

ASSESSMENT

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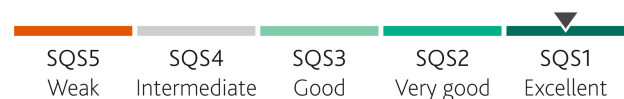
Government of Mexico

Second Party Opinion Update – SDG Sovereign Bond Framework Remains SQS1

Summary

We are maintaining an SQS1 sustainability quality score (excellent) - originally assigned in March 2023 - to the Government of Mexico's SDG Sovereign Bond Framework dated February 2020. Mexico has established its use-of-proceeds framework with the aim of financing environmental and social projects across 10 eligible SDG-related categories. SDG bonds issued during the 2024 budget year will finance – in an amount equivalent to the amount of issued bonds – the list of eligible expenditures identified for the 2024 budget, covering nine of the 10 eligible categories. The framework is aligned with the four core components of the International Capital Market Association's (ICMA) Green Bond Principles 2021 (with June 2022 Appendix 1) and Social Bond Principles 2023, and the government has also incorporated MIS-identified best practices for all four components. The framework demonstrates a high contribution to sustainability.

Sustainability quality score

SQS1


Alignment with principles USE OF PROCEEDS

Overall alignment



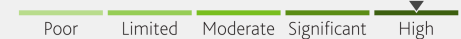
FACTORS

	ALIGNMENT
Use of proceeds	<div><div></div></div>
Evaluation and selection	<div><div></div></div>
Management of proceeds	<div><div></div></div>
Reporting	<div><div></div></div>



Contribution to sustainability

Overall contribution



Expected impact Relevance and magnitude

ADJUSTMENTS

ESG risk management	No adjustment
Coherence	No adjustment

Scope

We have provided a Second Party Opinion (SPO) on the sustainability credentials of Mexico's SDG Sovereign Bond Framework published in February 2020, including the framework's alignment with the ICMA's Green Bond Principles (GBP) 2021 (with June 2022 Appendix 1) and Social Bond Principles (SBP) 2023. Under its framework, Mexico – acting through the Ministry of Finance and Public Credit (or SHCP, Secretaría de Hacienda y Crédito Público) – plans to issue use-of-proceeds SDG green bonds, SDG social bonds or SDG sustainability bonds, with the aim of financing projects comprising 10 eligible SDG-related categories. For more detail on the eligible project categories, please see Appendix 2.

Our assessment is based on the published version of Mexico's SDG Sovereign Bond Framework, as well as the list of eligible expenditures for the 2024 budget year that the government expects to finance under its framework. Our opinion reflects our point-in-time assessment of the details contained in this version of the framework, as well as other public and non-public information provided by the government, including the list of eligible expenditures.

We produced this SPO based on our [Framework to Provide Second Party Opinions on Sustainable Debt](#), published in October 2022.

Recent developments

In line with the Issuer's commitments, Mexico has published its allocation and impact report 2023, which covers the performance of 2022 issuances. The issuer reports allocation and impact reporting at category (SDG) and project level, disclosing the allocation of proceeds distributed per SDG, the number of projects financed, environmental indicators, target population benefited for social projects and case studies for some eligible expenditures. In addition, the issuer has disclosed the allocation of proceeds for social expenditures by social gap level using the geospatial criterion, breaking down the proceeds among medium, high and very high gaps identified and also per geographical location (municipal and state level) in Mexico. Moreover, the report includes the evolution of some Key Performance Indicators (KPIs) at SDG level, covering the SDG bond reports from 2021 to 2023.

Compared to the assessment conducted in March 2023, the portfolio of eligible expenditures has minor changes. The issuer decided to remove one eligible expenditure from the SDG 4 category and include one new eligible expenditure for the SDG 2, maintaining a pool of 46 eligible expenditures in the portfolio analyzed. As well as in the previous assessment, the highest share of proceeds for 2024 budget year include SDG 2, SDG 3 and SDG 4.

Issuer profile

Mexico covers an area of around 1.97 million square kilometers, which makes it the third largest country in Latin America. The country has extensive coastlines, bounded by the Pacific Ocean to the west and south, and the Gulf of Mexico and the Caribbean Sea to the east. With 130 million inhabitants, Mexico is the most populous Spanish-speaking country in the world. Its economy is the second largest in Latin America, supported by strong macroeconomic institutions and trade openness.

Mexico's exposure to environmental risks is moderately negative given the country's exposure to physical climate risk in the form of extreme weather effects that may impact the finances of sub-sovereign states (not as much at the sovereign level) via reduced tourism, disaster relief and preparedness expenditure. The size and diversity of the economy help mitigate the impact at the sovereign level. Additionally, given the interdependence between the state-owned oil enterprise and the government, Mexico is exposed to carbon transition risks over the medium to long term.

Several factors contribute to Mexico's moderate exposure to social risks, including challenges in the provision and quality of education, housing and, most importantly, health and safety and access to basic services. Mexico has had rising levels of violence that threaten physical security in several states of the country for at least a decade. Additional risks are related to an aging population in the coming decades. This aging, in the context of a social security system that is significantly underfunded, will result in social demands that future administrations will have to contend with.

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

Strengths

- » Experienced sustainable bond issuer with a track record of issuing bonds under its framework since 2020
- » Demonstrated history of timely reporting covering both allocation of proceeds to individual projects and detailed information on environmental and social benefits
- » Excellent transparency around eligible projects to be financed annually under each year's budget
- » Use of geospatial eligibility criteria to identify and target regions where social gaps are the greatest
- » Evaluation and selection of eligible projects follow a clear and structured process leveraging relevant expertise

Challenges

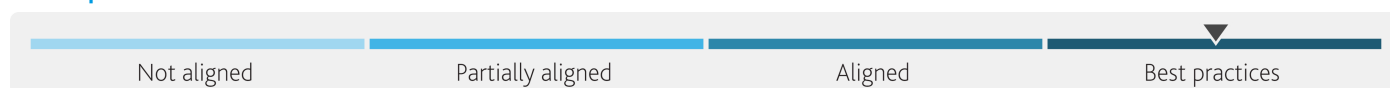
- » Eligible projects under some categories do not leverage best-in-class impact criteria and thresholds

Alignment with principles

The Government of Mexico's SDG Sovereign Bond Framework is aligned with the four core components of the ICMA's Green Bond Principles 2021 (with June 2022 Appendix 1) and Social Bond Principles 2023 and incorporates MIS-identified best practices for all four components:

