Second-Party Opinion

Fondo Especial para Financiamientos Agropecuarios (FEFA) Green Bond

Evaluation Summary

Sustainalytics is of the opinion that the FEFA Green Bond Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2018. This assessment is based on the following:

USE OF PROCEEDS The eligible categories for the use of proceeds are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that Environmentally Sustainable Agriculture, Water Efficiency, Energy Efficiency and Renewable Energy projects will lead to positive environmental impacts and advance the UN Sustainable Development Goals.

PROJECT EVALUTION / SELECTION FEFA's project selection process is incorporated within its existing credit management system and incorporates the identification of projects by technical units, and a sustainability analysis by the Environmental Departments. This is in line with market practice.

MANAGEMENT OF PROCEEDS FEFA's finance department will use its internal accounting and credit management systems to track the green bond proceeds. Unallocated funds will be held in liquid assets, bank accounts of the institution, or temporarily invested in line with FEFA's liquidity management policy. This is in line with market practice.

REPORTING FEFA has committed to annual reporting of both allocation information at the category level and impact information, including quantitative KPIs, at the portfolio level. In Sustainalytics' view, reporting on these metrics is in line with market practice.

Evaluation date	August 14, 2018
Issuer Location	Morelia, Mexico

Report Sections

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Introduction

Trust Funds for Rural Development (Original 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 funds[1] with varying missions and has 131 offices throughout Mexico, particularly in small communities. 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 Green Bond Framework (the "framework") under which it is planning to issue green bonds and use the proceeds to finance or refinance, in whole or in part, projects that promote sustainable, low-carbon and climate-resilient development in Mexico. In particular, the proceeds will be dedicated to:

- Environmentally Sustainable Agriculture practices and technology, including:
  - Protected Agriculture (i.e. shade houses, energy-efficient green houses, and related infrastructure),
  - Climate-smart agricultural projects to increase productivity and resilience
  - Biodiversity conservation projects, such as eco-certified agricultural products, ecotourism, sustainable forestry, and silvopasotral systems
- Water Efficiency, including infrastructure for collection, treatment, recycling, distribution, and administration promoting efficient utilization
- Energy Efficiency
- Renewable Energy

FEFA has engaged Sustainalytics to review the FEFA Green Bond Framework and provide a second-party opinion on the alignment of the green bond with the Green Bond Principles 2018 (the "GBP"), as administered by the International Capital Market Association (the "ICMA"),[2] and the framework's environmental credentials. This framework has been published in a separate document.[3]

As part of this engagement, Sustainalytics held conversations with various members of the Institution'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 FEFA's green bond. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the FEFA Green Bond 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 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] ICMA's Green Bond Principles 2018 https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/

3 http://www.fira.gob.mx/InfEspDtoXML/TemasUsuario.jsp section "Relación con Inversionistas"

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the FEFA Green Bond Framework

Summary

Sustainalytics is of the opinion that the FEFA Green Bond Framework is credible and impactful, and aligns with the four core components of the Green Bond Principles 2018. Sustainalytics highlights the following elements of FEFA's green bond framework:

- The eligible use of proceeds categories (Environmentally Sustainable Agriculture, Water Efficiency, Renewable Energy & Energy Efficiency) are all in line with those recognized by the Green Bond Principles as project categories with clear environmental benefits, and Sustainalytics views these projects as having a positive environmental impact (for additional information on impact see Section 3).
  - FIRA has commissioned a report on the costs and benefits of protected agriculture technologies, ranging from shade houses, which are simple structures erected to protect crops from adverse weather effects, to high-tech greenhouse operations with climate controls and hydroponic systems. Based on this research, Sustainalytics is confident that properly deployed protected agriculture technologies will have environmental benefits, including reduced energy consumption and more efficient water use.
  - Within the environmentally sustainable agriculture category, FEFA references several third-party certifications. Sustainalytics is of the opinion that the independent verifications listed, namely MSC (Marine Stewardship Council) for fisheries, and FSC (Forest Stewardship Council) and PEFC (Programme for the Endorsement of Forest Certification) for forestry, are credible and strengthen the environmental qualifications of the projects funded. Please see Appendix 1 and 2 for more information about these fishery and forestry certifications.
  - The framework contemplates programmes that increase efficiency of water and energy use. Although no quantitative thresholds for improvement are specified, in the context of the rural development projects that are FEFA's focus, Sustainalytics believes that they would be environmentally beneficial.
- FEFA's project selection process is incorporated with its existing credit management system. An initial screening is carried out by the Technical Unit in the Department for Fisheries, Forestry and Environment to identify potentially qualifying projects and log them in the credit management system, with a subsequent Sustainability Analysis carried out by the Institution's Environment Department to confirm eligibility.
  - Sustainalytics views positively the incorporation of the project selection process within FEFA's existing procedures, and its tracking in the credit management system. This is in line with market practice.
- The proceeds of the green bond will be managed by FEFA's finance department.
  - Until allocation to eligible projects, unallocated funds will be held in liquid assets, bank accounts of the institution, or temporarily invested in line with FEFA's liquidity management policy. FEFA will use its internal accounting and credit management systems to track the green bond proceeds and will register eligible projects in that system.
  - Sustainalytics considers this process to be in line with market practice.
- FEFA has committed to annual reporting on its website[4] for both proceeds allocation and environmental impact.
  - Proceeds allocation reporting: The information provided in this report will include the total amount of green bonds issued, the amount of funds allocated within each use of proceeds category, the balance of unallocated proceeds, and the shares directed to financing and re-financing.
  - Environmental impact Reporting: It will include quantitative indicators at the portfolio level. Illustrative details at the project level may be provided in accordance with relevant confidentiality agreements. Sustainalytics considers this reporting to be in line with market practice.

[4] http://www.fira.gob.mx

Alignment with Green Bond Principles 2018

Sustainalytics has determined that FEFA's green bond aligns to the four core components of the Green Bond Principles 2018. For detailed information please refer to Appendix 3: Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Strategy of the Issuer

Contribution of framework to issuer's sustainability strategy

As one of the four trust funds that form FIRA, FEFA contributes to the fulfillment of FIRA's mission to promote the sustainable development of agrifood, which has committed the Institution to environmental sustainability in its corporate operations and in the projects it funds. As part of these internal efforts, it has undertaken programs to monitor and, over time, reduce the usage of resources such as electricity and water, the emission of carbon dioxide, and the generation of solid waste. These initiatives include both interventions requiring capital investments, such as the installation of green roofs, solar panels, and rainwater collection systems, as well as low-cost opportunities such as building operator training and thermostat adjustments.

On the project side, FIRA has supported investments in projects that promote sustainable development, in particular in the areas of sustainable agriculture and forestry, as well as water and energy efficiency. As of 2017, FIRA had invested a total balance of over 8,241 million pesos, surpassing its internal target of funding 7,856 million pesos by 2018[5], in projects the Institution classifies as sustainable, representing a year-over-year increase of 26.2%. To strengthen these sustainable investments, FIRA has undertaken partnerships with national organizations such as the National Water Commission (CONAGUA) and the Ministry of Environment and Natural Resources (SEMARNAT), and has introduced dedicated funds such as FONAGA Verde. FIRA has also undertaken partnerships with international development institutions such as the Interamerican Development Bank (IDB), the Agence Francaise de Développement (AFD), and the Andean Development Corporation (CAF) as well as the European Union through the Latin American Investment Facility (LAIF).

Overall, FIRA has surpassed its target for sustainable investments, has carried out project reporting on both a quantitative and qualitative basis, and has demonstrated progress on several metrics. In this context, Sustainalytics is of the opinion that the use of proceeds will contribute positively to FIRA's, and therefore FEFA's, sustainability strategy, and believes that FEFA it is well-placed to issue its green bonds.

