

Non-Binding Opinion of

Mexico's Sustainability-Linked Framework Supplement

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UNDP's Opinion at a Glance

UNDP is of the view that the Sustainability-Linked Framework Supplement (SLFS) provides a sound and flexible structure to introduce and implement Sustainability-Linked Instruments, strengthening the Government of Mexico's commitment to ambitious and material sustainability priorities related to gender equality, social inclusion, poverty eradication, climate action, water sustainability, energy transition and the protection of terrestrial and marine ecosystems. The SLFS comprises relevant, strategic and measurable Key Performance Indicators (KPIs) coherent with Mexico's overarching sustainability objectives. Additionally, the SLFS establishes ambitious and credible Sustainability Performance Targets (SPTs) supported by ongoing plans and policies. Reporting and external review commitments are a core element of the SLFS, aligned with the market's best practices and principles, that enable timely monitoring of KPIs' progress and foster investor confidence through sound accountability mechanisms.

Foreword

Mexico has established itself as a leading innovator in the development of financing instruments to support both public and private spending and investment in sustainable development. The issuance of the UMS SDG Sovereign Bond Framework in 2020 marked a milestone in the Mexican financial ecosystem, not only for its contribution to deepening the sustainable yield curve within the public debt portfolio, but also as a catalyst for broader institutional transformation.

Since 2020, the United Nations Development Programme (UNDP) has participated as an observer in the issuance of SDG Bonds and has consistently documented the positive progress achieved through these instruments. Advancements have been noted in monitoring and reporting practices, capacity-building initiatives, and strengthened coordination across public administration. Moreover, the SDG Bonds have leveraged multisectoral bodies to support the implementation and follow-up of the 2030 Agenda in the national context, while enhancing the measurement of public expenditure and the effectiveness of SDG-related outcomes.

In January 2026, the Government of Mexico took another decisive step forward with the issuance of the Sovereign Sustainable Finance Framework (SSFF). In February 2026, the Sustainability-Linked Framework Supplement (SLFS) was released to complement the SSFF and provide a structured basis for innovative financial instruments aligned to national sustainable development priorities.

The SLFS constitutes a further landmark in the mobilization of capital to address Mexico's sustainability objectives, in line with the National Development Plan (NDP 2025-2030), Mexico's Sustainable Taxonomy (MST) and the Sustainable Finance Mobilization Strategy (EMFS, by its Spanish acronym). By linking financial terms and conditions to sustainability performance, the SLFS underscores the Government of Mexico's strengthened commitment to advancing a comprehensive sustainability agenda and

fostering accountability in the pursuit of long-term development goals.

This framework commits to seven Key Performance Indicators (KPIs) and its associated Sustainability Performance Targets (SPTs). The selection of the KPIs reflects an integrated approach, consistent with the 2030 Agenda for Sustainable Development, as it addresses social and environmental priorities related to gender equality, social inclusion, poverty eradication, climate action, water sustainability, energy transition and the protection of terrestrial and marine ecosystems. The selection of the KPIs and the SPTs is grounded on Mexico's development plans and instruments, reflecting consistency with the sustainability agenda and credibility of the policies to achieve the targets.

The SLFS aligns with the Sustainability-Linked Loan Principles (SLLP) published in March 2025 by the Loan Market Association (LMA), Loan Syndications & Trading Association (LSTA) and Asia Pacific Loan Market Association (APLMA) and with the International Capital Markets Association's Sustainable Bonds for Nature: A Practitioner's Guide (2025), fostering transparency and accountability.

The issuance of the SLFS locates Mexico at the forefront of finance for development solutions, unlocking new sources to address various challenges, while simultaneously advancing an ambitious and pre-defined sustainability agenda, core to the national priorities and supported by specific plans and policies. This supplement strengthens the SSFF objectives and lays the groundwork for the mobilization targets established in the EMFS. UNDP welcomes the innovative and integrated approach displayed by the Government of Mexico in the design and implementation of financial instruments that enable progress towards the Sustainable Development Goals (SDGs) and sustainability areas reflected in the selection of the seven KPIs.

Overview

Mexico has taken decisive steps to advance a sustainable development agenda not only through the adoption of strategies and policies aimed at reducing inequalities, protecting the environment, and promoting economic growth, but also by establishing an enabling environment that supports the financing of activities necessary to achieve these objectives. In recent years, several milestones have contributed to the consolidation of this enabling environment. Specifically, the publication of the Sustainable Finance Mobilization Strategy (EMFS), laid the groundwork for fostering the coordination of previously isolated actions already underway, while simultaneously opening the door to innovation in development financing.











The EMFS led to the update of the 2020 SDG Sovereign Bond Framework, which was superseded by the Sovereign Sustainable Finance Framework (SSFF) in January 2026. This updated Framework introduced a wider array of Sustainable Finance Instruments (SFIs), including bonds and loans. In order to promote integrity and transparency in the development of the sustainability-linked loan market, the Ministry of Finance (SHCP, by its Spanish acronym) issued the Sustainability-Linked Framework Supplement. The SLFS represents an additional milestone to clearly communicate expected sustainability objectives, through the establishment of objective metrics and targets linked to environmental and social priorities.

The United Nations Development Programme (UNDP) acts as an observer in the issuance of the SLFS to assess (i) its consistency with the national sustainable development priorities; (ii) the relevance and ambition of performance indicators and targets, as well as its alignment with market principles and guidelines.

UNDP's opinion on the SLFS is submitted in accordance with the Memorandum of Understanding signed in November 2025 between SHCP and UNDP.