- | | | |
|--|--|--|
| <input checked="" type="radio"/> Green Bond Principles (GBP) | <input checked="" type="radio"/> Social Bond Principles (SBP) | <input type="radio"/> Green Loan Principles (GLP) |
| <input type="radio"/> Social Loan Principles (SLP) | <input type="radio"/> Sustainability-Linked Bond Principles (SLBP) | <input type="radio"/> Sustainability Linked Loan Principles (SLLP) |

Use of proceeds



Clarity of the eligible categories – BEST PRACTICES

The government's framework includes details on eligible environmental and social projects comprising 10 eligible SDG-related categories (see contribution to sustainability section of this report for our category-specific analysis). The eligible categories and exclusion criteria are defined in general terms in the framework, with additional granular detail provided on an annual basis as the government identifies a series of eligible project expenditures to be financed in a given budget year. For its sustainable bonds to be issued in 2024, the government has clearly identified a portfolio of eligible sustainable expenditures, and these projects have been established in line with the definitions of green and social projects outlined in the GBP and SBP.

All eligible environmental and social projects will be located in Mexico. The government has clearly defined the target populations that will benefit from social projects, and it has applied relevant geospatial eligibility criteria to identify and target regions where the gaps in achieving the SDGs are the greatest.

Clarity of the environmental or social objectives – BEST PRACTICES

The government has clearly outlined the environmental and social objectives associated with all eligible categories, and all categories are relevant to the respective environmental or social objectives to which they are aiming to contribute. The framework directly leverages the UN Sustainable Development Goals (SDGs) in articulating the objectives of each of the eligible categories.

Clarity of expected benefits – BEST PRACTICES

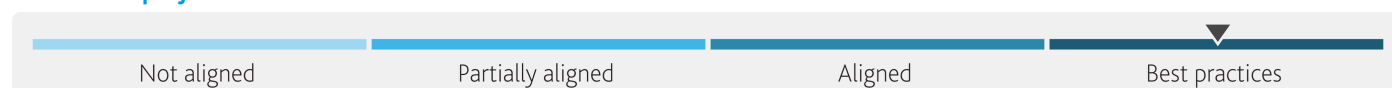
The government has identified clear expected environmental and/or social benefits for all eligible categories. The benefits are measurable for all project categories and will be quantified in the government's post-issuance reporting. The government reports that any of its SDG bonds issued in the 2024 budget year will finance – in an amount equivalent to the amount of issued bonds – the eligible expenditures that it has identified for the 2024 budget year, in line with the Mexican regulatory framework in place. The government indicates that it will only finance new projects with its SDG bond issuances, although it may include liability management

operations to repurchase or retire its domestic and external indebtedness, and disclose any such operations in its annual post-issuance reports.

Best practices identified - use of proceeds

- » Eligibility criteria are clearly defined for all project categories
- » Objectives set are defined, relevant and coherent for all project categories
- » Relevant benefits are identified for all project categories
- » Benefits are measurable and quantified for most projects, either ex-ante with clear baselines or with a commitment to do so in future reporting
- » Commitment to transparently disclose the share of proceeds used for refinancing where feasible
- » Commitment to transparently communicate the associated lookback period(s) where feasible

Process for project evaluation and selection



Transparency and quality of process for defining eligible projects – BEST PRACTICES

The government has established a clear, structured process for evaluating and selecting eligible projects. Roles and responsibilities are clear and include relevant internal expertise, which is formalized in the framework. SHCP oversees the implementation of the framework and is responsible for the eligibility of projects, assets and expenditures. The eligible budget of each bond is verified by the responsible ministries, through the 2030 agenda governance structure. The United Nations Development Programme (UNDP) is involved as an observer to SHCP during the evaluation and selection process and may provide technical support as necessary.

SHCP monitors eligible expenditures for continued compliance with general guidelines defined in the framework on an annual basis throughout the life of the instruments. In case an eligible expenditure becomes ineligible, the project will be removed from the portfolio. The government will publicly disclose any changes in the eligible project portfolio in its annual reports.

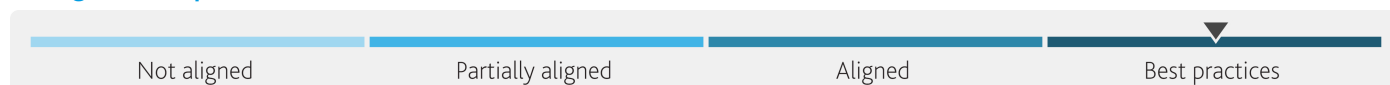
Environmental and social risk mitigation process – BEST PRACTICES

Following national environmental, social and governance policies and procedures, SHCP verifies all eligible projects' compliance with economic, legal and environmental regulations. SHCP will monitor potential ESG controversies linked with eligible projects on a monthly basis and will remove from the portfolio any projects with major ESG controversies. SHCP will also monitor the continued compliance of selected projects with the eligibility and exclusion criteria identified in the framework.

Best practices identified - process for project evaluation and selection

- » The roles and responsibilities for project evaluation and selection are clearly defined and include relevant expertise
- » There is evidence of continuity in the selection and evaluation process through the life of the financial instrument(s), including compliance verification and procedures to undertake mitigating actions when needed
- » The process for project evaluation and selection is traceable
- » Material environmental and social risks for most project categories are identified
- » Presence of corrective measures to address environmental and social risks across projects
- » ESG controversies are monitored

Management of proceeds



Allocation and tracking of proceeds – BEST PRACTICES

The government has defined a clear process for the management and allocation of bond proceeds. Net proceeds from any bonds issued under the framework will be placed in the general treasury account to finance the federal budget of the relevant year. SHCP will monitor the budgetary program on a quarterly basis, overseeing the financing of eligible expenditures and continued compliance of projects with the eligibility criteria, until the maturity date of the instrument. The balance of tracked net proceeds will be adjusted at least annually to match allocations to eligible sustainable expenditures made during that period for as long as any instrument is outstanding. An equal amount of SDG bonds issued in the 2024 budget year will finance eligible expenditures of the 2024 budget, meaning that net proceeds will be fully allocated by December 31, 2024.

