

ASSESSMENT

21 March 2018

Rate this Research >>

TABLE OF CONTENTS

Summary	1
Profile	2
Recent developments	2
Methodology scorecard	5
Moody's Green Bond Assessment (GBA)	6
Moody's related publications	6

Analyst Contacts

Matthew Kuchtyak +1.212.553.6930
Analyst
matthew.kuchtyak@moodys.com

Adrian Garza, CFA +52.55.1253.5709
VP-Senior Analyst
adrianjavier.garza@moodys.com

Rahul Ghosh +44.20.7772.1059
SVP - ESG
rahul.ghosh@moodys.com

Jim Hempstead +1.212.553.4318
MD-Utilities
james.hempstead@moodys.com

CLIENT SERVICES

Americas 1-212-553-1653

Asia Pacific 852-3551-3077

Japan 81-3-5408-4100

EMEA 44-20-7772-5454

Mexico City Airport Trust NAFIN F/80460

Update to Green Bond Assessment - September 2016 and September 2017 issuances

Summary



We are maintaining the GB1 (Excellent) Green Bond Assessments (GBA) on the aggregate \$6 billion of green bonds issued in September 2016 and September 2017 by [Mexico City Airport Trust NAFIN F/80460](#) (NAICM, Baa1 negative). Following our review of NAICM's use of proceeds, ongoing disclosure and proceeds management practices, we are maintaining the transaction's overall weighted score at 1.35. We are not changing any factor scores at this time, given that all aspects of the transaction remain consistent with our initial expectations.

This report highlights findings from our review of NAICM's first five quarterly green bond reports, with the most recent report dated December 31, 2017. In this report, we also provide our analysis of the 2017 annual compliance report published by NAICM's second opinion provider. Finally, we discuss the potential effects of the upcoming Mexico presidential election on the new airport's construction.

Factor	Factor Weights	Score	Weighted Score
Organization	15%	1	0.15
Use of Proceeds	40%	1	0.40
Disclosure on the Use of Proceeds	10%	1	0.10
Management of Proceeds	15%	2	0.30
Ongoing Reporting and Disclosure	20%	2	0.40
Weighted Score			1.35

The transaction-weighted score for both transactions, using the GBA scorecard, is 1.35, which corresponds to a GB1 grade. For a full summary of the transactions' scoring under the GBA scorecard, please see "Methodology scorecard" below. For our full analysis of the transactions, please see the original in-depth report for the September 2016 transaction [here](#), and the original in-depth report for the September 2017 transaction [here](#).

Profile

The development and construction of Mexico City New International Airport (NAICM) was announced in September 2014. The new airport is designed to meet the long-term demand of air travel in Mexico City and provide a long-standing solution to the capacity constraints of the current airport. The existing airport is about to reach its maximum runway capacity, and by 2020 estimated total passengers would reach 44.8 million.

The first phase of the new airport is expected to start operations in 2020, and it will have an initial capacity of 57 million passengers per year. The new airport will be one of the major airports in Latin America, with three simultaneous runways and over 100 boarding gates (first phase). Future expansions are expected to increase capacity up to 125 million passengers by the year 2065.

The total cost of the first phase of the airport is estimated at \$13.3 billion.

Recent developments

Consistent with our expectations, NAICM has followed up on its commitment to provide quarterly green bond reports including quantitative and qualitative environmental performance indicators on the eligible green projects being financed with the green bonds. We expect these quarterly reports will continue until the net proceeds are fully allocated, and potentially thereafter in case of new developments.