Consistency with Mexico's sustainable development priorities and strategies

The SLFS, in alignment with the SSFF, provides a structured framework for the design and structuring of Sustainability-Linked Instruments (SLIs). These instruments constitute an innovative mechanism to mobilize capital for general financing purposes, while simultaneously advancing ambitious, pre-defined sustainability objectives. The structural and financial features of SLIs are directly contingent upon Mexico's performance against a set of environmental and social objectives, articulated through seven Key Performance Indicators and their corresponding Sustainability Performance Targets. The KPIs established under the SLFS are as follows:

	KPI	SDGs	National Development Plan 2025-2030 (NDP)
1	Net Greenhouse Gas (“GHG”) Emissions, measured in MtCO ₂ e		Axis 4: Sustainable Development. Objective 4.3: Reduce pollutant emissions and strengthen climate resilience through the prevention, control, and mitigation of environmental and health impacts.
2	Percentage (%) of clean energy participation in the electricity generation matrix	 	Axis 4: Sustainable Development. Objective 4.2: Promote strategic clean energy projects, modernize electrical infrastructure, and foster technological innovation to reduce dependence on fossil fuels and mitigate environmental impact.
3	Percentage (%) of terrestrial and/or marine protected areas at the national level	 	Axis 4: Sustainable Development. Objective 4.5: Protect and restore natural ecosystems, promoting their sustainable use through a humanistic, inclusive, and participatory ecological policy.
4	Percentage (%) of technified surface area in priority irrigation districts		Axis 4: Sustainable Development. Objective 4.6: Guarantee the right to water through efficient, sustainable, and climate change-resilient management, protecting the integrity of watersheds and ensuring their availability for present and future generations.
5	Gender gap in labor force participation rate (percentage points)	 	Transversal Axis 1: Substantive Equality and Women’s Rights Objective T1.1: Promote women’s economic autonomy to close historical gaps in poverty and labor precarity, ensuring equitable access to employment, fair income, and a culture of empowerment grounded in substantive equality.
6	Percentage (%) of women living in poverty, headcount ratio		Transversal Axis 1: Substantive Equality and Women’s Rights Objective T1.1: Promote women’s economic autonomy to close historical gaps in poverty and labor precarity, ensuring equitable access to employment, fair income, and a culture of empowerment grounded in substantive equality.
7	Percentage (%) of indigenous people living in poverty, headcount ratio		Transversal Axis 3: Rights of Indigenous and Afro-Mexican Communities Objective T3.6: Ensure the integral, intercultural, and sustainable development of Indigenous and Afro-Mexican Peoples and Communities, guaranteeing their full autonomy to exercise their right to self-determination and to define their own development models that strengthen their well-being and quality of life.

The identified KPIs encompass diverse dimensions of development, reflecting an integrated approach consistent with the 2030 Agenda for Sustainable Development—adopted by Mexico in 2015—and with the NDP 2025–2030. Each KPI is explicitly mapped to at least one SDG and to specific objectives within the NDP, thereby ensuring **coherence between the SLFS and Mexico’s overarching sustainability priorities and strategic commitments**. Accordingly, SLIs will be directly contingent upon Mexico’s performance in advancing sustainability objectives related to greenhouse gas mitigation and climate change adaptation, the energy transition, ecosystem conservation, sustainable water management, gender equality, social inclusion, and poverty reduction. **UNDP considers that the SLFS is relevant and material to national and sectoral priorities.**

It should be underscored that the development priorities set forth in the NDP – and therefore in the SLFS – are underpinned by a robust National Planning System characterized by strong vertical coherence, which mandates that budgetary programs contribute directly to the implementation of strategies defined in sectoral and institutional plans. In turn, derivative plans of the NDP are required to facilitate the execution and achievement of its overarching strategies and objectives. Specifically, the Sectoral Plans on Environment and Natural Resources, Energy, Water, Wellbeing, and Women, together with the Institutional Plan of the National Institute for Indigenous Peoples, articulate objectives, strategies, and lines of action designed to operationalize the NDP’s priorities and will contribute to the achievement of the SLFS’s

SPTs. **Accordingly, UNDP considers that the national strategies, plans, policies, and budgetary allocations constitute credible instruments to generate positive impacts on the identified KPIs.**

As previously noted, the EMFS—together with complementary instruments such as Mexico’s Sustainable Taxonomy and the SSFF—contributes to the creation of an enabling environment that supports the advancement of national sustainability priorities and strategies. The EMFS establishes the foundation for mobilizing and redirecting financial resources toward projects and activities that generate positive environmental and social outcomes. Effective implementation of the 125 strategic activities outlined in the EMFS has the potential to mobilize up to MXN \$15 trillion between 2023, when the Strategy was first issued, and 2030.

The SLFS is consistent with the objectives of the EMFS, demonstrating strong alignment between the EMFS’s guiding principles—climate justice, social justice, and environmental justice—and the SLFS’s sustainability commitments articulated through the aforementioned KPIs. In particular, the SLFS is closely linked to EMFS Pillar 2: Mobilization of Sustainable Financing, which seeks to transform debt and capital markets in order to channel financial resources toward sustainable activities and projects. Furthermore, the integration of gender equality priorities within the SLFS—specifically through KPIs 5 and 6—directly supports the first transversal action under Pillar 1, aimed at mainstreaming gender perspectives in the mobilization of financing.

UNDP is of the view that the SLFS is consistent with national sustainable development priorities as established in various planning instruments and is supported by credible strategies and policies that have the potential to positively impact climate action, ecosystem conservation, water sustainability, gender equality, social inclusion and poverty reduction KPIs.



Opinion on the SLFS core components

The issuance of the SLFS represents a significant milestone in Mexico's sustainable finance strategy, as it establishes the foundational framework for the development of SLL products. This Supplement enhances the scope and effectiveness of the SSFF, issued in January 2026, by explicitly articulating the sustainability outcomes to which Mexico commits over the coming years, contingent upon the mobilization of capital through SLIs.

To promote integrity in the development of Mexico's SLL market, alignment with market principles is central. SHCP aligned the SLFS with the Sustainability-Linked Loan Principles (SLLP) published in March 2025 by the Loan Market Association (LMA), Loan Syndications & Trading Association (LSTA) and Asia Pacific Loan Market Association (APLMA). The SLLP comprises five core components, namely, the selection of KPIs, the calibration of SPTs, the loan characteristics, reporting requirements and verification provisions.