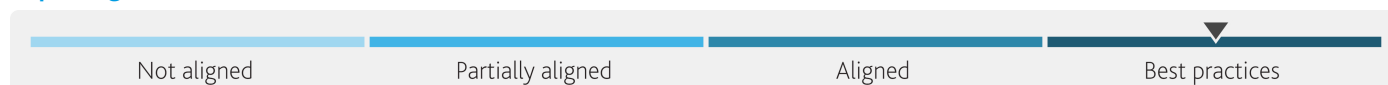
Management of unallocated proceeds – BEST PRACTICES

Unallocated proceeds will be invested in cash or short-term money market instruments and managed in line with Mexico's general treasury policy. Formal exclusion criteria applicable to the net proceeds raised by an instrument issued under this framework – including for temporarily permitted investments – have been established. In the event that a project is postponed, canceled or otherwise becomes ineligible, the government has committed to replace that project with a new eligible project.

Best practices identified - management of proceeds

- » Broad disclosure of a clearly articulated and comprehensive management of proceeds policy to external stakeholders; bondholders or lenders at a minimum
- » Short allocation period, for example typically less than 24 months
- » Disclosure on temporary placement and presence of exclusion criteria toward environmentally or socially harmful activities
- » Commitment to reallocate proceeds to projects that are compliant with the framework

Reporting



Transparency of reporting – BEST PRACTICES

As an experienced sustainable bond issuer since 2020, the government has a multiyear track record of timely and comprehensive post-issuance reporting. Reporting is done annually on the allocation of proceeds until bond maturity, is made publicly available on the SHCP website and includes a list of projects, brief project descriptions and relevant geospatial criteria related to social eligible expenditures. Reporting is done at least at the eligible project level and covers information related to the expected environmental and social benefits. In addition, the government has committed to report on material developments and controversies related to the projects.

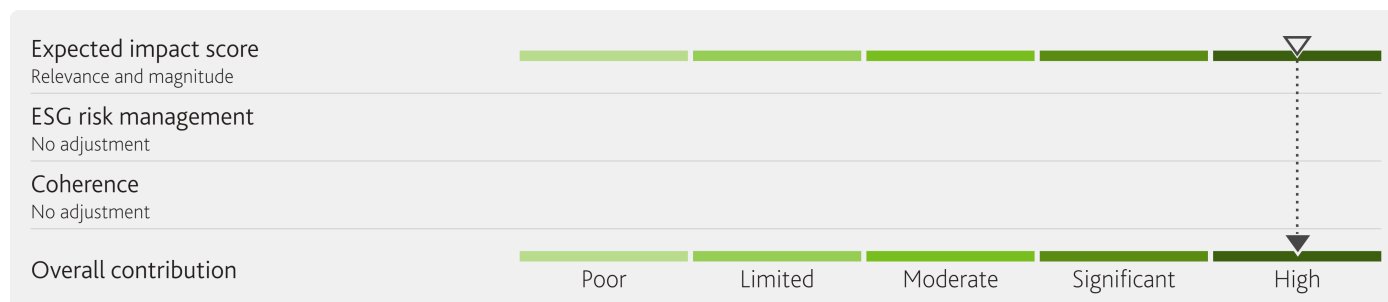
The government has identified and disclosed in its framework relevant environmental and social reporting indicators for each eligible category. The methodology and assumptions used to report on environmental and social impacts are publicly available in annual post-issuance reports. Mexico's superior audit office will annually verify the allocation of net proceeds to eligible expenditures until full allocation and in case of material changes. Environmental and social benefits are separately verified by independent government bodies, and the government reports that the superior audit office will also review the impact report.

Best practices identified - reporting

- » Reporting until full bond maturity or loan payback
- » Reporting covers material developments and issues related to the projects or assets
- » Reporting on allocation of proceeds and benefits done at least at eligible category level
- » Exhaustive allocation reporting – balance or % of unallocated funds, types of temporary investments (e.g. cash or cash equivalent) and share of financing vs re-financing
- » Clear and relevant indicators to report on the expected environmental/social impact of all the projects, where feasible, or eligible categories
- » Disclosure of reporting methodology and calculation assumptions to bondholders or lenders at a minimum
- » Independent audit of the tracking and allocation of funds at least until full allocation and in case of material changes
- » Independent impact assessment on environmental benefits by a qualified third-party reviewer at least until full allocation and in case of material changes and/or case studies to report on the social impact/benefits

Contribution to sustainability

The framework demonstrates a high overall contribution to sustainability.



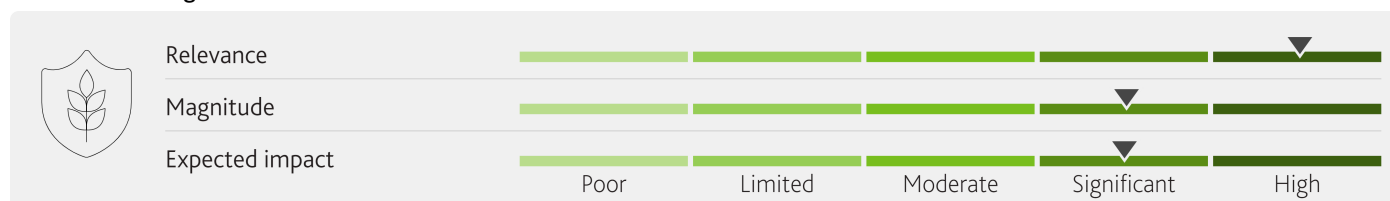
Expected impact

The expected impact of the eligible categories on environmental and social objectives is high. The government has provided the eligible expenditures to be financed by 2024 SDG bond issuances, in line with Mexico's 2024 national budget. Based on this information, we have estimated the distribution of proceeds to the eligible categories for the forthcoming issuances in 2024 and have thus weighted the categories for the purpose of assessing the overall contribution to sustainability. The SDG categories with the highest share of expected proceeds for the 2024 budget year include SDG 2 (zero hunger), SDG 3 (good health and well-being) and SDG 4 (quality education).

We have used the information on the specific projects and programs to be financed in the 2024 budget year to assess the contribution to sustainability of each eligible category, as the granular detail provided for most of these projects and programs helps clarify some of the broad project definitions provided in the framework. Of further note, the government will utilize geospatial criteria to identify the most in need populations for all eligible categories focused on social projects, helping to strengthen the expected impact of financed projects by identifying and serving the most vulnerable segments of the country's population.

