

Second-Party Opinion

FIRA Sustainable Bonds Framework

Evaluation Summary

Sustainalytics is of the opinion that the FIRA Sustainable Bonds Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021 and Social Bond Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds¹ are aligned with those recognized by the Green Bond Principles and Social Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 1, 2, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14 and 15.



PROJECT EVALUATION AND SELECTION FIRA's Environmental, Fishery and Value Chain Department will be responsible for the internal process for evaluating and selecting green projects, and the Products Development and Services Department will manage the process for social projects. Both departments identify and validate eligible projects based on data extracted from FIRA's internal database. FIRA has designed a methodology for identifying, assessing and managing socio-environmental risks. Sustainalytics considers the project selection process in line with market practice.



MANAGEMENT OF PROCEEDS FIRA's Finance Department oversees the process for the management of proceeds. Eligible projects will be tracked using a unique identifier for each bond and managed according to an internal system. The net proceeds derived from a bond issuance will be credited to the accounts of the issuer. Pending allocation, unallocated proceeds will be temporarily invested following the internal liquidity management policy. This is in line with market practice.



REPORTING FIRA commits to reporting on the allocation and impact of proceeds on its website on an annual basis until full allocation. Allocation reporting will include the description of the financing, the amounts disbursed by eligible category, the percentage of resources allocated by eligible category and by financing and refinancing, and the remaining balance of unallocated proceeds. Sustainalytics views FIRA's allocation and impact reporting as aligned with market practice.



Evaluation date	April 19, 2023
Issuer Location	Morelia, Mexico

Report Sections

Introduction.....	2
Sustainalytics' Opinion	3
Appendix	15

For inquiries, contact the Sustainable Finance Solutions project team:

Daniel Sanchez (Toronto)
Project Manager
daniel.sanchez@sustainalytics.com
(+1) 647 264 6644

Saddiqah Adamu (Toronto)
Project Support

Anchal Verma (Toronto)
Project Support

Graeme Sutherland (Toronto)
Project Support

Maria-Pilar Salazar (New York)
Client Relations
susfinance.americas@sustainalytics.com
(+1) 646 518 9623

¹ Eligible categories: Sustainable Management of Natural Resources and Land Use; Sustainable Agriculture and Livestock Breeding; Fisheries and Aquaculture; Renewable Energy; Efficient and Resilient Water and Wastewater Management; Energy Efficiency; Absorption Before Extreme Climate Events; Adaptation to Extreme Climate Events; Access to Financial Products and Services for Producers and Companies in the Agricultural, Forestry, Fishing and Rural Sectors; Use of Financial Products and Services for Producers and Companies in the Agricultural, Forestry, Fishing, and Rural Sectors; Financial Intermediaries Increasing the Supply of Products and Services that Help Overcome Barriers to Financial Inclusion; Financial Inclusion; Labour and Productive Initiative; and Entrepreneurship.

Introduction

Trust Funds for Rural Development (Fideicomisos Instituidos en Relación con la Agricultura; “FIRA” or “the Institution”) is a Mexican second-tier development financial institution that 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 funds² dedicated to facilitating access to credit for borrowers in the agriculture, livestock, and fishing sectors and has more than 126 offices throughout Mexico, particularly in small communities.

The Guarantee and Promotion Fund for Agriculture, Livestock Breeding and Poultry Farming (Fondo de Garantía y Fomento para la Agricultura, Ganadería y Avicultura; “FONDO”) and the Special Fund for Agricultural Financing (Fondo Especial para Financiamientos Agropecuarios; “FEFA”) are among the four trust funds of the Institution.

FIRA has developed the FIRA Sustainable Bonds Framework dated April 2023 (the “Framework”), under which FONDO and FEFA (the “Issuers”) intend to issue green, social and sustainability bonds and use the proceeds to finance or refinance, in whole or in part, existing or future projects that are expected to contribute to the decarbonization and socio-economic advancement in Mexico. The Framework defines eligibility criteria in 14 areas:

1. Sustainable Management of Natural Resources and Land Use
2. Sustainable Agriculture and Livestock Breeding
3. Fisheries and Aquaculture
4. Renewable Energy
5. Efficient and Resilient Water and Wastewater Management
6. Energy Efficiency
7. Absorption Before Extreme Climate Events
8. Adaptation to Extreme Climate Events
9. Access to Financial Products and Services for Producers and Companies in the Agricultural, Forestry, Fishing and Rural Sectors
10. Use of Financial Products and Services for Producers and Companies in the Agricultural, Forestry, Fishing and Rural Sectors
11. Financial Intermediaries Increasing the Supply of Products and Services that Help Overcome Barriers to Financial Inclusion
12. Financial Inclusion
13. Labour and Productive Initiative
14. Entrepreneurship

FIRA engaged Sustainalytics to review the FIRA Sustainable Bonds Framework and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP) and Social Bond Principles 2021 (SBP).³ The Framework has been published in a separate document.⁴

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁵ opinion on the alignment of the reviewed Framework with current market standards and the extent to which the eligible project categories are credible and impactful.

² 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.

³ The Sustainability Bond Guidelines, Green Bond Principles, and Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

⁴ The FIRA Sustainable Bonds Framework is available on FIRA’s website at: <https://www.fira.gob.mx/Nd/ESG.jsp>

⁵ 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.

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

- The Framework's alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2021, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- 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 1.13, 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 and 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.

