



# **CERTIFICATION AND FINANCING PROPOSAL**

## **SUSTAINABILITY BOND FOR THE STATE OF TAMAULIPAS**

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## EXECUTIVE SUMMARY

### **SUSTAINABILITY BOND FOR THE STATE OF TAMAULIPAS**

The State of Tamaulipas currently faces multiple challenges to address issues that persist in various sectors and negatively impact the wellbeing of the community, including the following:

- The current state of the water infrastructure has led to a lack of safe access to these services, which has had negative effects on both the environment and the health of local residents.
- The use of outdated technologies in irrigation districts has contributed to the inefficient use of water, an increasingly scarce resource due to the long periods of drought recorded in the state.
- In terms of waste recycling, the inappropriate disposal and accumulation of scrap tires can lead to various problems, including a high risk of fires.
- In the area of energy and water efficiency, the use of obsolete or inefficient technologies in buildings leads to an increase in the use of water and energy from the national grid, which also translates into higher emissions of greenhouse gases and other pollutants.

To address these issues and promote sustainable development, the State of Tamaulipas has developed various plans and policies, including the 2023-2028 State Development Plan (SDP), which describes actions to encourage efficient water use, incentivize the use of clean energy, increase energy efficiency, and promote recycling and waste management, among others. Additionally, in line with the Sustainable Finance Mobilization Strategy and the Sustainability Taxonomy of Mexico, the Sponsor developed a Sustainable Finance Framework for the State of Tamaulipas, which describes the general conditions for the issuance and placement of sustainable debt, the evaluation and selection of projects, as well as the reporting of results to investors and regulatory entities (the “Framework”). The Framework was developed using grants from NADBank’s Technical Assistance Program and was designed to align with globally accepted and observed green and social financing standards for financial institutions, including the Green Bond Framework that governs NADBank’s most recent bond issuances.

The State has identified and prioritized projects to be financed under the Framework. For this purpose, the Sponsor is looking for a financing of up to \$1 billion Mexican pesos through a sustainability bond (the “Bond”) implemented through the issuance of stock certificates (the “Project”), in accordance with the provisions of Decree No. 66-378 published on July 15, 2025 in the Official Gazette of the State of Tamaulipas. NADBank, through Corporación Financiera de América del Norte (COFIDAN), S.A. de C.V. SOFOM, E.N.R., expects to participate in a competitive process to acquire part or all the Bond. Adherence to the Framework will be mandatory for the allocation of Bond proceeds.

The planned investments will improve water and wastewater services, promote efficient water use for agricultural purposes, improve solid waste management capacity (scrap tires), and promote efficient water and energy use in new public buildings. As a complement to the participation in the acquisition of the Bond, a portion of the Project funds allocated for wastewater infrastructure will be used for investments that complement projects supported by the NADBank's Border Environment Infrastructure Fund (BEIF). The above investments will benefit an estimated initial population of 1.75 million.

NADBank's participation will result in economic benefits and savings for the State, as the financing provided will have a repayment term of up to 25 years. In addition, NADBank intends to support the hiring of an external consultant with funds from its Technical Assistance Program. The consultant will review the feasibility of the Sponsor's proposed projects and their alignment with the Framework provisions, as well as providing support with the obligations associated with the bond issuance, including reporting. The consultant will report the results of the preliminary project analysis to a technical investment committee (the Committee) to be established by the State. NADBank will be a member of this Committee, and its no-objection will be required to determine the eligibility of proposed projects for financing. Supported by the Framework and the activities of the consultant and the Committee, the proposed investments will be managed and monitored, as well as any issuance of green or sustainable financial instruments that the State intends to implement in the future.

Table 1 presents a summary of the proposed Project's eligibility, as well as its most significant features and the proposed financing plan.

**Table 1**  
**PROJECT OUTLINE**

### Project Eligibility

<b>Project Type (Sector):</b>	Eligible projects under the Sustainable Financing Framework for the State of Tamaulipas.
<b>Location:</b>	Various locations in the State of Tamaulipas.
<b>Sponsor:</b>	State of Tamaulipas through the Ministry of Finance.

