

# Second-Party Opinion

## BBVA Bancomer Green Bond

### Evaluation Summary

BBVA Bancomer intends to issue a green bond under the Bank's parent company framework, the BBVA Sustainable Development Goals (SDGs) Bond Framework. Sustainalytics is of the opinion that the BBVA SDGs Bond Framework is credible and impactful, and aligns with the four core components of the Green Bond Principles 2018. This assessment is based on the following:



**USE OF PROCEEDS** The green eligible use of proceeds categories for the BBVA Bancomer Green Bond align with those recognized by the Green Bond Principles and the BBVA SDG Bond Framework. Sustainalytics considers that loans to finance projects related to energy efficiency (including green buildings), renewable energy, sustainable transport, water, and waste management will lead to positive environmental impacts and advance the UN Sustainable Development Goals.



**PROJECT EVALUATION / SELECTION** BBVA has established a process whereby any of its subsidiaries' green bond loans or projects will be analyzed in accordance with the parent company's Sustainable Finance Working Group. The most appropriate loans will then be selected by the Sustainable Finance and Reputational Risk team and further assessed by the BBVA SDGs Bond Committee. The committee consists of experts from such groups as Responsible Business, Fixed Income Origination, Sustainable Finance and Reputational Risk, Finance, and Global Client Coverage. The final decision on whether a project receives green bond proceeds will rest with the Responsible Business team. In addition, the Bank is a signatory to the Equator Principles. This is in line with market best practice.



**MANAGEMENT OF PROCEEDS** BBVA Bancomer and BBVA will track the use of proceeds of its green bond and maintain a buffer of projects beyond the proceeds arising from the green bond issuance to ensure compliance with the use of proceeds. Proceeds are expected to be allocated immediately; if this is not possible the balance of unallocated net proceeds will be held in a liquidity portfolio. This is in line with market practice.



**REPORTING** Within 12 months of issuance, and until the relevant maturity date, BBVA Bancomer intends to publish a SDGs Bond Report on its website according to the BBVA SDG Bond Framework, Allocation reporting will be provided at the category level, while impact reporting will include key performance indicators, where possible. In Sustainalytics' view, reporting on these metrics is in line with market practice; Sustainalytics also encourages post-issuance reviews to ensure ongoing compliance with the criteria of the Framework and positive environmental outcomes.

<b>Evaluation date</b>	September 4, 2018
<b>Issuer Location</b>	Mexico City, Mexico

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## Introduction

BBVA Bancomer S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer (“BBVA Bancomer” or the “Issuer” or the “Bank”), founded in 1932, is the largest financial institution in Mexico, operating as a fully owned subsidiary of BBVA S.A.

In April 2018, BBVA S.A (“BBVA”), the parent company of BBVA Bancomer, issued an SDG Bond Framework, under which it is able to issue green, social, or sustainability bonds. BBVA Bancomer intends to issue a Green Bond under the parent company’s framework and use the proceeds to finance or refinance, in whole or in part, loans to eligible companies or projects that provide environmental benefits. BBVA Bancomer has identified that its green bond will fund companies or projects in the five eligible green areas specified by the BBVA SDG Bond Framework:

1. Energy Efficiency (including green buildings that have received environmental certifications such as LEED, minimum silver, or BREEAM, minimum good)
2. Renewable Energy
3. Sustainable Transport
4. Waste Management
5. Water

A list of potential eligible projects and projected allocations for the 2018 Green Bond issuance is provided in Appendix 1. This list is not intended to be exhaustive, and BBVA Bancomer may add or remove eligible projects to ensure full allocation as necessary.

BBVA Bancomer engaged Sustainalytics to review the nominated Green Bond projects and provide a second-party opinion on the alignment of the Green Bond with the BBVA SDG Bond Framework and the Green Bond Principles 2018 (the “GBP”), as administered by the International Capital Market Association (the “ICMA”)<sup>1</sup>. The BBVA SDG Bond Framework has been published in a separate document.<sup>2</sup>

As part of this engagement, Sustainalytics held conversations with various members of BBVA Bancomer’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of BBVA Bancomer’s Green Bond. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the BBVA SDG Framework and the BBVA Bancomer Green Bond use of proceeds and should be read in conjunction with that framework.