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

Sustainalytics recognizes that FIRA's financing of sustainable agricultural projects generate largely positive environmental benefits and contribute to social development in the targeted regions. However, by offering credit for investment in agro-industrial activities, financial institutions are exposed to the possibility of financing activities that have negative environmental or social impacts. For investments in agricultural projects, the most common environmental risks faced relate to ensuring 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:

- A social and environmental risk management system, which references the Equator Principles and the IFC's Performance Standards on Environmental and Social Sustainability. FIRA has stated its intention to incorporate this risk management system into its broader credit risk evaluation process.
- A stakeholder engagement process, through which FIRA has identified various stakeholder groups, including final beneficiaries, financial intermediaries, and the general public, and described the processes by which it interacts with them.
- 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).[6] 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.

[5] Fideicomisos Instituidos En Relación Con La Agricultura (FIRA) Programa Institucional 2013-2018
[6] http://climate.blue/wp-content/uploads/Presentaci%C3%B3n-de-la-Agenda-de-CC-y-PA-_Taller-Indicadores-26-de-junio-2017.pdf

- An organizational structure which 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.

Given FIRA's procedures and policies, and lack of involvement in significant controversies, Sustainalytics considers FEFA, which has risk mitigation policies and practices overseen by FIRA, to be well-positioned to mitigate potential environmental and social risks related to the use of proceeds.

Section 3: Impact of Use of Proceeds

The use of proceeds categories are recognized as impactful by the Green Bond Principles 2018. Sustainalytics has discussed below how the impact is specifically relevant in the local context.

The importance of the agricultural sector for climate action
Globally, agriculture, forestry, and other land use account for 24% of all greenhouse gas emissions.[7] In Mexico, agriculture accounts for 12.1% of greenhouse gas emissions, with land use change and forestry making up a further 4.9%. Over the period 1990-2013, annual agricultural emissions increased by 3 $MtCO_{2e}$.[8] As a signatory to the Paris Agreement, the government of Mexico has committed to reducing greenhouse emissions by 25% by 2030, compared to a business-as-usual baseline.[9]

The agricultural projects funded by the FEFA Green Bond have the potential to decrease greenhouse gas emissions. Specifically, by increasing the technological capacity of agriculture, more efficient usage of irrigation water and fertilizer are enabled, resulting in decreased carbon emissions. Based on research conducted on behalf of FIRA and the Inter-American Development Bank (IDB) year-round shade houses, medium-technology greenhouses, and high-technology greenhouses provide carbon emission reductions of between 3% and 49%. Sustainalytics is of the opinion that the use of proceeds for sustainable agriculture will result in environmental benefits and support the achievement of Mexico's greenhouse gas emissions reductions plans.

Water resources in Mexico
According to the Intergovernmental Panel on Climate Change (IPCC), over three quarters of water usage in Mexico is directed towards the agricultural sector.[10] The National Water Commission (CONAGUA), describes the water regime in Mexico as being characterized by regional diversity. In particular, the southeastern part of the country experiences significantly more annual rainfall than the northern and central regions; of the 13 water management jurisdictions, the four southern districts account for two thirds of renewable water resources. 38.9% of water used in Mexico is drawn from groundwater sources; CONAGUA's stats show that of the 653 aquifers in the country, 205 are over-exploited. Furthermore, of the 13 regions, eight have either high or very high levels of water resource pressure.[11] The effects of climate change may compound these existing stresses; on average, climate projection models estimate an overall decrease of annual precipitation of approximately 10%, with the effects much greater in the northern and western states.[12]

In this context, projects that improve water efficiency in the agricultural sector can have substantial environmental impacts. According to research conducted on behalf of FIRA and the Inter-American Development Bank (IDB), various forms of protected agriculture, including shade houses and greenhouses at