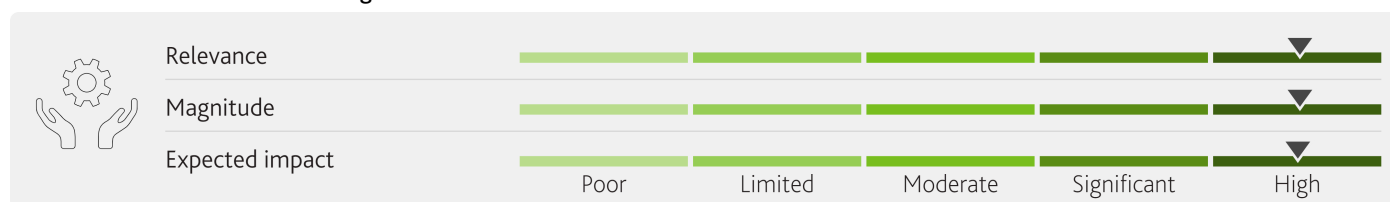
A detailed assessment by eligible category is provided below. Please see Appendix 2 for more detail on the eligible categories outlined in the government's framework, with projects expected to be financed in the 2024 budget year in bold text.

SDG 2 – Zero hunger

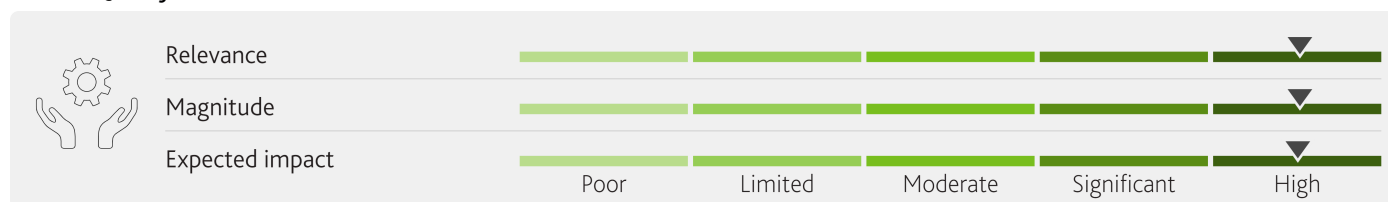


Food insecurity is a highly relevant issue in Mexico where more than 10% of the population lacks access to adequate food. In nine of the poorest Mexican states, that number jumps to between 25-35%. Furthermore, the country imports almost half of the food it consumes, as well as most of the inputs, machinery, equipment and fuels for agriculture. Eligible expenditures in this category include programs directed to support the production capacity of small- and medium-sized farmers throughout the country. This includes both subsidies and guaranteed prices for small producers, as well as capacity building and technical assistance, equipment and machinery, all with the aim of empowering a highly vulnerable population. Although one of the programs include elements of technical assistance to farmers to implement sustainable agriculture practices, we note that sustainable agriculture practices are not necessarily embedded across all projects in this category.

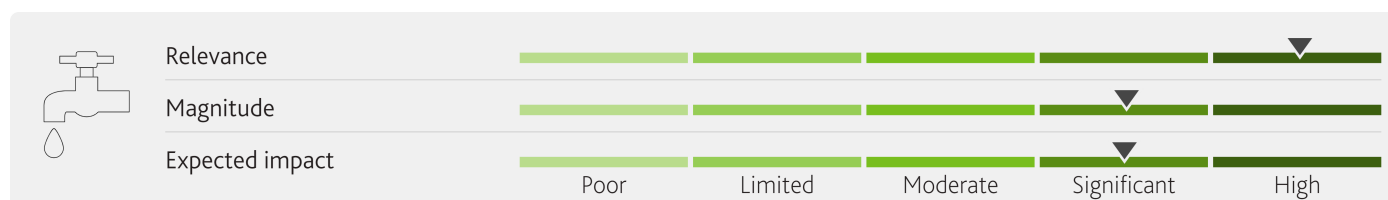
SDG 3 – Good health and well-being



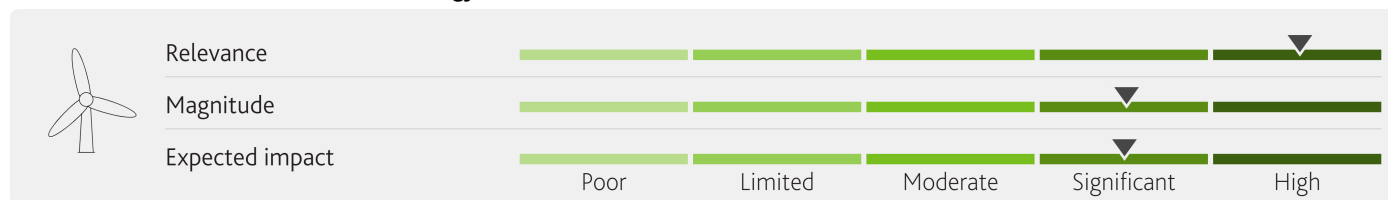
One of the biggest challenges for Mexico in terms of healthcare is unequal access to healthcare services, and this challenge has accelerated in recent years. According to Mexico's national council for the evaluation of social development policy (CONEVAL), between 2018 and 2020 there was an increase in the lack of access to health services from 16.2% to 28.2% across the country. Eligible expenditures in this category are thus aiming to address a highly relevant issue by promoting the expansion of coverage of healthcare services for those populations not covered by any of the existing health care mechanisms. In addition to direct funding of healthcare services, eligible expenditures also include training programs for healthcare professionals, research and prevention programs, awareness raising and others. As such, we anticipate projects in this category will tackle the expansion of access to healthcare services to a highly vulnerable population in a comprehensive manner.

