portfolio in order to assess the compliance of projects with the eligible green project criteria.

**Green Portfolio: Nafin's Funded Wind Energy Projects**

Project	Nafin Investment (US\$mm) <sup>(1)(2)</sup>	Green Bond Funding (US\$mm)	Installed Capacity	Energy Production	Reduction of Greenhouse Gases
			MW	GWh/year	(t-CO <sub>2</sub> )
WF Oaxaca 1	\$17.4	\$3.7	251	851	425,625
WF Oaxaca 3 <sup>(3)</sup>	\$36.1	\$15.7	396	1,013	506,367
WF Oaxaca 4	\$38.4	\$0.6	164	509	254,234
WF Oaxaca 5	\$40.6	\$33.0	160	554	276,761
WF Oaxaca 6	\$49.6	\$29.6	138	493	246,271
WF Nuevo León 1	\$27.2	\$16.8	126	402	200,844
WF Nuevo León 2	\$26.8	\$16.9	126	402	200,844
WF Baja California	\$38.6	\$28.8	155	345	172,517
WF Zacatecas	\$25.6	\$25.6	130	337	168,566
<b>TOTAL</b>	<b>\$300.3</b>	<b>\$170.6</b>	<b>1,645</b>	<b>4,906</b>	<b>2,452,029</b>

WF means wind farm.  
<sup>(1)</sup> FX Rate used is the exchange rate reported by Banco de México on December 31, 2015: MXN 17.2487.  
<sup>(2)</sup> Considering outstanding balance as of December 31, 2015.  
<sup>(3)</sup> Project currently being restructured.

(\*)To calculate the impact of the reduction of greenhouse gas emissions: tons CO<sub>2</sub> = Annual Production (MWh/year) \* Annual Electricity Factor (tCO<sub>2</sub>/MWh, 0.4999 for 2013) as per the Centro de Estudio de Tecnologías Energéticas Renovables methodology. The electric emission factor serves as an estimate on the discharge of greenhouse gases caused by the purchase of energy in the country.