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Second Party Opinion

América Móvil S.A.B. de C.V.'s Sustainable Financing Framework

Nov. 17, 2022

Editor's Note: This report reflects our opinion of the updated management-of-proceeds section in AMX's Sustainable Financing Framework published on Nov. 17, 2022. We received notice of this update after our Nov. 15, 2022, publication of the SPO. The updated section doesn't alter the conclusions of our alignment opinion. However, in our view, general treasury operations may include repayment of short-term debt if such exclusion isn't specified, which isn't best practice. This report supersedes the SPO originally published on Nov. 15, 2022.

América Móvil S.A.B. de C.V. (AMX) is a major telecommunications services provider in Latin America. As of October 2022, AMX had 383 million access lines, providing services to about 302 million wireless subscribers, and the company had 81 million fixed-line revenue generating units (RGUs). The company is headquartered in Mexico, with presence across 23 countries in Latin America, the U.S., and Europe. AMX's largest operations are in Mexico and Brazil, representing over half of RGUs and where the company has the largest market share in terms of RGUs. Its product offering includes wireless, fixed-line, broadband, and pay-TV services.

In our view, AMX's Sustainable Financing Framework, published on November 17th 2022, is aligned with:

- ✓ Social Bond Principles, ICMA, 2021 (with June 2022 Appendix 1)
- ✓ Social Loan Principles, LMA/LSTA/APLMA, 2021
- ✓ Green Bond Principles, ICMA, 2021 (with June 2022 Appendix 1)
- ✓ Green Loan Principles, LMA/LSTA/APLMA, 2021
- ✓ Sustainability Bond Guidelines ICMA, 2021

Issuer's Sustainability Objectives

AMX is committed to promote inclusion and economic development in the region, and to operate with the least possible impact on the environment. Its sustainability strategy considers all of the company's stakeholders ranging from employees and customers to communities. AMX highlights that 76.7 million people in Latin America live in underserved communities with limited connectivity, about 57 million of which don't have access to either 2G or 3G connectivity. To do so, the company has set several targets that compose its sustainability strategy. We highlight two key factors of its sustainability objectives linked to the sustainable financing framework below:

- Science-based targets to reduce absolute direct (Scope 1 and 2) greenhouse gas (GHG) emissions by 52%, Scope 3 GHG emissions by 14% by 2030 from the 2019 baseline. In addition, the company is committed to achieve net zero emissions by 2050.
- Increase training in basic digital skills that allow users to communicate and access public, commercial, financial and educational services online.

Primary Analyst


Jesús Palacios
Washington D.C.
jesus.palacios@spglobal.com

Secondary Analyst

Azul Ornelas
Mexico City
azul.ornelas@spglobal.com

Second Party Opinion Summary


Use of proceeds

Alignment  AMX's Sustainable Financing Framework is aligned with this component of the referenced principles.

Score Not aligned Aligned **Strong** Advanced

AMX commits to allocate an amount equal to the net proceeds of all financing issued under its framework to finance or refinance eligible green and social projects. The company provides a clear description of the eligible project categories, including the relevant sustainability objectives associated with each category.


Process for project evaluation and selection

Alignment  AMX's Sustainable Financing Framework is aligned with this component of the referenced principles.

Score Not aligned **Aligned** Strong Advanced


AMX's framework clearly outlines its process to select and approve eligible green and social projects. An internal Sustainable Finance Working Group (SFWG) will review and approve projects that fit the framework's eligibility criteria. The team will also follow the company's corporate policies and procedures when assessing environmental and social risks associated with eligible projects.

Management of proceeds

Alignment  AMX's Sustainable Financing Framework is aligned with this component of the referenced principles.

AMX commits to earmark net proceeds from each debt instrument towards eligible projects. The company's SFWG is responsible for reviewing the allocation and management of proceeds, as well as for determining if changes are necessary. The company commits to adjust and match proceeds to eligible projects under the framework, if necessary. Unallocated proceeds will be temporarily managed in line with AMX's general liquidity guidelines.

Reporting

Alignment  AMX's Sustainable Financing Framework is aligned with this component of the referenced principles.

Score Not aligned Aligned **Strong** Advanced

AMX commits to report the allocation of proceeds across eligible projects annually until full allocation. The report will include a list of all eligible projects financed, the total amount of proceeds administered to each project category, and the balance of unallocated net proceeds. The reporting will include, when feasible, expected and actual impacts of projects financed.