SDG 4 – Quality education

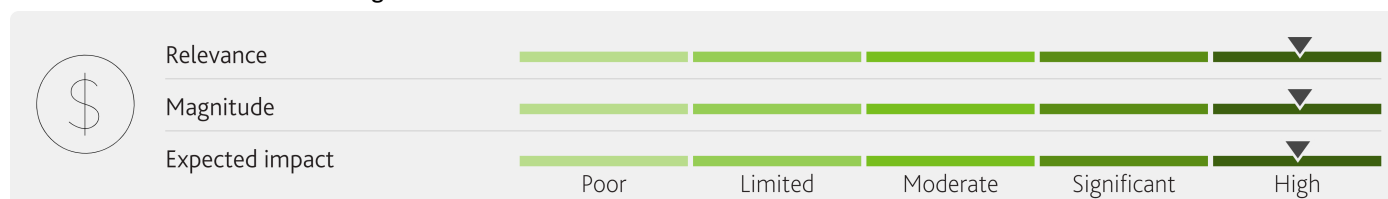
Increasing the rate of educational attainment is a highly relevant issue in Mexico that contributes to other social benefits including economic empowerment. According to OECD data, 32% of 25-64 year-olds with below upper secondary educational attainment earned at or below half the median earnings in 2018, above the OECD country average of 27%. Furthermore, based on 2018 data, Mexico spent less per student compared to OECD countries for education at the primary, secondary and tertiary level, indicating that continued investment is needed to improve educational attainment across the country. Eligible expenditures under this category are mainly directed to promote access to higher education through scholarships and grants, improving the education infrastructure and services, as well as training for education professionals. These expenditures are likely to have high impact because they will lower the financial hurdle of accessing and completing higher education while improving educational infrastructure and quality for the most vulnerable populations.

SDG 6 – Clean water and sanitation

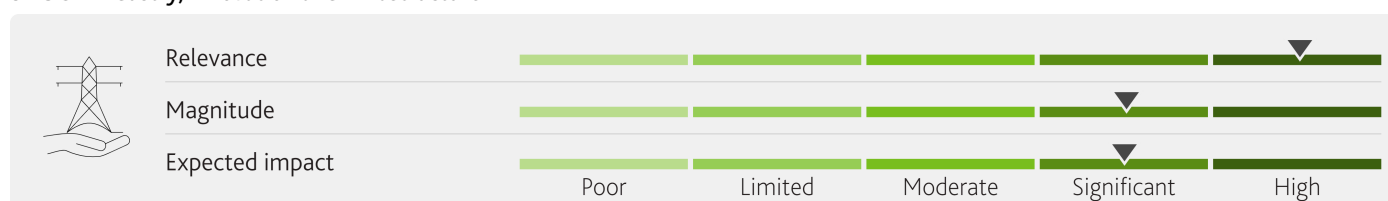
Water scarcity in certain parts of the country and inadequate drinking water and wastewater treatment infrastructure continue to represent substantial challenges in Mexico. More than half of Mexican households with access to piped water receive services on an intermittent basis, particularly in smaller municipalities and poor areas, and the need has increased since the COVID-19 pandemic, indicating that investments in this category will address a highly relevant issue in the national context. Eligible expenditures in this category include the programs and initiatives of Mexico's national water commission, including infrastructure for drinking water, sewage and sanitation, sustainable management of water resources and the rehabilitation and modernization of dams and hydro-agricultural structures. These projects are expected to provide significant positive impact as they promote long-term and equal access to drinking water and sanitation services. However, there is limited visibility on the energy efficiency or greenhouse gas (GHG) emission performance of the projects in this category. Furthermore, the inclusion of dams and hydro infrastructure carry potential biodiversity impacts in the areas surrounding the projects.

SDG 7 & SDG 13 – Affordable and clean energy & climate action

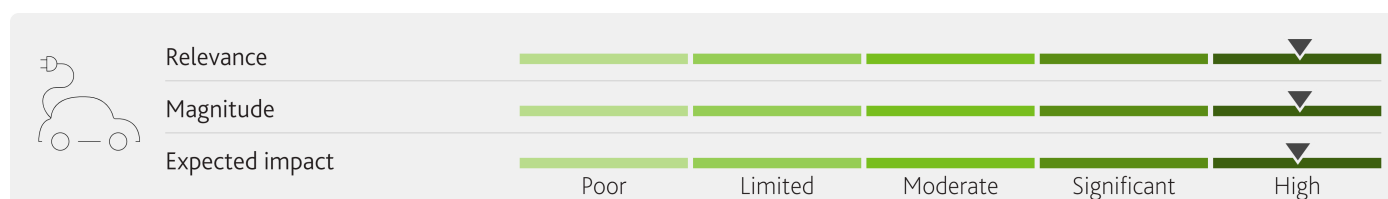
Mexico is the second largest emitter of GHGs in Latin America, with total energy supply by source primarily represented by fossil fuels. The promotion of renewable energy and energy efficiency is thus key to achieve the country's targets under the Paris agreement, namely to reduce GHG emissions by 22% by 2030. Eligible expenditures in this category include programs aimed at promoting the energy transition related to energy efficiency, self-generation of renewable energy, electromobility, awareness raising programs and smart grid programs. Although the identified projects largely focus on renewable energy with no identified lock-in effects, the focus on self generation will have a relatively small impact on the country's broader decarbonization plans. In addition, there is limited visibility on the expected reduction of energy consumption for some of the energy efficiency programs.

SDG 8 – Decent work and economic growth

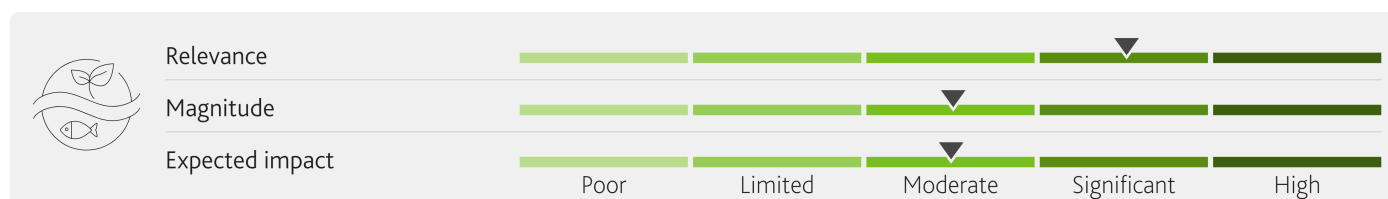
According to the World Bank, Mexico trails other countries with similar degrees of economic development in terms of financial inclusion, with only 37% of Mexican adults having financial accounts and 32% having made or received digital payments. Furthermore, there are economic inequalities in the country between the indigenous and non-indigenous populations, which are reflected in access to financial resources and in the labor market. Eligible expenditures in this category are thus addressing a highly relevant sustainability challenge and include programs that promote Mexico's financial inclusion policies, with a specific focus on programs aiming to improve the well-being of indigenous people throughout the country. Programs also include a focus on economic development of communities and financial literacy programs, all of which will provide long-term benefits to a vulnerable population.

