



CERTIFICATION AND FINANCING PROPOSAL

FINANCING FOR ENVIRONMENTAL INFRASTRUCTURE IN THE STATE OF SONORA

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EXECUTIVE SUMMARY

FINANCING FOR ENVIRONMENTAL INFRASTRUCTURE IN THE STATE OF SONORA

The State of Sonora faces critical challenges in its potable water and wastewater services due to recurring drought conditions and the deterioration of essential service infrastructure, which requires significant investment. The State is also experiencing air quality issues associated with deteriorated roadways, unpaved streets, limited connectivity in certain areas, and a lack of green public spaces. In addition, there is a need to modernize essential public infrastructure, strengthen solid waste management systems, and expand access to public facilities that are energy- and water-efficient, all of which contribute to improving the quality of life for residents.

This proposal outlines a Comprehensive Investment Program designed to simultaneously address essential infrastructure needs, generate environmental benefits, and support the State's economic development. Priority investments include water-related infrastructure aimed at increasing the capacity of water supply, conveyance and treatment systems to meet potable water demand, mitigate the effects of prolonged drought conditions, and reduce the health risks associated with inadequate access to safe drinking water. Additional urban infrastructure investments will improve air quality through street paving and expanded connectivity in areas with limited mobility. The expansion of solid waste management facilities will also help reduce potential contamination sources and sanitary risks. Complementally, investments in public spaces, urban facilities and efficient buildings will contribute to creating safer and more resilient environments.

In November 2025, the Congress of the State of Sonora approved a decree authorizing the contracting of financing for up to MX\$1,500 million to support public infrastructure works and priority investment projects for 2026. Under this decree, works currently under development will be incorporated for financing through the BEIF Program in order to ensure the availability of sufficient resources to meet investment commitments and the required counterpart contribution obligations necessary to access such funds.

NADBank is seeking authorization to participate in a competitive process to provide a Loan of up to MX\$1,000.0 million to finance environmental infrastructure in the northern area of the State of Sonora. These resources will enable the State to implement various priority works, primarily in northern municipalities, including the modernization and rehabilitation of essential infrastructure (the "Project").

An indicative list of works to be financed is available; however, their eligibility must align with the *State of Sonora's Sustainable Public Finance and Investment Framework* (the Framework). In addition, a state investment committee will be established to review and approve project eligibility in accordance with the framework, which will strengthen transparency, governance and accountability. The Framework and the committee will also serve as tools for the administration and monitoring of future investments anticipated by the

State. NADBank’s participation will provide benefits to the State, as the financing may be provided for a term of up to 25 years at a funding cost that could improve the conditions currently contracted by the State’s public finance authority for its long-term debt.

Table 1 presents a summary of the proposed Project’s eligibility, key features and financing structure.

Table 1
PROJECT PROFILE

Project Eligibility

Type (Sector):	Eligible projects in accordance with the State of Sonora's Sustainable Public Finance and Investment Framework (the Framework).
Location:	Various localities within the State of Sonora
Sponsor:	State of Sonora Government

Project Summary

Objective:	<p>Provide financing to the State of Sonora Government (the "Sponsor", the "State") through a public credit offer (the "Project") for the construction of environmental infrastructure projects that meet NADBank eligibility criteria and are defined in the State of Sonora's Sustainable public Finance and Investment Framework, associated with the following expenditures:</p> <ul style="list-style-type: none"> ▪ Potable water and wastewater management ▪ Air quality ▪ Urban development ▪ Energy efficiency ▪ Solid waste management <p>The project will support environmental benefits such as improving potable water supply and wastewater services, enhancing air quality, promoting environmental infrastructure for urban development, and strengthening solid waste management in the State.</p>
Expected Outcomes:	<p>The Project is expected to generate environmental and human health benefits related to the following outcomes:</p> <ul style="list-style-type: none"> ▪ Improve potable water services ▪ Improve wastewater collection services ▪ Reduction of polluting emissions (PM₁₀, NO_x, SO₂) ▪ Water savings