<sup>1</sup> ICMA’s Green Bond Principles 2018 <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

<sup>2</sup> BBVA SDG Bond Framework [https://shareholdersandinvestors.bbva.com/wp-content/uploads/2018/04/BBVA-SDGs-Bond-Framework\\_23042018\\_Eng.pdf](https://shareholdersandinvestors.bbva.com/wp-content/uploads/2018/04/BBVA-SDGs-Bond-Framework_23042018_Eng.pdf)

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the BBVA SDGs Bond Framework

#### Summary

Sustainalytics is of the opinion that the BBVA SDG Bond Framework and the BBVA Bancomer Green Bond issued under this framework are credible and impactful, and align with the four core components of the Green Bond Principles 2018. Sustainalytics highlights the following elements of BBVA Bancomer's Green Bond:

- The eligible use of proceeds categories (Energy Efficiency (including green buildings), Renewable Energy, Sustainable Transport, Waste Management and Water) are recognized by the Green Bond Principles 2018 as having clear environmental benefits, and Sustainalytics views these projects as having a positive environmental impact (for additional information on impact see Section 3).
  - Sustainalytics views positively the alignment of the green buildings projects with credible third-party standards such as LEED and BOMA BEST. Sustainalytics recognizes that while LEED Gold is sometimes viewed as best practice, it is important to consider the local market, and that lower certification levels are more impactful in some jurisdictions. BBVA Bancomer is encouraged to strive for LEED Gold or higher certifications, where economically and commercially feasible. Please see Appendix 2 for a comparison of green building certification schemes and Section 3 for further discussion of green buildings in the local context.
  - Sustainalytics recognizes that the GBP favour project-based lending and financing, and that there is, in general, less transparency with non-project-based lending. While BBVA's framework includes project-based lending, it also allows for general corporate financing. By placing quantitative thresholds on the percentage of revenue that a company must derive from eligible areas, Sustainalytics is of the opinion that BBVA has ensured that proceeds of the green bond will be directed to environmentally beneficial activities.
  - The BBVA SDG Bond Framework specifies a look-back period of up to three years from the date of the bond issuance to be eligible for financing or refinancing.
- BBVA Bancomer will adhere to the process for project selection outlined in the BBVA SDGs Bond Framework.
  - BBVA has established a process whereby any of its subsidiaries' green bond loans or projects will be analyzed by the parent company's Sustainable Finance Working Group (SFWG), headed by the Responsible Business Secretariat. BBVA Bancomer will submit a list of green projects to be considered for the green bond, and these prospective projects will be reviewed by the SFWG.
  - The most appropriate loans will then be selected by the Sustainable Finance and Reputational Risk team and further assessed by the BBVA SDGs Bond Committee. The committee consists of experts from such groups as Responsible Business, Fixed Income Origination, Sustainable Finance and Reputational Risk, Finance, and Global Client Coverage.
  - The final decision on whether a project receives green bond proceeds will rest with the Responsible Business team.

Furthermore, BBVA is a signatory to the Equator Principles, demonstrating a commitment to funding environmentally and socially responsible projects. Sustainalytics therefore considers BBVA's project selection process to be aligned with market best practice.
- BBVA Bancomer's Green Bond use of proceeds will be tracked internally by the Bank, following the process outlined in the BBVA SDGs Bond Framework. BBVA Bancomer intends to immediately allocate any green bond proceeds; if this is not possible the Bank will hold the balance of unallocated net green bond proceeds in its liquidity portfolio. In the case that any project no longer complies to the use of proceeds criteria, BBVA Bancomer will substitute for a fully compliant project. This is aligned with market practice.
- BBVA Bancomer will report annually for the life of the bond, on its website, an "SDG Bond Report" which will report information regarding BBVA Bancomer's Green Bond allocation and impacts. Sustainalytics considers these reporting commitments in line with market practice.
  - Allocation reporting will include the share of bond proceeds directed to each eligible green bond category, share of proceeds used for financing or refinancing, and the balance of unallocated proceeds.
  - Impact reporting will identify which SDGs apply to each green category and the relevant expected environmental impacts, using quantifiable impact metrics where possible.