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. Upon twenty-four (24) months following the evaluation date set stated herein, FIRA is encouraged to update the Framework, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realized 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 FIRA Sustainable Bonds Framework

Sustainalytics is of the opinion that the FIRA Sustainable Bonds Framework is credible, impactful and aligns with the four core components of the GBP and SBP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The eligible categories⁶ are aligned with those recognized by the GBP and SBP.
 - The Sustainable Management of Natural Resources and Land Use category is further broken down into sustainable forest use; management of land-, coastal- or marine-protected natural areas or conservation plans; conservation and restoration of ecosystems, biodiversity, natural

⁶ Eligible categories: Sustainable Management of Natural Resources and Land Use; Sustainable Agriculture and Livestock Breeding; Fisheries and Aquaculture; Renewable Energy; Efficient and Resilient Water and Wastewater Management; Energy Efficiency; Absorption Before Extreme Climate Events; Adaptation to Extreme Climate Events; Access to Financial Products and Services for Producers and Companies in the Agricultural, Forestry, Fishing and Rural Sectors; Use of Financial Products and Services for Producers and Companies in the Agricultural, Forestry, Fishing, and Rural Sectors; Financial Intermediaries Increasing the Supply of Products and Services that Help Overcome Barriers to Financial Inclusion; Financial Inclusion; Labour and Productive Initiative; and Entrepreneurship

habitats and ecosystem services; supply chain infrastructure for forestry activities; and ecotourism. Sustainalytics highlights the following aspects of the eligibility criteria for this category:

- Under sustainable forest use, FIRA intends to finance: i) the commercial management of forests that are certified by credible third-party certifications Forest Stewardship Council (FSC)⁷ or the Program for the Endorsement of Forest Certification (PEFC)⁸ ii) forestry activities for smallholders⁹ that have a sustainable management plan; iii) related activities for the commercialization of these forestry products; and iv) afforestation and reforestation projects. Sustainalytics notes the following:
 - Sustainalytics views the third-party certification schemes identified for commercial management of forests as credible and in line with market practice.
 - All sustainable forestry activities will be required to comply with Mexico's General Sustainable Forest Development Law (LGDFS)¹⁰ and the General Ecological Balance and Environmental Protection Law (LGEEPA),¹¹ requiring projects to have a sustainable management plan for land-use activities and to use local or well-adapted tree species for afforestation and reforestation projects.
 - FIRA also intends to finance projects and assets that will support sustainable forest activities, including warning systems and satellite monitoring for forest fires, plant nurseries and related infrastructure.
 - FIRA intends to finance the management, conservation and restoration of natural and protected areas, including terrestrial, freshwater, marine and natural habitats, biodiversity, soils and ecosystem services.
 - The management and conservation of protected natural areas will be supported by sustainable management plans as required by Article 105 of the LGEEPA and Article 93 of the LGDFS.
 - FIRA intends to provide financing for ecotourism, including the establishment and operation of ecotourism projects.¹² Ecotourism projects include investments in trails, reforestation, wastewater collection and treatment system, and endangered animal sanctuaries. In addition, projects must be supported by environmental management plans demonstrating the positive impact on the conservation of the environment and the surrounding natural area and cultural heritage, if applicable, as well as an analysis of its limitations.
- Under the Sustainable Agriculture and Livestock Breeding category, FIRA may finance the following agricultural projects:
- Climate-smart agriculture techniques, that increases agricultural productivity, adaptation and resilience to climate change and mitigates GHG emissions. Examples include no-till farming, drip irrigation systems, zero tillage production, direct sowing and integrated soil fertility management projects.¹³
 - The establishment or continuation of agricultural production units¹⁴ that incorporate agroforestry and silvopastoral systems, such as those with regenerative livestock and animal welfare practices,¹⁵ as well as controlled grazing.¹⁶ FIRA has communicated to

⁷ FSC: <https://ca.fsc.org/en-ca>

⁸ PEFC: <https://www.pefc.org/standards-implementation>

⁹ FIRA's definition of smallholders is aligned with the categorization of micro, small and family enterprises that on average employ no more than 12 people.

¹⁰ Justia Mexico, "General Law of Sustainable Forestry Development", at: <https://mexico.justia.com/federales/leyes/ley-general-de-desarrollo-forestal-sustentable/titulo-primero/capitulo-i/>

¹¹ Justia Mexico, "General Law of Ecological Balance and Environmental Protection", at: <https://mexico.justia.com/federales/leyes/ley-general-del-equilibrio-ecologico-y-la-proteccion-al-ambiente/>

¹² The Framework defines ecotourism as "a form of low-impact sustainable tourism that consists of visiting natural areas to enjoy, appreciate, and study natural attractions and cultural manifestations, promoting conservation and the involvement and benefit of local populations."

FIRA, "FIRA Sustainable Bonds Framework", (2023), at: <https://www.fira.gob.mx/Nd/ESG.jsp>

¹³ FIRA notes the exclusion of inorganic and synthetic fertilizers in this category.

¹⁴ FIRA defines agricultural productions units as the collection of assets and activities associated with the management of plants and domesticated animals to produce food, feed, fibre, fuel and other products.

¹⁵ Projects that comply with Mexican legislation such as the Federal Animal Health Law or for example, with one of the following programs: Humane Farm Animal Care Certified Humane; RSPCA Assured; A Greener World Approved Animal Welfare; Better Leven Levels 2 and 3; and G.A.P Levels 4 & 5.

¹⁶ USDA, "USDA Organic", at: <https://www.usda.gov/topics/organic>

Sustainalytics that eligible projects will have sustainable management programmes and hold a Sustainable Agriculture Certification¹⁷ from the Rainforest Alliance, RTRS,¹⁸ EU Organic,¹⁹ USDA Organic, JAS Organic, Organic SAGARPA Mexico,²⁰ or Bonsucro,²¹ and that comply with the provisions of the LGDFS, the LGEEPA and Mexico's Sustainable Rural Development Law.²² Eligible projects or assets include machinery and equipment to support certified agricultural production units.