	<ul style="list-style-type: none"> ▪ Energy savings ▪ Improve solid waste management
Population to Benefit:	1,500,000 ¹
NADBank Additionality:	<p>NADBank’s participation in the Project will provide financial benefits to the State of Sonora, as the proposed financing will be offered under favorable terms and conditions, with a tenor of up to 25 years and a funding cost that could improve the conditions under which the State currently holds its long-term debt. With respect to technical and environmental benefits, NADBank provided technical assistance for the development of the <i>State of Sonora’s Sustainable Public Finance and Investment Framework</i> (the Framework). Jointly with the State, a Technical Committee will be established to strengthen transparency, sound governance, and accountability by serving as an oversight body for the use of resources, ensuring that funds are applied for their intended purposes, comply with applicable legal requirements, and are aligned with the environmental criteria set forth in the Framework. In addition, the Committee will provide operational follow-up to ensure that the assets operate properly over the long term. These actions will contribute to improving quality of life, particularly for residents of the border region, through investments in safe and efficient environmental infrastructure.</p>

Financing Summary

NADBank Loan Amount:	Up to \$1,000.0 million pesos or its equivalent in dollars
Loan Type:	Public-sector loan
Borrower(s):	The State of Sonora

¹ The estimate of the beneficiary population considered the main municipalities in the northern region of the State of Sonora where the basic infrastructure projects are expected to be implemented, as well as population figures from INEGI’s 2020 Population and Housing Census.

CERTIFICATION AND FINANCING PROPOSAL

FINANCING FOR ENVIRONMENTAL INFRASTRUCTURE IN THE STATE OF SONORA

1. CERTIFICATION CRITERIA

1.1. Technical Criteria

1.1.1. Project Description

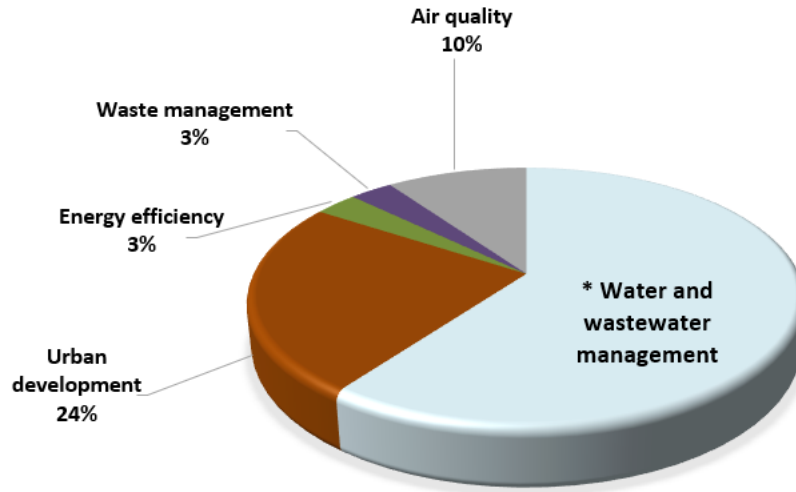
Project Location

The Project will be implemented in various localities throughout NADBank's jurisdictional area in the State of Sonora, where the Sponsor has identified priority infrastructure works to improve access to basic services such as potable water, wastewater collection and wastewater treatment, roadway infrastructure, public facilities, promotion of efficient building construction, and improved solid waste management, among others. Figure 1 shows the geographic location of the 300-kilometer zone corresponding to NADBank's jurisdiction in Sonora.

Figure 1
PROJECT INVESTMENT LOCATION MAP



Figure 2
ESTIMATED LOAN ALLOCATION



* Of the 60% allocated to the water and wastewater management sector, 42% corresponds to works currently under development that may receive future support through NADBank's BEIF Program and are considered matching funds, while the remaining 18% corresponds to new investment works financed with the Loan.

Table 2 shows the estimated allocation of the loan, including a description of the works by eligible sector and the anticipated environmental outcomes.

