

Second-Party Opinion

Fondo Especial para Financiamientos Agropecuarios (FEFA) Social Bond with a Gender Focus Framework



Evaluation Summary

Sustainalytics is of the opinion that the FEFA Social Bond with a Gender Focus Framework is credible and impactful and aligns with the four core components of the Social Bond Principles 2020. This assessment is based on the following:



USE OF PROCEEDS The eligible category for the use of proceeds – Financing of Credit for Women and Women-led Businesses – is aligned with those recognized by the Social Bond Principles that seek to achieve positive socio-economic outcomes for target populations. Sustainalytics considers that the eligible category will lead to positive social impacts and advance the UN Sustainable Development Goals, specifically SDG 1, 2, 5, 8 and 10.



PROJECT EVALUATION / SELECTION As a second-tier financial institution, FEFA, through its Business Promotion area, will select projects by screening through its databases including its Comprehensive Computer System of Operations, for compliance with the eligibility requirements. Sustainalytics considers the project selection process in line with market practice.



MANAGEMENT OF PROCEEDS FEFA's finance area will be in charge of managing net proceeds. Periodic analysis of the register, containing eligible projects, will be performed to ensure that net proceeds are accurately allocated. Pending allocation, net proceeds will be temporarily invested in accordance with FEFA's internal liquidity management policy. This is in line with market practice.



REPORTING FEFA commits to publish an allocation and impact report within a year of each issuance and yearly thereafter until full allocation. Allocation reporting will include (i) total amount of net proceeds from the Gender Bond; (ii) net proceeds allocated to each project category; (iii) total amount of unallocated net proceeds; and (iv) amounts spent in financing vs. refinancing. FEFA also commits to publish impact reports which will include social and/or gender parametric indicators subject to confidentiality agreements. Sustainalytics views FEFA's allocation and impact reporting as aligned with market practice.

Evaluation date September 30, 2020

Issuer Location Morelia, Mexico

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Introduction

Trust Funds for Rural Development (Spanish: Fideicomisos Instituidos en Relación con la Agricultura; “FIRA” or “the Institution”) is a Mexican second-tier development financial institution which offers credit and support to the agricultural and fisheries sectors and promotes rural industrial development. Founded by the Government of Mexico in 1954, the Institution consists of four trust funds¹ with varying missions and has 131 offices throughout Mexico, particularly in small communities. The Special Fund for Agricultural Financing (Spanish: Fondo Especial para Financiamientos Agropecuarios; “FEFA”) was created in 1965 to facilitate access to financing related to agriculture, livestock, poultry, agro-industry, fisheries and other related activities that are carried out in rural areas, and is one of the four trust funds that form FIRA.

FEFA has developed the FEFA Social Bond with a Gender Focus Framework (the “Framework”) under which it is planning to issue social bonds and use the proceeds to finance or refinance, in whole or in part, projects that promote gender equality and advance financial inclusion and socioeconomic empowerment of women. The Framework defines eligibility criteria in relation to Financing of Credit for Women and Women-led Businesses, which may be provided in the categories of financial inclusion, labour and productive initiative, and entrepreneurship.

FIRA engaged Sustainalytics to review the Framework, dated September 2020, and provide a Second-Party Opinion on the Framework’s social credentials and its alignment with the Social Bond Principles 2020 (SBP).² This Framework has been published in a separate document.³

Scope of work and limitations of Sustainalytics Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁴ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Social Bond Principles 2020, as administered by the International Capital Markets Association (ICMA);
- The credibility and anticipated positive impacts of the use of proceeds;
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.5, which is informed by market practice and Sustainalytics expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of FIRA’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. FIRA representatives have confirmed (1) they understand it is the sole responsibility of FIRA to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

¹ These four trusts are the Fondo de Garantía y Fomento para la Agricultura, Ganadería y Avicultura (FONDO), which provides credit for short-term financing and working capital; the Fondo Especial para Financiamientos Agropecuarios (FEFA), which provides credit for short and long-term financing to the agriculture and agro-industry sectors; the Fondo de Garantía y Fomento para las Actividades Pesqueras (FOPESCA), which provides credit to institutions serving the fishery and aquaculture sectors; and the Fondo Especial de Asistencia Técnica y Garantía para Créditos Agropecuarios (FEGA), which provides technical assistance, guarantees, and other support.

² The Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/social-bond-principles-sbp/>

³ The FEFA Social Bond with a Gender Focus Framework is available on FIRA’s website at: www.fira.gob.mx.