- Sustainalytics has reviewed potential projects for inclusion in the green bond, and considers them to be environmentally beneficial and in alignment with BBVA SDG Bond Framework. Furthermore, Sustainalytics encourages BBVA Bancomer to obtain post-issuances reviews from a third-party, either annually or when the assets to which green bond funds are change, to ensure that any projects added to the green bond at a future date have equally strong environmental credentials.

### Alignment with Green Bond Principles 2018

Sustainalytics has determined that BBVA Bancomer's Green Bond aligns with the four core components of the Green Bond Principles 2018. For detailed information please refer to Appendix 3: Green Bond/Green Bond Programme External Review Form.

## Section 2: Sustainability Performance of the Issuer

### Contribution of framework to BBVA Bancomer's sustainability strategy

BBVA Bancomer, as a subsidiary of BBVA, works to advance the climate change strategy of its parent company. The strategy, Pledge 2025<sup>3</sup> was released in February 2018 and lays out the company's three lines of action (finance, manage and engage) to fight climate change and align its business activities with a 2°C scenario. Within the finance and manage thematic areas, the company pledges to advance environmental objectives and associated goals, each with a number of quantitative targets:

- Mobilize €70 billion to transition to a low carbon economy and €12 billion in sustainable infrastructures and agribusiness
- By 2025, ensure that 70% of the energy that the Bank uses is renewable
- By 2025, reduce the Bank's direct CO<sub>2</sub> emissions by 68% compared to 2015
- By 2030, reach 100% renewable energy through engagement with RE 100<sup>4</sup>

BBVA Group has positioned itself as a leader in driving the financial sector's contribution to sustainable development and pledges to contribute to international and sector initiatives. In this regard, BBVA Group states that it 'must play a key role as the European banking representative in the Global Management Committee for the sustainable finances forum of the United Nations'.

BBVA Bancomer recognizes that it has an important role to play in assisting the transition toward a low carbon economy, which is environmentally and socially sustainable. The Bank's Annual Report 2017 describes its Global Eco-Efficiency Plan (GEP) with a set of objectives aimed at mitigating its ecological footprint. Regarding its own operations, BBVA Bancomer has set quantifiable targets for 2016-2020, which include achieving a 3% reduction of electrical consumption per occupant, obtaining 65% of energy for its branches and corporate buildings from renewable sources, and reducing CO<sub>2</sub> by 65% per employee.<sup>5</sup> From 2016 to 2017, BBVA Bancomer reduced the electricity used per employee by 6.5%, surpassing the 3% target. Regarding renewable energy use, the Bank states that it continued its agreement to provide wind energy to its branches through Enel Green Power, and expects significant progress in 2018. The Bank has also set a target of situating 29% of its employees in environmentally certified buildings and aims to certify its corporate headquarters with the new version of the ISO 14001-2015 standard in 2018.<sup>6</sup>

Sustainalytics is of the opinion that the issuance of green bonds and the provision of loans to eligible green projects and companies support the global group's overall climate strategy: Pledge 2025 and BBVA Bancomer's explicit environmental strategy and targets.