- Sustainalytics recognizes that silvopastoral and agroforestry projects encompass a diversified production strategy that aims to enhance agricultural productivity and have been demonstrated to reduce farmers' vulnerability to environmental shocks, including climate change. However, such integrated projects could face certain barriers,²³ especially related to their effective adoption on a farm level and overall potential for achieving a net reduction in methane emissions resulting from livestock production.²⁴ FIRA has confirmed that all silvopastoral and agroforestry projects that involve livestock will be limited to small scale producers and that projects exclusively dedicated to livestock will be excluded.
- The Institution excludes financing for land-use activities involving converted land with a high carbon stock and that have not been authorized by the Ministry of Environment and Natural Resources as provisioned in the LGDFS and LGEEPA.
- Under the Fisheries and Aquaculture category, FIRA may finance projects²⁵ related to: i) wild fisheries and aquaculture; and ii) related supply chain infrastructure. Sustainalytics notes the following:
 - Projects related to wild fisheries and aquaculture will be certified by recognized and credible third-party standards including the Marine Stewardship Council (MSC), the Aquaculture Stewardship Council (ASC), the Best Aquaculture Practices (BAP)²⁶ at the 2 Star rating or above and the Seafood Watch Standard for Aquaculture certified at Best Choice level.²⁷
 - Under this category, FIRA also intends to finance related supply chain infrastructure and equipment that is part of a certified chain of custody, as per the above certifications, including equipment for managing and harvesting in aquaculture farms and fisheries, onshore and offshore facilities for storage and processing, and information systems. FIRA confirmed with Sustainalytics that financed operations will not involve fossil fuel-powered equipment.
- Under the Renewable Energy category, FIRA intends to invest in: i) projects generating energy from photovoltaic solar energy, solar thermal energy, wind power, hydroelectric plants, bioenergy and marine energy; ii) transmission and distribution projects to connect renewable energy to the grid; and iii) the integration of battery storage into wind and solar energy projects. Sustainalytics notes the following:
 - For solar thermal energy projects, the Framework specifies that concentrated solar power plants will derive at least 85% of the electricity from solar energy resources.
 - Eligible hydroelectric projects are those with a life cycle carbon intensity below 50 gCO₂e/kWh or with a power density greater than 10 W/m² if they were operational during 2020 or after. Eligible projects operational before 2020 should have an emission

¹⁷ Or equivalent certification to those referenced and that is ISEAL Code Compliant.

¹⁸ Round Table on Responsible Soy, "RTRS", at: <https://responsiblesoy.org/?lang=en>

¹⁹ EU, "The Organic Logo", at: https://agriculture.ec.europa.eu/farming/organic-farming/organic-logo_en

²⁰ SAGARPA, "Qué es el sello Orgánico Sagarpa México y cómo obtenerlo", at: <https://www.gob.mx/agricultura/es/articulos/certificacion-de-productos-organicos>

²¹ Bonsucro, "What is Certification", at: <https://bonsucro.com/what-is-certification/>

²² Rainforest Alliance, Sustainable Agriculture Certification, at: <https://www.rainforest-alliance.org/business/certification/>

²³ The adoption of integrated cropland-livestock-forestry systems is influenced by several factors, including the "costs of adoption versus non-adoption, supply chain infrastructure, biophysical suitability, availability of skilled labour, access to information and know-how, as well as the willingness to diversify production." Land Use Policy, Determinants of Crop-livestock integration in Brazil: Evidence from the household and regional levels: https://www.bu.edu/gdp/files/2018/02/Gil_Garrett_et_al_2016_Determinants-of-ICLS.pdf

²⁴ IPCC, Land-Climate Interactions: https://www.ipcc.ch/site/assets/uploads/2019/08/2c.-Chapter-2_FINAL.pdf

²⁵ FIRA has communicated to Sustainalytics that all projects under this category will comply with the provisions of Mexican laws, including LGEEPA and the General Law of Sustainable Fishing and Aquaculture, and have one of the international certifications listed in this category.

²⁶ Best Aquaculture Practices: <https://www.bapcertification.org/Standards>

²⁷ Seafood Watch, Our Standards: <https://www.seafoodwatch.org/recommendations/our-standards>

- threshold lower than 100 gCO₂e/kWh or a power density greater than 5 W/m². Additionally, new projects will undergo an environmental and social impact assessment and no risks should have been identified.²⁸
- Eligible biogas plants are those with an emission threshold of 100 gCO₂e/kWh.²⁹ Furthermore, FIRA has confirmed to Sustainalytics that feedstock will be animal manure.
 - FIRA has communicated to Sustainalytics that its marine energy projects will include tidal power and wave energy generation facilities.
 - Sustainalytics considers the expenditures under this category to align with market practice.
- Under the Efficient and Resilient Water and Wastewater Management category, FIRA may finance or refinance eligible assets to support projects related to studies, design, construction, operation, maintenance, expansion and adaptation for the sustainable use and management of water and wastewater. Eligible projects include:
- Projects financed to manage water storage, including: i) rainwater harvesting systems; ii) stormwater management systems; iii) water distribution systems; iv) infiltration ponds; v) aquifer storage; vi) groundwater recharge systems; vii) sewage systems; viii) pumps; and ix) sand dams.
 - Projects financed to treat water, including: i) water recycling systems; ii) wastewater treatment facilities; iii) manure and sludge treatment facilities; iv) natural filtration and recycling systems; and v) engineered natural filtration and recycling systems.
 - Projects financed for water desalination, which may include constructing or operating sea water desalination plants with brackish water osmosis technology. FIRA has communicated to Sustainalytics that the average carbon intensity of the electricity used for desalination will be at or below 100 gCO₂e/kWh. FIRA has also communicated that desalination plants are accompanied by an Environmental Impact Assessment that will include considerations on the management of brine waste.
 - Projects financed to distribute water, such as installing or improving high-efficiency drip, flood and pivot irrigation systems. These projects may include: i) rainwater harvesting systems; ii) gravity-fed canal systems, pumped water canalization or distribution systems; and iii) terrace systems.
 - Projects financed to conserve water, including the protection of water catchment areas and prevention of water supply pollution.
 - Projects financed to protect against floods, including: i) constructing reservoirs to control water flows; ii) surge barriers; iii) pumping stations, dikes and gates; iv) drought early warning systems; v) flood early warning systems; and vi) water quality control processes. Such projects will be informed by a vulnerability assessment provided by the National Institute of Ecology and Climate Change (INECC)³⁰ and will be supported by either national, regional, or local adaptation plans.
 - FIRA has confirmed to Sustainalytics that wastewater from fossil fuel operations will be excluded.
 - Sustainalytics considers the expenditures under this category to align with market practice.
- Under the Energy Efficiency category, FIRA may finance or refinance investments related to the manufacturing, installing, operating and maintaining of products that reduce the energy use of underlying assets, technology, products or systems, such as: i) LED lighting systems; ii) smart grid meters; and iii) fuel cells.
- FIRA may also finance or refinance the provision of bulk energy services, including: i) heating and cooling systems; ii) smart grids; iii) energy recovery technology; and iv) energy storage and v) smart grid components that reduce energy losses in transmission and distribution infrastructure.

