

## Mexico City Airport Trust NAFIN F/80460

**Type of Engagement:** Green Bond Annual Review

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**Engagement Leader:** Zach Margolis, zach.margolis@sustainalytics.com, +1 647 695 4341

### Introduction

In September 2016, the Mexico City Airport Trust NAFIN F/80460 (“MEXCAT”) issued green bonds aimed at financing certain environmentally beneficial projects associated with the design, construction, development, and operation of the Mexico City International Airport (Spanish acronym ‘NAICM’) by Grupo Aeroportuario de la Ciudad de México, S.A. de C.V. (“GACM”), in accordance with its NAICM Green Bond Framework. In October 2018, MEXCAT engaged Sustainalytics to review the projects funded through the issued green bonds and provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the NAICM Green Bond Framework.

### Evaluation Criteria

Sustainalytics evaluated the projects and assets funded up to and including September 2018 based on whether the projects and programmes:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Green Bond Framework; and
2. Reported on at least one of the Key Performance Indicators (KPIs) for each Use of Proceeds criteria outlined in the Green Bond Framework.

Table 1 lists the Use of Proceeds and Eligibility Criteria, while Table 2 list the associated KPIs.

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

Use of Proceeds	Eligibility Criteria
Sustainable Buildings	<p>Any project for an existing or new building:</p> <ul style="list-style-type: none"> <li>• that has received, or expects to receive based on its design, construction and operational plans, rating according to third party verified green building standards such as LEED Silver or higher, or an equivalent rating scheme; and</li> <li>• that has achieved, based on third-party assessment, a reduction in energy consumption of at least 15% relative to industry standards and benchmarks such as ASHRAE 90.1 or equivalent.</li> </ul>
Renewable Energy	<p>Development, construction, installation, operation and upgrades of:</p> <ul style="list-style-type: none"> <li>• equipment or facilities wholly dedicated to renewable energy generation; or</li> <li>• wholly dedicated transmission infrastructure for renewable energy generation sources.</li> </ul> <p>The projects must meet the definitions of renewable energy outlined in Mexico’s Energy Transition Law (Ley de Transición Energética) and may include wind, solar, tidal, geothermal, biomass and run-of-river hydro projects.</p>
Energy Efficiency	<p>Development, construction, installation, operations and upgrades of any projects (products or technology) that reduce energy consumption or improve resource efficiency in airport management and operations, including but not limited to:</p> <ul style="list-style-type: none"> <li>• projects that enable energy performance monitoring and modelling such as design and installation of computer controls, sensors, or building information systems; or</li> </ul>

	<ul style="list-style-type: none"> <li>• projects that optimize the amount and timing of energy consumption and minimize peak loads such as design and installation of metering, peak load shedding, or fuel switching systems; or</li> <li>• projects that involve installation, maintenance or replacement of energy efficient heating, ventilation, air-conditioning, cooling, lighting and electrical equipment.</li> </ul>
Water and Wastewater Management	<p>Development, construction, installation, operations and upgrades of any projects (products or technology) that reduce water consumption or improve resource efficiency in airport management and operations, including but not limited to:</p> <ul style="list-style-type: none"> <li>• new or existing facilities that are used for the collection, treatment, recycling, or re-use of water, rainwater, wastewater or sewage; or</li> <li>• infrastructure for flood prevention, flood defense or storm-water management such as wetlands, retention berms, reservoirs, lagoons, sluice gates, drainage systems, tunnels and channels.</li> </ul>
Pollution Prevention and Control	<p>Development, construction, installation, operations and upgrades of any projects (products or technology) that reduce and manage waste generated in airport management and operations, including but not limited to:</p> <ul style="list-style-type: none"> <li>• new or existing facilities, systems and equipment that are used for the collection, treatment, recycling or re-use of solid waste, hazardous waste or contaminated soil; or</li> <li>• new or existing facilities, systems and equipment that are used to divert waste from landfills and reduce emissions from transport of waste.</li> </ul>
Conservation and Biodiversity	<p>Any projects for:</p> <ul style="list-style-type: none"> <li>• reforestation and ecological restoration;</li> <li>• creation and protection of forests and wetlands; or</li> <li>• monitoring and mitigation of adverse impacts on flora and fauna such as potential impacts from construction and noise pollution.</li> </ul>