⁴ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and FIRA.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the intended allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that FIRA has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the FEFA Social Bond with a Gender Focus Framework

Sustainalytics is of the opinion that the FEFA Social Bond with a Gender Focus Framework is credible and impactful, and aligns with the four core components of the SBP. Sustainalytics highlights the following elements of FEFA's Framework:

- Use of Proceeds:
 - FEFA's eligible category, Financing of Credit for Women and Women-led Businesses, is aligned with those recognized by the SBP.
 - FEFA's lending criteria is defined as credits for productive or investment projects for women individuals or for micro, small and medium-sized enterprises (MSMEs), family businesses, large companies, associations and organizations of producers that are led by women or having women only participation⁵ that fall in any of the sectors supported by FIRA in agricultural, forestry, fisheries and rural areas.
 - Sustainalytics notes that the targeted financing of individuals, MSMEs, and associations is aligned with market practice, while the financing of large companies is not. However, Sustainalytics is of the opinion that, in the context of FIRA's focus on rural development, and given the nature of its criteria to target companies that are majority owned or managed by women, any financing of larger companies is also anticipated to deliver positive social impacts.
 - FEFA has defined three eligible lending categories, aligned with FIRA's credit segments, that allow it to determine the differences in investment needs and degree of production sophistication (use of infrastructure, organizational structure, production scale and time horizon). Categorization into these segments is also based on the credit history of the applicant; the financial inclusion category is for new credit recipients who register for the first time in one of FIRA's databases, while the labour and productive initiative and entrepreneurship categories are for both for beneficiaries with a current credit registered with FIRA, or for reinstated beneficiaries (women registered with FIRA as a beneficiary but without operations during the last three years).
 - Sustainalytics highlights the alignment of these lending categories with project categories defined in the SBP, namely (i) Access to essential services; (ii) Generation of employment, and (iii) Socio-economic advancement and empowerment.

⁵ In order for a company to be considered as being led by women, there needs to be a majority participation (51% or more) of women within their shareholding or management structure.

- FEFA has included an exclusionary list to ensure that financing from its gender bond issuances under the Framework are not granted to projects which may be associated with negative environmental or social outcomes.
 - Exclusions include activities that pertain to the trade of species of wild flora and fauna that are threatened or regulated by the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), the production or trade of wood products and other forest products from forests without the corresponding sustainable management plan, and development of projects in protected and conservation areas without the respective permit from the corresponding environmental authority, as well as socially focused exclusions such as activities promoting “vice and/or family disintegration”.
 - Sustainalytics considers these exclusions to strengthen the Framework, while noting that the financing of activities related to the use or production of fossil fuels are not specifically excluded.
- Project Evaluation and Selection:
 - FEFA will use the Institution’s database and the Comprehensive Computer System of Operations (Spanish: Sistema Informático Integral de las Operaciones; “SIIOF”)⁶ to identify, mark and monitor eligible projects that fall within the established lending categories and types of credits. As a second-tier financial institution eligible projects will be selected by the Business Promotion area from its loan portfolio accessed by Financial Intermediaries who distribute loans.
 - Eligible projects for refinancing include loans issued in the previous 24 months prior to each issuance.
 - Based on this governance structure, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - Using SIIOF’s register, FIRA will be able to monitor, match and report net bond proceeds from FEFA’s Gender Bonds as well as the allocation to each project. An analysis of this register will be performed on a regular basis to confirm that each project in the portfolio meets the eligibility criteria, and to ensure that net proceeds from the Gender Bond are accurately allocated. The SIIOF will also track the location of the project, the amount financed, and the indicators and supporting information for the analysis and reporting of the Gender Bond.
 - The Institution’s Finance area will be in charge of managing net proceeds from the Gender Bond. Pending allocation, net proceeds will be temporarily invested in accordance with FEFA’s internal liquidity management policy. Sustainalytics notes the absence of commitments relating to the timeframe for allocation, however FEFA has communicated to Sustainalytics that it anticipates that the proceeds from its inaugural issuance will likely be fully disbursed within two years. Sustainalytics considers these timeframes to be in line with market practice for full allocation and encourages FEFA to ensure that this practice be applied for all future issuances.
 - Based on use of a formal register and the disclosure of temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - FEFA commits to publish an allocation and impact report for each Gender Bond, commencing one year after issuance and to be renewed annually thereafter until full allocation. The report will be published on FEFA’s corporate website and in the Sustainability Memories report which is published yearly.
 - Allocation reporting will include (i) total amount of net proceeds from the Gender Bond; (ii) net proceeds allocated to each project category; (iii) total amount of unallocated net proceeds; and (iv) amounts spent in financing vs. refinancing.
 - Impact reporting will include social and/or gender parametric indicators subject to confidentiality agreements. Parametric indicators includes, but not limited to, number of women benefiting from a FIRA loan for the first time; number of credits of credits to productive projects of women individuals, or companies, organizations or associations of women producers or