²⁸ Projects should meet the requirements of the Federal Electric Commission (CFE) CFA SPA002-19.

²⁹ The Framework excludes financing of biogas plants that will source feedstocks from wood, third generation biofuels, and biodegradable municipal solid waste, including sewage sludge and food waste.

³⁰ The National Institute of Ecology and Climate Change (INECC) is a Mexican research organization that conducts technical and scientific assessments on ecology and climate change to support decision-making. For more information please visit: <https://www.gob.mx/inecc>

- FIRA has communicated to Sustainalytics that technologies and assets primarily powered by fossil fuels will be excluded.
- The Framework allows for allocation to smart grid investments. Despite the variety of definitions and applications of smart grid technology, Sustainalytics views positively investments that are designed to improve grid efficiency and encourages the Institution to select projects that are clearly anticipated to deliver tangible efficiency. Sustainalytics considers expenditures under this category to be aligned with market practice and further encourages FIRA to report on estimated or achieved energy-efficiency gains where feasible.
- Under the Absorption Before Extreme Climate Events, FIRA may finance projects to reduce the impacts from extreme climate events in the municipalities with the highest vulnerability to climate change, according to the INECC. Eligible projects include the use of climate resilient crops,³¹ stormwater storage, soil rehabilitation, conservation agriculture and climate resilient farm infrastructure including, cold chains, grain storage and livestock cooling sheds, rural roads where there is a lack of road infrastructure and emergency shelters.
 - FIRA has confirmed to Sustainalytics that cold chains may include cooling equipment for producers who lack these assets. Sustainalytics notes that these projects are anticipated to have a positive impact on small producers and that these projects may advance food security in vulnerable areas to climate change.
 - FIRA has communicated to Sustainalytics that eligible projects under this category will be selected based on the environmental and climate change vulnerability assessments as per the INECC and supported by adaptation plans included in the Mexican government's climate change adaptation strategy.
- Under the Adaptation to Extreme Climate Events category, the Institution may finance projects related to enhancing the resiliency of agricultural, forestry, fishing, food and rural sectors against climate change impacts. The projects will be financed in municipalities that are especially vulnerable as per the assessment by INECC. Eligible projects include:
 - Resilient water infrastructure, including flood defense, wetland protection, stormwater management, wastewater treatment relocation and improvements to water distribution systems.
 - Wild bush clearing, the promotion of tree species diversification and that are well adapted to local conditions for afforestation and reforestation and mangrove conservation.
 - ICT systems for climate monitoring and weather data collection that will be applied to inform early warning systems.
 - FIRA has communicated to Sustainalytics that eligible projects under this category will be selected based on the environmental and climate change vulnerability assessments as per the INECC and supported by adaptation plans included in the Mexican government's climate change adaptation strategy.
- Under Access to Financial Products and Services for Producers and Companies in the Agricultural, Forestry, Fishing and Rural Sectors, FIRA intends to provide financing to small producers and MSMEs that have not received prior funding from FIRA.
- Under Use of Financial Products and Services for Entrepreneurs, Producers and Companies in the Agricultural, Forestry, Fishing and Rural Sectors, the Institution may provide financing to MSMEs operating in highly marginalized municipalities or in regions with restricted access to financial services.
 - FIRA intends to provide microloans to entrepreneurs in rural communities with a population of up to 50,000 people.
- Under Financial Intermediaries Increasing the Supply of Products and Services that Help Overcome Barriers to Financial Inclusion, the Institution may provide financing to third parties that provide financing to MSMEs via:
 - Para-financial companies that provide financing to primary sector producers for integration into value networks and supply chains;
 - Non-banking financial intermediaries without direct affiliations with FIRA; or
 - Financial intermediaries' development programmes.

³¹ FIRA has confirmed to Sustainalytics that GMO seeds will be excluded from financing.

- The Frameworks includes three gender focused categories i) Financial Inclusion; ii) Labour and Productive Initiative; and iii) Entrepreneurship. Under these categories FIRA intends to provide financing to women and women owned businesses, associations, and organizations of female producers with the exclusive participation of or led by women³² that have never received financing from FIRA; for working capital loans; and commercial or long-term loans to acquire capital goods and invest in production infrastructure.
 - Sustainalytics notes that the targeted financing of women and women owned businesses is anticipated to deliver positive social impacts. Sustainalytics notes that the targeted financing of individuals, MSMEs, and associations is considered impactful, while the financing of large companies is typically not socially impactful. However, Sustainalytics is of the opinion that, in the context in which FIRA operates, with a focus on supporting rural development and enhancing access to financing in Mexico, that financing of larger companies may also deliver positive social impacts. FIRA has communicated to Sustainalytics that it expects that approximately less than 1% of bond proceeds will go to large companies, and Sustainalytics encourages the Institution to prioritize financing to MSMEs.
- FIRA has in place exclusionary criteria that prohibit financing projects or expenditures associated with activities such as the trade of threatened wild flora and fauna species; production or trade of wood and other forest products from forests with no sustainable management plan in place and corresponding environmental permits; fishing activities with nets of more than 2.5 km in length; and child and forced labour. Sustainalytics views that the exclusion of these activities further strengthen the Framework.
- Project Evaluation and Selection:
 - FIRA's Environmental, Fishery and Value Chain Department will be responsible for the evaluation and selection of green projects as per the Framework's eligibility criteria, and the Products Development and Services Department will be responsible for the selection of social projects. Additionally, the Institution's internal database system, the Comprehensive Computer System of Operations (SIIOF), is used to store financial and non-financial information on the eligibility of proposed investments and is used to identify, classify and select eligible projects. The SIIOF is then used by the Institution's business areas to extract information to identify and validate the projects that meet the eligibility criteria as underlined in the Framework.
 - FIRA's eligible use of proceeds categories have been formulated based on their environmental and social impact. The environmental and social impact and risk screening study was elaborated by Carbon Trust and validated by independent subject matter experts. In addition, FIRA has designed a methodology for identifying, assessing, and managing socio-environmental risks called the Environmental and Social Risk Management System (SARAS). The SARAS methodology is applied to all large-scale projects. For additional details see Section 2.
 - Based on the methodology to determine eligible projects by FIRA's internal departments and the use of the SIIOF and SARAS, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - FIRA's Finance Department will be responsible for the allocation and management of proceeds under the Framework. Eligible projects that are financed under the Framework will be tracked using a unique identifier for each bond and managed according to an internal tracking system.
 - The net proceeds derived from a bond issuance will be credited to the accounts of the FONDO³³ and the FEFA, which are the trust funds authorized to issue bonds under the Framework. Pending allocation, unallocated proceeds will be temporarily managed as per the funds' internal liquidity management policy.
 - FIRA intends to fully allocate the proceeds within three years of each bond issuance. Eligible projects for refinancing include projects financed in the previous two fiscal years before issuance.
 - Based on the presence of an internal tracking system and the disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:

³² Businesses led by women are defined as those with major participation (>51%) of women within their shareholding or productive structure.

³³ FONDO is the Spanish acronym for the Guarantee and Promotion Fund for Agriculture, Livestock, and Poultry Farming.

- FIRA intends to report on the allocation and impact of the use of proceeds on its website on an annual basis until full allocation. Allocation reporting will include the description of the financing, the amounts disbursed by eligible category, the percentage of resources allocated by eligible category, the percentage of resources allocated by financing and refinancing and the remaining balance of unallocated proceeds.
- Additionally, FIRA is committed to reporting on relevant impact metrics, including the reduced emissions (in tCO₂e/year), the reduced water volume (in m³/year), the number of fisheries that have some sustainability certification, the volume of credit disbursed to increase adaptive capacity to the impact of extreme climate events and the number of women benefitting from a FIRA credit for the first time.
- Based on the commitment to allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2021

Sustainalytics has determined that the FIRA Sustainable Bonds Framework aligns with the four core components of the GBP and SBP. For detailed information, please refer to Appendix 1: Sustainability Bond/Sustainability Bond Programme External Review Form.

Section 2: Sustainability Strategy of FIRA

Contribution to FIRA's sustainability strategy

Sustainalytics is of the opinion that FIRA demonstrates a commitment to sustainability through its mission as a development financial institution to improve the quality of life of rural populations and contribute to sustainable development in Mexico by financing projects with high social returns and measurable positive impact on the environment. The Institution's efforts to standardize good practices regarding sustainable development across the board have materialized in three institutional milestones:³⁴

- Adherence to the ABM (Mexican Banks' Association) sustainability protocol in 2019;
- Creation of the Sustainability Working Group, which assists the Institution's technical committees in implementing and monitoring any sustainable actions, and
- Approval of the five FIRA sustainability principles, which govern the institutional operations. These principles focus on the incorporation of sustainable policies, environmental and social risk management systems in credit processes (ESRMS), financing of sustainable projects, efficient utilization of internal resources, and the disclosure of policies and practices pertaining to the sustainability of the financial sector.³⁵

The Institution has further identified specific strategies to achieve its sustainability targets, such as designing financial products that adapt to the needs of producers to increase financial inclusion, particularly of vulnerable groups and women. As part of its Institutional Program, FIRA has set a series of goals to be achieved by 2024, including providing credits to more than 2.5 million MSMEs, providing financing to more than 2 million women and investing approximately MXN 14 billion (USD 700 million) in sustainable development projects.³⁶

Additionally, FIRA has formed partnerships with international and national organizations, such as Mexico's National Water Commission to invest in sustainable irrigation, the Interamerican Development Bank to increase financing in energy-efficient projects, and the Agence Française de Développement and the Andean Development Corporation to advance climate change adaptation and mitigation projects in agriculture, fishing, forestry and rural areas.

Sustainalytics is of the opinion that the Framework is aligned with the Institution's overall sustainability strategy and initiatives and will further FIRA's action on its key environmental and social priorities.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the proceeds from the instruments issued under the Framework will be directed towards eligible projects that are expected to have positive environmental and social impacts. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social

³⁴ The FIRA Sustainable Bonds Framework is available on FIRA's website at: <https://www.fira.gob.mx/Nd/ESG.jsp>

³⁵ Ibid.

³⁶ Ibid.

outcomes. Some key environmental and social risks possibly associated with the eligible projects may include issues involving predatory lending; emissions, effluents and waste generated; occupational health and safety; land use and biodiversity issues associated with large-scale projects; and community relations.

Sustainalytics is of the opinion that FIRA is able to manage or mitigate potential risks through the implementation of the following:

- To address predatory lending risks, FIRA is advancing consumer protection by working with intermediary financial institutions and consumers on financial literacy, risk management and customer transparency. The Institution provides free educational material and specifically designs products that cater to the financial needs of vulnerable groups and women.^{37,38}
- FIRA has identified waste management and effluents as key environmental concerns. To address effluents and waste risks, FIRA promotes the implementation of best practices in the agricultural, fishery and forestry sectors. Furthermore, all large-scale projects undergo a risk evaluation through the SARAS system, through which environmental and social risks are identified and classified and appropriate mitigation measures are developed. Projects are also subject to the country's General Law of Ecological Balance and Environmental Protection (Ley General del Equilibrio Ecológico y la Protección al Ambiente or LGEEPA), which establishes guidelines to minimize and prevent pollution, as well as mechanisms to manage waste and effluent generation.³⁹
- To address occupational health and safety risks, Mexico's Federal Regulation of Occupational Health and Safety establishes a framework to prevent workplace accidents and injuries and workers' health and safety.⁴⁰ Furthermore, Mexico's Labour Ministry has developed the Norma Oficial Mexicana to enforce safety standards in specific projects, such as pesticides and fertilizers in agricultural facilities, forestry activities, construction and mining. The Institution has communicated to Sustainalytics that all eligible projects under the Framework will be compliant with these regulations and if there have been risks identified, mitigation plans are expected to be adopted.⁴¹
- Regarding biodiversity risks, LGEEPA outlines provisions for the preservation and protection of biodiversity and natural areas, and establishes mandates on the prevention of air, water and soil pollution.⁴² The Institution complies with Mexico's Fiscal Coordination Law, which mandates public entities, municipalities and territorial demarcations to use funds in a way that ensures environmental protection and promote sustainable development.⁴³
- To address community relations risks, FIRA has identified various stakeholder groups, including final beneficiaries, financial intermediaries and the general public, and established a stakeholder engagement process through which it interacts with them. It has also adopted a grievance mechanism through which complaints, questions and suggestions can be made through two channels – the FIRA Service Center (CAF) and the general scheme for handling complaints surveys which are anonymous by default. Lastly, FIRA runs a volunteer program through a group made up of the active and retired staff of the institution, who carry out various activities for the benefit of society.⁴⁴