**Table 2
 ESTIMATED LOAN ALLOCATION**

Sector	%	Description	Expected Environmental Outcomes
Potable water supply and wastewater treatment management	60	<ul style="list-style-type: none"> ▪ Works for the rehabilitation, relocation and equipping of 27 wells for potable water supply in 15 municipalities. ▪ Works for the replacement and equipping of deteriorated potable water distribution lines in nine localities, including four pumping stations. ▪ Works for the improvement of the wastewater collection system and improvements to wastewater treatment facilities. 	<ul style="list-style-type: none"> ▪ Improve access to potable water service ▪ Improve access to wastewater collection service
Air quality	10	<ul style="list-style-type: none"> ▪ Paving and roadway rehabilitation to reduce emissions generated by the use of unpaved roads, including approximately 3.5 kilometers (2.17 miles) in the Puerto Lobos community. ▪ Construction and improvement works to rehabilitate deteriorated roadway infrastructure in order to optimize urban vehicular and pedestrian mobility in the Hermosillo, Agua Prieta and Nogales municipalities. 	<ul style="list-style-type: none"> ▪ Reduction of pollutant emissions (PM10, NOx, SO2)
Urban Development	24	<ul style="list-style-type: none"> ▪ Works for the rehabilitation and equipping of parks, green areas and public spaces, including La Saucedá Park and Cerro La Cementera, and the equipping of sports facilities in Hermosillo, incorporating energy efficiency and water-use efficiency measures, improvements in stormwater management—including rainwater harvesting—and environmental infrastructure, as well as other components with demonstrable environmental merits for urban public spaces. 	<ul style="list-style-type: none"> ▪ Reduction of pollutant emissions ▪ Rainwater recovery
Energy efficiency	3	<ul style="list-style-type: none"> ▪ Works for the rehabilitation, modernization and equipping of four efficient public buildings to increase their energy efficiency, in the municipalities of Hermosillo and Magdalena. 	<ul style="list-style-type: none"> ▪ Energy savings
Waste management	3	<ul style="list-style-type: none"> ▪ Works for the expansion, construction and equipping of urban solid waste final disposal infrastructure, including the construction of a second phase of the Puerto Peñasco sanitary landfill. 	<ul style="list-style-type: none"> ▪ Solid waste management

The structure of this financing will allow for the financing of other environmental infrastructure works—similar to those included in Table 2—that are eligible for NADBank and aligned with the Framework, either in addition to or in place of those identified to date.

Project Milestones

Financial closing is expected to occur in March 2026. The NADBank loan will be used to finance the Project works, and according to the Government of the State of Sonora, construction is expected to begin in February 2026 and be completed within approximately 24 months.

1.1.2. Technical Feasibility

The State, through its competent sectoral agencies, has the technical and operational capacity necessary to develop, implement and supervise the proposed works. Technical feasibility is supported by the institutional, operational and regulatory capacities of the Government of the State of Sonora, as well as by the sectoral assessments established in *the Sonora Water Plan 2023–2053*, the *Sectoral Program for Infrastructure and Urban Development 2022–2027*, the *State’s Sustainable Public Finance and Investment Framework*, and reports issued by SIDUR, CEA and CEDES. In general, the Sponsor has identified various subprojects that meet the eligibility criteria:

- In the water sector, the rehabilitation, relocation and equipping of wells; the replacement and modernization of water distribution networks and pumping stations; as well as the recovery of wastewater collection and wastewater treatment infrastructure were identified. These investments represent the most cost-efficient option by reducing losses, improving service continuity, and ensuring compliance with applicable federal regulations.
- For reducing the exposure to dust and poor air quality, mobility and paving studies included in the *2024 SIDUR Annual Report* confirm that paving dirt roads and modernizing existing roadways are appropriate solutions to reduce emissions of particulate matter and increase urban connectivity.
- In terms of urban development and access to basic services, the rehabilitation of public spaces was identified, consistent with the guidelines of the Sectoral Program for Infrastructure and Urban Development (PSIDU) and best practices for environmental infrastructure and safe public spaces, aimed at addressing social gaps and strengthening community cohesion. The proposed parks and sports areas must comply with the Framework and incorporate elements that promote water infiltration, urban reforestation and the improvement of public spaces.
- Regarding energy efficiency, the construction and equipping of efficient public buildings was identified, aligned with the Sonora Framework and eligible within NADBank’s environmental sectors.