⁶ FIRA’s SIIOF along with other statistical data bases of the Institution allow it to identify intermediate or immediate borrowers such as companies, organizations and associations of producers and its members, in addition to women who receive a loan collectively or individually (microcredits are included).

- those led by women, jobs generated or sustained⁷ through the productive project financed through the Gender Bond.
- Based on the commitment to both allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Social Bond Principles 2020

Sustainalytics has determined that the FEFA Social Bond with a Gender Focus Framework aligns to the four core components of the SBP. For detailed information, please refer to Appendix 1: Social Bond/Social Bond Programme External Review Form.

Section 2: Sustainability Strategy of the Institution

Contribution of Framework to FIRA's sustainability strategy

As one of the four trust funds that form FIRA, FEFA contributes to the fulfillment of FIRA's mission to provide financing to producers in the agricultural, forestry, fishing, food and rural sectors. FEFA combines specialized financial products with technical support and risk mitigation strategies, in order to increase the productivity and standard of living of producers. In addition, FIRA seeks to advance, environmental sustainability and gender equity.⁸ To this end, FIRA has aligned its new Institutional Program 2020-2024⁹ with the National Development Plan 2019-2024, the National Development Financing Program 2020-2024, and the Sustainable Development Goals (SDGs) – Refer to Section 3 for further information about the linkage with these programs.

FIRA's Institutional Program strategic objectives include:

- OP1 – To increase access to financial services by agricultural producers with an emphasis on small-scale producers.
- OP2 – To improve the conditions of Mexican farmers and increase the levels of production through infrastructure development and efficiency improvements along with market dynamics between producers and final buyers.
- OP3 – To promote sustainable food production.

The Institution has further identified specific strategies to achieve these goals such as “designing financial products that adapt to the needs of producers to increase financial inclusion particularly of vulnerable groups and women”¹⁰ which Sustainalytics highlights as being particularly aligned with the objectives of the Framework. FIRA has developed a series of indicators to measure the progress on achieving its strategic objectives and has set goals for each one of them. In relation to women, the Institutions is aiming to grant approximately 2 million loans to women by 2024.¹¹ FIRA has also incorporated actions in favor of gender equality as it seeks to influence all aspects of its institutional model.

Furthermore, to promote sustainability practices in the agricultural sector, FEFA issued its first green bond in October 2018, through which it provided financing for sustainable agriculture and the efficient use of water. Along with the Interamerican Development Bank (IDB), FIRA worked with the Climate Bond Initiative (CBI) to develop a *Protected Agriculture Criteria* for Mexico, released in 2019, and FEFA's green bond obtained CBI certification in April 2019.¹² Since then, FEFA has issued two additional green bonds to provide additional financing to sustainable projects that are aligned with its mission.

In this context, Sustainalytics is of the opinion that the FEFA Social Bond with a Gender Focus Framework is aligned with the Institutions' overall sustainability strategy and initiatives, and will contribute positively to FIRA's sustainability agenda.

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

Sustainalytics recognizes that the net proceeds from the social bonds issued under the Framework will be directed towards eligible projects and are expected to have positive social impact. However, Sustainalytics notes that by providing loans for investment in agro-industrial activities, financial institutions are exposed to the possibility of financing activities that have negative environmental or social impacts. Common

⁷ FEFA will select 10 projects to be included in the impact reporting section on the subject of labour and productive inclusion, to include jobs generated or sustained, and value of the production linked to the project financed (e.g. hectares harvested or units produced).

⁸ FIRA, “Memorias de Sostenibilidad 2018”, at: <https://www.fira.gob.mx/Nd/MemoriasSostenibilidad2018.pdf?1>.

⁹ FIRA, “Sustainalytics its Institutional Program 2020-2024”.

¹⁰ FIRA, “Sustainalytics its Institutional Program 2020-2024”.