Selection of KPIs and calibration of SPTs

The SLLP emphasizes the importance of identifying core, material and relevant KPIs as a means of enhancing the credibility of SLIs. The SLFS establishes seven KPIs addressing social and environmental dimensions. Each SLI will integrate one or more of these designated KPIs. Notwithstanding, supplementary metrics

and targets not explicitly contemplated within the SLFS may be incorporated into SLIs, subject to agreement with the lending institution and formal disclosure in the corresponding documentation. This provision enables flexibility while ensuring transparency and certainty in the integration of additional KPIs.

Each of the seven KPIs defined under the SLFS is accompanied by summary information specifying the responsible institution for monitoring, the calculation methodology, the baseline value and reference year, the reporting frequency, and its alignment with the 2030 Agenda, the NDP, and the MST. In addition, the SLFS elaborates on the rationale underpinning each KPI within the framework of Mexico's sustainability strategy. **The information provided by the SHCP is central to establishing the strategic relevance of each KPI. Furthermore, it underscores the measurable nature of the selected indicators, thereby enabling an objective and transparent assessment of Mexico's progress in fulfilling its sustainability commitments associated with SLIs.**

The disclosure of the calculation methodologies within the SLFS, together with the reliance on publicly available information sources for data collection, facilitates external verification processes. Such processes constitute a fundamental mechanism for ensuring the integrity and credibility of the KPIs. It is noteworthy that the methodologies applied are derived either

from internationally recognized frameworks or from nationally developed, consolidated, and consistent approaches. This methodological foundation strengthens the reliability of the KPIs as instruments for monitoring Mexico’s sustainability performance.

The SLFS SPTs are coincidental with the targets outlined in the NDP and other planning instruments. Anchoring the NDP and sectoral plans targets to financial terms through the SLFS increases the credibility of Mexico’s commitment to sustainability objectives.

KPI 1. Net GHG Emissions measured in MtCO₂e

KPI	Baseline	Reporting frequency	SPT	SPT’s observation date
Net GHG Emissions, measured in MtCO ₂ e	599 MtCO ₂ e (2024)	Biennial	533 MtCO ₂ e	December 31st 2030

Relevance and robustness of the KPI

The selection of the KPI Net GHG Emissions measured in MtCO₂e is consistent with Mexico’s commitment to climate action, which has been formalized through various legal and planning instruments, including the General Law on Climate Change (LGCC, by its Spanish acronym), enacted in 2012, the NDP 2025–2030, the Sectoral Plan on Environment and Natural Resources 2025–2030, and the Institutional Plan of the National Institute of Ecology and Climate Change 2025–2030. These instruments seek to safeguard the right to a healthy environment and to strengthen resilience to climate risks through the implementation of policies that contribute both to climate change adaptation and to the mitigation of greenhouse gas emissions.

Furthermore, Mexico adopted the 2030 Agenda for Sustainable Development—which establishes the need to balance economic and social development with environmental

considerations—and ratified the Paris Agreement, which focuses on limiting global warming and achieving climate neutrality. In 2025, the Government of Mexico submitted an updated Nationally Determined Contribution (NDC) 3.0 committing to achieve net emissions between 364 and 404 MtCO₂e by 2035 on an unconditional basis. Mexico could reach a net emissions level between 332 and 363 MtCO₂e, conditional upon the mobilization of financing, the transfer of technology, and the strengthening of capacities through international cooperation.

These national and international instruments not only underscore the priority accorded to climate action within Mexico’s development agenda but also strengthen the credibility of the commitments through the formulation of strategies and policies aimed at mitigating GHG emissions. The EMFS, on the other hand, establishes strategies to expand financing

in support of climate action. In parallel, the MST provides a technical framework for the financial system as a whole to orient the design and implementation of financial instruments aligned with environmental and social objectives, including the mitigation of GHG emissions.

SHCP clearly communicates the calculation methodology of the KPI as well as the information sources that will be used for its monitoring. Net GHG emissions will be calculated considering emissions and removals of carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), nitrogen trifluoride (NF₃) and sulfur hexafluoride (SF₆) from sectors including Energy, Industrial Processes & Product Use, Agriculture, Land Use, Land-Use Change and Forestry (LULUCF) and Waste. Net GHG emissions are reported on an annual basis on the National Inventory of Greenhouse Gases

and Compounds Emissions (INEGy CEI, by its Spanish acronym).

The 2024 baseline of 599 MtCO₂e corresponds to the projected value explicitly set out in the NDP 2025-2030 in order to display consistency between the different SLFS KPIs with respect to the reference year and the sources of information (planning instruments). In line with international best practices, the National Inventory of Greenhouse Gas and Compounds Emissions is updated on a regular basis as more complete and higher-quality official data are published. Accordingly, SHCP acknowledges that this baseline constitutes a dynamic value that may be subject to revision as improved and more comprehensive data become available and reaffirms its commitment to transparency regarding any adjustments. The most recent update of the INEGyCEI reports net emissions for 2024 at 574 MtCO₂e¹.



UNDP considers KPI 1 to be aligned with Mexico's overarching national sustainability objectives. It is underpinned by a robust methodology that promotes transparency and enables tracking progress towards the reduction of GHG emissions. The selection of the baseline year is deemed appropriate. The baseline emissions data may be complemented with preliminary estimates from INEGyCEI for a more accurate reference point for KPI measurement.