- Regarding solid waste, the expansion of the sanitary landfill in the community of Puerto Peñasco was identified, responding to the limited capacity and remaining useful life of the existing infrastructure. Implementation of the works is expected to ensure proper waste management, reduce impacts on soil and aquifers, and comply with urban solid waste regulations.

Overall, the Government of the State of Sonora has the technical and operational capacity, as well as the necessary supervision mechanisms, to implement, operate and maintain the proposed infrastructure and works, ensuring the efficient use of financed resources and the long-term operational and financial viability of the projects. As part of the State's strategies to address essential infrastructure needs, including the identified works, the State Government will issue a Decree establishing the general guidelines for the required financing, which should be defined no later than the first quarter of 2026.

In accordance with the guidelines of the Framework, eligibility verification will be carried out by a Technical Committee composed of the State Ministry of Finance and the corresponding sectoral agencies. This Committee will conduct the process of selecting and reviewing projects, evaluating not only their alignment with the Framework's criteria and their eligibility, but also their compliance with applicable regulations and with the construction standards or designs corresponding to each type of work. Pursuant to the terms of the loan agreement, NADBank will participate as a member of the Technical Committee and will take part in the project review and approval process, with its casting vote being a requirement to determine eligibility in accordance with the financing criteria. This Committee will also ensure the traceability, transparency, and consistency of the works with the financing guidelines.

All identified works will be implemented by the State in accordance with its regulations and manuals and/or those of the agencies and operating entities responsible, as applicable. All works contemplated in the Project must comply with the corresponding federal, state, and municipal regulations, including obtaining the permits, authorizations and rulings required based on the type of infrastructure. For example, projects involving the expansion of potable water supply and treatment capacity must obtain the corresponding authorizations and secure the necessary water rights. In the case of wells and hydraulic infrastructure, the pertinent authorizations from the National Water Commission (CONAGUA) will be required, along with compliance with potable water quality standards. Likewise, paving works, urban roadways, public spaces, efficient buildings, solid waste management facilities, and electrical modernization works must meet the applicable technical, environmental and safety standards for each sector, ensuring that their execution and operation are carried out in accordance with current regulations.

The list of investments to be financed will be confirmed during the administration of the loan and reported at the end of the implementation period. The Sponsor must provide supporting documentation to ensure that loan resources are used to finance eligible projects in accordance with NADBank and the eligibility criteria of the Framework.

1.1.3. Land Acquisition and Right-of-Way Requirements

Project components will be implemented primarily within existing easements and rights-of-way. In cases where additional rights must be acquired or regularized, the competent entities or agencies of the State Government will be responsible, depending on the type of work. The necessary actions for each work will be carried out in accordance with applicable regulations and in coordination with municipal authorities, as required.

1.1.4. Project Operations

The Government of the State of Sonora has solid technical and operational capacity to manage the financial resources for the proposed works and to verify compliance with the eligibility criteria established in the Framework. These projects will be administered by agencies whose responsibilities are defined in the State Development Plan 2021–2027 and that have experience in public infrastructure delivery.

The State has formal management and monitoring processes in place that allow for the evaluation and prioritization of investments and for tracking compliance indicators aligned with the Framework. The state entities responsible, including CEA, SIDUR, CEDES, IMTES, and other competent agencies, will collaborate with municipalities in identifying needs, scheduling works, supervising construction, and transferring infrastructure for ongoing operation. Each agency will contribute its technical expertise and institutional capacity to ensure that the interventions include appropriate maintenance, operational management, and monitoring processes, while municipalities will assume responsibility for the day-to-day administration and operation of the resulting public services, thereby ensuring the continued functional performance of the installed infrastructure.

