

CIUDAD DE MÉXICO (CDMX) GREEN BOND FRAMEWORK

SECOND PARTY OPINION BY SUSTAINALYTICS

November 11th, 2016



SUSTAINALYTICS

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1. INTRODUCTION

Gobierno de la Ciudad de Mexico (Mexico City Government) has developed a Green Bond Framework in accordance with which it intends to issue green bonds that will fund environmentally beneficial projects in Ciudad de México (CDMX), or Mexico City. This Green Bond Framework has been published in a separate document. The net proceeds of each green bond will be used to refinance or finance, in whole or in part, existing (re-financing) and future projects that promote sustainable development and the transition to a low-carbon, climate-resilient economy. The green bonds will fund projects in eight eligibility criteria, as defined in the green bond framework. These eligibility criteria are-

1. Sustainable Transport
2. Sustainable Buildings
3. Renewable Energy
4. Energy Efficiency
5. Water Efficiency and Wastewater Management
6. Pollution Prevention and Control
7. Conservation and Biodiversity
8. Climate Change Adaptation

A list of eligible projects and projected allocations for the first bond issuance is provided in Appendix 1.

Ciudad de México (CDMX), or Mexico City, has engaged Sustainalytics to provide a second-party opinion on the CDMX Green Bond Framework. As part of this engagement process, Sustainalytics held conversations with various teams involved in the development and financing of Mexico City, including The city's Secretary of Financial Planning and Secretary of Environment. These conversations clarified the use of proceeds, management of proceeds and reporting aspects of the Green Bond as well as the sustainability strategy of Mexico City. Sustainalytics also reviewed relevant public documents and non-public documents relating to the design, planning, governance and construction of eligible projects under the CDMX Green Bond Framework and provided its opinion on the CDMX Green Bond Framework. This document contains Sustainalytics' Opinion on the CDMX Green Bond Framework and should be read in conjunction with that framework.

2. SUSTAINALYTICS' OPINION

Section 1: Assessment of Mexico City's Climate Change Strategy

Mexico City's Comprehensive Environmental Commitment:

Sustainalytics has reviewed Mexico City's climate change strategy and is of the opinion that the city's government is sustainability-focused and has a robust short- and long-term strategy to mitigate adverse environmental impacts. The strength of Mexico City's climate change strategy derives from: (i) strong local climate action plans, (ii) track record of performance on plans, (iii) participation in international forums to report to commitments and actions. Based on the above, Sustainalytics believes that Mexico City is well positioned to issue green bonds.

Mexico City has two local climate change focused commitments. The first is the Climate Action Local Strategy 2014-2020 ("ELAC" in Spanish), and the second is the Climate Action Program 2014-2020 ("PACCM" in Spanish)¹, which provide a broad strategy to combat climate change as well as corresponding action plans.

ELAC outlines a commitment to reduce the emissions of GHGs and to take advantage of the opportunities within the framework of the Kyoto Protocol, the Clean Development Mechanism and other global instruments under the United Nations Framework Convention on Climate Change (UNFCCC). In 2006, Mexico City drafted and became the first local authority in Mexico to develop such a document. The GHG mitigation strategies and actions outlined in ELAC and PACCM are disclosed in Appendix 2.

Mexico City also demonstrates a track record of delivering on its commitments. For the time period of 2014-2020, PACCM is designed specifically to be a planning tool that integrates, coordinates and promotes actions to reduce the environmental, social and economic risks posed by climate change through strategies contained in the ELAC. During the implementation of Mexico City's first Climate Action Program for the 2008-2012 period, 6 million tons of CO₂e were mitigated, which represents a decrease of 4.5% over the baseline scenario. The current Climate Action Program for the 2014-2020 period seeks to strengthen the Federal District Government (GDF) climate policy and build on the achievements of the previous program.