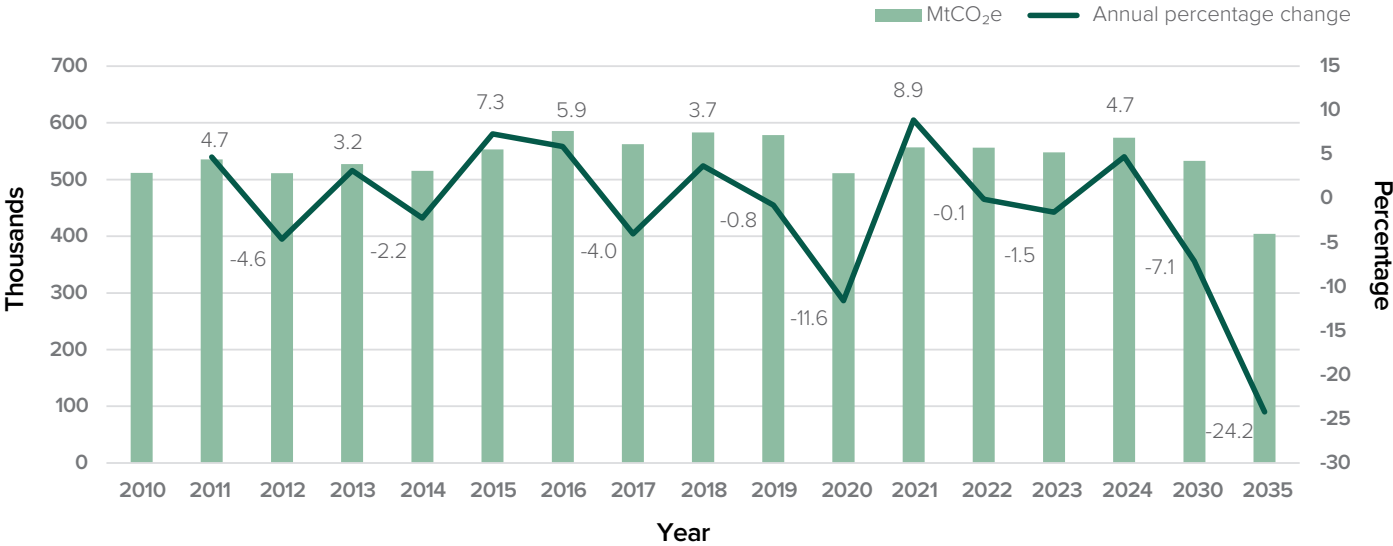
SPT calibration

According to the INEGyCEI, Mexico's net GHG emissions have risen 12% from 2010 to 2024. Annually, net emissions have displayed significant fluctuations, reaching

their maximum level in 2016 (Figure 1). In 2020, during the pandemics, net emissions dropped to 2012 levels, however, once the economic activity was reactivated, net emissions rose.

1. Instituto Nacional de Ecología y Cambio Climático (2025). Estudios e Investigaciones 2013 a 2025 en materia de mitigación del cambio climático, Inventario Nacional de Emisiones de Gases y Compuestos de Efecto Invernadero, 1990-2024 https://www.gob.mx/cms/uploads/attachment/file/1031246/INEGyCEI_1990-2024_Dif_221025.xlsx

Figure 1. Net GHG emissions (2010-2024) and targets to 2030 and 2035.



Note: The 2030 target corresponds to the SLFS SPT. The 2035 target is based on Mexico’s NDC 3.0 (upper limit).
Source: UNDP with information from the INEGyCEI.

The KPI’s SPT is set at 533 MtCO₂e, corresponding to a reduction of 11.02% relative to the SLFS baseline and 7.09% relative to the preliminary 2024 estimate reported by the INEGyCEI. Historical trends indicate that Mexico’s net emissions did not exhibit an equivalent and sustained decline

between 2010 and 2024. In this context, the **SPT is assessed as ambitious, relevant and achievable, given the mitigation policies and strategies developed by the Government of Mexico to reduce GHG emissions.**

KPI 2. Percentage (%) of clean energy participation in the electricity generation matrix

KPI	Baseline	Reporting frequency	SPT	SPT’s observation date
Percentage (%) of clean energy participation in the electricity generation matrix	Baseline: 17.44% (2022) Latest performance: 23.40% (2024)	Annual	38% share of clean energy in Mexico’s electricity generation matrix	December 31st, 2030

Relevance and robustness of the KPI

The NDP 2025-2030 highlights environmental sustainability as a cornerstone of Mexico's development trajectory and emphasizes the pivotal role of the energy transition. In this context, Objective 4.2 is directed toward advancing strategic clean energy projects, modernizing electricity infrastructure, and fostering technological innovation to reduce reliance on fossil fuels and mitigate environmental impacts. Transitioning to clean energy sources is recognized as essential for meeting Mexico's climate action commitments, particularly given that the energy sector accounts for over 60% of total GHG emissions.

The corresponding Energy Sectoral Plan 2025-2030 outlines specific strategies to increase the share of clean energy within the national electricity generation matrix to 38% by 2030. The SPT is therefore aligned with this objective, as well as with the calculation methodology defined in the Sectoral Plan, which explicitly identifies the energy sources classified as clean: hydroelectric, geothermal, wind power, photovoltaic, bioenergy, nuclear power, and efficient cogeneration. For purposes of transparency and methodological

consistency the SLFS and the Energy Sectoral Plan anchor their calculation framework to the resolutions issued by the Energy Regulatory Commission (CRE, by its Spanish acronym) to determine the parameters and thresholds under which efficient cogeneration is recognized as a clean energy.

Additionally, the EMFS establishes strategic activities to finance a just energy transition, focusing on the financial component to make the SPT achievable. The annual budget counts on a tagging methodology to track national public resources allocated to the energy transition, which allows for yearly assessments on financial sufficiency to reach the SPT and international commitments on clean energies.

2024 Latest Performance Value is set according to the Sectoral Planning, in consistency with the rest of the KPI's baselines established in reference to national planning instruments. The selection of the 2022 baseline is consistent with the NDP, however, for transparency purposes, the SLFS discloses the most up-to-date measure.



UNDP considers KPI 2 to be aligned with Mexico's overarching national sustainability objectives. The calculation methodology is robust and transparent, enabling regular monitoring of progress.

SPT calibration

As previously noted, the SPT for KPI 2 is set at a 38% share of clean energy within Mexico's electricity generation matrix. This target represents an increase of 14.6 percentage points relative to the latest performance

data from 2024 Latest Performance, which is assessed **as an ambitious yet achievable target conditional upon adequate financing, regulatory certainty and appropriate policies.**

KPI 3. Percentage (%) of terrestrial and/or marine protected areas at the national level

KPI	Baseline	Reporting frequency	SPT	SPT's observation date
Percentage (%) of terrestrial and/or marine protected areas at the national level	Percentage of Protected National Terrestrial Area: 12.39% (2024) Percentage of Protected National Marine Area: 23.78% (2024)	Annual	Protect 30% total terrestrial and/or marine surface area through a defined conservation mechanism	December 31st, 2030

Alignment with planning instruments thus contributes to the credibility of Mexico's commitment with achieving the energy transition SPT.