SDG 9 – Industry, innovation and infrastructure

Access to basic services including affordable basic infrastructure is a highly relevant social challenge in Mexico, as reflected in high rural poverty rates and the social and economic disparities that exist between rural and non-rural populations. In 2020, the rural poverty rate was 56.8%, compared with 40.1% in urban areas. Eligible expenditures in this category include a focus on improved transport accessibility, such as expanding road construction to enhance the connectivity of rural areas, which is one way to expand access to essential services and opportunities for rural populations. Although we expect the transport connectivity projects in this category to provide significant socioeconomic benefits to vulnerable rural populations, road construction projects could have negative environmental impacts, somewhat limiting the overall positive impact of the initiatives.

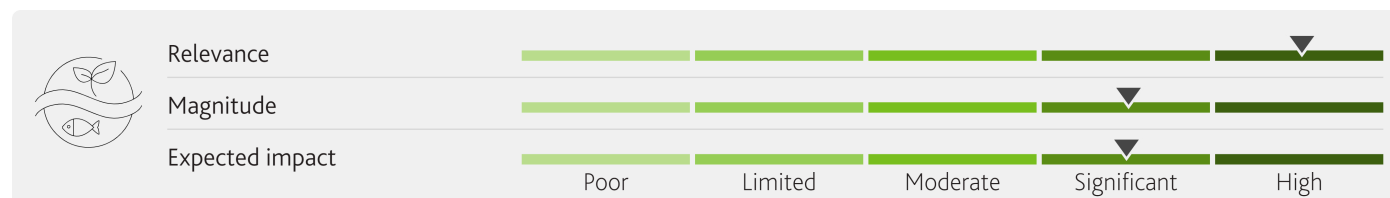
SDG 11 – Sustainable cities and communities

The transport sector is the second largest contributor to Mexico's GHG emissions, suggesting that the decarbonization of the transport sector will have a high impact on the country's climate mitigation efforts. Countries have a key role in reducing GHG emissions and pollution by financing alternative modes of transport and improving fuel efficiency in the transport sector. Eligible expenditures in this category only include electrical railways that are part of Mexico's national transport development program. Electric railways typically have high impact on a country's transport decarbonization efforts by leveraging best-in-class technologies with no direct emissions.

SDG 14 – Life below water

Although water biodiversity is an important issue for Mexico and future projects under this category will aim to finance conservation, restoration and sustainable management of watersheds, we have little visibility on specific potential projects to be financed in this category, thus limiting the precision of our scoring for this category. No eligible expenditures have been identified for the 2024 budget year for this category, however, and we have thus not included the expected impact scoring for this category in our overall scoring of contribution to sustainability.

SDG 15 – Life on land



Mexico is one of the most diverse countries in terms of terrestrial biodiversity, representing 12% of global biodiversity despite just 1.5% of global land surface, making protection of terrestrial biodiversity a highly relevant issue. Eligible expenditures under this category include the conservation and sustainable management initiatives of various governmental agencies focused on the protection of the country's natural resources. Projects under this category have a long-term approach that seek to contribute to the sustainable management of natural resources and land, as well as conservation of terrestrial biodiversity.

ESG risk management

We have not applied a negative adjustment for ESG risk management to the expected impact score. The nature of the projects to be financed under Mexico's SDG Sovereign Bond Framework suggest there will be limited environmental and social externalities as a result of the construction and operation of the projects given the ESG risk management measures in place. Mexico has established environmental, social and governance policies and procedures, which are monitored and controlled by the relevant ministries during the execution of public investment projects. Prior to the selection of the eligible expenditures, SHCP verifies the projects' compliance with economic, legal and environmental regulation. On the evaluation of social risks, CONEVAL executes the evaluation of the impact of social projects under the country's national social development policy and all related programs.

Coherence

We have not applied a negative adjustment for coherence to the expected impact score. Although we acknowledge that the country is one of the largest oil producers in the region and concerns have been raised by internationally recognized non-governmental organizations on the climate-related efforts¹, the framework's categories align with Mexico's long-term sustainability strategy and its commitment to the UN's 2030 agenda for sustainable development. The government has incorporated the principles and objectives of the 2030 agenda into its development plans, public policies and federal budgets. Since the 2018 federal budget, the government has established through SHCP a formal link between the current national planning process, the global 2030 agenda and the SDGs, thus allowing for strategic planning towards the 2030 agenda and monitoring and reporting of results and impacts. By creating its framework to issue SDG Sovereign Bonds intended to finance – in an amount equivalent to the amount of issued bonds – eligible expenditures across a wide range of relevant environmental and social issues, Mexico coherently aligns with its sustainability strategy and commitments to bridge gaps in achieving the SDGs.

Appendix 1 - Mapping eligible categories to the United Nations' Sustainable Development Goals

The ten eligible categories included in Mexico's SDG Sovereign Bond Framework are likely to contribute to eleven of the United Nations' Sustainable Development Goals (SDGs), namely:

UN SDG 17 Goals	SDG Targets
GOAL 2: Zero Hunger	2.1: End hunger and ensure access by all people to safe, nutritious and sufficient food all year round
	2.A: Enhance agricultural capacity in emerging markets through investment in rural infrastructure, research and technology
GOAL 3: Good Health and Well-being	3.1: Reduce the global maternal mortality ratio to less than 70 per 100,000 live births
	3.2: End preventable deaths of newborns and children under 5 years of age
	3.3: End the epidemics of AIDS, tuberculosis, malaria and neglected tropical diseases and combat other communicable diseases
	3.7: Ensure universal access to sexual and reproductive health-care services
GOAL 4: Quality Education	4.1: Ensure that all children complete quality primary and secondary education leading to relevant and effective outcomes
	4.3: Ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education
	4.4: Increase the number of youth and adults with technical and vocational skills for employment and entrepreneurship
GOAL 6: Clean Water and Sanitation	6.1: Achieve universal and equitable access to safe and affordable drinking water for all
	6.2: Achieve access to adequate sanitation and hygiene for all and end open defecation
	6.4: Increase water-use efficiency across all sectors and ensure sustainable supply of freshwater to reduce water scarcity
GOAL 7: Affordable and Clean Energy	7.1: Ensure universal access to affordable, reliable and modern energy services
	7.2: Increase substantially the share of renewable energy in the global energy mix
	7.3: Double the global rate of improvement in energy efficiency
GOAL 8: Decent Work and Economic Growth	8.6: Substantially reduce the proportion of youth not in employment, education or training
	8.9: Devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products
	8.10: Strengthen the capacity of domestic financial institutions to expand access to insurance and financial services for all
GOAL 9: Industry, Innovation and Infrastructure	9.1: Develop sustainable infrastructure to support economic development and human well-being, focusing on equitable access
	9.C: Increase access to information and communications technology and provide universal and affordable access to the Internet
GOAL 11: Sustainable Cities and Communities	11.2: Provide access to safe, affordable, accessible and sustainable transport systems for all