Based on these policies, standards and assessments, Sustainalytics is of the opinion that FIRA has implemented adequate measures and is well positioned to mitigate and manage environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All 14 use of proceeds categories are aligned with those recognized by the GBP and SBP. Sustainalytics has focused on two below where the impact is specifically relevant in the local context.

³⁷ FIRA, "Memorias de Sostenibilidad 2021", at: <https://www.fira.gob.mx/Nd/MemoriasSostenibilidad2021.pdf>

³⁸ FIRA, "Institutional Programs: Priority Objectives – E5", at: <https://www.fira.gob.mx/Nd/ESG.jsp>

³⁹ Government of Mexico, "Ley General del Equilibrio Ecológico y la Protección al Ambiente", at:

https://www.gob.mx/cms/uploads/attachment/file/40809/2015_lgeepa.pdf

⁴⁰ Mexlaws, "The Federal Regulation for Occupational Health, Safety and Environment", at: <https://www.mexlaws.com/STPS/RFSHMAT.htm>

⁴¹ Vertex, "Occupational Health and Safety (OH&S) Standards in Mexico", at: <https://vertexeng.com/insights/occupational-health-safety-ohs-standards-in-mexico/>

⁴² Global Regulation, "General Law Of Ecological Balance And Environmental Protection", at: <https://www.global-regulation.com/translation/mexico/560296/general-law-of-ecological-balance-and-environmental-protection.html>

⁴³ Government of Mexico, "Ley de coordinación fiscal", at: https://www.diputados.gob.mx/LeyesBiblio/pdf/31_300118.pdf

⁴⁴ FIRA, "FIRA Actions towards Society – Social Opportunities", at: <https://www.fira.gob.mx/Nd/ESG-social.jsp>

Importance of GHG emission reduction in the agricultural sector in Mexico

As the world's 13th-largest GHG emitter,⁴⁵ Mexico has committed to a conditional reduction⁴⁶ of GHG emissions by 36% by 2030 and 50% by 2050 in its Intended Nationally Determined Contribution (INDC), compared to the baseline business-as-usual scenario (BAU) quantified at 991 MtCO₂e.^{47,48} The country's goals were enshrined into law in the General Climate Change Law, promulgated in 2012, which defines several GHG mitigation targets that directly incentivize the development of renewable energies.⁴⁹ However, according to Climate Transparency, Mexico is not on track to meet the Paris Climate Agreement's 1.5°C maximum temperature rise target because the country's GHG emissions have increased by 51% from 1990 to 2019 and the INDC is not in line with the 1.5°C pathway.⁵⁰ In Mexico, the agricultural sector is responsible for 16% of the country's total GHG emissions, with manure and synthetic fertilizers making up 25% and 8% of agricultural emissions, respectively.⁵¹

Nearly 85% of all farms globally are small (less than two hectares), with family farms occupying around 70-80% of farmland and producing approximately 80% of food worldwide.⁵² In Mexico, small family farms account for about 40% of agricultural outputs and are essential contributors to the economy.⁵³ A myriad of challenges makes small-scale farming in Mexico unsustainable, including limited access to financing for smallholder farms, lower production yields and droughts caused by climate change.^{54,55,56} In response to these challenges, Mexico's Secretariat of Agriculture and Rural Development introduced the Production for Wellbeing programme, geared towards enhancing access to services and investments for small and medium-sized farms.⁵⁷ According to the United Nations Food and Agriculture Organization, a shift to sustainable agriculture will increase food production, create more jobs in the sector and preserve natural resources.⁵⁸

Sustainalytics is of the opinion that FIRA's financing of sustainable agricultural projects in Mexico has the potential to support small-scale farms and contribute to the country's environmental and economic goals.

Importance of gender equality and women empowerment in Mexico

According to the OECD, Mexico faces significant challenges in promoting gender equality and empowerment for women.⁵⁹ As of 2021, women's labour force participation rate in Mexico was 43.8% compared to the 75.4% rate of participation among men,⁶⁰ and women on average were paid 14% less than men.⁶¹

⁴⁵ NRDC, "Groups to Biden Admin: Step Up Climate Diplomacy with Mexico", (2022), at: <https://www.nrdc.org/media/2022/220118>

⁴⁶ Conditional contributions require the support of financial, technical and technological instruments, as well as capacity-building, which will accelerate the implementation of mitigation actions across the country.

⁴⁷ UNFCCC, "Nationally Determined Contributions", at: <https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Mexico%20First/NDC-Eng-Dec30.pdf>

⁴⁸ IEA, "General Law of Climate Change (Mexico)", (2021), at: <https://www.iea.org/policies/8683-general-law-of-climate-change-mexico>

⁴⁹ Ibid.

⁵⁰ Climate Transparency, "Mexico – Climate Transparency Report: Comparing G20 Climate Action", (2022), at: <https://www.climate-transparency.org/wp-content/uploads/2022/10/CT2022-Mexico-Web.pdf>

⁵¹ Ibid.

⁵² Lowder, S.K. et al., (2021), "Which farms feed the world and has farmland become more concentrated?", World Development, at: <https://www.sciencedirect.com/science/article/pii/S0305750X2100067X?via%3DIhdb>

⁵³ Nwanze, K.F., "Smallholder farming key to development in Latin America and the Caribbean", International Fund for Agricultural Development, at: <https://www.ifad.org/en/web/latest/speech/asset/39036385>.