Other examples of Mexico City's performance on its commitments is the city's improvement of its environmental management efforts since 1992, when the United Nations labeled it as "the most polluted city". In 1990, the Mexico City Government presented the first ProAire to combat local air pollution as well as CO₂ emissions and has since implemented four consecutive programmes. The ProAire IV programme, launched in 2011 and running until 2020, contains 89 measures and 116 separate actions across eight strategy areas, including energy consumption, greening of the municipal transport fleets, education, green areas and reforestation, capacity building and scientific research². These efforts have

¹ Local Climate Action Strategy Local Climate Action Strategy Mexico City. Accessed on October 17, 2016:

<http://www.cger.nies.go.jp/gcp/pdf/a20060904/t4/sheinbaum.pdf>

² C40 Cities. Mexico City: ProAire. Accessed on October 26, 2016: <http://www.c40.org/profiles/2013-mexicocity>

contributed significantly to reducing air pollution, and Mexico City is recognized by the UN as having shifted its agenda towards environmental sustainability.

Finally, Mexico City participates in various international forums to collaborate with other cities with respect to climate change adaptation and mitigation, and to report on its commitments. The City became a member of the voluntary Global Covenant of Cities on Climate (“The Mexico City Pact”) in 2010. The Pact is a voluntary initiative of mayors and local authority representatives that aims to advance climate actions. As a signatory to the Pact, Mexico City reports on its climate commitments, performance and actions to the carbonn® Cities Climate Registry (cCCR). With respect to international commitments around mitigation, Mexico City is committed to the Compact of Mayors, which pledges to reduce its GHG emissions, make existing targets and plans public, and report on its progress annually through CDP. Mexico City was fully compliant with the Compact’s four-step process in 2015³ and will continue to report on its progress through the newly formed Global Covenant of Mayors for Climate and Energy.

Mexico City’s Environmental Targets:

The city’s Climate Action Program (“PACCM” in Spanish) provides a detailed guidance for reducing emissions by approximately 10 million tons of CO₂e by 2020 – which would represent a decrease of almost 30% of emissions relative to the baseline. The city’s local government operations GHG emissions reduction targets for 2020 include a reduction of: 14% in transport, 9% in waste, 5% in facilities and 1% in buildings. In terms of adaptation, the Action Program aims to increase the city’s resiliency as well as the population’s adaptation capacities, particularly for the 5.6 million people most vulnerable to extreme weather events, such as flooding⁴. In order to support its adaptation strategy initiatives, the city is setting up a Resilience Office comprising 3 divisions and a 15-person team with the support of the Rockefeller Foundation’s 100 Resilient Cities initiative.

Mexico City’s General Program for Development (2013-2018) establishes the city’s public policy priorities, including all objectives, goals, and related actions. This Program establishes climate change as a public policy priority, and includes the PACCM reduction target of 10 million tons of CO₂e by 2020 as a policy objective. Mexico City also tracks and reports on these targets through its CDP Survey Responses. The city publically reports on its Scope 1, 2 and 3 emissions, which totaled 6,170,632 metric tonnes CO₂e in 2012.

Sustainalytics is of the opinion that reporting on targets and performance on Mexico City’s environmental strategies is indicative of the priority the city assigns to achieving results.

Mexico City’s targets contribute to Mexico’s national agenda for climate change mitigation. In April 2012, Mexico became the first developing country to adopt a General Climate Change Law (“LGCC” in Spanish), which is Mexico’s main political tool for efficiently tackling climate change issues. The law is a legal framework that aims to reduce Mexico’s emissions by 50% from 2000 levels by 2050 and serves as the foundation for the country’s 40-year National Climate Change Strategy, which was adopted in 2013. Mexico’s Climate Change Strategy as well as the LGCC clearly demonstrates that the country is moving forward in the fulfillment of its long-term international pledges.

³ Compact of Mayors. Mexico City. Accessed on October 3, 2016: <https://www.compactofmayors.org/cities/mexico-city/>

⁴ Mexico City’s Climate Action Program: 2014-2020.