Biodiversity loss in Mexico has become an increasingly critical challenge due to the convergence of environmental pressures across the national territory, including climate change, pollution, and deforestation. The protection of natural ecosystems is therefore a central component of Axis 4: Sustainable Development in the NDP 2025–2030, specifically under Objective 4.5, which

seeks to protect and restore ecosystems through strategies aimed at addressing the root causes of biodiversity loss and degradation, consolidating and effectively managing protected natural areas, preventing the deterioration of coastal and marine ecosystems, and strengthening ecological zoning provisions. These objectives and strategies are further operationalized in complementary planning instruments, such as the Sectoral Program on Environment and Natural Resources 2025–2030, the National Biodiversity Strategy of Mexico 2016-2030 and the EMFS.

Relevance and robustness of the KPI

The SLFS aligns with the NDP in the selection of the KPI and the corresponding SPT, ensuring methodological consistency and building upon the technical assessments conducted by the competent institutions to establish ambitious yet achievable development targets. The methodological approach to determine the protected marine and terrestrial surface areas clearly establishes the relevant conservation mechanisms that can be put

into place to impact this KPI. For the terrestrial surface area, valid protection mechanisms include Federal Natural Protected Areas, Voluntarily Designated Conservation Areas, State and Municipal Protected Areas, sustainable forest management and other conservation mechanisms. For the marine surface areas, protection mechanisms include Federal Natural Protected Area and other conservation mechanisms.

The selection of KPI 3 for SLIs with a focus on nature is aligned with the Sustainable Bonds for Nature: A Practitioner’s Guide (2025), developed by the International Capital Markets Association (ICMA), as it addresses issues related to restoration and conservation of biodiversity and ecosystem services, it is core to Mexico’s overall sustainable policies and can be measured and externally verified.

This KPI is monitored on an annual basis, enabling regular follow-ups so that the competent authorities and institutions can take appropriate actions to ensure the achievement of the NDP and the SLFS targets.



UNDP is of the opinion that KPI 3 is relevant and material to the development priorities of the issuer and that the KPI’s methodological approach and characteristics are robust for the purposes of the SLFS. The selection of the baseline year is deemed appropriate, as it refers to the most updated figure.

SPT calibration

The SLFS, in alignment with the NDP 2025–2030 and the corresponding sectoral program, establishes an SPT of protecting 30% of terrestrial and/or marine surface area through defined conservation mechanisms. This target is in line with Mex30x30 initiative and with the Kunming-Montreal Global Biodiversity Framework that aims at ensuring that at least 30% of the terrestrial and marine surface areas of particular importance for biodiversity and ecosystem functions and services are adequately managed and conserved. Achieving this target entails the expansion of terrestrial protected areas by 30.13 million hectares and marine protected areas by 19.6 million hectares, underscoring the **ambition embedded in the target definition**.

The SPT is assessed as credible, given the strategies and policies put in place where an area is classified as protected under various conservation mechanisms. These policies and strategies encompass

the adoption of governance frameworks, the protection of vulnerable ecosystems, the establishment of ecological corridors, and the promotion of sustainable practices in the use and management of natural resources, among others.

For enhanced accountability, annual reporting may incorporate, when feasible, information on the ecological outcomes derived from the expansion of terrestrial and marine protected areas. This approach enables the assessment of biodiversity and ecosystem benefits, thereby complementing the quantitative perspective of the SPT with qualitative insights into the effectiveness of conservation measures.

KPI 4. Percentage (%) of technified surface area in priority irrigation districts

KPI	Baseline	Reporting frequency	SPT	SPT's observation date
Percentage (%) of technified surface area in priority irrigation districts	0% (2024)	Annual	100%	December 31st, 2030

Ensuring the human right to water is of critical importance in Mexico, where a substantial proportion of the national territory is affected by drought. As of December 2024, 38.1% of the country’s surface area experienced conditions ranging from moderate to exceptional drought.² The NDP 2025-2030 acknowledges the complexity of water scarcity, which is driven by multiple factors, including the impacts of the climate crisis, widespread deforestation practices, insufficient enforcement of existing legal provisions, and inefficiencies in water infrastructure, among others.

To address these challenges, the NDP sets forth a series of strategies and actions, including the promotion of efficiency in water use and management through the adoption of technologies designed to reduce water losses in the food production systems. It is worth noting that the agricultural sector accounts for more than 76% of the legally granted concessions of national water resources. However, this sector operates under significant inefficiency patterns, resulting in water losses exceeding 50%.

Relevance and robustness of the KPI

Hence, **the inclusion of KPI 4 – related to the share of irrigated surface area equipped with water-saving technologies in priority irrigation districts – in the SLFS is central, given its relevance for Mexico’s sustainable development and its high strategic relevance for human development and economic progress.**

The KPI is robust in both its definition and calculation methodology, as it explicitly establishes the criteria for classifying 13 priority

irrigation districts within the total of 87 irrigation districts nationwide, based on their vulnerability to water scarcity. This clear definition is essential to ensure transparency and integrity in reporting progress toward the technification target of 200,000 hectares. In addition, the KPI’s scope clearly specifies the works, actions, infrastructure, and equipment that are to be considered within the technification target, thereby reinforcing methodological consistency and accountability in monitoring outcomes.

2. CONAGUA (2024). Monitor de Sequía de México <https://smn.conagua.gob.mx/tools/DATA/Climatolog%C3%ADa/Sequ%C3%ADa/Monitor%20de%20sequ%C3%ADa%20en%20M%C3%A9xico/Seguimiento%20de%20Sequ%C3%ADa/MSM20241231.pdf>

SPT calibration

The SLFS establishes the target for KPI 4 in alignment with the NDP 2025-2030, using a benchmark based not on historical performance but on the initial baseline condition, as the implementation began in 2025. Accordingly, progress will be assessed annually against an SPT set at 100% coverage of the programmed surface area of 200,000 ha across the 13 priority irrigation districts by December 2030. The SPT is both ambitious and credible, reflecting the strategic relevance of this issue within the NDP and its derived programs.