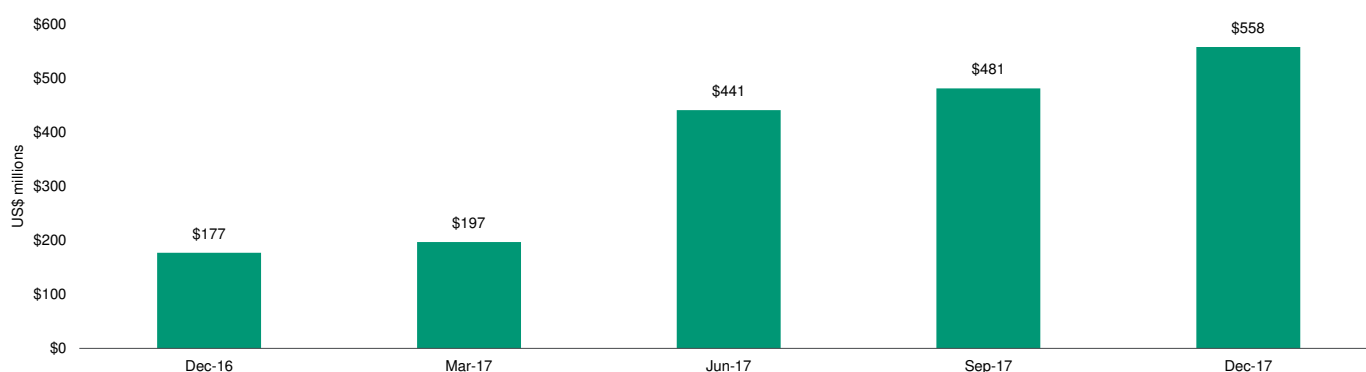
To date, NAICM has published five quarterly green bond reports updating the market on various elements of the new airport project. The first report, dated December 2016, was published within approximately three months from the first bond issue in September 2016, in line with the original commitment. Four subsequent reports have been published, dated March 2017, June 2017, September 2017 and December 2017. All quarterly green bond reports are published on the [Investor Relations page on the NAICM website](#), following review by the NAICM green bond committee.

Although the form of the reports has changed marginally over the five publications, the reports all include: a project overview, summary of the green bond framework, list of eligible green project categories with category overviews, summary of proceeds allocation to date listed by eligible green category, and summary of broad performance indicators.

The quarterly reports provide detail on proceeds allocations to date, divided up between eligible green project categories. Proceeds allocations at the point of publication of each of the five quarterly green bond reports totaled \$177 million at December 2016, \$197 million at March 2017, \$441 million at June 2017, \$481 million at September 2017 and \$558 million at December 2017 (see Exhibit 1).

Exhibit 1

NAICM has allocated approximately 10% of total net green bond proceeds



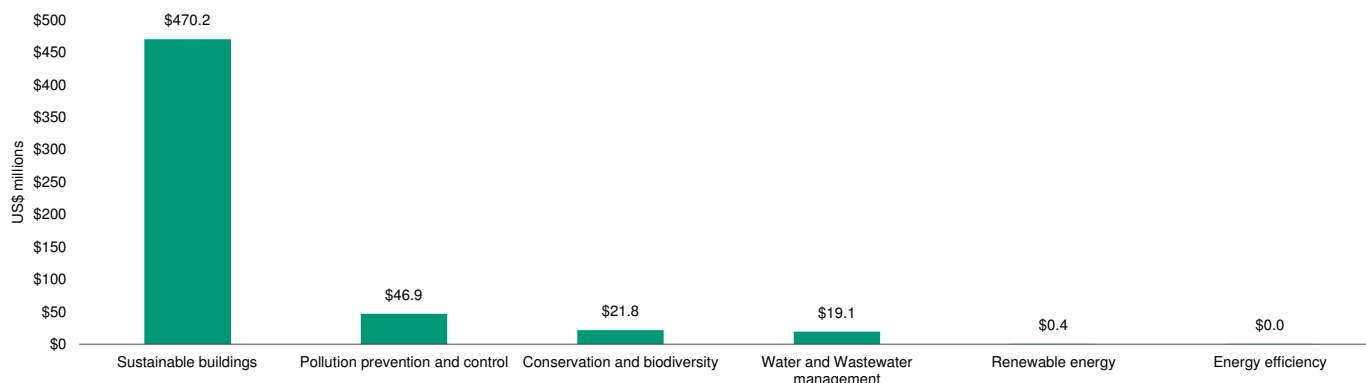
Source: Mexico City Airport Trust NAICM Green Bond Reporting, Reports 1-5

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

Approximately 84% of proceeds were allocated to sustainable buildings as of the December 2017 report (see Exhibit 2), with the remaining proceeds split between pollution prevention and control, conservation and biodiversity, water and wastewater management, renewable energy and energy efficiency.