Section 2: Opinion on the CDMX Green Bond Framework

Impact from Use of Proceeds

Proceeds of the bond will be directed towards eight eligibility criteria:

1. Sustainable Transport
2. Sustainable Buildings
3. Renewable Energy
4. Energy Efficiency
5. Water Efficiency and Wastewater Management
6. Pollution Prevention and Control
7. Conservation and Biodiversity
8. Climate Change Adaptation

Overall, Sustainalytics is of the opinion that the proceeds from the bond will have clear positive environmental impacts and contribute to achieving Mexico City's environmental targets to reduce GHG emissions, increasing the city's resiliency to climate change, and achieving SDG 11, Sustainable Cities. Below, Sustainalytics has provided an opinion on four of the abovementioned eight criteria- Sustainable Buildings, Climate Change Adaptation, Sustainable Transport, and Water Efficiency and Wastewater Management.

Sustainalytics' Opinion on Sustainable Buildings and Climate Change Adaptation in Mexico City:

Buildings in Mexico City contribute at least 20% of GHG emissions, according to the World Resources Institute. Improving energy use in buildings will help Mexico City hit its ambitious goal of decreasing greenhouse gas emissions by 30% by 2020⁵.

With respect to the sustainable buildings eligibility criterion, Sustainalytics recognizes that (i) LEED Gold and Platinum lead to higher energy efficiency gains than LEED Silver, and that (ii) Climate Bonds Initiative sets the target for a reduction in energy consumption at 30%. However, given the low degree of penetration of sustainable buildings in Mexico City, Sustainalytics views LEED Silver and a reduction in energy consumption of at least 15% as an achievable target. For example, in 2014, Mexico City had 37 LEED-certified projects and 148 LEED-registered projects⁶. Of the certified projects, 29 out of 37 were certified as LEED Silver or higher. Given this context, and the number of buildings in Mexico City, Sustainalytics is of the opinion that setting targets that are realizable for as many buildings as possible will result in significant overall impact. Wherever feasible, Sustainalytics encourages Mexico City to make best efforts to achieve LEED Gold or Platinum certification.

With respect to climate change adaptation, Sustainalytics has reviewed Mexico City government documents which confirm that the city has identified, and seeks to address, risks posed by climate change through the city's Resilience Strategy. The Mexico City Climate Action Program (PACCM) 2014-2020 states

⁵ World Resources Institute. Building a More Competitive Mexico City Through Energy Efficiency. April 1, 2015. Accessed on October 17, 2016: <http://www.wri.org/blog/2015/04/building-more-competitive-mexico-city-through-energy-efficiency>

⁶ World Green Building Council. Green Building City Market Brief: Mexico City. August 2014. Accessed on October 17, 2016: http://www.worldgbc.org/files/1414/0982/5897/Mexico_City_-_City_Market_Brief_Final.pdf

that about 5.6 million people in the city are vulnerable to climate change and describes their geographic location to threats such as heat waves, floods, and landslides based on predictions from the Mexico City Virtual Center for Climate Change. In Sustainalytics' opinion, Mexico City could strengthen its framework by conducting climate change risk studies for proposed projects under the adaptation eligibility criterion. Such project-specific studies strengthen the impact of the use of proceeds, as they establish a clear case that adaptation infrastructure is being funded as a direct response to climate change risks.

Importance of Sustainable Transport in Mexico City:

Mexico City already boasts an effective sustainable transport system. The city has made considerable strides in improving sustainable mobility options in the last decade by restricting the use of private cars and by developing its public transport system. 77.9% of all trips on a typical workday occur on public transport in Mexico City⁷. The City's Bus Rapid Transportation ("BRT") system, Metrobus, commenced in 2005 and has 1.1 million daily passengers. Metrobus has increased access to basic public services while contributing to climate change mitigation and has received recognition through the Sustainable Transport Award in 2013⁸.

While noteworthy achievements have been made in Mexico City, there continues to be strong demand for continued development of sustainable transport infrastructure, as indicated by Greater Mexico City's projected population growth. The population of Greater Mexico City increased at a rate of 0.8% per year from 2010 to 2015, and it is expected to increase to approximately 23.9 million in 2030 from 20.8 million in 2014⁹. Improvements and expansions to the subway and BRT system will help to meet the city's growing transportation needs in a sustainable manner.