### Project Summary

<b>Objective:</b>	Provide financing to the State of Tamaulipas (the "Sponsor") through the issuance of a sustainability bond for the construction of projects that must meet the eligibility criteria established in the Sustainable Financing Framework for the State of Tamaulipas (the "Framework"). The Project will contribute, among other things, to improve access to basic water, wastewater collection, and wastewater treatment services, technologically upgrade irrigation districts, expand tire recycling capacity, and promote the construction of energy-efficient buildings in the State.
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<b>Expected Outcomes:</b>	<p>The Project is expected to generate environmental and human health benefits related to the following outcomes:</p> <ul style="list-style-type: none"> <li>▪ Improved access to drinking water service</li> <li>▪ Improved access to wastewater collection services</li> <li>▪ Additional treated wastewater flow</li> <li>▪ Irrigation water savings</li> <li>▪ Solid waste recovered for reuse</li> <li>▪ Energy savings</li> <li>▪ Water savings</li> <li>▪ CO<sub>2</sub> emissions avoided</li> </ul>
<b>Population to Benefit:</b>	1,750,000
<b>NADBank Additionality:</b>	<p>NADBank's participation in the Project will provide benefits to the State of Tamaulipas, since the financing proposed with the NADBank Loan Program will be granted under the best market conditions through the issuance of stock certificates for a term of up to 25 years.</p> <p>As for technical and environmental benefits, NADBank provided technical assistance grants through its Technical Assistance Program (TAP) for the development of a Sustainable Financing Framework for the State, which will be used for the implementation of this Project. Additionally, NADBank will provide grant funding from its TAP for the contracting of various financial and legal consulting services that will make the Sustainability Bond feasible through the issuance of Stock Certificates (CEBURS) through Mexico's Institutional Stock Exchange (BIVA).</p>
<b>Project Cost:</b>	\$1 billion pesos.

### Financial Summary

<b>NADBank Loan:</b>	Up to \$1 billion pesos.
<b>Loan Type:</b>	Financing for the public sector in Mexico through the issuance of CEBURS or other similar instruments that adhere to the criteria of the Sustainable Framework for the State of Tamaulipas.
<b>Borrower(s):</b>	State of Tamaulipas.
<b>Percentage Financed by NADBank:</b>	100%

# CERTIFICATION AND FINANCING PROPOSAL

## SUSTAINABILITY BOND FOR THE STATE OF TAMAULIPAS

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### 1. CERTIFICATION CRITERIA

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#### 1.1. Technical Criteria

##### 1.1.1. Project Description

###### Location

The Project will be implemented in various locations throughout NADBank's jurisdictional area in the state of Tamaulipas, where the Sponsor has identified priority projects to improve water supply, wastewater collection and treatment systems, modernize irrigation districts, expand tire recycling capacity, and reduce the demand for water and/or electricity through efficient public facilities. Figure 1 shows the geographic location of the cities where the identified projects will be implemented.

**Figure 1**  
**PROJECT INVESTMENT LOCATION MAP**



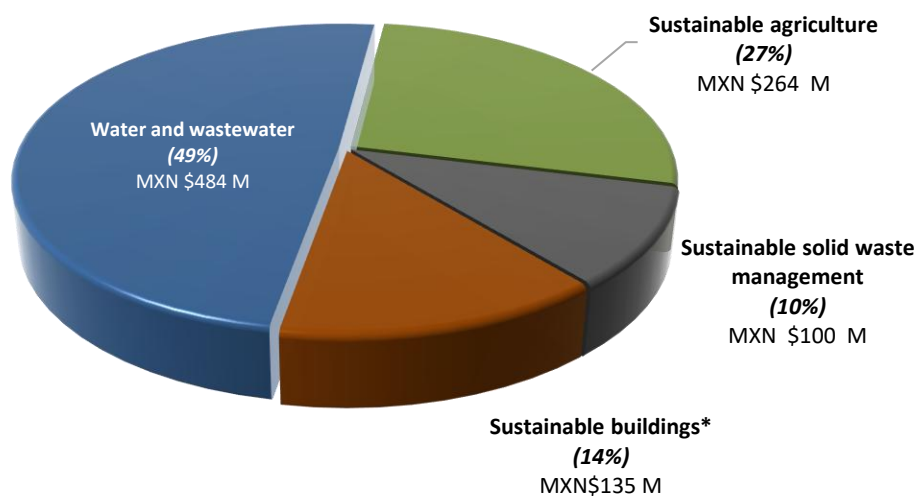
According to Mexico's National Institute of Statistics and Geography (INEGI), the population in Tamaulipas in 2020 was 3,527,735, of which 90.3% live in urban areas and 9.7% live in rural areas.<sup>1</sup> It is estimated that 7 out of every 1,000 state residents speak an indigenous language, while nationally, 60 out of every 1,000 people are indigenous language speakers.<sup>2</sup> According to INEGI's 2019 Economic Census, the state of Tamaulipas contributed 3.1% of the national gross domestic product (GDP) in 2020. The main economic activities that contribute to the state's total gross production are manufacturing (60.6%), retail trade (9.5%), and mining (5.8%).<sup>3</sup>