Framework Assessment

Use of proceeds

The Principles make optional recommendations for stronger structuring practices, which inform our alignment opinion as aligned, strong, or advanced. For use of proceeds, we consider the commitments and clarity on how the proceeds are used.

 AMX's Sustainable Financing Framework is aligned with this component of the referenced principles.

Commitments score

Not aligned

Aligned

Strong

Advanced

We consider AMX's overall use of proceeds commitments to be strong.

The company has committed to use an amount equal to the net proceeds of any sustainable bond or loan issued under the framework to finance or refinance, in full or in part, eligible green and social projects. We view as a strong practice the company's commitment to disclose the proportion of funds used for financing versus refinancing projects, as well as considering a maximum of a look-back period of three years for refinancing, at time of issuance of any sustainable financing. In our view, all eligible project categories address at least one of the key environmental and social challenges identified by the company across its value chain, helping execute its sustainability strategy.

In its framework, AMX clearly describes the eligible green and social projects under each category. The framework includes seven green categories and two social categories aligned with International Capital Market Association's (ICMA's) eligible categories. Most eligible green projects aim to support the company's science-based GHG emission-reduction targets. Projects consist of investment and/or expenses in renewable energy such as solar, offshore and onshore wind projects, and long-term power purchase agreements (PPAs). Financing or refinancing of PPAs won't include Energy Attribute Certificates (EACs), which we view positively because the use of certificates as means for environmental contribution is often unclear. Eligible projects also consider energy efficiency through upgrading network technologies, facilities, and equipment to reduce energy consumption including, for example, R&D on smart metering and implementation of Internet of Things (IoT), Big Data, and Artificial Intelligence (AI). We view these as linked to the company's objective to reduce Scope 3 GHG emissions by 14% by 2030 from a 2019 baseline.

Other eligible projects include green buildings based on market standards and certifications such as LEED Gold or Platinum, BOMA Best, BREEAM, and Energy Star. Projects also include investments in clean transportation, specifically zero direct tailpipe CO2 emissions vehicles and plug-in hybrid electric vehicles (PHEV), and infrastructure of electric-vehicle charging stations. In addition, eligible projects include water management systems, and pollution prevention and control through investments linked to the company's objective to reduce generation of electronic waste and to promote recycling.

Eligible social categories target two main objectives: access to essential services (digital inclusion and reducing inequality) and Socioeconomic Advancements and Empowerment (supporting growth and development). The first one is linked to AMX's objective to promote economic development and inclusion through investment in efficient mobile network, and extending coverage and modernizing networks, projects that also have energy efficiency benefits. Such projects target underserved communities with a population size below 5,000, access of which is currently limited to 2G or 3G, or which lack connectivity. Finally, the company plans to invest in training to develop digital skills among the low-income population, indigenous people, elderly, women, people with disabilities, as well as entrepreneurs and small- and medium-size entities (SMEs).

Second Party Opinion

Process for project evaluation and selection

The Principles make optional recommendations for stronger structuring practices, which inform our alignment opinion as aligned, strong, or advanced. For our process for project selection and evaluation, we consider the commitments and clarity on the process used to evaluate and select eligible projects to fund with the proceeds of the sustainable finance instrument.

 AMX's Sustainable Financing Framework is aligned with this component of the referenced principles.

Commitments score

Not aligned

Aligned

Strong

Advanced

We consider AMX's overall process for project selection and evaluation commitments to be aligned.

The framework outlines the company's process to assess and select eligible green and social projects as well as exclusionary criteria. The entity will establish the SFWG, comprising members of the company's energy and emissions, sustainability, treasury, and investor relations departments who will jointly and cross-functionally evaluate and approve investments according to the projects' eligibility criteria on a semi-annual basis. In addition, the company provides information on how it identifies and manages perceived environmental and social risks. Specifically, the SFWG will ensure all financed projects are assessed according to the company's broader corporate policies and procedures, including its environmental policy.

AMX's framework incorporates Climate Bond Taxonomy for Green Buildings category. However, it doesn't outline standards or certifications for all eligible categories, which constrains a stronger assessment.

Management of proceeds

The Principles require disclosure of the issuer's management of proceeds from sustainable finance over the life of the funding. The alignment opinion focuses on how clear in the documentation is the issuer's commitment to ensure that the funds raised will remain dedicated to eligible sustainability projects throughout the life of the sustainable finance funding.

 AMX's Sustainable Financing Framework is aligned with this component of the referenced principles.