Importance of Water Efficiency and Wastewater Management in Mexico City:

Water infrastructure in Mexico City consists of water supply and distribution, wastewater collection, storm water collection and wastewater treatment. Water management has become a high priority for Mexico City and is included in the Mexico City's Climate Action Program (PACCM) as well as the city's Resilience Strategy, which was formalized in September 2016.

Mexico City loses 41.4% of its water due to an outdated, run-down water system which is plagued by thousands of small leaks over miles of underground piping¹⁰. The water distribution system is formed by 12,000 km of pipeline network, built 30 years ago, which contains many pipes that are now rusty and broken due to earthquakes and usage¹¹. Furthermore, every year, the city extracts 1.3 billion cubic meters of water while rainfall, and some injection, recharges it by only 700 million cubic meters¹². Thus,

⁷ Global BRT Data. Mexico City. Accessed on October 4, 2016: http://brtdata.org/location/latin_america/mexico/mexico_city

⁸ Sustainable Transport Award Committee. Mexico City. Accessed on October 4, 2016: <http://staward.org/winners/2013-mexico-city-mexico/>

⁹ United Nations. 2014. World Urbanization Prospects. Accessed on October 4, 2016, p. 26:

<https://esa.un.org/unpd/wup/Publications/Files/WUP2014-Highlights.pdf>

¹⁰ Ciudad de México. CDMX Resilience Strategy. 2016. Accessed on October 7, 2016: <http://www.100resilientcities.org/page/-/100rc/pdfs/CDMX%20Resilience%20Strategy%20-%20English.pdf>

¹¹ Platinum. 2015. Water in Mexico City. Accessed on October 6, 2016: <http://www.plantum.mx/single-post/2015/12/01/Water-in-Mexico-City-Artificial-Scarcity>

¹² <https://news.vice.com/article/millions-of-taps-run-dry-as-mexico-city-fixes-some-decrepit-water-pipes>

underground aquifers, which provides around 70% of the city's water, are drying at an alarming rate. These challenges results in 70% of the city having fewer than 12 hours of running water per day¹³.

The Climate Action Local Strategy (ELAC) and Resilience Strategy identifies extreme rainfall, which may result in an increased number of floods, as one of the expected shocks associated with climate change. Shocks to sewage systems are projected during intense rainfall seasons, and the frequency and extent of such shocks may increase significantly due to lack of infrastructure maintenance or as a result of future earthquakes, which may result in damaged infrastructure in the city. There is an immediate need for the city to update its water infrastructure in order to address risks related to water distribution as well as stormwater collection.

In addition to water management, water treatment and sanitation are also important issues for the city. The use of large volumes of water, and the inability to recycle and reuse that water, generates a large volume of wastewater, most of which does not receive adequate treatment. Consequently, wastewater strongly affects environmental quality within discharge zones. Today, the city's wastewater is primarily diverted to the Mezquital watershed in the north for irrigation purposes. While wastewater has been used for irrigation in the area for nearly a century, the untreated water has led to sanitary and environmental problems. An additional benefit to increasing the city's capacity to treat wastewater is that Mexico City may be able to alleviate much of the demand for freshwater, particularly in the industrial and agricultural industry.

Mexico City's Climate Action Program (PACCM), as well as its new Resilience Strategy, prioritizes improvements to water infrastructure in the City and outlines specific targets to address the concerns related to water and wastewater management. Mexico City has laid down a foundation to plan integrated solutions that meet the challenges posed by urbanization and climate change, specifically as they relate to water management.

¹³ Panoramias: Center for Latin American Studies at the University of Pittsburgh. 2015. Watering the Classes: Mexico City's Water Shortage. Accessed on October 6, 2016: <http://www.panoramias.pitt.edu/technology/watering-classes-mexico-citys-water-shortage>

Well positioned to address common challenges associated with infrastructure projects in emerging markets:

Sustainalytics recognizes that infrastructure development projects generally create environmental and social risks in addition to benefits. Sustainalytics is of the opinion that Mexico City is well positioned to manage and address such risks.