GOAL 13: Climate Action	13.2: Integrate climate change measures into national policies, strategies and planning
GOAL 14: Life Below Water	14.1: Prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities
	14.2: Sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts
GOAL 15: Life on Land	15.1: Ensure the conservation and sustainable use of terrestrial and inland freshwater ecosystems and their services
	15.2: Promote the implementation of sustainable management of all types of forests
	15.3: Combat desertification and restore degraded land and soil
	15.4: Ensure the conservation of mountain ecosystems, including their biodiversity
	15.5: Reduce the degradation of natural habitats and biodiversity loss, and prevent the extinction of threatened species

The United Nations' Sustainable Development Goals (SDGs) mapping in this SPO considers the eligible project categories and associated sustainability objectives/benefits documented in the issuer's financing framework, as well as resources and guidelines from public institutions, such as the ICMA SDG Mapping Guidance and the UN SDG targets and indicators.

Appendix 2 - Summary of eligible categories in the Government of Mexico's SDG Sovereign Bond Framework

Eligible Category	Description	Sustainability Objectives	Illustrative Reporting Metrics
SDG 2 - Zero hunger	-Production subsidies to small and medium farmers (20ha) for basic food products (staple food programs) - Training to small to medium farmers to increase production yields (20ha) - Consumption subsidies for basic food products (staple food programs) - Free public-school meals - Promoting the resilience of the agricultural sector through universal insurance coverage for small producers to cover losses resulting from climate related events such as droughts or floods, as well as plagues and earthquakes and other agricultural risks	Food Security	- Target population recipients by program - Number of claims processed p.a. and % of claims approved - Decrease in prevalence of undernourishment (% population) - % of Food products being produced within the limit of 250 km per meal - % of seasonal produce per meal - Increase in the number of people provided with safe, nutritious and sufficient food
SDG 3 - Good health and well-being	- Financing to construct, equip, operate hospitals, clinics and health care centers for the provision of public/free/subsidized health services - Infrastructure and equipment for the provision of public emergency medical response and disease control services - Educational and vocational training centers for medical, public health and emergency response professionals - Provision / distribution of public healthcare equipment and services - Prevention and care of Sexual Transmitted Infections public programs - Support to public health professionals through the purchase of materials, mobility and training - The use and deployment of technological advancements in the public health system to detect and prevent diseases - Public services, and equipment to improve sexual and maternal and women health - Addiction prevention and care public programs	Access to healthcare services	- Increase in the number of: (i) hospital and other healthcare facilities built/upgraded (ii) medical consultations per year - Number of patients treated by program - Healthy life expectancy at birth (years) - Maternal mortality (per 100,000 live births) - Under 5 mortality (per 1,000 live births) - Incidence of tuberculosis (per 100,000) - HIV prevalence (per 1,000) - Births attended by skilled health personnel (%) - Prevalence of underweight (% of children under 5, weight for age)
SDG 4 - Quality education	- Construction and improvement of public schools, campus, student housing - Purchase of hardware equipment for public education purposes - Educational scholarships (to cover fees or living cost) for basic education, high school, undergraduate or postgraduate - Educational grants - Training for educational professionals of the public education system, including post- graduate education - Technical training to young unemployed people - Financing of universities for low- income students - Needs-based educational scholarships (to cover fees or living cost) for basic education, high school, undergraduate or postgraduate	Access to educational services	- Area of classroom space that was built, converted, or expanded for use within educational facilities (m2) - Number of beneficiaries Scholarship amount (M\$) - Proportion of schools with access to: (a) electricity; (b) the Internet; (c) computers; (d) adapted infrastructure and materials for students with disabilities; (e) basic drinking water; (f) single-sex basic sanitation facilities; and (g) basic handwashing facilities - School dropout reduction in target regions and among target populations - Decrease in the percentage of early school leavers from education and training - Increase in the participation rate of youth and adults in formal and non- formal education and training in the last 12 months - School performances improvement of the beneficiaries - Social diversity improvement in class - PISA score (0-600) - Share of resilient students among disadvantaged students (%) - Increase in the number of young people from low income backgrounds progressing to higher education - Proportion of schools with access to: electricity; the Internet; computers, adapted infrastructure and materials for students with disabilities, basic drinking water, single sex basic sanitary facilities, and basic handwashing facilities