The proposed Project will be carried out in several municipalities within NADBank's jurisdiction, that could include among others Camargo, Ciudad Victoria, Diaz Ordaz, Hidalgo, Matamoros, Miguel Aleman, Nuevo Laredo, Reynosa, Rio Bravo, San Fernando, and Soto la Marina. The Project is estimated to benefit an initial population of 1,750,000.

### **Project Scope**

The proposed Project consists of providing the State with financing of up to \$1 billion Mexican pesos through the issuance of a sustainability bond (the "Bond"). The proposed tasks will be carried out under the guidelines of the Sustainable Financing Framework for the State of Tamaulipas (the "Framework"). The Sponsor has compiled a preliminary list of potential projects in which NADBank funds will be invested. Figure 2 shows the estimated allocation of funds according to the Framework's eligible sectors.

**Figure 2**  
**ESTIMATED ALLOCATION OF LOAN PROCEEDS**



\* The eligible sector "Sustainable Industrial Production" of the Framework includes the **construction of buildings** or the remodeling of residential, commercial, and industrial buildings, as well as industrial parks.

<sup>1</sup> Source: SEMARNAT. Compendium of Environmental Statistics, 2021.  
[https://apps1.semarnat.gob.mx:8443/dgeia/compendio\\_2021/dgeiawf.semarnat.gob.mx\\_8080/ibi\\_apps/WFSe\\_rvlet69af.html](https://apps1.semarnat.gob.mx:8443/dgeia/compendio_2021/dgeiawf.semarnat.gob.mx_8080/ibi_apps/WFSe_rvlet69af.html)

<sup>2</sup> Source: INEGI. Information by state from the 2020 Population Census.  
<https://www.inegi.org.mx/app/mapa/mapoteca/>

<sup>3</sup> Source: INEGI, Automated Census Information System, <https://www.inegi.org.mx/app/saic/default.html>

Table 2 shows the types of projects and expected outcomes.

**Table 2**  
**RESULTS MEASUREMENT SCHEME**

Eligible Framework Sector	Type of Investment	Expected Outcome
Water Supply and Wastewater	Rehabilitation of systems, including: (1) drinking water, (2) wastewater collection, and (3) wastewater treatment.	(1) Improved access to drinking water service. (2) Improved access to wastewater collection services. (3) Additional treated wastewater flow.
Sustainable Agriculture	Technological upgrades to Irrigation District 026 in the Lower San Juan River.	Irrigation water savings.
Sustainable Solid Waste Management	Tire collection and recycling facility (pyrolysis).	Solid waste recovered for reuse.
Sustainable Buildings <sup>4</sup>	(1) Kemp’s Ridley Turtle Interpretive Museum. (2) Comprehensive care centers for vulnerable individuals in suburban communities.	<ul style="list-style-type: none"> <li>• Energy savings</li> <li>• Water savings</li> <li>• CO<sub>2</sub> emissions avoided</li> </ul>

For the implementation of all proposed tasks, efficient technologies and equipment will be selected to help reduce water and energy use and associated pollutant emissions.

Other infrastructure projects similar to those included in Table 2 and consistent with the Framework's eligibility guidelines could be funded in addition to or instead of those identified to date. The final tasks will be documented during the Project closeout process, based on the final use of the funds.

### **Project Milestones**

Financial closing is expected by October 2025. The Sponsor will allocate the funds to strategic sustainable state projects in accordance with the requirements established in the Framework. The NADBank loan will be used to finance Project works, with activities expected to begin in the fourth quarter of 2025 and be completed within a period of up to three years.