Environmental risks include loss of biodiversity during construction, pollution from construction and construction materials, and loss of land usable for reforestation. Mexico City conducts Environmental Impact Assessments (EIA) in order to assess and manage environmental impacts resulting from infrastructure projects. The works and activities subject to EIAs are defined under an article within the Environmental Protection law, which includes activities that can cause grave and irreparable ecological imbalance, and have a harmful effect on public health or the ecosystem. Such projects require an assessment in the form of an EIA, a risks study or a strategic environmental assessment before construction can begin. In cases where a comprehensive study is not required, an administrative filing is needed to initiate the project. Mexico City further requires a continuous assessments of environmental damages as well as an annual update on environmental licences, which covers several autorizations and permits in one single filing.

Social risks include negative impacts on populations. Mexico City has confirmed to Sustainalytics that no slum populations exist in or near the geographic areas of the eligible projects and thus no populations are expected to be displaced. With respect to labor conditions for eligible projects, Article 123 of the Constitution of Mexico requires adherence to standards and principles in the workplace, including duties of the employer in the field of occupational safety and health. The Federal Regulation on Occupational Safety and Hygiene (OSH) and the Working Environment aims to set up the necessary measures to prevent accidents and diseases in addition to ensuring safe and healthy working conditions for workers. Mexico City reports having a stringent enforcement system to ensure compliance to all applicable labour laws, regulations and standards and ensure that Mexico City's employees and all stakeholders affected by proposed projects are protected as comprehensively as possible.

Alignment with the Sustainable Development Goals (SDGs):

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. These goals are widely considered to be the next step to the Millennium Development Goals (MDG), which were time-bound to 2015. Of particular importance for Mexico City under the Green Bond Principles (GBP) is SDG 11 Sustainable Cities, which includes a target to (i) reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management, and (ii) providing access to safe, affordable, accessible and sustainable transport systems for all, notably by expanding public transport. The SDGs recognize the fundamental role of cities in fighting climate change and achieving a sustainable future.

Under the CDMX Green Bond Framework, eligible green projects contribute towards the promotion of sustainable city infrastructure and are aligned with SDG 11 Sustainable Cities including: sustainable transport (11.2), sustainable buildings (11.c), pollution prevention and control in order to improve air quality (11.6), and climate change adaptation (11.5).

Alignment with Green Bond Principles 2016:

Sustainalytics has determined that the Ciudad De Mexico (CDMX) Green Bond Framework aligns to the four pillars of the Green Bond Principles 2016. For detailed information please refer to Appendix 3: Green Bond/Green Bond Programme External Review Form.

Conclusion

Mexico City has strong commitments to manage and mitigate the impacts of climate change, as demonstrated by its policies, targets and international action. The CDMX Green Bond Framework and the city's green bond issuances may also set a positive precedent for the promotion of sustainable infrastructure investment by public sector and state-owned enterprises in Mexico.

The CDMX Green Bond Framework is in alignment with the four pillars of Green Bond Principles 2016. The Framework defines a strong eligibility criteria, demonstrates a structured and transparent project selection process that is supported by the Mexico City Finance Ministry and Mexico City Ministry of Environment, and outlines clear and transparent processes for the management of proceeds and reporting with KPIs that capture energy and water reduction.

Based on the above considerations, Sustainalytics is of the view that Mexico City's Green Bond is robust, credible and transparent.

APPENDICES

Appendix 1: CDMX Bono Verde 2016 – Use of Proceeds

CDMX has identified projects (new and existing) amounting to approximately MXN1350 million that could potentially receive allocations from its 2016 green bond issuance. All are public works projects located in Mexico City.