AMX commits to earmark net proceeds of each debt instrument towards green and/or social projects and intends to allocate proceeds within three years of the issuance. Its SFWG will review the management of proceeds on a semi-annual basis and will determine if changes are necessary (e.g. in case of a project's cancellation or divestment). Furthermore, AMX commits to ensure eligible green and social projects are at least equal or greater than the net proceeds raised, and if necessary, to reallocate proceeds to new eligible projects.

AMX will manage unallocated proceeds (including those resulting from early repayment) according to its general liquidity guidelines. In our view, general treasury operations may include repayment of short-term debt if such exclusion isn't specified, which isn't best practice for temporary management of unallocated proceeds in the sustainable debt market.

Reporting

The Principles make optional recommendations for stronger disclosure practices, which inform our disclosure opinion as aligned, strong, or advanced. We consider plans for updates on the sustainability performance of the issuer for general purpose funding, or the sustainability performance of the financed projects over the lifetime of any dedicated funding, including any commitments to post-issuance reporting.

 AMX's Sustainable Financing Framework is aligned with this component of the referenced principles.

Second Party Opinion

Disclosure score

Not aligned

Aligned

Strong

Advanced

We consider AMX's overall reporting practices to be strong.

AMX commits to publicly disclose on its website information on the eligible green and social projects through an allocation report on an annual basis, until net proceeds are fully allocated to eligible projects or until the sustainable financing instrument is no longer outstanding. The report will include the percentage of proceeds allocated to each eligible project category, the balance of unallocated proceeds, and refinancing versus financing. AMX's annual reporting will be subject to external verification (post-issuance) on a limited assurance basis by a qualified independent third party.

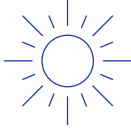

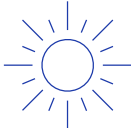









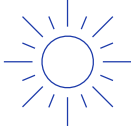
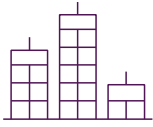

The framework comprises AMX's commitment to include, when feasible, the expected and actual environmental and social key performance indicators (KPIs) related to the financed projects, which we view as a strong feature of the framework. Impact reporting metrics may include quantitative data such as renewable energy produced or purchased, annual reduction of GHG emissions, water use, and waste. Social metrics may include the number of people impacted by each project and when feasible metrics on other social outcomes. Finally, AMX commits to disclose the methodology and key assumptions used to calculate each KPI in its impact report, which we view as a strong practice.

Mapping To The U.N.'s Sustainable Development Goals

The Sustainable Development Goals (SDGs), which the U.N. set up in 2015, form an agenda for achieving sustainable development by 2030.

We use the ICMA's SDG mapping for this part of the report. We acknowledge that ICMA's mapping does not provide an exhaustive list of SDGs and that ICMA recommends each project category be reviewed individually to map it to the relevant SDGs.

AMX's Sustainable Financing Framework intends to contribute to the following SDGs:

Use of proceeds	SDGs				
Renewable Energy					
	7. Affordable and clean energy*	13. Climate action			
Energy Efficiency					
	7. Affordable and clean energy*	9. Industry, innovation and infrastructure*	11. Sustainable cities and communities	12. Responsible consumption and production	13. Climate action
Sustainable Water Management					
	6. Clean water and sanitation*	12. Responsible consumption and production*			
Pollution Prevention and Control					
	11. Sustainable cities and communities*	12. Responsible consumption and production*	13. Climate action		
Clean Transport					
	7. Affordable and clean energy	11. Sustainable cities and communities*	13. Climate action		

Second Party Opinion

Green Buildings

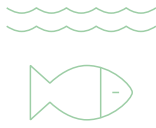


11. Sustainable cities and communities*



13. Climate action

Terrestrial and aquatic biodiversity



14. Life below water*

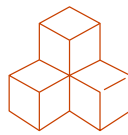


15. Life on land*

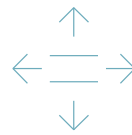
Access to Essential Services - Digital Inclusion and Reducing Inequalities



8. Decent work and economic growth*



9. Industry, innovation and infrastructure*

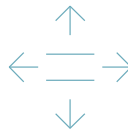


10. Reduced inequalities*

Socioeconomic Advancements & Empowerment - Supporting Growth and Development



8. Decent work and economic growth*



10. Reduced inequalities*

*The eligible project categories link to these SDGs in the ICMA mapping.

Second Party Opinion

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