⁵⁴ Kanten, B., (2021), "Why we invested: Verqor enables smallholder farmers in Mexico to access financing and connect with buyers", Catalyst Fund, at: <https://bfaaglobal.com/catalyst-fund/insights/why-we-invested-verqor-enables-smallholder-farmers-in-mexico-to-access-financing-and-connect-with-buyers/>

⁵⁵ Haro, H. et al., (2021), "Evaluating Risk and Possible Adaptations to Climate Change Under a Socio-Ecological System Approach", Frontiers in Climate, at: <https://www.frontiersin.org/articles/10.3389/fclim.2021.674693/full>

⁵⁶ United States Department of Agriculture, "Drought Conditions in Mexico and Its Effect on Agriculture", (2021), at: https://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=Drought%20Conditions%20in%20Mexico%20and%20its%20Effect%20on%20Agriculture_Monterrey%20ATO_Mexico_06-02-2021.pdf

⁵⁷ USDA Foreign Agricultural Service, "Mexico Announces New 'Production for Wellbeing' Support Program", (2019), at: https://agriexchange.apeda.gov.in/MarketReport/Reports/Mexico%20Announces_New_Production_for_Wellbeing_Support_Program_Mexico_Mexico_2-7-2019.pdf

⁵⁸ Food and Agriculture Organization, "Smallholders and Family Farming", at: <http://www.fao.org/family-farming/themes/small-family-farmers/en/>.

⁵⁹ OECD, "Presentation of the OECD Review of Gender Policies in Mexico", at: <https://www.oecd.org/about/secretary-general/presentation-of-the-oecd-review-of-gender-policies-in-mexico.htm#:~:text=Nonetheless%2C%20Mexico%20continues%20to%20face%20major%20gender-equality%20challenges,workforce%2C%20way%20below%20the%20OECD%20average%20of%2067%25.>

⁶⁰ The World Bank, "Mexico", at:

<https://genderdata.worldbank.org/countries/mexico/#:~:text=In%20Mexico%2C%20the%20labor%20force,males%20is%2075.4%25%20for%202021>

⁶¹ Mexico News Daily, "Study on gender wage gap finds most Mexican women earn less than double daily minimum wage", (2022), at: <https://mexiconewsdaily.com/news/most-mx-women-earn-less-than-18-usd-a-day/>

The Mexican government has committed to advancing gender equality in its National Development Plan 2019-2024, emphasizing equal rights and opportunities for women and vulnerable populations.⁶² Among the country's initiatives to promote gender equality, the Government of Mexico is integrating gender provisions into the design of its policies, such as introducing gender quotas in the legislature, promoting gender parity in political nominations and allocating a budget for training programmes for women.⁶³ The government is also cooperating with the European Union and the United Nations in launching the Spotlight Initiative, which aims to eliminate all forms of violence against women and girls in Mexico.⁶⁴

In this context, Sustainability is of the opinion that FIRA's investments in infrastructure and services with a focus on gender have the potential to enhance financial security for women in Mexico, promote inclusion and economic opportunities, advance gender equality and support the Mexican government in its efforts to combat gender inequality in the country.

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the Framework are expected to help advance the following SDGs and targets.

Use of Proceeds Category	SDG	SDG Target
Sustainable Management of Natural Resources and Land Use	15. Life on Land	15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally
Sustainable Agriculture and Livestock Breeding	2. Zero Hunger	By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding, and other disasters and that progressively improve land and soil quality.
	12. Responsible Consumption and Production	12.2 By 2030, achieve the sustainable management and efficient use of natural resources
Fisheries and Aquaculture	14. Life Below Water	14.2 By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.
Efficient and Resilient Water and Wastewater Management	6. Clean Water and Sanitation	6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency.

⁶² Government of Mexico, "National Development Plan 2019-2024", at: https://www.dof.gob.mx/nota_detalle.php?codigo=5565599&fecha=12/07/2019

⁶³ OECD, "Gender Equality and the Empowerment of Women for Inclusive Growth in Mexico", (2020), at: <https://www.oecd.org/inclusive-growth/gender-equality-and-empowerment-of-women-for-inclusive-growth-mexico-january-2020.htm?msclkid=29a41892b06811ec9063485a707c9e7a>

⁶⁴ Ibid.

Absorption Before Extreme Climate Events	11. Sustainable Cities and Communities 13. Climate Action	11.5 By 2030, significantly reduce the number of deaths and the number of people affected and substantially decrease the direct economic losses relative to global gross domestic product caused by disasters, including water-related disasters, with a focus on protecting the poor and people in vulnerable situations. 13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries
Adaptation to Extreme Climate Events	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Access to Financial Products and Services for Producers and Companies in the Agricultural, Forestry, Fishing and Rural Sectors	2. Zero Hunger 8. Decent Work and Economic Growth	2.3 By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists, and 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. 8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity, and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.
Use of Financial Products and Services for Producers and Companies in the Agricultural, Forestry, Fishing and Rural Sectors	1. No Poverty 2. Zero Hunger	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. 2.3 By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and 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.
Financial Intermediaries Increasing the Supply of Products and Services that Help Overcome Barriers to Financial Inclusion	8. Decent Work and Economic Growth	8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance, and financial services for all.
Financial Inclusion	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

	<p>5. Gender Equality</p> <p>8. Decent Work and Economic Growth</p>	<p>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.</p> <p>5.a Undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance, and natural resources, in accordance with national laws.</p> <p>8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance, and financial services for all.</p>
Labour and Productive Initiative	<p>8. Decent Work and Economic Growth</p> <p>10. Reduced Inequalities</p>	<p>8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity, and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.</p> <p>10.4 Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality.</p>
Entrepreneurship	<p>1. No Poverty</p> <p>10. Reduced Inequalities</p>	<p>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.</p> <p>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.</p>

Conclusion

FIRA has developed the FIRA Sustainable Bonds Framework under which FONDO and FEFA intend to issue green, social and sustainability bonds and use the proceeds to finance or refinance, in whole or in part, existing or future projects that are expected to contribute to the decarbonisation and socio-economic advancement in Mexico.