Finally, the State has financial resources and budgetary mechanisms in place to support the operation of these projects. Sectoral programs and state budgets allocate specific resources for water-related, roadway, urban, environmental, and public infrastructure, while municipal operating entities have the authority to operate and maintain water supply and wastewater treatment systems. Likewise, the State has requested NADBank's support to strengthen the technical, financial, and operational capacities of Sonora's utility operators, with the objective of improving integrated service management and the long-term operation and maintenance of the investments. In addition, NADBank, in coordination with the State, plans to implement financial and managerial training activities for utility operators during 2026.

1.2. Environmental Criteria

1.2.1. Environmental and Health Effects/ Impacts

A. Existing Conditions

The State of Sonora Government has identified priority needs in environmental infrastructure and public services. The works included in this proposal address existing conditions in the state of Sonora, based on state planning instruments and the eligibility criteria defined in the Framework. The main existing conditions are described below.

- In the water sector, most of the State's territory is located in a region classified as "semi-desert or desert with water scarcity, high temperatures, and extreme climates," conditions conducive to prolonged drought periods⁴. According to the intensity categories of Mexico's Drought Monitor, in November 2023 the State registered moderate drought (D1) in two municipalities, while 17 municipalities registered severe drought (D2), and 53 municipalities⁵ registered extreme drought (D3). In January 2024, 44 municipalities registered extreme drought (D3), and 22 registered exceptional drought (D4), the highest level in the Drought Monitor. On February 22, 2024, the State Government issued a water emergency declaration caused by drought conditions ranging from moderate to severe.⁶ These drought conditions have resulted in adverse impacts on public health. Currently, groundwater systems show increasingly lower water levels, creating the need for investment in the rehabilitation and/or equipping of existing wells, as well as drilling for the relocation of wells to greater depths in order to improve water supply to the population. The Sponsor has identified the need for investments in distribution network systems to replace obsolete pipelines that have exceeded their useful life and experience frequent leaks.
- In the State of Sonora, there are significant gaps in drinking water infrastructure associated with the aging of networks and equipment. For example, in Hermosillo, close to 70% of the approximately 5,000 kilometers of the potable water distribution network has exceeded its useful life. This insufficiency in hydraulic infrastructure leaves segments of the population without reliable access to piped water and requires immediate actions for replacement, modernization, and equipping. The proposed investments for environmental infrastructure rehabilitation in Sonora address critical backlogs in obsolete potable water networks and deteriorated pumping stations, resulting in water losses and irregular public service delivery.
- With respect to wastewater collection and wastewater treatment, Sonora has significant gaps in the coverage and performance of its infrastructure. According to CONAGUA, while wastewater collection coverage exceeds 90%, only around 70% of

⁴ Source: Sonora Government

⁵ Source: Boletín Oficial del Gobierno del Estado de Sonora. Declaratoria de estado de emergencia hídrica provocada por la escasez de agua en las cuencas hídricas del Estado de Sonora medida en términos de ocurrencia de sequía severa (D2), extrema (D3) o excepcional (D4), para el año 2024. <https://boletinoficial.sonora.gob.mx/images/boletines/2024/02/2024CCXIII16I.pdf>

⁶ Source: Ibidem

municipal wastewater receives treatment⁷, implying a significant risk of untreated discharges with impacts on public health and the environment. This situation is particularly relevant in the northern municipalities of the State, where wastewater discharges may have transboundary impacts on the United States, especially in border communities such as Nogales and Naco. These conditions, together with networks and treatment plants with obsolete technology or limited capacity, make investment in the rehabilitation and modernization of wastewater treatment systems a priority, including works that address shared watersheds and receiving water bodies, in order to reduce environmental risks and ensure compliance with applicable regulations.