[7] https://www.ipcc.ch/report/ar5/wg3/
[8] https://www.climatelinks.org/sites/default/files/asset/document/2017_USAID_GHG%20Emissions%20Factsheet_Mexico_0.pdf
[9] http://www4.unfccc.int/submissions/INDC/Published%20Documents/Mexico/1/MEXICO%20INDC%2003.30.2015.pdf
[10] http://www.ipcc.ch/ipccreports/tar/wg2/index.php?idp=538#1424
[11] http://201.116.60.25/publicaciones/AAM_2016.pdf
[12] https://unfccc.int/files/focus/long-term_strategies/application/pdf/mexico_mcs_final_cop22nov16_red.pdf

various levels of technology, can result in water savings from 7% to 80% (up to 59 m^3 savings per ton of produce) compared to open field agriculture. Sustainalytics believes that the projects funded by the green bond will have positive environmental impacts in the area of water management.

The role of agricultural sector for rural economic development in Mexico

Although the projects that will be funded by the proceeds of the green bond are intended to deliver environmental benefits, agricultural development initiatives may also have positive social impacts. Agriculture in Mexico is characterized by the prevalence of small farmholders; 73% of farmers own fewer than 5 hectares, 22% of landowners have medium-sized plots of 5-to-20 hectares, while only 5% of landowners have holdings larger than 20 hectares. In rural areas, 44% of the population is directly employed by the agricultural sector.[13] Although 22% of the population lives in rural areas, of the 39 million people who live on less than US$4 per day, 35% are rural residents. Considering these factors, rural and agricultural development in Mexico provides the opportunity for substantial social benefits. According to FIRA's 2016 Sustainability Report, 98% of farmers that have received guaranteed credit are considered low income producers. Sustainalytics considers the guarantee of loans and the provision of technical support to SMEs, low-income farmers, and other disadvantaged groups as having positive social impacts.

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 green bond advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Environmentally Sustainable Agriculture	2. Zero Hunger	2.4 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
	15. Life on Land	15.A Mobilize and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems
Water Efficiency	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 Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix 7.3 By 2030, double the global rate of improvement in energy efficiency

[13] http://sdwebx.worldbank.org/climateportal/doc/agricultureProfiles/CSA-in-Mexico.pdf

Conclusion

Fondo Especial para Financiamientos Agropecuarios (FEFA) has developed the FEFA Green Bond Framework, to fund projects related to Environmentally Sustainable Agriculture, Water Efficiency, Energy Efficiency and Renewable Energy. Sustainalytics is of the opinion that the implementation of projects in these areas will provide environmental benefits, promote rural economic development in Mexico, and advance the UN Sustainable Development Goals 2, 6, 7 and 15.

The use of proceeds categories of FEFA's green bond framework are aligned with those of the Green Bond Principles 2018. Furthermore, FEFA has committed to a credible and transparent process for project selection, the management of proceeds, and reporting on both allocation and impact.

Based on the above, Sustainalytics is confident that FEFA is well-positioned to issue green bonds and that its Green Bond Framework is transparent, robust, and in alignment with the four core components of the Green Bond Principles 2018.

Appendices

Appendix 1: Sustainalytics' Assessment of the Marine Stewardship Council (MSC) Certification

The Marine Stewardship Council (MSC) is a non-profit organization that issues an eco-label certification for fisheries which are well-managed and sustainable. Founded in 1996, MSC is an independent body which is funded largely by royalties from the use of its logo on certified products, with the stated mission of contributing to the "health of the world's oceans by recognizing and rewarding sustainable fishing practices, influencing the choices people make when buying seafood and working with our partners to transform the seafood market to a sustainable basis". The MSC standard, awarded based on a scientific assessment by a panel of independent experts, supports consumers in their ability to make sustainable choices through assessments of fisheries and a traceable supply chain. The three core principles which underpin its assessment of sustainability are "sustainable fish stocks", "minimizing environmental impact", and "effective fisheries management".