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<sup>4</sup> The eligible sector “Sustainable Industrial Production” of the Framework includes residential, commercial, and industrial buildings, as well as industrial parks, that include energy and water efficiency measures. Buildings must demonstrate energy savings of 20% to 45% compared to the baseline scenario or be certified as Leadership in Energy and Environmental Design (LEED) or Excellence in Design for Greater Efficiency (EDGE). In all cases, projects must provide a substantial improvement (of at least 20%) in terms of energy and water conservation, beyond applicable regulations.



### 1.1.2. Technical Feasibility

The state government has developed strategies to advance sustainable development through actions that result in positive environmental and social impacts. To this end, the Sponsor developed the 2023-2028 State Development Plan (SDP), which promotes strategies to encourage efficient water use, incentivize the use of clean energy, increase energy efficiency, and promote recycling and waste management, among others. Additionally, in line with federal strategies published by the Ministry of Finance and Public Credit (SHCP), including the Sustainable Finance Mobilization Strategy (EMFS) and the Sustainability Taxonomy of Mexico (TSM), the Sponsor developed a Sustainable Finance Framework for the State of Tamaulipas, describing the general conditions for the issuance and placement of sustainable debt, as well as the use of funds for specific activities, and the project evaluation and selection process. The Framework was developed using grant funding from NADBank's Technical Assistance Program.

To finance projects that contribute to the state's sustainable development, the government will secure the necessary funds through the issuance of a Bond, in accordance with the provisions of Decree No. 66-378 published on July 15, 2025 in the Official Gazette of the State of Tamaulipas.<sup>5</sup> Various state agencies, such as the Secretariat of Water Resources for Social Development, the Secretariat of Urban Development and Environment, and the Secretariat of Social Welfare of the State of Tamaulipas, have identified preliminary projects proposed for financing with Bond funds, which are aligned with state plans.

NADBank intends to support the hiring of an external consultant with funds from its Technical Assistance Program. The consultant will review the feasibility of the Sponsor's proposed projects and their alignment with the Framework provisions, as well as providing support with the obligations associated with the bond issuance, including reporting. The consultant will report the results of the preliminary project analysis to a technical investment committee (the Committee) to be established by the State. NADBank will be a member of this Committee, and its no-objection will be required to determine the eligibility of proposed projects for financing. The Sponsor must provide supporting documentation to verify the feasibility of the projects and ensure that loan proceeds are used for projects eligible under the Framework. The list of specific investments benefitting from the state financing package will be confirmed during the loan administration and reported at the end of the implementation period.

All identified projects will be implemented through Tamaulipas' Secretariat of Public Works in accordance with state regulations and manuals, as applicable. Efficient technologies and equipment will be selected to help maintain reliable water service, increase waste recycling capacity, and reduce energy and water use in public buildings.

The Sponsor must confirm compliance of each infrastructure investment with applicable permits and design standards. Projects involving water system improvements must obtain the appropriate authorizations and rights-of-way. For projects related to tire recycling

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<sup>5</sup> Government of the State of Tamaulipas.  
<https://www.congresotamaulipas.gob.mx/Parlamentario/Archivos/Decretos/DECRETO%2066-378.pdf>

pyrolysis infrastructure, the Sponsor must obtain the appropriate permits from federal, state, and local agencies, as applicable.

As a complement to the participation in the acquisition of the Bond, a portion of the Project funds allocated for wastewater treatment infrastructure will be used for investments that complement projects supported by the NADBank's Border Environment Infrastructure Fund (BEIF).

### **1.1.3. Land Acquisition and Right-of-Way Requirements**

The Project's water components will be implemented within existing easements. If rights-of-way are required, the Sponsor will be responsible for obtaining them. Furthermore, if any of the works for the implementation of recycling infrastructure and energy-efficient buildings require the acquisition of land and rights-of-way, the Sponsor will be responsible for obtaining them.

For components requiring the acquisition of rights-of-way, the Sponsor will submit relevant documentation on the land or rights-of-way acquisition activities.

### **1.1.4. Project Operation**

The Sponsor has a solid institutional capacity to collaborate with the corresponding utilities and/or municipal agencies and transfer the infrastructure for their operation and maintenance, as applicable. These agencies have also demonstrated strong organizational structures, financial controls, and ongoing reporting methods, and each has adequate capabilities to operate and maintain their infrastructure. NADBank has worked with the State and these agencies on other similar projects with satisfactory results.