- With respect to roadway infrastructure, the lack of paving on dirt roads has been identified as a factor that isolates rural and peri-urban communities, limiting their connectivity to health care, education, and other public services, in addition to generating pollutant emissions to the atmosphere that affect air quality and public health. This condition of unpaved roads hinders local development. However, in urban areas, roadway infrastructure also shows deterioration and lack of rehabilitation, resulting in traffic congestion. In urban areas such as Hermosillo, it is estimated that approximately 35% of streets are unpaved and 80% of existing roadways are deteriorated, highlighting the need for urban roadway improvement and construction.
- In the area of public spaces, there is a shortage and deterioration of parks, green areas, and sports facilities across the State. Limited access to these types of public facilities restricts opportunities for community interaction, affecting quality of life and public health. In the most populated municipality, Hermosillo, approximately 1,000 hectares of green spaces were reported, equivalent to an average of 12.5 m² of green area per person⁸. This level is below the minimum of 16 m² per inhabitant established by the World Health Organization.⁹ In recognition of this gap, the State Government has identified park rehabilitation as a priority. These investments will help improve air quality, promote water infiltration and urban reforestation, and, overall, enhance public spaces for the community.
- With respect to energy efficiency, public buildings such as government offices and service centers operate with outdated physical and energy systems, resulting in operational inefficiencies and high maintenance costs. The construction and equipping of public buildings based on energy efficiency and functionality criteria will help optimize energy use, reduce related emissions, and improve the delivery of public services, in alignment with the State's sustainability goals.
- With respect to urban solid waste management, Sonora has limited final disposal capacity in existing sanitary landfills and a large number of open dumps that represent sources of contamination. To prevent impacts on soil, air, and aquifers, the construction of a second stage of Puerto Peñasco landfill, which has already exceeded

⁷ Source: Gobierno de Sonora, (https://finanzaspublicas.sonora.gob.mx/media/204297/fc_e410k12-aprovechamiento-distribucion-y-manejo-del-agua.pdf).

⁸ Source: Municipio de Hermosillo, (https://www.hermosillo.gob.mx/descargas/PMD_2022WEB.pdf).

⁹ Source: Gobierno de México, (<https://www.gob.mx/conanp/articulos/ciudades-verdes-y-sustentables>).

its capacity, making its expansion urgent.¹⁰ This action will promote new infrastructure that reduces contamination and improves public health through safer waste management practices.

B. Expected Environmental/Human Health Outcomes

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

- Improved potable water service
- Improved wastewater services
- Reduction of pollutant emissions (PM10, NO_x, SO₂)
- Water savings
- Energy savings
- Improvements in solid waste management

C. Other Project Benefits

With the implementation of the Project, the State and local entities are expected to strengthen their institutional capacities to achieve more efficient operational management across public services. Collectively, these interventions will support operations with enhanced technical, environmental, and social capacity, ensuring the delivery of resilient public services focused on the well-being of the population.

D. Transboundary Impacts

Based on the scope of the Project, a portion of the financed investments is expected to generate positive transboundary impacts, particularly those related to wastewater collection and wastewater treatment works that are underway or that complement investments in the municipalities of Nogales and Naco under the EPA's Border Environment Infrastructure Fund (BEIF) program administered by NADBank. These interventions directly contribute to reducing untreated wastewater discharges, improving water quality, and protecting shared receiving water bodies, generating environmental and public health benefits for both northern Sonora and communities in the southern United States.

¹⁰ Source: Gobierno municipal de Puerto Peñasco, (<https://puertopenasco.gob.mx/sostiene-alcalde-jorge-pivac-reunion-con-el-gobernador-de-sonora-para-tratar-soluciones-ante-el-problema-que-representa-el-basuron-municipal-e-impulsar-proyecto-para-la-construccion-del-nuevo-el-relle/>).

1.2.2. Compliance with Applicable Environmental Laws and Regulations

For Project implementation, the Sponsor must comply with all applicable federal, state, and municipal laws and regulations related to potable water and wastewater treatment works, roadway infrastructure, urban development, public buildings, solid waste management, and electricity distribution. These include, among others:

- The State of Sonora Ecological Balance and Environmental Protection Law;
- The State of Sonora Water Law;
- The Public Works and Related Services Law;
- The Human Settlements, Territorial Planning and Urban Development Law; and
- The applicable provisions of the State Construction Code and the State of Sonora's Sustainable Public Finance and Investment Framework.