Eligibility Criteria	Projects	Potential Allocation (MXN mil)	Potential Impact Indicators
Sustainable Transport	New: - Mexico City Metro (STC): Installation and repair of equipment that improves accessibility and comfort, especially for elderly passengers, and reduces passenger transit times.	187	Qualitative: - Descriptions of projects and environmental and social impact assessments where available Quantitative: - Energy/fuel consumption and reduction (KWh/tons) - GHG emissions for city transport
	Refinancing: Mexico City Metro (STC) - Installation and repair of equipment that improves accessibility and comfort, especially for elderly passengers, and reduces passenger transit times. - Construction and maintenance of Line 12 Light Rail - Acquisition of trains Bus Rapid Transit (Metrobús) - Construction and maintenance of first stage of Line 5	560	
Water and Wastewater Management	New: - Construction, replacement and maintenance of water collection and drainage facilities - Construction of water treatment plants - Construction and maintenance of water, and storm-water pumps and reservoirs - Replacement and repair of drinking water wells and drinking water distribution lines	538	Qualitative: - Descriptions of projects including the need for specific infrastructure investment in various localities - Explanation of mechanisms for water and energy savings Quantitative: - Volume of water (m ³) leakage reduced - Volume of water (m ³) treated / recycled - Metrics on improvements in water quality e.g. Biochemical oxygen demand (BOD)
Energy Efficiency	New: Public Lighting - Installation, upgrades and maintenance of street lighting and lighting in city buildings to improve energy efficiency (LED bulb installation) and reduce need for new equipment/material	65	Qualitative: - Descriptions of projects including specifications of energy efficient equipment Quantitative: - Energy consumption and energy use reduction in city buildings (KWh)
Total		1350	Various Mexico City Environmental disclosures including CDP reports and disclosures under CDMX climate change and resilience strategies
<i>Note: The above projects have been registered with the Mexican Ministry of Finance (SHCP) prior to issuance. Further details are available in offering documentation.</i>			

Appendix 2: Key Strategy and Actions for 2014 – 2020 Under ELAC and PACCM

Strategic Priorities of the Climate Action Local Strategy (ELAC) and the corresponding Key Actions set by the Climate Action Program (PACCM).

Strategy	Action
1. Urban and Rural Energy Transition	Modernization actions and energy efficiency in the Public Transport System
	Electric power savings program in the operation of wells and pumping plants
2. Containment of Urban Sprawl	Creating a territorial planning program for Mexico City that integrates environmental and urban policies
	Program for the identification of underutilized premises or buildings and definition of the strategies for increased use and rehabilitation
	Increased green rehabilitation of intra-urban area
3. Environmental Improvement	Scrapping of minibuses and creation of corridors concession
	Implementation of new Metrobus corridors
	Implementation of schemes for intermodal mobility in strategic areas of the city
	Use of technologies to take advantage of the city's solid waste output
	Program of suppression of leakage and rehabilitation of pipes
4. Sustainable Management of Natural Resources and Biodiversity Preservation	Creation of the Law for the Protection, Preservation and Sustainable Use of Biodiversity in the Federal District
	Works for the conservation of soil and water in Preservation Areas
5. Building the City's Resilience	Update the Atlas of dangers and risks of the DF
	Hydro-meteorological risks prevention program
	Design of a climate change environmental fund for Mexico City
6. Education and Communication	Homologate climate change concepts for dissemination in information centers at museums
	Develop an environmental education catalog
7. Research and Development	Regulate freight transport (main source of black carbon)
	Improvement of adaptation indicators
	Creation of mitigation indicators

Appendix 3: Green Bond/Green Bond Programme External Review Form

Green Bond / Green Bond Programme External Review Form

Section 1. Basic Information

Issuer name: Gobierno de la Ciudad de Mexico

Green Bond ISIN or Issuer Green Bond Framework Name, if applicable: *[specify as appropriate]*

Review provider's name: Sustainalytics

Completion date of this form: October 24, 2016

Publication date of review publication: *[where appropriate, specify if it is an update and add reference to earlier relevant review]*

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other <i>(please specify):</i> | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Green Bond Framework, provided in a separate document, and Second Opinion Document above.

Section 3. Detailed review

1. USE OF PROCEEDS

Overall comment on section (if applicable):

Overall, Sustainalytics is of the opinion that Mexico City's project eligibility criteria are credible and robust, and that by selecting projects based on these criteria, Mexico City is effectively targeting its green bond proceeds at projects with demonstrable environmental benefits

Use of proceeds categories as per GBP:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input checked="" type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Sustainable management of living natural resources |
| <input checked="" type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water management | <input checked="" type="checkbox"/> Climate change adaptation |
| <input checked="" type="checkbox"/> Eco-efficient products, production technologies and processes | <input type="checkbox"/> Other (please specify): |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | |

If applicable please specify the environmental taxonomy, if other than GBPs: *Not applicable*

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

The Mexico City Finance Ministry will identify and propose potential green projects based on the eligibility criteria outlined in the CDMX Green Bond Framework.