The State of Tamaulipas, with the assistance of NADBank, has developed the Framework, which outlines the debt issuance and placement processes and is aligned with the Financial Discipline Law for States and Municipalities, as well as the Public Spending Law for the State of Tamaulipas, ensuring the responsible management of public resources. The Framework establishes guidelines for the following:

- i. Use of funds;
- ii. Legal framework applicable to the issuance and placement of sustainable debt;
- iii. Project selection and evaluation process;
- iv. Fund management; and
- v. Monitoring and reporting.

The Framework was designed to align with globally accepted and observed green finance standards for financial institutions, including the Green Bond Framework that governs NADBank's most recent bond issuances. Adherence to the Framework will be mandatory for the allocation of Bond proceeds, and the State will ensure that they are used to support Framework-eligible projects. The Sponsor has up to 36 months to allocate the proceeds of the issued financial instruments.

## 1.2. Environmental Criteria

### 1.2.1. Environmental and Health Effects/Impacts

#### A. Existing Conditions

The State of Tamaulipas currently faces multiple challenges in addressing issues that persist in various sectors and negatively impact community well-being, including the following:

- The current state of the water infrastructure has led to a lack of safe access to these services, which has had negative effects on both the environment and the health of local residents.
- The use of outdated technologies in irrigation districts has contributed to the inefficient use of water, an increasingly scarce resource due to the long periods of drought recorded in the state.
- In terms of waste recycling, the inappropriate disposal and accumulation of scrap tires can lead to various problems, including a high risk of fires.
- In the area of energy and water efficiency, the use of obsolete or inefficient technologies in buildings leads to an increase in the use of water and energy from the national grid, which also translates into higher emissions of greenhouse gases and other pollutants.

Below are further details on the existing conditions of the eligible sectors where investments will be made:

#### **Water, Wastewater Collection and Wastewater Treatment Systems**

The state's water infrastructure providing service to its residents requires investments for its improvement and rehabilitation. Currently, the state's water systems have 98.2% coverage and include 55 water treatment facilities in operation with an installed capacity of approximately 15,118 liters per second (lps). Wastewater collection systems have 94.8% coverage and collect approximately 5,170 lps. In addition, the state has 114 wastewater treatment plants with an operating capacity of approximately 7,900 lps and a coverage rate of 90%.<sup>6</sup>

The State has identified the need for additional investments to improve the hydraulic infrastructure for water distribution, sewage, and wastewater treatment. To this end, the Sponsor has implemented various actions aligned with the Drinking Water, Drainage, and Treatment Program (PROAGUA).<sup>7</sup> It should be noted that there is a need to complete the works committed as a counterpart to the BEIF investments and, therefore, meet the environmental objectives of eliminating untreated effluents impacting the shared water body. The Sponsor has identified additional investment opportunities for this purpose.

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<sup>6</sup> Source: Government of Mexico. Status of the Water, Wastewater Collection and Treatment Subsector, 2024 Edition. <https://www.gob.mx/cms/uploads/attachment/file/960719/DSAPAS-2024-c.pdf>

<sup>7</sup> Source: Government of Tamaulipas, Technical Bulletin No. 1. <https://www.tamaulipas.gob.mx/recursoshidraulicos/wp-content/uploads/sites/24/2025/02/enero-version-final-dpi-links.pdf>

### **Irrigation Districts**

The state of Tamaulipas is divided into seven agroecological regions with various types of agriculture.<sup>8</sup> For example, in the northern region, the agricultural sector reports the use of technology for sorghum and corn farming; however, there is room for improving the efficiency of these systems. In the southeastern region, agriculture also uses technology for the production of soybeans, safflowers, sugarcane, vegetables, and fruit trees, in addition to sorghum and corn. In the central region, there is limited technological development for orange, lemon, and corn farming. In the state's southwestern region, there is limited use of technology, so rainfed subsistence farming predominates.<sup>9</sup>

The Sponsor has identified investment opportunities in the modernization of irrigation districts by implementing technological upgrades, thereby promoting efficient water use.