The MSC label is the most widely recognized sustainable fisheries label worldwide, and is generally accepted to have positive impacts on marine environments. The MSC system is aligned with the UN Food and Agriculture Organization's guidelines on eco-labeling and, according to the World Wide Fund for Nature (WWF), compares favorably to other seafood certification schemes. Proponents of the label cite the transparent science-based process for approval and its successful engagement with industry groups. Despite these positives, the MSC has face some criticism from various observers for certain decisions and procedures, including the WWF, the Sierra Club, and Greenpeace. In particular, the WWF has called for additional oversight of the certification process to ensure transparency and scientific rigor, and drew specific attention to a variety of issues it felt were underrepresented in the assessment process, including preventing by-catch, protecting marine mammals and endangered species, follow-up on conditions, crew safety, and live tracking of supply chains.

Overall, Sustainalytics considers the MSC label to be a leading indicator of sustainable fisheries, and an appropriate indicator for green bond eligibility.

Appendix 2: Sustainalytics' Analysis of FSC and PEFC Certifications

Forest Stewardship Council (FSC) and Programme for the Endorsement of Forest Certification (PEFC), including PEFC's North American implementation as the Sustainable Forestry Initiative (SFI), are both based on rigorous standards and on a multi-stakeholder structure. Both organizations are in line with international norms such as the International Labor Organization (ILO) conventions, the Convention on Biological Diversity (CBD), and the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). In addition to compliance with laws in the country of certification, both schemes have a set of minimum requirements that companies are required to meet to obtain and maintain certifications. These requirements include compliance with standards around sustainable management of forests, management of environmental impact of operations, preservation of biodiversity, management of socio-economic and community relations, and sourcing of sustainable wood (chain of custody). Furthermore, both FSC and PEFC require external annual audits to ensure compliance, and achieve and maintain certification. Despite these similarities, PEFC has faced certain criticisms from civil society actors. These are highlighted below:

(i) *Type of organization:* Since the FSC is an international labelling and certification system, it sets its own global standards. The PEFC, in contrast, is not a standard setter, but a mutual recognition scheme. The PEFC sets sustainability benchmarks according to international norms, and endorses national certification schemes that comply with these benchmarks. A common criticism of this model is that it allows for more flexibility in the interpretation of international PEFC benchmarks as per regional, cultural, and socio-economic context, and results in the endorsement of less rigorous national certification schemes. However, the process for being endorsed by the PEFC is thorough; any national certification system seeking to obtain PEFC endorsement must submit to a comprehensive assessment process, including independent evaluation and public consultation. This evaluation of compliance with international PEFC benchmarks is carried out by independent, accredited certification organizations.

(ii) *Indigenous People's Rights:* FSC and PEFC both identify indigenous rights as an important standard in forest management. Both certification schemes require that forest management activities consider and do not infringe on indigenous people's rights, and the activities are carried out using frameworks ensuring their free and informed consent. A criticism of PEFC is that it requires only engagement with indigenous people in forest management decisions, while the FSC provides performance-oriented targets, and requires forest managers operating on indigenous lands to obtain indigenous people's consent through binding agreements.

(iii) *Sourcing wood from non-certified sources:* Both FSC and the PEFC have established standards around sourcing wood from non-certified and controversial sources. FSC's standards direct forest managers to avoid wood harvested in violation of traditional and civil rights. A criticism of the comparable PEFC standard is that it limits identification of controversially sourced wood to situations where the local legislation is violated. However, PEFC standards explicitly reference the violation of local, national, and international legislation with regards to worker's and indigenous people's rights as being a controversial source of wood.

Appendix 3: Green Bond / Green Bond Programme - External Review Form
Section 1. Basic Information

Issuer name:	Fondo Especial para Financiamientos Agropecuarios (FEFA)
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable*: [specify as appropriate]*	FEFA Green Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	August 14th, 2018
Publication date of review publication: *[where appropriate, specify if it is an update and add reference to earlier relevant review]*	

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 GBPs:

☒	Use of Proceeds	☒	Process for Project Evaluation and Selection
☒	Management of Proceeds	☒	Reporting

ROLE(S) OF REVIEW PROVIDER

☒	Consultancy (incl. 2nd opinion)	☐	Certification
☐	Verification	☐	Rating
☐	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 Executive 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 proceeds are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that Environmentally Sustainable Agriculture, Water Efficiency, Energy Efficiency and Renewable Energy projects will lead to positive environmental impacts and advance the UN Sustainable Development Goals.

