

Fondo Especial para Financiamientos Agropecuarios

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Introduction

In April 2021, Fondo Especial para Financiamientos Agropecuarios (“FEFA”) issued its second social bond to finance projects in agricultural, forestry, fisheries and rural areas that enable the exclusive participation of women (as individuals) or are led by them.¹ In August 2022, Fideicomisos Instituidos en Relación con la Agricultura (“FIRA”) engaged Sustainalytics to review the projects funded through the issued social bond and provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the FEFA Social Bond with a Gender Focus Framework (the “Framework”).² Sustainalytics provided a Second-Party Opinion on the Framework in September 2020.³

Evaluation Criteria

Sustainalytics evaluated the projects funded with proceeds from the 2021 social bond based on whether the projects:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Framework; and
2. Reported on at least one of the Key Performance Indicators (KPIs) for each Use of Proceeds criteria outlined in the Framework.

Table 1 lists the Use of Proceeds, Eligibility Criteria, and associated KPIs while Table 2 lists the associated KPIs.

Table 1: Use of Proceeds, Eligibility Criteria

Use of Proceeds	Eligibility Criteria
Access to essential services / Financial Inclusion	New credit recipients ⁴ with loans for productive or investment projects with the participation of: <ul style="list-style-type: none"> • Woman individuals (exclusively) • MSMEs (Spanish: MiPYMES), family businesses, large companies, associations and organizations of producers with women exclusive participation or led by them
Generation of employment / Labour and productive initiative	Beneficiaries with ongoing credits ⁵ or reinstated ⁶ with short-term or working capital loans for productive projects granted to: <ul style="list-style-type: none"> • Woman individuals (exclusively) • MSMEs, family businesses, large companies, associations and organizations of producers with women exclusive participation or led by them
Socio-economic advancement and empowerment / Entrepreneurship	Beneficiaries with ongoing credits or reinstated with long-term loans for capital goods acquisition and investment in productive infrastructure granted to: <ul style="list-style-type: none"> • Woman individuals (exclusively) • MSMEs, family businesses, large companies, associations and organizations of producers with women exclusive participation or led by them

¹ FEFA is one of four trust funds which together form the Trust Funds for Rural Development (Spanish: Fideicomisos Instituidos en Relación con la Agricultura or FIRA), a Mexican second-tier development financial institution which offers credit and support to the agricultural and fisheries sectors and promotes rural industrial development.

² FIRA, “Social Bond Framework”, (2020), at: <https://www.fira.gob.mx/Nd/ESG-social.jsp>

³ Sustainalytics, “Second-Party Opinion – FEFA Social Bond with a Gender Focus Framework”, at: https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/fefa-social-bond-with-a-gender-focus-framework-second-party-opinion.pdf?sfvrsn=2c41eff7_3

⁴ Accredited women who appear for the first time in FIRA’s beneficiary databases.

⁵ Accredited women with prior registration in FIRA’s beneficiary databases.

⁶ Accredited women with previous registration in FIRA’s beneficiary databases, but without operation during the last three years.

Table 2: Key Performance Indicators

Use of Proceeds	KPIs
Access to essential services / Financial Inclusion	<ul style="list-style-type: none"> • Number of women benefiting from a FIRA loan for the very first time • Amount of credits granted for the very first time to final female borrowers (as individuals or as members or partners of a company, association or organization of producers with exclusive participation of women or led by women)
Generation of employment / Labour and productive initiative	<ul style="list-style-type: none"> • Number of women (final credited) receiving agricultural or working capital credit to carry out their productive project • 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) <p>FIRA will report complementary indicators on the subject of labor and productive inclusion for the selected cases.</p> <ul style="list-style-type: none"> • Jobs generated or sustained through the productive project financed through the social bond • Value of the production linked to the productive project financed through the social bond (e.g. hectares harvested, units produced, etc.)
Socio-economic advancement and empowerment / Entrepreneurship	<ul style="list-style-type: none"> • Number of women (final credited) receiving long-term credit for the acquisition of capital goods and investment in productive infrastructure • Number of long-term credits for the acquisition of capital goods and investment in productive infrastructure in support of productive projects of individuals, companies, organizations or associations of women producers or those led by women • Amount of long-term loans for the acquisition of capital goods and investment in productive infrastructure to final credited women (as individuals or as members or partners of a company, association or organization of producers with exclusive participation of women or led by women) <p>FIRA will report complementary indicators on the subject of labour and productive inclusion for the selected cases.</p> <ul style="list-style-type: none"> • Areas of the enterprise benefited through the productive project financed by the social bond (management capacity, improvements in the organization, in the value chains; innovation processes, etc.)

Issuing Entity's Responsibility

FEFA is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, amounts allocated and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of FEFA's social bond use of proceeds. The work undertaken as part of this engagement included collection of documentation from FEFA employees and review of documentation to assess conformance with the Framework.

Sustainalytics has relied on the information and the facts presented by FEFA with respect to the projects. Sustainalytics is not responsible, nor shall it be held liable if any of the opinions, findings or conclusions herein are not correct due to incorrect or incomplete data provided by FEFA.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the review.

Conclusion

Based on the limited assurance procedures conducted,⁷ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed projects are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Framework. FEFA has disclosed to Sustainalytics that 41.1% of the social bond proceeds were allocated as of 30 April 2022.⁸

Detailed Findings

Table 3: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded by the social bond in 2021 to determine if projects aligned with the Use of Proceeds Criteria outlined in the Framework and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria.	None
Reporting Criteria	Verification of the projects funded by the social bond in 2021 to determine if impact of projects was reported in line with the KPIs outlined in the Framework and above in Table 2. For a list of KPIs reported please refer to Appendix 1.	All projects reviewed reported on at least one KPI per Use of Proceeds criteria.	None

⁷ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

⁸ FEFA has communicated to Sustainalytics that it has also disclosed the allocation details in the Social Gender Bond (FEFA21G) - 2022 Annual Report.

Appendix: Allocation and Impact Reporting by Eligibility Criteria

Use of Proceeds Category	Amount of Credit Granted ⁹ (MXN million)	Allocation of proceeds	Number of Credits ¹⁰	Number of Women Beneficiaries ¹¹
Access to essential services / Financial Inclusion	148	10.3%	327	1,063
Generation of employment / Labour and productive initiative	889.7	61.8%	2,776	4,899
Socio-economic advancement and empowerment / Entrepreneurship	401.5	27.9%	2,917	1,422
Total	1,439.2	100%	6,020	7,384

Allocation by Sector

Sectors	Amount of Credit Granted ¹² (MXN million)	Allocation of proceeds
Agriculture	942.2	65%
Livestock	290.2	20%
Forestry and fisheries	41	3%
Other rural sectors	165.8	12%
Total Allocated proceeds	1,439.2	100%
Net proceeds raised from the issuance (MXN million)		3,500
Percentage of net proceeds allocated		41.1%

⁹ It refers to the amount of financing granted to productive projects for women from 22 April 2021 to 29 April 2022.

¹⁰ Number of operations registered with an identifier in the SIIOF (Integrated Computer Information System of FIRA Operations).

¹¹ Corresponds to the number of women supported in each category without repetition.

¹² Refers to the amount of financing granted to productive projects for women.

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