The EMFS outlines a set of lines of action to foster more efficient use of water resources, while also highlighting the financing opportunities increasingly available through Development Banks to support projects related to water resource management in the agricultural sector. In addition, it underscores the role of non-banking stakeholders in designing financial products that incentivize the adoption of drip irrigation systems, thereby promoting greater efficiency in water use and the technification of the agricultural sector, especially in water-stressed territories.

KPI 5. Gender gap in labor force participation rate (percentage points)

KPI	Baseline	Reporting frequency	SPT	SPT's observation date
Gender gap in labor force participation rate (percentage points)	29.2 percentage points (2024)	Annual	26.8 percentage points	December 31st, 2030

Relevance and robustness of the KPI

Gender equality is a priority for the Government of Mexico, as established in the NDP 2025-2030. The cross-cutting axis 1 aims at mainstreaming the gender perspective across the public policy spectrum. One of the main objectives is the promotion of women's economic agency and poverty eradication through the fostering of decent employment, the reduction of gaps in economic participation and wage disparities, as well as the reduction of women's labor informality rates and a more

proportionate distribution of unpaid work burdens.

Beyond the relevance of gender equality within the NDP, the Government of Mexico has reinforced its commitment to this principle through the establishment of the Ministry of Women, tasked with addressing structural inequalities and implementing an articulated National Care System to reduce the burden of unpaid care work on women.

Within this framework, **KPI 5 is core and material to the national sustainability objectives and strategy. Its calculation methodology is robust, and the results are externally verifiable. Data used to measure gender gaps in labor force participation are reliable**, as they are sourced from quarterly labor surveys conducted by the National Institute of Statistics and Geography (INEGI, by its Spanish acronym). **The data collection methodology is grounded in well-established conceptual frameworks,**

ensuring consistency, transparency, and credibility in reporting outcomes.

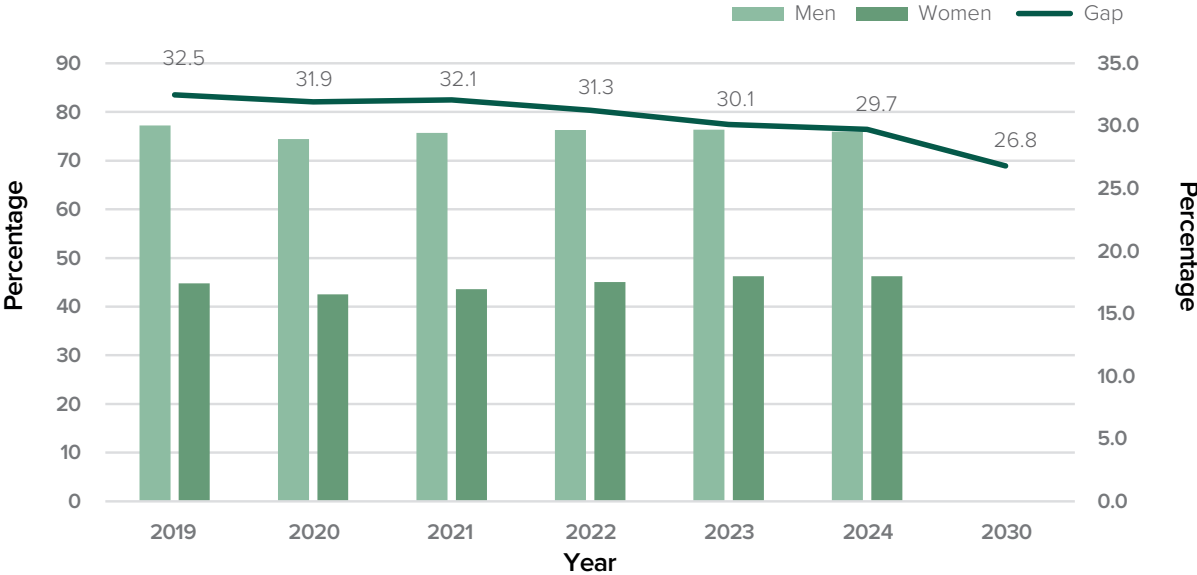
This KPI and its 2024 baseline are aligned with indicator T1.2.2 of the NDP 2025-2030, ensuring consistency between the SLFS and the overarching national development objectives and follow-up mechanisms. The SLFS 2024 baseline, estimated at 29.2 percentage points, was calculated as the difference between the labor force participation rates of men and women for the fourth quarter of 2024.

SPT calibration

The SPT is set at 26.8 percentage points, which entails a reduction in the gender gap in labor force participation equivalent to 2.9 percentage points –almost a 10% decrease in the current gap. It is worth noting that

from 2019 to 2024, the corresponding gap decreased 2.78 percentage points (Figure 2). **The SPT is therefore achievable and relatively ambitious.**

Figure 2. Gender gap in labor force participation from 2019 to 2024 - Annual Average (percentage points).



Source: UNDP with information from the INEGI

The EMFS and the MST also aim at integrating a gender perspective within the financial ecosystem. The MST incorporates a gender equality index to assess investments regarding their contribution to gender equality. One of the pillars of this index considers gender equality

opportunities to access the labor market. Hence, there is substantial alignment between the different planning and policy instruments, which contributes to the credibility of Mexico’s commitment to display progress in this regard.

KPI 6. Percentage (%) of women living in poverty, headcount ratio

KPI	Baseline	Reporting frequency	SPT	SPT's observation date
Percentage (%) of women living in poverty, headcount ratio	Baseline: 36.9% (2022) Latest performance: 30.1% (2024)	Biennial	20.2%	December 31st, 2030

Relevance and robustness of the KPI

As mentioned before, gender equality is a core element of the national development planning instruments. As established in the NDP 2025-2030, one of the main barriers to gender equality is the prevalence of high rates of poverty among women, especially in certain regions and ethnic groups. **The inclusion of KPI 6 “Percentage of women living in poverty” in the SLFS is of strategic relevance** to fulfill a sustainable development in which no one is left behind. This KPI is aligned with indicator T11.1 of the NDP, to ensure consistency between the SLFS and the development governing instrument.