The Mexico City Ministry of Environment will review all proposed (existing and future) potential green projects and confirm their eligibility under the CDMX Green Bond Framework and alignment with Mexico City's environmental and climate change policies and plans including:

- 1) Local Strategy for Climate Action (Estrategia Local de Acción Climática, (ELAC))
- 2) Mexico City Climate Action Program 2014-2020 (Programa de Acción Climática de la Ciudad de México (PACCM 2014-2020))
- 3) Mexico City Climate Change Vision 2025 (La Visión de la Ciudad de México en materia de cambio climático al 2025)

4) CDMX Resilience Strategy (Estrategia de Resiliencia CDMX: Transformacion Adaptiva, Incluyente y Equitativa)

Evaluation and selection

- | | |
|--|---|
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (<i>please specify</i>): |

Information on Responsibilities and Accountability

- | | |
|---|---|
| <input type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

The Mexico City Finance will manage the net proceeds of the Green Bond Framework and will maintain internal records tracking the allocation of the net proceeds to eligible green projects.

As required under Mexican regulations, the projects financed by the net proceeds will be registered with the Mexican Secretariat of Finance and Public Credit prior to bond issuance. As required under Mexican regulations, the net proceeds will be allocated by end of the fiscal year of bond issuance. Pending allocation, the net proceeds will be held in accordance with the normal liquidity management policy of Mexico City Finance Ministry.

Tracking of proceeds:

- | |
|--|
| <input checked="" type="checkbox"/> Green Bond proceeds segregated or tracked by the issuer in a systematic manner |
| <input type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (<i>please specify</i>): |

Additional disclosure:

- | | |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements |

- Disclosure of portfolio balance of unallocated proceeds
- Other *(please specify)*:

4. REPORTING

Overall comment on section *(if applicable)*:

At the time of issuance, the Mexico City Finance Ministry will publish the list of projects to which green bond proceeds will be allocated. Before the end of the fiscal year of Green Bond issuance, the Mexico City Finance Ministry will publish a Mexico City Green Bond Report on its website.

An updated report will be published if necessary in the event of new developments. The latest version of this report will be available on the Mexico City Finance Ministry website as long as the Green Bonds are outstanding.

The Mexico City Green Bond Report will contain at a minimum: (1) The list of eligible green project categories and amounts allocated to these categories (2) Confirmation that the use of proceeds of the Green Bonds conforms to the Mexico City Green Bond Framework (3) Impact reporting elements

Use of proceeds reporting:

- Project-by-project
- On a project portfolio basis
- Linkage to individual bond(s)
- Other *(please specify)*:

Information reported:

- Allocated amounts
- GB financed share of total investment
- Other *(please specify)*:

Frequency:

- Annual
- Semi-annual
- Other *(please specify)*:

Impact reporting:

- Project-by-project
- On a project portfolio basis
- Linkage to individual bond(s)
- Other *(please specify)*:

Frequency:

- Annual
- Semi-annual
- Other *(please specify)*:

Information reported (expected or ex-post):

- | | |
|--|--|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| <input checked="" type="checkbox"/> Other ESG indicators (please specify):
water use reduction, volume of water /
wastewater collected/stored/treated, number
of passengers benefitting from sustainable
transport | |

Means of Disclosure

- | | |
|---|--|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (please specify): Mexico City Finance Ministry's website |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): | |

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

<http://data.finanzas.cdmx.gob.mx/index.html>

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
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Date of publication:

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- (i) **Consultant Review:** An issuer can seek advice from consultants and/or institutions with recognized expertise in environmental sustainability or other aspects of the issuance of a Green Bond, such as the establishment/review of an issuer's Green Bond framework. "Second opinions" may fall into this category.
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