A. Environmental Studies or Consultations

Implementation of the works will take place primarily at sites with existing infrastructure or within public rights-of-way; therefore, no additional environmental studies or consultation processes beyond those typically required for this type of intervention are anticipated. Nevertheless, the State and the implementing agencies will carry out all environmental studies, technical opinions, and authorizations that may be applicable, in accordance with the nature of each work and as established under federal, state, and municipal regulations.

B. Environmental Clearance and Permitting

Implementation of certain Project components may require environmental authorizations at the state or federal level. The State water agency is familiar with these requirements and routinely obtains the necessary authorizations. Given that several of the proposed investments will be located within existing easements, environmental authorization requirements, if any, are managed at the local level. Components related to water supply or wastewater treatment may require additional environmental documentation and authorizations and must be processed with the corresponding authorities. The Framework's criteria establish that a Committee will verify that the applicable environmental authorizations and permits have been obtained in order for the works to be considered eligible.

C. Mitigation Measures

While Project implementation is not expected to result in any significant adverse environmental impacts, mitigation measures will be established during the execution of the works to address minor and temporary adverse impacts that may arise during the construction and operation phases of each work.

In addition, as a preventive measure, the Sponsor has specified that loan proceeds will not be used to finance any project or asset associated with the activities included in the following exclusion list:

- Exploration and production of fossil fuels.
- New energy generation capacity based on the combustion of fossil fuels.
- Industries related to alcohol, weapons, tobacco or gambling.
- The production or trade of any product or activity deemed illegal under national laws or regulations or international agreements and conventions.
- Deforestation, forest degradation, or the production or trade of forest products sourced from non-sustainably managed forests.
- Activities that affect the ecosystems of protected marine and terrestrial areas.
- Activities that have a highly polluting effect on the environment.
- Activities that violate human rights or the rights of Indigenous peoples.
- Companies that exhibit unethical behavior, particularly in the context of environmental abuses, human rights violations, or illegal activities.
- Production or trade of radioactive materials.
- Production or trade of unbonded asbestos fibers.
- Production or activities involving forced labor or harmful or exploitative forms of child labor.

D. Pending Environmental Tasks and Authorizations

The Sponsor must confirm that the corresponding environmental authorizations and permits have been obtained for each infrastructure investment and that the required mitigation measures have been implemented, as applicable.

1.2.3. Environmental and Social (E&S) Due-diligence Results

A. Project E&S Category

In accordance with NADBank's Environmental, Social and Governance (ESG) Policy, which establishes guidelines for the evaluation and categorization of potential ESG risks in its financial operations, NADBank determined that the proposed Project falls within Category B. This category is assigned to transactions with limited adverse environmental and social impacts that are generally site-specific, largely reversible, and can be addressed through mitigation measures, while following international best practices. The potential adverse environmental impacts of the Project on human populations or environmentally sensitive

areas are considered to present a medium level of risk, and the necessary mitigation measures will be implemented to prevent or minimize such impacts.¹¹

B. E&S Due Diligence Conclusions

NADBank reviewed the Project documentation to determine the environmental and social risks associated with its implementation and concluded that the Government of the State of Sonora has the tools and resources necessary to comply with the environmental and social obligations associated with the Project, including compliance with applicable regulations and the submission of annual compliance reports.

C. Summary of Proposed Mitigation Measures

No additional mitigation measures are required, as the Sponsor, through the State Government agencies, provided documentation demonstrating compliance with its E&S obligations.