KPI’s methodology is transparent and robust in its underlying conceptual framework; it relies on a multidimensional and rights-based approach that assesses

the sufficiency of income to meet basic needs along with access to education, health services, social security, adequate housing, basic services, and nutritious food. Data to estimate the KPI is sourced from the biennial National Survey of Household Income and Expenditures (ENIGH, by its Spanish acronym) implemented by INEGI, which contributes to the reliability of the results. Changes in the calculation methodology and its implications must be disclosed before the issuance of SLIs that include this KPI as established in the “Recalculation Event” clause.

The selection of the 2022 baseline is consistent with the NDP, however, for transparency purposes, the SLFS discloses the most up-to-date poverty measure.

SPT calibration

The SPT for this KPI is set at 20.2%, reflecting the commitment to reduce the share of women living in poverty by 9.9 percentage points relative to 2024’ figure (latest performance

data available) and by 16.7 percentage points relative to 2022 baseline. **This target demonstrates both ambition and strong institutional commitment.**

Between 2022 and 2024, the prevalence of poverty among women decreased by 6.8 percentage points. This significant reduction over a two-year period strengthens the credibility of the current SPT and highlights the importance of maintaining continuity in policies that have demonstrated effectiveness in reducing poverty. The observed progress underscores both the ambition of the SPT and the necessity of consolidating strategies that have proven successful in generating measurable impacts.

A range of strategies and policies across multiple sectors are being implemented to positively influence this KPI, including measures

to foster economic inclusion, strengthen social protection, and promote the redistribution of unpaid care work, among others. **These actions reinforce the credibility of the SPT.**

In addition, **the EMFS supports these strategies from a financial perspective by aligning financial stakeholders with this objective, thereby enabling the effective implementation of measures that contribute to poverty reduction and gender equality.**

KPI 7. Percentage (%) of indigenous people living in poverty, headcount ratio

KPI	Baseline	Reporting frequency	SPT	SPT's observation date
Percentage (%) of indigenous people living in poverty, headcount ratio	Baseline: 65.24% (2022) Latest available performance: 60.8% (2024)	Biennial	59%	December 31st, 2030

Relevance and robustness of the KPI

Leaving no one behind is one of the central principles of the 2030 Agenda, adopted by Mexico in 2015. Moreover, the NDP 2025-2030 includes a cross-cutting axis to promote the rights of indigenous and afro-mexican peoples. These peoples have historically faced conditions of discrimination and exclusion, leading to high poverty rates and lack of agency. Hence, the NDP and the derivative

plans pursue the objective of establishing favorable conditions to their inclusion, development empowerment and autonomy. **This KPI is therefore aligned with Mexico's development priorities as established in the national planning instruments, and of high strategic relevance to the fulfillment of sustainable development.**

The KPI and its 2022 baseline are both aligned with the NDP 2025-2030 (Indicator T3.6), ensuring consistency in the objectives and follow-up mechanisms. As with KPI 6, the baseline is established in 2022, but for transparency purposes, the SLFS includes the most recent figure (2024) on the share of indigenous peoples living in poverty. Clearly communicating the most up-to-date data contributes to accountability in the progress made in the last years, and the gap that remains to meet the SPT.

The KPI's calculation methodology is based on the Multidimensional Poverty approach adopted by Mexico, which relies on a **sound conceptual framework and rights-based approach**. As with KPI 6, data to estimate the KPI is sourced from the biennial ENIGH implemented by INEGI, which contributes to **the reliability of the results and to its verifiability**. Changes in the calculation methodology and its implications must

be disclosed before the issuance of SLIs that include this KPI, as established in the "Recalculation Event" clause.

It is important to note that there are multiple approaches to identifying Indigenous populations—self-identification, speaking an Indigenous language, and residing in an Indigenous household, among others. Each approach yields different estimations of the share of poor people within these groups. Consequently, it is crucial to explicitly establish the criterion under which both the baseline and the SPT are defined. Based on the criteria established by the National Institute for Indigenous Peoples (INPI, by its Spanish acronym) the KPI's baseline and SPT are set in relation to the criterion of residency in an Indigenous household or speaking an Indigenous language.³

SPT calibration

The SPT for KPI 7 is set at 59%, reflecting the commitment to reduce the share of indigenous people living in poverty by 6.24 percentage points (equivalent to 9.56%) relative to the 2022 baseline, and 1.8 percentage points in relation to the most up-to-date figure for 2024. **The SPT is ambitious**, as it means providing access to education, health services, social security, adequate housing, basic services, and nutritious food to communities living in remote areas.

For purposes of transparency and accountability, it is desirable that SLI reports provide disaggregated information on this KPI, specifically detailing the prevalence of extreme poverty and moderate poverty.

3. (i) individuals residing in an Indigenous household—defined as a household where the head, spouse and/or an ascendant relative declared speaking an Indigenous language—and (ii) individuals who declared speaking an Indigenous language, even if not residing in such households.

SLI characteristics

The SLFS explicitly establishes that **SLIs are designed as performance-based lending tools**, in which the financial terms of an SLI may be adjusted based on the achievement of the corresponding SPTs. The use of proceeds is intended for general purposes, and it is not determinant in its categorization.

The specific financial characteristics, as well as potential adjustments to the financial terms contingent upon the achievement of defined SPTs, will be determined within each SLI, in accordance with the Federal Law of Public Debt and considering the failure scenarios established in the SLFS. Potential financial adjustments include, but are not limited to, modifications to the applicable pricing grid.

It is important to underscore that the SLFS is a flexible instrument, subject to regular updates in line with the applicable legal framework and prevailing planning instruments. This ensures consistency between the framework and Mexico's overarching sustainability objectives, while preventing the coexistence of SLIs with divergent SPTs for the same KPI. Clearly defining the circumstances under which each SLI may be updated is critical to strengthening investor confidence and reinforcing the credibility of the framework.