### Well positioned to address common environmental and social risks associated with the projects

Sustainalytics recognizes that proceeds from BBVA Bancomer's Green Bond will be directed towards eligible projects that generally provide environmental benefits. However, by offering lending and financial services,

<sup>3</sup> <https://www.bbva.com/en/bbva-to-mobilize-e100-billion-by-2025-to-fight-climate-change-and-drive-sustainable-development/>

<sup>4</sup> <http://there100.org/>

<sup>5</sup> BBVA Bancomer Annual Report 2017, pg. 164

<sup>6</sup> BBVA Bancomer Annual Report 2017, pg. 165

banks are exposed to risks associated with controversial companies and/or projects they may finance, and may also be inadvertently exposed to financing activities that have negative social or environmental impacts. These risks include, but are not limited to, pollution and impacts on biodiversity from construction, and impacts on local communities. To mitigate these risks, BBVA Bancomer has policies and procedures in place to assess and address various risks, including:

- BBVA's commitment to the Equator Principles, an international framework to identify and manage environmental and social risks.<sup>7</sup> BBVA has been a signatory to this agreement since 2004.
- BBVA Bancomer adheres to the group Environmental Policy, which states that the Bank manages direct impacts through an environmental management system that is based on ISO 14001 and other recognized environmental certifications
- Policies mandating ethical behaviour, including a Code of Conduct,<sup>8</sup> Supplier Code of Conduct,<sup>9</sup> and a Statement on Human Rights.<sup>10</sup>
- BBVA is a signatory to the Principles for Responsible Investment (since 2008) and is a member of the United Nations Environment Programme – Finance Initiative (since 1998), the United Nations Global Compact (since 2002), and the Carbon Disclosure Project (since 2004).
- A recognition that non-financial risks may cause both direct and indirect impacts on the Bank and its customers, and a commitment to take into account "environmental, social, and reputational factors as well as traditional financial variables, in risk management".<sup>11</sup>

Sustainalytics is of the opinion that BBVA Bancomer's internal processes and mechanisms to mitigate risks associated with its financing activities ensure that the Bank is well-positioned to address common environmental and social risks, and are in line with market practice.

### Section 3: Impact of Use of Proceeds

All five use of proceeds categories are recognized as impactful by the Green Bond Principles. Sustainalytics has focused below on how the impact is specifically relevant in the local context.

#### Renewable Energy in Mexico

The BBVA Bancomer Green Bond includes financing for several renewable energy projects, primarily wind power. Deployment of renewable energy technology in Mexico has the potential to have significant positive environmental impacts, as well as continuing to spur economic development. The government of Mexico is a signatory to the Paris Agreement, and has committed to reducing greenhouse gases and black carbon emissions by 25% from the business-as-usual baseline by 2030; as part of this commitment it has set a target of 35% clean energy generation by 2024 and 43% by 2030<sup>12</sup>. Furthermore, power demand is growing at a rate of approximately 3% per year, driven largely by increasing consumption from rural electrification and growing consumer demand in cities.<sup>13</sup> As of 2015, Mexico generated 15.4% of its electricity from renewable sources<sup>14</sup>, of which approximately 2/3 was from hydro.<sup>15</sup> According to a report from the International Renewable Energy Agency (IRENA), Mexico has the potential to generate 46% of its electricity from renewable sources by 2030. The IRENA report contemplates the rapid expansion of wind and solar photovoltaic generation, with additional substantial contributions from hydroelectricity and geothermal power.<sup>16</sup> In this context, continued investment in energy projects will be necessary to support this transition.

<sup>7</sup> <http://equator-principles.com/about/>

<sup>8</sup> <https://investors.bancomer.com/en/codigodeconducta-en/>

<sup>9</sup> <https://shareholdersandinvestors.bbva.com/wp-content/uploads/2018/02/Code-of-conduct-for-suppliers-of-the-BBVA-Group-1.pdf>

<sup>10</sup> <https://shareholdersandinvestors.bbva.com/wp-content/uploads/2018/02/Commitment-to-Human-Rights.pdf>

<sup>11</sup> [https://investors.bancomer.com/wp-content/uploads/2017/04/bancomer\\_ianual16\\_18-Ago\\_OK.pdf](https://investors.bancomer.com/wp-content/uploads/2017/04/bancomer_ianual16_18-Ago_OK.pdf)

<sup>12</sup> [https://www.gob.mx/cms/uploads/attachment/file/162973/2015\\_indc\\_ing.pdf](https://www.gob.mx/cms/uploads/attachment/file/162973/2015_indc_ing.pdf)