### **Tire Recycling**

It is estimated that in 2012, there were approximately 14 scrap tire disposal sites in the state of Tamaulipas, collectively accumulating approximately 2.7 million tires. Matamoros recorded 2.25 million and Reynosa 450,000.<sup>10</sup> With the increase in economic activity, tire accumulation has also increased. Thus, according to the state government, it is estimated that in Reynosa, approximately 3 million tires will be accumulated and improperly disposed of by 2024.<sup>11</sup>

The existing infrastructure for collecting and recycling this type of waste is limited. Two collection and recycling centers have been identified in Reynosa,<sup>12</sup> one recycling center in Miramar, one collection and recycling center in Altamira, and one tire shredding facility in Nuevo Laredo.

Therefore, the Sponsor has identified investment opportunities in a collection and recycling plant to increase tire recycling capacity and reduce the risks associated with tire accumulation.

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<sup>8</sup> Source: Government of Mexico. Compendium of Environmental Statistics, 2021. Irrigation Districts. [https://apps1.semarnat.gob.mx:8443/dgeia/compendio\\_2021/dgeiawf.semarnat.gob.mx\\_8080/ibi\\_apps/WFSe rvlet1ca0.html](https://apps1.semarnat.gob.mx:8443/dgeia/compendio_2021/dgeiawf.semarnat.gob.mx_8080/ibi_apps/WFSe rvlet1ca0.html)

<sup>9</sup> Source: Government of Mexico. 2021 Annual Report. Science and Technology for the Mexican Rural Area. Tamaulipas. [https://www.gob.mx/cms/uploads/attachment/file/786606/REPORTE\\_ANUAL\\_CIRNE\\_Tamaulipas.pdf](https://www.gob.mx/cms/uploads/attachment/file/786606/REPORTE_ANUAL_CIRNE_Tamaulipas.pdf)

<sup>10</sup> Source: Tire Flow Study in the Texas-Mexico Border Region, 2012. <https://www.tceq.texas.gov/downloads/border/tirestudysumsp.pdf>

<sup>11</sup> Source: El Diario MX (October 12, 2024). *Tiene Reynosa más neumáticos que habitantes*. [Reynosa has More Tires than Residents]. <https://eldiariomx.com/2024/10/12/stiene-reynosa-mas-neumaticos-que-habitantes/>

<sup>12</sup> Source: Municipal Government of Reynosa <https://www.reynosa.gob.mx/2023/06/12/invirtio-gobierno-de-reynosa-mas-de-135-mdp-en-dos-centros-de-manejo-integral-de-rsu-y-de-llantas-de-tamaulipas/#:~:text=Dos%20obras%20hist%C3%B3ricas%20y%20de,Centros%20para%20conocer%20su%20operaci%C3%B3n.>

### **Energy Efficiency**

The intense economic activity of the various productive sectors results in a high demand for resources such as energy and water, and consequently, the generation of air polluting emissions, wastewater, and solid waste. For example, regarding air pollution, according to the 2015-2030 Tamaulipas State Climate Change Program, in 2013, total carbon dioxide equivalent (CO<sub>2</sub>e) emissions in the state were 38.8 million metric tons, representing 4.9% of total emissions nationwide. The Energy category, which includes energy industries, transportation, and other areas, contributed 79.6% of total emissions, followed by Agriculture and Livestock with 17.3%, and Waste with 2.3%.<sup>13</sup>

The Sponsor has identified investment opportunities for the construction of public buildings that incorporate energy efficiency features and contribute to reduce the demand for electricity typically produced with fossil fuel-based technologies, as well as the associated emissions.

### **B. Expected Environmental/Human Health Outcomes**

The Project is expected to generate environmental and human health benefits related to the following outcomes:

- Improved access to drinking water service
- Improved access to wastewater collection services
- Additional treated wastewater flow
- Irrigation water savings
- Solid waste recovered for reuse
- Energy savings
- Water savings
- CO<sub>2</sub> emissions avoided

Actual results will be documented during the project closeout process, based on the final use of the funds.

### **C. Other Project Benefits**

The Project will generate additional benefits, including reduced operating costs related to frequent repairs to aging water and wastewater infrastructure, as well as increased operational and commercial efficiency by reducing potential leaks in the rehabilitated infrastructure. Furthermore, the proposed investments are expected to generate economic and social benefits for residents by providing reliable access to water and waste recycling services. By increasing scrap tire recycling capacity, the associated risks of fires and the proliferation of vermin will be reduced.