These provisions are aligned with the SLLP.

Reporting and verification provisions

In alignment with the SLLP, the SLFS commits to the issuance of annual reports prepared by the SHCP, incorporating both qualitative and quantitative analyses to track KPI progress against the lending SPTs. These reports will be based on the most recent available data, taking into account the reporting frequency of each KPI.

The explicit allocation of reporting responsibility to the SHCP enhances the reliability of the process, given the institution's cross-cutting mandate and its trajectory of institutional strengthening since the issuance of the UMS SDG Sovereign Bond Framework in 2020. **Together with the methodological consistency of KPIs and the commitment in the SLFS to external reviews of annual reports by third parties (the Superior Audit Office of the Federation and UNDP), this framework aligns with the SLLP and provides a solid foundation for ensuring transparency, accountability, and methodological consistency in the monitoring of sustainability objectives.**

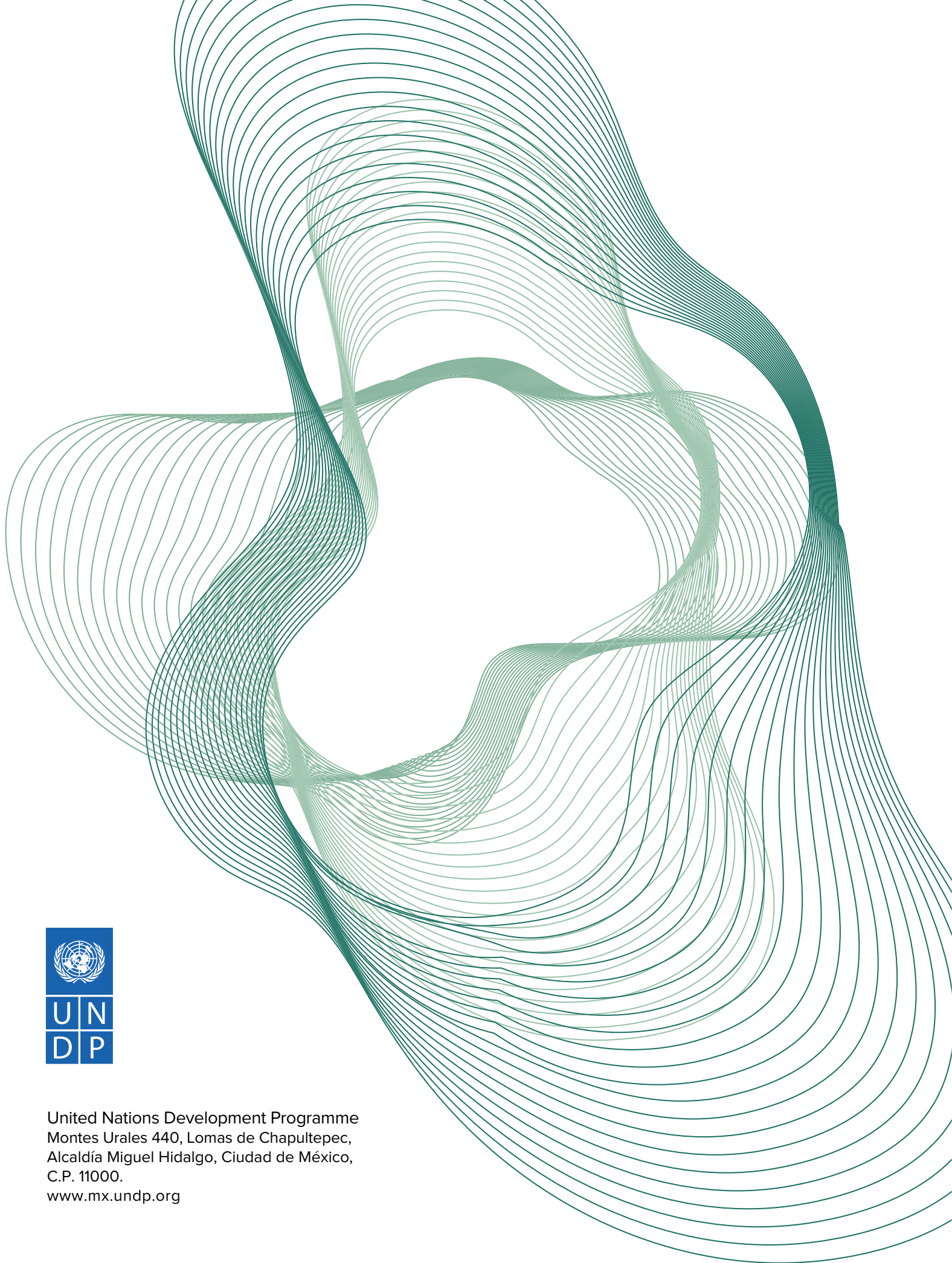
For purposes of effective monitoring and risk management, it is advisable that the SHCP conduct periodic internal reviews to assess potential risks to the achievement of the SPTs. Such reviews would enable timely identification of challenges and the implementation of appropriate mitigation measures.

Concluding remarks

The issuance of the SLFS represents a milestone in advancing Mexico's overarching sustainability objectives as established in the NDP 2025–2030. This framework enables the development of innovative financial instruments that provide flexibility in the allocation of proceeds, while incentivizing the achievement of material and ambitious sustainability goals aligned with national priorities.

The provisions of the SLFS reflect the Government of Mexico's strong commitment to financing sustainable development through the mobilization of diverse funding sources and the adoption of a more performance-oriented expenditure framework. This approach ensures that progress toward the SPTs is achieved within the predefined timeline of 2030.

The selection of KPIs and the ambition displayed in the establishment of the corresponding SPTs foster investors' confidence in Mexico's commitment with sustainability principles and the development priorities and targets established in various planning instruments. Additionally, the commitment in the SLFS to external reviews of annual reports by third parties provides a solid foundation for ensuring transparency and accountability.



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