<sup>13</sup> [https://www.wilsoncenter.org/sites/default/files/mexico\\_renewable\\_energy\\_future\\_0.pdf](https://www.wilsoncenter.org/sites/default/files/mexico_renewable_energy_future_0.pdf)

<sup>14</sup> <https://data.worldbank.org/indicator/EG.ELC.RNEW.ZS?locations=MX>

<sup>15</sup> <https://data.worldbank.org/indicator/EG.ELC.RNWX.ZS?locations=MX>

<sup>16</sup> [http://www.irena.org/-/media/Files/IRENA/Agency/Publication/2015/IRENA\\_REmap\\_Mexico\\_report\\_2015.pdf?la=en&hash=8A259915297B04B0D50A422EDF48AD87007B56B1](http://www.irena.org/-/media/Files/IRENA/Agency/Publication/2015/IRENA_REmap_Mexico_report_2015.pdf?la=en&hash=8A259915297B04B0D50A422EDF48AD87007B56B1)

<sup>16</sup> [http://www.irena.org/-/media/Files/IRENA/Agency/Publication/2015/IRENA\\_REmap\\_Mexico\\_report\\_2015.pdf?la=en&hash=8A259915297B04B0D50A422EDF48AD87007B56B1](http://www.irena.org/-/media/Files/IRENA/Agency/Publication/2015/IRENA_REmap_Mexico_report_2015.pdf?la=en&hash=8A259915297B04B0D50A422EDF48AD87007B56B1)

Sustainalytics is of the opinion that the use of proceeds for the financing of lending to renewable energy projects will support the achievement of Mexico's climate action plans and deliver climate and other environmental benefits.

### Green Buildings

The BBVA Bancomer Green Bond includes financing for green building projects, which qualify under the "Energy Efficiency" category of the BBVA SDG Bond Framework. The framework specifies that buildings certified as LEED Silver or higher, as well as equivalent levels in other certifications schemes, shall be considered eligible. Sustainalytics considers LEED and BOMA, the issuers of certifications for green buildings currently contemplated for inclusion in the green bond, to be reputable certifiers (for a comparison of green building certifications please refer to Appendix 1). Sustainalytics also recognizes that the upper levels of green building certifications, namely LEED Gold and Platinum and BREEAM Outstanding, Excellent, and Very Good, are often considered to represent the highest levels of environmental performance. For example, BREEAM states that a rating of Very Good is intended to represent a building in the "top 25% of UK new non-domestic buildings (advanced good practice)", whereas a score of Good is equivalent to a building in the top 50%, or "intermediate good practice".<sup>17</sup> However, it is important to consider the context in which these buildings are being constructed; what is merely good practice in some regions could be considered indicative of best practices in emerging markets. In Mexico, there are currently 344 buildings which have received LEED certification, while in the United States, for example, 31,906 buildings have received certification.<sup>18</sup> Sustainalytics is of the opinion that the use of proceeds of the green bond related to green buildings will have positive environmental impacts, and encourages BBVA Bancomer to strive for LEED Gold or higher levels where economically feasible within the local context.

### Green Finance

The World Bank estimates that 71% of Mexico's GDP is at risk from climate-linked disasters, and that there exists a substantial investment gap in ameliorating this situation. Mexico's National Infrastructure Plan expects private investment to make up roughly a third of its anticipated infrastructure spending.<sup>19</sup> The financial sector is well-placed to play a key role in unlocking resilient investments, leveraging its unique positioning as lender, while mitigating its exposure to climate-related risks.<sup>20</sup> The World Energy Agency estimates that to meet the 2°C trajectory envisioned by the Paris Agreement, the amount of annual investment in clean energy and energy efficiency must double from 2014 levels by 2020, reaching US\$790 billion, and increase almost six times by 2035.<sup>21</sup> The United Nations Environment Programme Finance Initiative (UNEP FI) notes that "bank loans are the most important source of external finance for companies and will play a crucial role in steering businesses towards lower emission activities".<sup>22</sup> By providing financing to projects in the areas of renewable energy, energy efficiency (including energy efficient or green buildings), and clean transportation, Sustainalytics believes that the BBVA Bancomer green bond will support positive environmental outcomes.

### Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This green bond advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency	7. Affordable and Clean Energy	7.3: By 2030, double the global rate of improvement in energy efficiency
	11. Sustainable Cities and Communities	11.B By 2020, substantially increase the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource

<sup>17</sup> [https://www.breeam.com/BREEAM2011SchemeDocument/Content/03\\_ScoringRating/scoring.htm](https://www.breeam.com/BREEAM2011SchemeDocument/Content/03_ScoringRating/scoring.htm)

<sup>18</sup> <https://www.usgbc.org/advocacy/country-market-brief>

<sup>19</sup> [https://www.e3g.org/docs/BRIEFING\\_PAPER\\_Mexico\\_Dec\\_2017.pdf](https://www.e3g.org/docs/BRIEFING_PAPER_Mexico_Dec_2017.pdf)

<sup>20</sup> <https://globalriskinstitute.org/publications/climate-change-why-financial-institutions-should-take-note/>

<sup>21</sup> <https://www.iea.org/publications/freepublications/publication/WEIO2014.pdf>

<sup>22</sup> <http://www.unepfi.org/fileadmin/documents/FinancialInstitutionsTakingActionOnClimateChange.pdf>

		efficiency, mitigation and adaptation to climate change, resilience to disasters
Sustainable Transport	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport.
Waste Management	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Water	6. Clean Water and Sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally

## Conclusion

BBVA Bancomer intends to issue a Green Bond under the BBVA SDGs Bond Framework. The net proceeds will be used to fund BBVA Bancomer's loans and BBVA Bancomer's own operations in the areas of Renewable Energy, Energy Efficiency, Sustainable Transport, Waste Management and Water.

Sustainalytics views positively the alignment of the BBVA SDGs Bond Framework and the BBVA Bancomer Green Bond use of proceeds with the Green Bond Principles 2018, notably that the use of proceeds have clear environmental benefits, the transparency of the project selection and management of proceeds, and the commitment to reporting. Furthermore, the green bond proceeds will advance the UN Sustainable Development Goals, in particular goals 7,9 and 11.

Based on the above, Sustainalytics is confident that BBVA Bancomer is well positioned to issue green bonds and that the BBVA SDGs Bond Framework is transparent, robust, and in alignment with the four core components of the Green Bond Principles 2018.



## Appendices




### Appendix 1: Potential eligible projects and projected allocations for the BBVA Bancomer 2018 Green Bond

BBVA SDGs Bond Framework Category*	Percentage allocated to each category (%)	Project Type	Description	Location
Energy Efficiency	54%	Certified Green Building	A mixed-use development project consisting of office, retail, entertainment, and hotel space. Certified LEED Gold.	Ciudad de Mexico, Mexico
		Certified Green Building	A mixed-use building with offices, commercial space, and various amenities. Certified LEED Silver.	Ciudad de Mexico, Mexico
		Certified Green Building	A 58-storey high-rise tower currently under construction. LEED certification pending.	Ciudad de Mexico, Mexico
		Certified Green Building	A large public green space, including a certified LEED Silver entertainment complex.	Nuevo León, Mexico
		Certified Green Building	A 20-storey corporate office building. Certified LEED Gold.	Ciudad de Mexico, Mexico
Renewable Energy	46%	Wind Power	A green credit loan for the refinancing of the construction of three wind power projects.	Mexico
		Solar Power	A 100 MW solar photovoltaic power project.	Aguascalientes, Mexico
		Wind Power	A 51-turbine, 102 MW wind power project.	Oaxaca, Mexico
Total	100%			

\* BBVA Bancomer may, in the future, add projects in other eligible categories as specified in the BBVA SDG Bond Framework