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<sup>13</sup> Source: Government of Tamaulipas.  
<https://po.tamaulipas.gob.mx/wp-content/uploads/2016/09/cxli-111-150916F-ANEXO.pdf>

Furthermore, investments in sanitation infrastructure will have positive impacts by preventing cross-border flows of untreated water.

#### **D. Transboundary Impacts**

No transboundary impacts are anticipated as a result of the Project's works construction. On the contrary, increased reliability of water services, efficient water use in irrigation systems, scrap tire recycling, and the construction of efficient buildings are expected. Wastewater projects supported with BEIF funds must have positive impacts in the United States. Any project component that could have a negative transboundary impact will not be eligible for funding.

#### **1.2.2. Compliance with Applicable Environmental Laws and Regulations**

For the implementation of the Project, the Sponsor must comply with all applicable federal, state, and/or municipal provisions, laws, and regulations, including those at the state level, such as the Ecological Balance and Environmental Protection Law, the Public Works and Related Services Law, and the Water Law. All projects to be implemented must comply with the sector's applicable technical standards and specifications. As part of the Committee's verification process, proposed tasks must comply with the corresponding legal provisions for their eligibility and financing.

##### **A. Environmental Studies or Consultations**

The implementation of water works will take place on sites with existing infrastructure or on public roads, so no additional environmental studies or consultations are anticipated. If required, the Sponsor will conduct the necessary studies as part of the documentation process to obtain the necessary environmental clearances for water projects, as well as for recycling infrastructure and efficient buildings.

##### **B. Environmental Clearance and Permitting**

Since several of the planned water investments will be located within existing easements, environmental permitting requirements, if any, will be managed at the local level. Components related to solid waste recycling and energy-efficient buildings may require additional environmental documents and clearances and must be processed through the appropriate authorities. The Committee will verify that all appropriate environmental authorizations and permits have been obtained to consider the subprojects eligible.

### **C. Mitigation Measures**

Based on NADBank's analysis of the Project and the proposed subprojects, the environmental and social (E&S) risk of the transaction is considered low, and consequently, no specific mitigation measures are anticipated. As a precautionary measure, the Sponsor has specified that it will not use the loan proceeds for any project or asset associated with activities included in the following exclusion list:

- Exploration and production of fossil fuels, such as gas pipelines, storage terminals, and refineries.
- New power generation capacity based on fossil fuel combustion.
- Refinancing of coal- or fuel oil-fired power generation plants.
- Industries related to alcohol, weapons, tobacco, or gambling.
- Production or trade of any product or activity considered illegal under national laws or regulations, or international agreements and conventions.
- Deforestation, forest degradation, or the production or trade of forest products from unmanaged forests.
- Extractive activities and activities that contaminate soil and water bodies, such as natural gas extraction, fracking, and mining.
- Activities in protected areas.
- Activities that violate the rights of Indigenous People.
- Companies that exhibit unethical behavior, particularly in the context of environmental abuses, human rights abuses, or illegal activities.
- Production or trade of radioactive materials.
- Production or trade of unbound asbestos fibers.
- Production or activities involving forced labor or harmful or exploitative forms of child labor.

Although the implementation of the Project will not have any significant negative impact on the environment, mitigation measures will be established during the execution of the tasks to address minor and temporary adverse impacts that may occur during the construction and operation phases.

### **D. Pending Environmental Tasks and Authorizations**

In the case of projects that require environmental clearances, the Sponsor must confirm that the corresponding authorizations and permits have been obtained for each investment and that the necessary mitigation measures have been implemented as appropriate.



### **1.2.3. Environmental and Social (E&S) Due Diligence Review**

#### **A. Project E&S Risk Category**

In accordance with NADBank's Environmental, Social, and Governance (ESG) Policy, which establishes guidelines for assessing and categorizing potential ESG risks in its financial operations, NADBank determined that the proposed Project falls within Category B, corresponding to transactions with potentially limited environmental or social risks and/or impacts, which are typically few in number, generally site-specific, largely reversible, and can easily be addressed with mitigation measures following international best practices. The potential negative environmental impacts of the Project on settlements or areas of environmental significance are considered medium risk, and mitigation measures will be implemented as needed to prevent or minimize them.<sup>14</sup>

#### **B. E&S Due Diligence Conclusions**

Based on the Project analysis to determine associated environmental and social risks, NADBank concluded that there do not appear to be any significant risks arising from the implementation of the Project works. It also concluded that the Sponsor has the necessary tools and resources to comply with the Project's environmental and social obligations, including applicable regulations and annual compliance reports.