SDG 6 - Clean water and sanitation	<p>- Construction and improvement of public water treatment infrastructure</p> <p>- Construction of public water distribution network or maintenance</p> <ul style="list-style-type: none"> - Subsidized water tariffs <p>- Rehabilitation of public water treatment plants</p> <p>- Public sanitation projects</p> <ul style="list-style-type: none"> - Conserve, rehabilitate and modernize hydro- agricultural infrastructure (e.g. irrigation systems) - Rainwater collector systems (storage facilities) - Pumping station operation, surveillance of wells systems - Development of new methodologies and technological platforms to improve meteorological and hydrological forecasts (Early warning systems for monitoring and forecasting water-related hazards) - Development of water related hazard emergency plans and procedures (Expand the capacity of Emergency Care Centers) - Develop and adapt projects for the construction, operation and maintenance of public sanitation infrastructure (increased resilience of sewer function and operations) <p>- Expenditures in public hydraulic infrastructure assets and rehabilitation and conservation of dams and head structures</p>	<p>Access to water</p> <ul style="list-style-type: none"> - Km of water distribution network built - Number of water treatment plants <p>Climate change adaptation</p> <ul style="list-style-type: none"> - Volume of clean water provided - % of municipal wastewater collected that is treated - Yield improvement of basic crops in areas with irrigation infrastructure - Reallocation of buildings/critical facilities outside high-risk flood areas, especially from vulnerable costal zones - Number of inhabitants or cities protected against floods - Improvements in the proportion of the population with a daily access to water and improved sanitation - Efficiency in water use measured as % of gross value added among water used - Improvement in water use efficiency in agricultural, industrial and tourism sectors - Volume of untreated sewage that is treated and either reused or disposed of - Minimization of flood risks and improved property protection and emergency capacities improvement - Number of people and/or enterprises benefitting from measures to mitigate the consequences of floods and droughts - Water loss in pipelines (%) - Improvement in the % of public buildings with: (i) Basic drinking water (ii) Basic sanitation facilities (iii) Basic handwashing facilities - % of the population that has daily access to piped water and basic sanitation - Decrease in diseases related to poor water quality - Yield improvement of basic crops in areas with irrigation infrastructure - Reallocation of buildings/critical facilities outside high-risk flood areas, especially from vulnerable costal zones - Number of inhabitants or cities protected against floods - Reduction of the damage on existing wastewater
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SDG 7 & 13 - Affordable and clean energy & climate action	<ul style="list-style-type: none"> - Transmission and distribution lines that meet the technical criteria for the EU Taxonomy for Sustainable Activities - Energy storage associated with the integration of eligible renewable energy investments, or smart grid investments such as: (i) Mechanical technology: pumped hydroelectric energy storage (PHES), compressed air energy storage (CAES) (ii) Thermal and thermochemical technology: sensible heat or latent heat, energy by sorption (iii) Chemical technology: storage in the form of oxygen or hydrogen gas - Dedicated smart grid investments or training programs to facilitate the efficient integration of renewable energy and energy efficiency programs. - Financing of programs for the sustainable use of energy - Maintenance of clean energy infrastructure in line with the EU Taxonomy for Sustainable Activities - Investments in projects from renewable energy sources as per the EU Taxonomy for Sustainable Activities. Including the production of electricity from wind power, solar PV, concentrated solar power, ocean energy, geothermal (below 100gCO₂/kWh), bioenergy, Hydro power below 25MW; and Hydro Power above 25MW that meets the following criteria: (i) Emissions intensity below 100gCO₂e/kWh (or a power density greater than 5 MW/m²); (ii) Meets strict Adaptation and Resilience criteria by an independent assessor using the using the ESG Gap Analysis Tool (iii) The project is not located in (or close to: 10km terrestrial distance or 50km maritime distance) a key Biodiversity Area (iv) Identified Hydropower plants do not appear on RepRisk - Energy efficiency investments in public buildings that result in energy savings of at least 20% - Programs dedicated to energy efficiency improvements in both the private and public sectors - Financing of the operation and programs of the National Commission for the Efficient Use of Energy 	Mitigation of GHG emissions	<ul style="list-style-type: none"> - Production capacity (GW) - Annual production GWh (real/estimated for operating and construction assets) - Amount of stored energy / storage capacity and technology used (GWh stored) - % and absolute (kWh) of annual energy savings - Annual GHG emissions avoided (tCO₂e)
SDG 8 - Decent work and economic growth	<ul style="list-style-type: none"> - Infrastructure and programs to increase access to financing and financial services including improved access to welfare payments to the vulnerable and disadvantage groups - Tools to strengthen financial knowledge and protection for consumers - Infrastructure and programs to increase access to financial services to people and micro and small enterprises - Programs to increase and strengthen access to financial literacy - Build new bank branches in isolated and rural areas - Development and strengthening of digital payment systems - Employment generation in sustainable tourism for Indigenous and Afro-Mexicans population - Community projects in food self-sufficiency in Indigenous and Afro-Mexican communities - Construction of productive infrastructure (collection, selection and packaging centers, sawmills, infrastructure for livestock) in Indigenous and Afro-Mexican communities - Maintain and develop exchange networks to promote ancestral indigenous knowledge and practices - Conservation of cultural, educational and natural heritage centers - Scholarships for employment training 	Socioeconomic development	<ul style="list-style-type: none"> - Number of jobs created - Number of branches opened - Increase to the number of loans, deposits or insurance products granted - Number of community projects that generate food self sufficiency - Number of projects funded - Number of training programs completed - Number of scholarships granted - Number of training centers developed - Increase in the % of population with access to bank accounts or mobile- money - Increase in the % of eligible beneficiaries accessing social security - Increase in % of female run enterprises - Increase in the % of enterprises run by Indigenous or Afro-Mexican people - Percentage of training program participants obtaining employment within 12 months

SDG 9 - Industry, innovation and infrastructure	- Development of rural and feeder roads in areas that lack connectivity, or in areas lacking access to key social infrastructure (e.g. schools healthcare) - Increased access to and development of broadband internet (Optic fiber networks)	Connectivity improvement	- Percentage of households having access to internet - Percentage of households having access to internet above 3Mbps - Length of road construction with equitable access (km) - Reduction of travel time - Reduction of days without access to essential services (e.g. schools, healthcare, markets)
SDG 11 - Sustainable cities and communities	- Electrified rail transport infrastructure for freight and/or passenger transport & acquisition of new electric rolling stock - Bus-rapid-transit infrastructure and fleets that meet Bronze, Silver or Gold score under the BRT Standard - Intermodal exchange hubs enabling transfers: (i) Combined transport platforms: e.g. rail- road, rail-river (ii) Multimodal platforms allowing access to clean modes (train station, river port...) - Discount fees for public transport services for students, unemployed people, disabled people, veterans - Reimbursement of public transit passes for civil servants	Mitigation of GHG emissions	- Length of low carbon tracks built - Increase in passenger km - Traffic modal split data change (percentage of trips made by road, rail and inland waterways) - Public Transport and Sustainable Mobility (i) modal shift (number of additional public transport users) (ii) emissions of greenhouse gas avoided (t eq.CO2)
SDG 14 - Life below water	- Conservation, restoration and sustainable management of watersheds	Conservation of marine biodiversity	- Number of basins and regulated aquifers - Number of operating erosion control systems - Hydrological restoration (number of sites)
SDG 15 - Life on land	- Support for sustainable forestry development - Sustainable management and maintenance of National Parks and Conservation Areas - Wildlife Conservation programs - programs for the protection and restoration of ecosystems and priority species	Conservation of land biodiversity	- Areas converted to sustainable management practices (Ha) - Areas under restoration/rehabilitation (km2) - Areas conserved &/or recovered (km2)

Endnotes

1 [Climate action tracker, Mexico's country profile](#), accessed in December 2023.

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