## Appendix 2: Comparison of Green Building Certification Schemes

	LEED	BREEAM	BOMA BEST
Background	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.	BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK, this scheme can be used for new, refurbished and extension of existing buildings.	BOMA BEST, administered by the Building Owners and Managers Association (BOMA), is a certification program for existing buildings. The assessment considers performance and operation of buildings in a wide range of performance and operations categories.
Certification levels	<ul style="list-style-type: none"> <li>• Certified</li> <li>• Silver</li> <li>• Gold</li> <li>• Platinum</li> </ul>	<ul style="list-style-type: none"> <li>• Pass</li> <li>• Good</li> <li>• Very Good</li> <li>• Excellent</li> <li>• Outstanding</li> </ul>	<ul style="list-style-type: none"> <li>• Certified</li> <li>• Bronze</li> <li>• Silver</li> <li>• Gold</li> <li>• Platinum</li> </ul>
Areas of assessment	<ul style="list-style-type: none"> <li>• Energy and atmosphere</li> <li>• Sustainable Sites</li> <li>• Location and Transportation</li> <li>• Materials and resources</li> <li>• Water efficiency</li> <li>• Indoor environmental quality</li> <li>• Innovation in Design</li> <li>• Regional Priority</li> </ul>	<ul style="list-style-type: none"> <li>• Management</li> <li>• Energy</li> <li>• Land Use and Ecology</li> <li>• Pollution</li> <li>• Transport</li> <li>• Materials</li> <li>• Water</li> <li>• Waste</li> <li>• Health and Wellbeing</li> <li>• Innovation</li> </ul>	<ul style="list-style-type: none"> <li>• Energy</li> <li>• Water</li> <li>• Air</li> <li>• Comfort</li> <li>• Health and Wellness</li> <li>• Custodial</li> <li>• Purchasing</li> <li>• Waste</li> <li>• Site</li> <li>• Stakeholder Engagement</li> </ul>
Requirements	<p>Minimum requirements independent of level of certification; point-based scoring system weighted by category to determine certification level.</p> <p>The rating system is adjusted to apply to specific sectors, such as: New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, and Existing Buildings: Operation and Maintenance.</p>	<p>Minimum requirements depending on the level of certification; scoring system weighted by category, producing a percentage-based overall score. The majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their performance score.</p> <p>BREEAM has two stages/ audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.</p>	<p>Independent of level of certification; score based on checklist to determine certification level.</p> <p>The minimum best practices and category scoring is adjusted for seven different asset classes: office, enclosed shopping centres, light industrial, open air retail, universal, MURB, and health care.</p>
Qualitative Considerations	Widely accepted within the industry, both in North America and internationally, and considered a guarantee of strong performance.	Used in more than 70 countries: Good adaptation to the local normative context. Predominant environmental focus, lower levels are less strict than LEED.	Commonly used certification for existing buildings in North America, and considered less administratively burdensome for existing buildings.
Performance display			

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

### Section 1. Basic Information

<b>Issuer name:</b>	BBVA Bancomer
<b>Green Bond ISIN or Issuer Green Bond Framework Name, if applicable: <i>[specify as appropriate]</i></b>	BBVA Bancomer Green Bond issued under the BBVA SDGs Bond Framework
<b>Review provider's name:</b>	Sustainalytics
<b>Completion date of this form:</b>	August 31, 2018
<b>Publication date of review publication: <i>[where appropriate, specify if it is an update and add reference to earlier relevant review]</i></b>	

### 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 <sup>nd</sup> 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 Executive Summary above.

### Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

## 1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

The five eligible use of proceeds categories for the BBVA Bancomer Green Bond align with those recognized by the Green Bond Principles and the BBVA SDG Bond Framework. Sustainalytics considers that loans to finance projects related to Energy Efficiency (including green buildings), Renewable Energy, Sustainable Transport, Waste Management, and Water will lead to positive environmental impacts and advance several UN Sustainable Development Goals.