Table 2: Key Performance Indicators

Key performance indicators	
Sustainable Buildings	<ul style="list-style-type: none"> <li>• List of eligible buildings that received third party verified green building certification; LEED Scorecards</li> </ul>
Renewable Energy	<ul style="list-style-type: none"> <li>• Capacity generated; Reduction of GHGs</li> </ul>
Energy Efficiency	<ul style="list-style-type: none"> <li>• Reduction in energy consumption</li> </ul>
Water and Wastewater Management	<ul style="list-style-type: none"> <li>• Water saved / reduced / treated</li> </ul>
Pollution Prevention and Control	<ul style="list-style-type: none"> <li>• Amount of waste diverted</li> </ul>

Conservation and Biodiversity	<ul style="list-style-type: none"> <li>• Qualitative descriptions of projects, initiatives and commitments; Area of land replanted</li> </ul>
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### Issuing Entity's Responsibility

MEXCAT through GACM is responsible for providing accurate information and documentation relating to the details of the projects that have 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 the NAICM Green Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from GACM employees and review of documentation to confirm the conformance with the Green Bond Framework.

Sustainalytics has relied on the information and the facts presented by GACM with respect to the Nominated Projects. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by GACM.

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.

### Conclusion

Based on the limited assurance procedures conducted,<sup>1</sup> nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of NAICM Green Bond Framework, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Green Bond Framework.

<sup>1</sup> Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

## Detailed Findings

Table 3: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
<b>Use of Proceeds Criteria</b>	Verification of the projects funded by the green bond in years 2016, 2017, and 2018 to determine if projects aligned with the Use of Proceeds Criteria outlined in the Green Bond Framework and above in Table 1.	As of September 2018, 15.55% of the net proceeds from the Green Bond have been allocated to eligible green categories. (See Appendix 1)	None
<b>Reporting Criteria</b>	Verification of the projects funded by the green bond in 2016, 2017, and 2018 to determine if impact of projects was reported in line with the KPIs outlined in the Green Bond Framework and above in Table 2.	Given that the project is still in the construction stage, impact information will not be available. <sup>2</sup> GACM has provided interim impact information related to construction, such as renewable energy to power site lighting and operations to conserve and relocate native flora/fauna. (See Appendix 2)	Reporting on KPIs is deemed an exception.

<sup>2</sup> Sustainalytics notes the recent referendum and resulting announcement by president-elect Lopez Obrador of the abandonment of the project. Nevertheless, it is Sustainalytics' understanding that the project is currently under construction.

## Appendix 1: Disbursements to date

As of September 30, 2018, GACM had allocated a total of 15.55% of the net proceeds of the green bond.

	Amount (USD)
Net Proceeds	\$ 5,764,394,697.00
Amount Disbursed	\$ \$896,557,703.24
Unallocated Balance	\$ 4,867,836,993.76

Use of Proceeds Category	Amount Allocated (USD)
Sustainable Buildings	\$ 793,075,884.96
Renewable Energy	\$ 420,133.53
Energy Efficiency	\$ 13,264.49
Water and Wastewater Management	\$ 23,959,026.56
Pollution Prevention and Control	\$ 47,159,113.83
Conservation and Biodiversity	\$ 31,930,279.87

## Appendix 2: Interim impact reporting

As the project is still in the construction phase, full impact reporting is not yet available. GACM has made available interim impact reporting, as well as progress updates towards full impact reporting.

Thematic Area	Performance indicators
Sustainable Buildings	Four buildings in the design phase are currently targeting LEED certification, one Platinum and three Gold. Designs for ancillary buildings are also being developed to support the LEED targets of the four main buildings.
Energy and Water Use Reduction	Design phase targets for energy and water use reduction are 40% and 70%, respectively. LEED-certified buildings are expected to achieve 50% energy use reductions.
Greenhouse Gas Emissions	Solar energy is currently being used to power site lighting, infrastructure is being implemented to allow electric Ground Source Equipment for aircraft service, location-focused sourcing for products is being used to reduce transportation pollution.
Waste Reduction	A waste-management strategy and targets have been developed.
Renewable Energy	Solar energy is currently being used to power site lighting, a feasibility study is under way to determine future implementations.

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## Sustainalytics

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Or contact us [info@sustainalytics.com](mailto:info@sustainalytics.com)