Exhibit 2

Vast majority of NAICM green bond proceeds allocated to sustainable buildings



Source: Mexico City Airport Trust NAICM Green Bond Reporting, Report 5, 31 December 2017 (published 31 January 2018)

The individual quarterly reports have also contained additional unique information providing detail on various other aspects of the projects. For example, the March 2017 report highlighted a case study on the use of renewable energy during NAICM project construction, with specific details about installed photovoltaic capacity and tons of CO₂ emissions avoided. The most recent December 2017 report provided detail on the LEED scoring of the various new airport buildings, and how these scores correspond to the expected LEED certification level (see Exhibit 3).

Exhibit 3

Four NAICM buildings targeted to receive at least LEED Gold certification

Building	Total points	LEED certification level	Range of points to achieve LEED level
Passenger Terminal Building	81	Platinum	80 to 110
Ground Transportation Center	72	Gold	
Air Traffic Control Tower	71	Gold	60 to 79
Area Control Center	65	Gold	

Source: Mexico City Airport Trust NAICM Green Bond Reporting, Report 5, 31 December 2017 (published 31 January 2018)

Management remains in the process of developing detailed performance indicators to include in quarterly reports. Once developed, these performance indicators will carry through each of the quarterly reports with progress tracked relative to original targets. To date, quarterly reports have contained broad guidance indicating that management expects the new airport to achieve a variety of quantifiable environmental benefits, which are summarized in Exhibit 4. We may change the overall GBA score down if NAICM is unable to provide more detailed performance indicators in future reports, and evidence the actual benefits being realized by the new airport.

Exhibit 4

NAICM discloses broad quantitative performance metric targets

Performance metric	Target percentage
Reduction in potable water use	70%
Reduction in energy usage	40%
Reduction in energy costs	50%
Reduction in greenhouse gas emissions	50%
Reduction in waste generation	10-30%
Improvement in waste diverted to recycling facilities	10-30%

Source: Mexico City Airport Trust NAICM Green Bond Reporting, Report 5, 31 December 2017 (published 31 January 2018)

At the time of the creation of the NAICM green bond framework, Sustainalytics provided a second opinion to confirm the validity of the framework. Management has also engaged Sustainalytics to review the allocation of net proceeds and provide a report on its conformity with the NAICM green bond framework. The review will be conducted annually until the net proceeds are fully allocated to eligible green projects. The first of these annual reports was published in December 2017, and posted on the NAICM website. Sustainalytics evaluated the list of projects for compliance with the use of proceeds criteria outlined in the green bond framework, concluding that the list of projects is consistent with the framework, effectively providing an update to its original second opinion.

We view management's discipline in obtaining such a post-issuance review annually to be positive. However, we do not believe the Sustainalytics report takes the place of an official audit, leaving the new airport without a specific audit on its green bond account.

Two main entities are currently involved in the auditing and oversight of the new airport: the Ministry of Public Administration (Secretaría de la Función Pública, SFP) through the Internal Control Body (Órgano Interno de Control, OIC) of SCT; and the Superior Audit Office (Auditoría Superior de la Federación, ASF), which oversees all parts of the general government sector, reports to Congress and is completely independent of the new airport's management and the executive branch of government. However, there is no direct focus from either of these entities on the system used for tracking disbursements earmarked for eligible projects.

A potential threat to the successful completion of the new airport's construction is the upcoming July 2018 Mexico presidential election. Andres Manuel Lopez Obrador, a leading presidential candidate, has pledged to revise all contracts granted under the project and possibly also explore alternatives to the new airport. When the project was originally up for discussion, Obrador supported the idea of keeping the current airport open for international flights while starting to use a nearby military air base to service domestic flights. Under the current new airport construction plan (NAICM), both the existing airport (Aeropuerto Internacional Benito Juárez) and the military air base will close upon opening and operation of NAICM.

We believe the cancellation of the new airport project by a potential Obrador-led government is still an unlikely outcome given the progress made so far on the airport and other possible political implications. However, the potential cancellation of the airport is a risk that could lead to the downgrade of the GB1 overall assessments. We will continue to monitor the potential political implications for the new airport, and we will update our assessment analysis as warranted.