¹¹ FIRA, “Sustainalytics its Institutional Program 2020-2024”.

¹² CBI, “FIRA FEFA”, at: https://www.climatebonds.net/certification/fira_fefa.

environmental risks for agricultural projects relate to ensuring the sustainable use of water, limiting degradation of natural environments (including deforestation and soil erosion), and limiting the release of pollutants (including wastewater and agricultural runoff) and greenhouse gas emissions. Key social risks may include worker health and safety and community engagement.

FIRA has processes in place to mitigate these potential risks arising from projects funded through its trust fund FEFA, including:

- The Environmental and Social Risk Management System (Spanish acronym: SARAS), created in collaboration with international financial organizations, was developed for the identification and analysis of environmental and social risks of financing projects. Through this risk management systems, FIRA also provides recommendations to mitigate risks.¹³ SARAS methodology is based on the Equator Principles and the IFC's Performance Standards on Environmental and Social Sustainability.¹⁴
- In regards to stakeholder engagement, FIRA has identified various stakeholder groups, including final beneficiaries, financial intermediaries, and the general public, and the Institutions has various lines of communications through which its performs outreach with the goal of promoting its activities and expanding its financing.
- FIRA is involved with the Inter-American Institute for Cooperation on Agriculture's Agenda for Climate Change and Agro-food Production (Agenda de Cambio Climático y Producción Agroalimentaria).¹⁵ The objective of the agenda is coordinate institutional efforts to improve the capacity of the agri-food sector to mitigate and adapt to climate change.
- FIRA's organizational structure supports strong corporate governance and transparent decision-making. Each of FIRA's four constituent trusts has a Technical Committee, consisting of representatives from regulatory bodies, financial institutions, farmers' organizations, and independent observers; these Committees oversee policies and strategies and monitor compliance.
- All projects supported by FIRA must be in compliance with relevant environmental and other regulations.
- An internal risk management process, through which all of FIRA's lending activities are subject to a risk evaluation process, carried out over four dimensions: credit risk, market risk, liquidity risk, and operation risk. Included as part of operational risk are legal and technological risks related to the funded project; as part of this process FIRA establishes controls and risk mitigation initiatives, as well as ongoing monitoring.
- FIRA has also established a mechanism for complaints in relation to issues of non-discrimination, gender equality, workplace harassment, sexual harassment, and any breach to its Code of Ethics, and Code of Conduct. Complaints are assessed by the Ethics and Conflict of Interest Prevention Committee (Spanish acronym: CEPCI).

Based on these policies, standards and assessments, Sustainalytics is of the opinion that FEFA, which has risk mitigation policies and practices overseen by FIRA, has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible category.

Section 3: Impact of Use of Proceeds

The use of proceeds category is aligned with those recognized by the SBP. Sustainalytics has focused below on where the impact is specifically relevant in the local context.

The importance of gender equity and women empowerment in Mexico

The OECD has identified Mexico as having major challenges in its goal to bring about gender equality and empowerment for women. With less than half of Mexican women of working age participating in the labor market, Mexico has the second lowest rate of all OECD countries.¹⁶ Gender inequality pervades all aspects of social and economic life, and access to finance is one of the most significant challenges for women entrepreneurs who have lower levels of capitalization and are more reliant on owner equity and insider

¹³ FIRA, "Memorias de Sostenibilidad 2018", at: <https://www.fira.gob.mx/Nd/MemoriasSostenibilidad2018.pdf?1>.

¹⁴ Gamboa, Rafael. "¿Por qué impulsar el Financiamiento Sustentable?", FIRA, (2018).

¹⁵ IICA, "Agenda de Cambio Climático y Producción Agroalimentaria", (2017), at: <http://climate.blue/wp-content/uploads/Presentaci%C3%B3n-de-la-Agenda-de-CC-y-PA-Taller-Indicadores-26-de-junio-2017.pdf>.