#### **C. Summary of Proposed Mitigation Measures**

No additional mitigation measures are needed, since the Sponsor's current organizational structure, processes, and potential use of funds support compliance with its environmental and social obligations.

### **1.3. Financial Criteria**

NADBank, through the Corporación Financiera de América del Norte (COFIDAN), S.A. de C.V. SOFOM, E.N.R., intends to participate in a competitive process to partially or fully purchase a Sustainability Bond to be issued by the State of Tamaulipas for an amount of up to \$1 billion pesos. The Bond issuance will comply with the provisions established by the Financial Discipline Law for States and Municipalities and the Mexican Securities Market Law. The proceeds from the Sustainability Bond will be allocated to various projects aimed at improving water, wastewater, irrigation, and solid waste services, as well as sustainable buildings. It is worth mentioning that the projects to be financed may be chosen by the State, as long as they adhere to the Sustainable Financing Framework for the State of Tamaulipas. Projects initially selected by the State include rehabilitation of the drinking water system, irrigation technology, a scrap tire recycling plant and two sustainable buildings.

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<sup>14</sup> Source: NADBank Environmental, Social and Governance (ESG) Policy, ([https://48573272.fs1.hubspotusercontent-na1.net/hubfs/48573272/publications-and-studies/nadbank\\_esg\\_policy\\_eng.pdf](https://48573272.fs1.hubspotusercontent-na1.net/hubfs/48573272/publications-and-studies/nadbank_esg_policy_eng.pdf)).



The proposed amount is eligible under the current metrics established by Mexico's Ministry of Finance and Public Credit (SHCP) in the Regulations of the Debt Warning System for the State of Tamaulipas applicable to the current fiscal year.

Table 2 shows a summary of the proposed uses and sources of financing.

**Table 2**  
**PROJECT FINANCING PLAN**  
(Million pesos)

Uses		Amount	%
Productive Public Investment		\$ 1,000.0	100.0
<b>TOTAL</b>		<b>\$ 1,000.0</b>	<b>100.0</b>
Source	Instrument	Amount	%
NADBank/COFIDAN	Bond	\$ 1,000.0	100.0
<b>TOTAL</b>		<b>\$ 1,000.0</b>	<b>100.0</b>

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## 2. PUBLIC ACCESS TO INFORMATION

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### 2.1. Public Consultation

NADBank published the draft certification and financing proposal for a 30-day public comment period beginning on August 15, 2025.

### 2.2. Outreach Activities

NADBank conducted a media search to identify the public opinion about the Sponsor or publications about the proposed Project. The following references to the Project were found online:

- *El Diario de Matamoros*. (February 27, 2025) "*Preparan Tamaulipas y NADBank ruta para inversiones en agua y saneamiento*" [Tamaulipas and NADBank Prepare Roadmap for Water/Wastewater Investments].  
<https://www.diariodematamoros.com/2025/02/preparan-tamaulipas-y-nadbank-ruta-para.html>
- *ABC Noticias*. (February 27, 2025) "*Tamaulipas y NADBank impulsan inversiones para mejorar agua y saneamiento*" [Tamaulipas and NADBank Promote Investments for Water and Wastewater Improvements].  
<https://abcnoticias.mx/tamaulipas/2025/2/27/tamaulipas-nadbank-impulsan-inversiones-para-mejorar-agua-saneamiento-241517.html>

- *La Expresión*. (February 26, 2025) “Accederá Tamaulipas a crédito con NADBank para proyectos de agua” [Tamaulipas to Access NADBank Loan for Water Projects]. <https://laexpresion.com.mx/2025/02/26/accedera-tamaulipas-a-credito-con-nadbank-para-proyectos-de-agua/>
- *Vox Populi noticias*. (February 26, 2025) “Firma Tamaulipas convenio con el NADBank para impulsar proyectos prioritarios” [Tamaulipas and NADBank Sign Agreement to Advance Priority Projects]. <https://voxpathulnoticias.com.mx/2025/02/americo-villarreal-firma-convenio-con-nadbank/>

During NADBank's review of publicly available information about the Sponsor and the Project, no opposition was identified.