Methodology scorecard

	Yes	No
Factor 1: Organization (15%)		
Environmental governance and organization structure appear to be effective	●	
Policies and procedures enable rigorous review and decision making process	●	
Qualified and experienced personnel and/or reliance on qualified third parties	●	
Explicit and comprehensive criteria for investment selection, including measurable impact results	●	
External evaluations for decision making in line with project characteristics	●	
Factor Score	1	
Factor 2: Use of Proceeds (40%)		
>95% - 100% of proceeds allocated to eligible project categories that are determined based on the issuer's adopted policies and the categories established under the Green Bond Principles that will be further informed by one or more robust and widely recognized green bond frameworks or taxonomies that qualify eligible projects, including any applicable regulatory guidelines.	●	
Factor Score	1	
Factor 3: Disclosure on the Use of Proceeds (10%)		
Description of green projects, including portfolio level descriptions, actual or intended	●	
Adequacy of funding and/or strategies to complete projects	●	
Quantitative and/or qualitative descriptions for targeted environmental results	●	
Methods and criteria, both quantitative and qualitative, for calculating performance against targeted environmental results	●	
Issuer relies on external assurances: Second Party reviews, audits and/or third party certifications	●	
Factor Score	1	
Factor 4: Management of Proceeds (15%)		
Bond proceeds are segregated and separately tracked on an accounting basis or via a method by which proceeds are earmarked	●	
Application of proceeds is tracked by environmental category and project type	●	
Robust process for reconciling planned investments against actual allocations	●	
Clear eligibility rules for investment of cash balances	●	
Audit by external organization or independent internal audit unit		●
Factor Score	2	
Factor 5: Ongoing Reporting and Disclosure (20%)		
Reporting and disclosure post issuance provides/to be provided detailed and timely status updates on projects	●	
Ongoing annual reporting is expected over the life of the bond		●
Disclosures provide granular detail on the nature of the investments and their expected environmental impacts	●	
Reporting provides/to be provided a quantitative and/or qualitative assessment of the environmental impacts actually realized to-date	●	
Reporting includes/to include quantitative and/or qualitative explanation of how the realized environmental impacts compare to projections at the time the bonds were sold	●	
Factor Score	2	
Overall Weighted Score	1.35	

Source: Moody's Investors Service

Moody's Green Bond Assessment (GBA)

Moody's GBA represents a forward-looking, transaction-oriented opinion on the relative effectiveness of the issuer's approach to manage, administer and allocate assets to, and report on, environmental projects financed by proceeds from green bond offerings. GBAs are expressed using a five-point relative scale, ranging from GB1 (Excellent) to GB5 (Poor). A GBA does not constitute a credit rating.

Moody's related publications

Methodology:

- » [Green Bonds Assessment \(GBA\)](#), March 30, 2016

Credit Opinion:

- » [Government of Mexico – A3 Negative: Regular update](#), November 2, 2017
- » [Mexico City Airport Trust NAFIN F/80460: Pre Sale Report](#), September 6, 2017

Green Bond Assessment:

- » [Mexico City Airport Trust NAFIN F/80460: Green Bond Assessment](#), September 1, 2017
- » [Mexico City Airport Trust NAFIN F/80460: Green Bond Assessment](#), July 11, 2017

Sector In-Depth:

- » [Green Bonds - Global: Global municipal green bond issuance will continue to rise](#), March 19, 2018
- » [Green Bonds - Global: Global green bond issuance set to eclipse \\$250 billion in 2018](#), January 31, 2018
- » [Cross-sector - Global: FAQ: The green bond market and Moody's Green Bonds Assessment](#), November 29, 2017
- » [Green Bond Assessments - Global: Issuers exhibit strong organizational frameworks but differ on disclosure](#), September 19, 2017

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

© 2018 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. AND ITS RATINGS AFFILIATES ("MIS") ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MOODY'S PUBLICATIONS MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER. ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the Moody's publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any rating, agreed to pay to Moody's Investors Service, Inc. for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moody.com under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657 AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors. It would be reckless and inappropriate for retail investors to use MOODY'S credit ratings or publications when making an investment decision. If in doubt you should contact your financial or other professional adviser.

Additional terms for Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any rating, agreed to pay to MJKK or MSFJ (as applicable) for appraisal and rating services rendered by it fees ranging from JPY200,000 to approximately JPY350,000,000.

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.

REPORT NUMBER

1112449