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 Framework is aligned with the overall sustainability strategy of the Institution and that the use of proceed category will contribute to the advancement of the UN Sustainable Development Goals 1, 2, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14 and 15. Additionally, Sustainalytics is of the opinion that FIRA has adequate measures to identify, mitigate and manage environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that FIRA is well-positioned to issue green, social and sustainability bonds and that the Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2021 and the Social Bond Principles 2021.

Appendix

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

Section 1. Basic Information

Issuer name:	Fondo de Garantía y Fomento para la Agricultura, Ganadería y Avicultura ("FONDO") and Fondo Especial para Financiamientos Agropecuarios ("FEFA")
---------------------	--

Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	FIRA Sustainable Bonds Framework
--	----------------------------------

Review provider's name:	Sustainalytics
--------------------------------	----------------

Completion date of this form:	April 19, 2023
--------------------------------------	----------------

Publication date of review publication:	
Original publication date [please fill this out for updates]:	

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 GBP and 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 categories for the use of proceeds⁶⁵ are aligned with those recognized by the Green Bond Principles and/or the Social Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 1, 2, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14 and 15.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input checked="" type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input checked="" type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input checked="" type="checkbox"/> Other (please specify): Sustainable Agriculture and Livestock Breeding; Absorption before extreme climate events; Adaptation to extreme climate events |

If applicable please specify the environmental taxonomy, if other than GBPs:

Use of proceeds categories as per SBP:

- | | |
|--|--|
| <input type="checkbox"/> Affordable basic infrastructure | <input checked="" type="checkbox"/> Access to essential services |
| <input type="checkbox"/> Affordable housing | <input checked="" type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input checked="" type="checkbox"/> Socioeconomic advancement and empowerment |

⁶⁵ Eligible categories: Sustainable Management of Natural Resources and Land Use; Sustainable Agriculture and Livestock Breeding; Fisheries and Aquaculture; Renewable Energy; Efficient and Resilient Water and Wastewater Management; Energy Efficiency; Absorption Before Extreme Climate Events; Adaptation to Extreme Climate Events; Access to Financial Products and Services for Producers and Companies in the Agricultural, Forestry, Fishing and Rural Sectors; Use of Financial Products and Services for Producers and Companies in the Agricultural, Forestry, Fishing, and Rural Sectors; Financial Intermediaries Increasing the Supply of Products and Services that Help Overcome Barriers to Financial Inclusion; Financial Inclusion; Labour and Productive Initiative; and Entrepreneurship

- | | |
|---|--|
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input checked="" type="checkbox"/> Other (please specify): Access to financial products and services for producers and companies in the agricultural, forestry, fishing, and rural sectors; Use of financial products and services for entrepreneurs, producers and companies in the agricultural, forestry, fishing, and rural sectors; Financial intermediaries increasing the supply of products and services that help overcome barriers to financial inclusion |
|---|--|

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

FIRA's Environmental, Fishery and Value Chain Department will be responsible for the internal process for evaluating and selecting green projects, and the Products Development and Services Department will manage the process for social projects. Both departments identify and validate eligible projects based on data extracted from FIRA's internal database. Sustainalytics considers the project selection process in line with market practice.

Evaluation and selection

- | | |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green 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 Sustainability 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

- | | |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

FIRA's Finance Department oversees the process for the management of proceeds. Eligible projects will be tracked using a unique identifier for each bond and managed according to an internal system. The net proceeds derived from a bond issuance will be credited to the accounts of the issuer. Pending allocation, unallocated proceeds will be temporarily invested following the internal liquidity management policy. This is in line with market practice.

Tracking of proceeds:

- Sustainability 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):

FIRA commits to reporting on the allocation and impact of proceeds on its website on an annual basis until full allocation. Allocation reporting will include the description of the financing, the amounts disbursed by eligible category, the percentage of resources allocated by eligible category and by financing and refinancing, and the remaining balance of unallocated proceeds. Sustainalytics views FIRA'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
- Sustainability Bond financed share of total investment
- Other (please specify):

Frequency:

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

Impact reporting:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Project-by-project | <input type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported (expected or ex-post):

- | | |
|---|--|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| <input checked="" type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Number of beneficiaries |
| <input type="checkbox"/> Target populations | <input checked="" type="checkbox"/> Other ESG indicators (please specify): Area of agricultural, pastoral, or forest ecosystems where sustainable management practices have been introduced (ha); number of fisheries that have some sustainability certification; number of onshore and offshore fish processing and storage facilities; additional installed renewable generation capacity (MWh/year); purified water volume (mill. m ³ /year); number of women benefiting from a FIRA credit for the first time. |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Means of Disclosure

- | | |
|---|--|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (please specify): The sustainability report will be published on FIRA's website. |
| <input type="checkbox"/> 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.)

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 GBP AND THE SBP

- i. **Second-Party Opinion:** An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability 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 Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and 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 sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or 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 Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
- iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognized external sustainability 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. **Green, Social and Sustainability Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialized research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

Disclaimer

Copyright ©2023 Sustainalytics. All rights reserved.

The information, methodologies and opinions contained or reflected herein are proprietary of Sustainalytics and/or its third-party suppliers (Third Party Data), and may be made available to third parties only in the form and format disclosed by Sustainalytics, or provided that appropriate citation and acknowledgement is ensured. They are provided for informational purposes only and (1) do not constitute an endorsement of any product or project; (2) do not constitute investment advice, financial advice or a prospectus; (3) cannot be interpreted as an offer or indication to buy or sell securities, to select a project or make any kind of business transactions; (4) do not represent an assessment of the issuer's economic performance, financial obligations nor of its creditworthiness; and/or (5) have not and cannot be incorporated into any offering disclosure.

These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third-Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

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. For more than 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics 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. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. With 17 offices globally, Sustainalytics has more than 1500 staff members, including more than 500 analysts with varied multidisciplinary expertise across more than 40 industry groups.

For more information, visit www.sustainalytics.com

Or contact us contact@sustainalytics.com