### 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"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation                                                                         | <input checked="" type="checkbox"/> Clean transportation                                                 |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management                                                                    | <input type="checkbox"/> Climate change adaptation                                                       |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes                             | <input checked="" type="checkbox"/> Green buildings                                                      |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other <i>(please specify)</i> :                                                 |

If applicable please specify the environmental taxonomy, if other than GBPs:

## 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section *(if applicable)*:

BBVA has established a process whereby any of its subsidiaries' green bond loans or projects will be analyzed by the parent company's Sustainable Finance Working Group. The most appropriate loans will then be selected by the Sustainable Finance and Reputational Risk team and be further assessed by the BBVA SDGs Bond Committee. The committee consists of experts from such groups as Responsible Business, Fixed Income Origination, Sustainable Finance and Reputational Risk, Finance, and Global Client Coverage. The final decision on whether a project receives green bond proceeds will rest with the Responsible Business team. In addition, the Bank is a signatory to the Equator Principles. This is in line with market best practice.

### Evaluation and selection

- |                                                                                                                    |                                                                                                                               |
|--------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives            | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories               |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input 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 checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other <i>(please specify)</i> :                                                       |                                              |

### 3. MANAGEMENT OF PROCEEDS

Overall comment on section *(if applicable)*:

BBVA Bancomer will track the use of proceeds of its green bond and maintain a buffer of projects beyond the proceeds arising from the green bond issuance to ensure compliance with the use of proceeds. Proceeds are expected to be allocated immediately; if this is not possible the balance of unallocated net proceeds will be held in its liquidity portfolio. This is in line with market practice.

### Tracking of proceeds:

- |                                                                                                                               |
|-------------------------------------------------------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Green Bond proceeds segregated or tracked by the issuer in an appropriate manner          |
| <input checked="" 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                     |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other <i>(please specify)</i> :                                |

### 4. REPORTING

Overall comment on section *(if applicable)*:

Within 12 months of issuance, and until the relevant maturity date, BBVA Bancomer intends to publish an SDGs Bond Report on its website. Allocation reporting will include be provided at the category level, while impact reporting will include key performance indicators, where possible. In Sustainalytics' view, reporting on these metrics is in line with market practice.

**Use of proceeds reporting:**

- |                                                        |                                                                  |
|--------------------------------------------------------|------------------------------------------------------------------|
| <input type="checkbox"/> Project-by-project            | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other ( <i>please specify</i> ):        |

**Information reported:**

- |                                                                                                              |                                                                        |
|--------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------|
| <input type="checkbox"/> Allocated amounts                                                                   | <input type="checkbox"/> Green Bond financed share of total investment |
| <input checked="" type="checkbox"/> Other ( <i>please specify</i> ): Share of proceeds allocated to category |                                                                        |

**Frequency:**

- |                                                           |                                      |
|-----------------------------------------------------------|--------------------------------------|
| <input checked="" type="checkbox"/> Annual                | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other ( <i>please specify</i> ): |                                      |

**Impact reporting:**

- |                                                        |                                                                  |
|--------------------------------------------------------|------------------------------------------------------------------|
| <input type="checkbox"/> Project-by-project            | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other ( <i>please specify</i> ):        |

**Frequency:**

- |                                                           |                                      |
|-----------------------------------------------------------|--------------------------------------|
| <input checked="" type="checkbox"/> Annual                | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other ( <i>please specify</i> ): |                                      |

**Information reported (expected or ex-post):**

- |                                                  |                                                                                                                                                                                         |
|--------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/> GHG Emissions / Savings | <input type="checkbox"/> Energy Savings                                                                                                                                                 |
| <input type="checkbox"/> Decrease in water use   | <input checked="" type="checkbox"/> Other ESG indicators ( <i>please specify</i> ): Environmental impact metrics where possible. Some case studies of specific projects may be provided |

**Means of Disclosure**

- |                                                                               |                                                                                      |
|-------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|
| <input checked="" 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 ( <i>please specify</i> ): Company website |

- ☐ 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.)

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**

**Type(s) of Review provided:**

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

**Review provider(s):**

**Date of publication:**

**ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP**

- i. Second Party Opinion: An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. Green Bond Scoring/Rating: An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com)

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