¹⁶ OECD, "Gender Equality and the Empowerment of Women for Inclusive Growth in Mexico", (2020), at: <https://www.oecd.org/about/secretary-general/gender-equality-and-empowerment-of-women-for-inclusive-growth-mexico-january-2020.htm>.

financing than men.¹⁷ Overall, women earn on average 14% less than men in OECD countries and face more obstacles for employment and high levels of harassment.¹⁸

The World Bank has also highlighted that closing the gender gap in financial inclusion could have positive effects by increasing consumption, providing security, increasing savings and investment rates, and managing economic risk; with studies showing that an increase in accessibility of financial services for women and women-owned businesses leads to higher economic growth and women empowerment.¹⁹ Women in rural areas stand to significantly benefit with greater access to finance considering that women account for only 15.7% of agricultural holders, those that make “major decisions regarding resource use and exercises management control over the agricultural holding”,²⁰ while women account for 32.2% of landownership.²¹ The Food and Agriculture Organization (FAO) has also identified that in order to achieve the SDGs, specific interventions need to be made that target women, youth living in rural locations and vulnerable groups, specifically in the areas of food, agriculture and rural development.²²

In Mexico, the government has committed to advance gender equity in its National Development Plan 2019-2024²³ placing emphasis on equal rights and opportunities for women and vulnerable populations. This is further supplemented in the National Development Financing Program 2020-2024 in which emphasis is placed on providing training, financial education and technical assistance, for women, companies led by women and other vulnerable groups in order to contribute to greater financial inclusion.²⁴ Specifically dealing with access to financial services, the National Policy for Financial Inclusion 2020-2024²⁵ has as one of its main goals to advance the financial inclusion of vulnerable populations, such as women, migrants, older adults, indigenous people and rural population. The Mexican government is using social programs to advance these goals and to better serve women and vulnerable populations the government is increasing the participation of women in financial institutions and regulatory entities, and coordinating the development of financial products for women.

In this regard, the loans and credits provided by FEFA are aligned with the national strategy and will advance the participation of women in the labor force, provide access to financial services for women, and support economic growth in agricultural and rural settings while advancing gender equality.

Alignment with/contribution to SDGs

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

Use of Proceeds Category	SDG	SDG target
Financing of Credit for Women and Women-led Businesses	1. No poverty	1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance
	2. Zero hunger	2.3 By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and

¹⁷ OECD, “The pursuit of Gender Equality: An Uphill Battle”, (2017), at: https://read.oecd-ilibrary.org/social-issues-migration-health/the-pursuit-of-gender-equality_9789264281318-en#page297.

¹⁸ OECD, “Gender Equality and the Empowerment of Women for Inclusive Growth in Mexico”, (2020), at: <https://www.oecd.org/about/secretary-general/gender-equality-and-empowerment-of-women-for-inclusive-growth-mexico-january-2020.htm>.

¹⁹ World Bank, “Diagnóstico de Género en México”, (2019), at: <http://documents1.worldbank.org/curated/en/31218155867765028/pdf/Mexico-Gender-Assessment.pdf>.

²⁰ FAO, “Gender and Land Rights database: Distribution of Agricultural Holders by Sex (Females)”, at: http://www.fao.org/gender-landrights-database/data-map/statistics/en/?sta_id=982.

²¹ FAO, “Gender and Land Rights Database: Distribution of Landowners by Sex (Females)”, at: http://www.fao.org/gender-landrights-database/data-map/statistics/en/?sta_id=1162.

²² FAO, “Transforming Food and Agriculture to Achieve the SDGs”, (2018), at: <http://www.fao.org/3/I9900EN/i9900en.pdf>.

²³ SEGOB, “Plan Nacional de Desarrollo 2019-2024”, at: https://www.dof.gob.mx/nota_detalle.php?codigo=5565599&fecha=12/07/2019.

²⁴ SHCP, “Programa Nacional de Financiamiento del Desarrollo (PRONAFIDE)”, at: https://www.finanzaspublicas.hacienda.gob.mx/es/Finanzas_Publicas/PRONAFIDE.

²⁵ Gobierno de México, “Política Nacional de Inclusión Financiera”, at: https://www.gob.mx/cms/uploads/attachment/file/557108/PNIF_2020.pdf.

		fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment
	5. Gender equality	5.5 Ensure women’s full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life
	8. Decent work and economic growth	8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value
	10. Reduced inequality	10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status

Conclusion

FEFA has developed the FEFA Social Bond with a Gender Focus Framework under which it will issue social bonds and use the net proceeds to finance projects that promote gender equality and advance financial inclusion and socioeconomic empowerment of women. Sustainalytics considers that the financing provided by the social bond proceeds will deliver positive social impact.

The Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the FEFA Social Bond with a Gender Focus Framework is aligned with the overall sustainability strategy of the Institution and that the social use of proceed category will contribute to the advancement of the UN Sustainable Development Goals 1, 2, 5, 8, and 10. Additionally, Sustainalytics is of the opinion that FEFA, as one of the four trust funds that form FIRA, has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that FEFA is well-positioned to issue social bonds and that the FEFA Social Bond with a Gender Focus Framework is robust, transparent, and in alignment with the core components of the Social Bond Principles 2020.

Appendix

Appendix 1: Social Bond/ Social Bond Programme -External Review Form

Section 1. Basic Information

Issuer name:	Fondo Especial para Financiamientos Agropecuarios
Social Bond ISIN or Issuer Social Bond Framework Name, if applicable:	FEFA Social Bond with a Gender Focus Framework
Review provider's name:	Sustainalytics
Completion date of this form:	September 30, 2020
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the SBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

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

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Evaluation Summary above.

Section 3. Detailed review

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

1. USE OF PROCEEDS

Overall comment on section (if applicable):

The eligible category for the use of proceeds – Financing of Credit for Women and Women-led Businesses – is aligned with those recognized by the Social Bond Principles that seek to achieve positive socio-economic outcomes for target populations. Sustainalytics considers that the eligible category will lead to positive social impacts and advance the UN Sustainable Development Goals, specifically SDG 1, 2, 5, 8 and 10.

Use of proceeds categories as per SBP:

- | | |
|---|---|
| <input type="checkbox"/> Affordable basic infrastructure | <input type="checkbox"/> Access to essential services |
| <input type="checkbox"/> Affordable housing | <input type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input checked="" type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input type="checkbox"/> Other (please specify): |

If applicable please specify the social taxonomy, if other than SBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

As a second-tier financial institution, FEFA, through its Business Promotion area, will select projects by screening through its databases including its Comprehensive Computer System of Operations, for compliance with the eligibility requirements. Sustainalytics considers the project selection process in line with market practice.

Evaluation and selection

- | | |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's social objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Social Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification
 In-house assessment
- Other (please specify):

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

FEFA's Finance area, will be in charge of managing net proceeds. Periodic analysis of the register, containing eligible projects, will be performed to ensure that net proceeds are accurately allocated. Pending allocation, net proceeds will be temporarily invested in accordance with FEFA's internal liquidity management policy. This is in line with market practice.

Tracking of proceeds:

- Social Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (please specify):

Additional disclosure:

- Allocations to future investments only
 Allocations to both existing and future investments
- Allocation to individual disbursements
 Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds
 Other (please specify):

4. REPORTING

Overall comment on section (if applicable):

FEFA commits to publish an allocation and impact report within a year of each issuance and yearly thereafter until full allocation. Allocation reporting will include (i) total amount of net proceeds from the Gender Bond; (ii) net proceeds allocated to each project category; (iii) total amount of unallocated net proceeds; and (iv) amounts spent in financing vs. refinancing. FEFA also commits to publish impact reports which will include social and/or gender parametric indicators subject to confidentiality agreements. Sustainalytics views FEFA's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- Project-by-project
 On a project portfolio basis
- Linkage to individual bond(s)
 Other (please specify):

Information reported:

- Allocated amounts Social Bond financed share of total investment
- Other (please specify): Net proceeds allocated within each project category; net proceeds used for financing/re-financing.

Frequency:

- Annual Semi-annual
- Other (please specify):

Impact reporting:

- Project-by-project On a project portfolio basis
- Linkage to individual bond(s) Other (please specify):

Information reported (expected or ex-post):

- Number of beneficiaries Target populations
- Other ESG indicators (please specify): Number of women benefiting from a FIRA loan for the very first time; number of credits of provision or working capital to productive projects of women individuals, or companies, organizations or associations of women producers or those led by women; amount of agricultural or working capital credits granted to final credited women (as individuals or as members or partners of a company, association or organization of producers with the exclusive participation of women or led by women).

Frequency:

- Annual Semi-annual
- Other (please specify):

Means of Disclosure

- Information published in financial report Information published in sustainability report
- Information published in ad hoc documents Other (please specify): Report to be published on FIRA's website.
- Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

<http://www.fira.gob.mx>

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

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

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE SBP

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

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About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world's foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2020, Climate Bonds Initiative named Sustainalytics the "Largest Approved Verifier for Certified Climate Bonds" for the third consecutive year. The firm was also recognized by Environmental Finance as the "Largest External Reviewer" in 2020 for the second consecutive year. For more information, visit www.sustainalytics.com.

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Named

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**The
Green Bond
Principles**