1.3. Financial Criteria

NADBank intends to provide financing of up to MX\$1,000.0 million through a senior unsecured loan to the State of Sonora, subject to a competitive process in accordance with the Law on Financial Discipline of Federative Entities and Municipalities (Ley de Disciplina Financiera de las Entidades Federativas y Municipios, “LDFEFM”). The total cost of the Project is estimated at MX\$1,000 million, including construction and implementation costs, contingencies, and applicable taxes. Loan proceeds will be allocated to various projects aimed at improving the State’s water supply and wastewater treatment services, as well as the modernization and rehabilitation of essential infrastructure, including the improvement of public facilities, the creation of recreational spaces, and the expansion of basic services to enhance mobility, air quality, and access to education and health services, and to restore natural and urban spaces (the “Project”). It is important to note that the Project components to be financed will be aligned with the State of Sonora’s Public Finance and Investment Framework (the “Framework”).¹²

The proposed amount is permissible under the current metrics established by the Ministry of Finance and Public Credit (SHCP) in the Regulations of the Alert System for the contracting of credit obligations by the State of Sonora for the current fiscal year.

Table 3 summarizes the proposed uses and sources of financing.

¹¹ Source: NADBank’s Environmental, Social and Governance (ESG) Policy, (https://48573272.fs1.hubspotusercontent-na1.net/hubfs/48573272/publicaciones-y-estudios/politica_asg_del_nadbank.pdf).

¹² Framework developed in collaboration with NADBank and with technical assistance from the Global Green Growth Institute (GGGI)

Table 3
FINANCIAL PLAN OF THE PROJECT
 (MX\$ Millions)

Uses		Amount	%
Productive public investment		\$ 1,000.0	100.0
TOTAL		\$ 1,000.0	100.0
Source	Instrument	Amount	%
NADBank	Loan	\$ 1,000.0	100.0
TOTAL		\$ 1,000.0	100.0

2. PUBLIC ACCESS TO INFORMATION

2.1. Public Consultation

NADBank published the draft certification and financing proposal for a 30-day public comment period beginning December 18, 2025. The public comment period ended January 17, 2026, with no comments received.

2.2. Outreach Activities

The Government of the State of Sonora has ensured public disclosure and open access to the Framework through its official publication on the website of the State Ministry of Finance.¹³ This document is available for public consultation by citizens, investors, government agencies, and other interested stakeholders, ensuring transparency in the criteria, processes, and eligibility categories applicable to State financing.

In addition, approval of the financing associated with this investment Project was disseminated through state-level media outlets, with press coverage highlighting the authorization granted by Congress to advance productive public infrastructure projects and priority works across various municipalities in the State.

- *Desierto Digital* (November 28, 2025) “Aprueba Congreso de Sonora 1,500 mdp para Infraestructura”, (<https://desiertodigital.wixsite.com/misitio/post/aprueba-congreso-de-sonora-1-500-mdp-para-infraestructura>).
- *Tribuna* (November 27, 2025) “Congreso de Sonora aprueba solicitud de crédito de 1,500 mdp para obras en Sonora durante el 2026”,

¹³ Marco de Financiamientos e Inversiones Públicas Sostenibles published by the State of Sonora Ministry of Finance, (<https://hacienda.sonora.gob.mx/doclink/marco-financiamientos-inversiones-publicas-01-12-2025/eyJ0eXAiOiJKV1QiLCJhbGciOiJIUzI1NiJ9.eyJzdWl0aWltYXJib31maW5hbmNpYW1pZW50b3MtaW52ZXJzaW9uZXMtcHVibGlijYXMtMDEtMTItMjAyNSIsImhhdCI6MTc2NDY0MjE2MywiZXhwIjoxNzY0NzI4NTYzfQ.4sSKoDbiCkQisk3iLB0j1f3QonpUQsRw6cMEW8ZTAUA>).

(<https://www.tribuna.com.mx/sonora/2025/11/27/congreso-de-sonora-aprueba-solicitud-de-credito-de-1500-mdp-para-obras-en-sonora-durante-el-2026-420850.html>).

- *El Diario de Sonora* (November 22, 2025) “*Congreso de Sonora aprueba financiamiento por hasta 1,500 mdp y avanza en reformas clave*”, (<https://eldiariodesonora.com.mx/sonora/2025/11/28/congreso-sonora-aprueba-financiamiento-hasta-1500-mdp-avanza-reformas-clave.html>).

These institutional outreach activities strengthen the transparency of the process and confirm the State’s commitment to open communication regarding its financial and investment decisions.