Use of proceeds categories as per GBP:

☒	Renewable energy	☒	Energy efficiency
☐	Pollution prevention and control	☒	Environmentally sustainable management of living natural resources and land use
☒	Terrestrial and aquatic biodiversity conservation	☐	Clean transportation
☒	Sustainable water and wastewater management	☒	Climate change adaptation
☐	Eco-efficient and/or circular economy adapted products, production technologies and processes	☐	Green buildings
☐	Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs	☐	Other *(please specify)*:

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

FEFA's project selection process is incorporated within its existing credit management system, and incorporates the identification or projects by technical units, and a sustainability analysis by the Environmental Departments. This is in line with market practice.

Evaluation and selection

☒ Credentials on the issuer's environmental sustainability objectives

☒ Defined and transparent criteria for projects eligible for Green Bond proceeds

☐ Summary criteria for project evaluation and selection publicly available

☒ Documented process to determine that projects fit within defined categories

☒ Documented process to identify and manage potential ESG risks associated with the project

☐ 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 department will use its internal accounting and credit management systems to track the green bond proceeds. Unallocated funds will be held in liquid assets, bank accounts of the institution, or temporarily invested in line with FEFA's liquidity management policy. This is in line with market practice.

Tracking of proceeds:

☒ Green 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 has committed to the annual reporting of both allocation information at the category level and impact information, including quantitative KPIs, at the portfolio level. In Sustainalytics' view, reporting on these metrics is in line with market practice.

Use of proceeds reporting:

☐ Project-by-project
☐ On a project portfolio basis
☐ Linkage to individual bond(s)
☒ Other *(please specify):* At category level

Information reported:

☒ Allocated amounts
☐ Green Bond financed share of total investment
☐ Other *(please specify):*

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):

Frequency:

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

Information reported (expected or ex-post):

☒ GHG Emissions / Savings
☒ Energy Savings
☒ Decrease in water use
☒ Other ESG indicators (please specify): Land area sustainably managed

Means of Disclosure

☐ Information published in financial report
☐ Information published in sustainability report
☒ Information published in ad hoc documents
☒ Other (please specify): On 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.)

FIRA's investor relations site
http://www.fira.gob.mx/InfEspDtoXML/TemasUsuario.jsp

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

☐ Consultancy (incl. 2nd opinion)
☐ Certification
☐ Verification / Audit
☐ Rating
☐ Other *(please specify):*

Review provider(s):

Date of publication:

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

i. Consultant Review: An issuer can seek advice from consultants and/or institutions with recognized expertise in environmental sustainability or other aspects of the issuance of a Green Bond, such as the establishment/review of an issuer's Green Bond framework. "Second Party Opinions" may fall into this category.

ii. Verification: An issuer can have its Green Bond, associated Green Bond framework, or underlying assets independently verified by qualified parties, such as auditors. In contrast to certification, verification may focus on alignment with internal standards or claims made by the issuer. Evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria.

iii. Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against an external green assessment standard. An assessment standard defines criteria, and alignment with such criteria is tested by qualified third parties / certifiers.

iv. Rating: An issuer can have its Green Bond or associated Green Bond framework rated by qualified third parties, such as specialised research providers or rating agencies. Green Bond ratings are separate from an issuer's ESG rating as they typically apply to individual securities or Green Bond frameworks / programmes.

Disclaimer

The Opinion was drawn up with the aim to explain why the analyzed bond is considered sustainable and responsible. Consequently, this Opinion is for information purposes only and Sustainalytics will not accept any form of liability for the substance of the opinion and/or any liability for damage arising from the use of this Opinion and/or the information provided in it.

As the Opinion is based on information made available by the client, Sustainalytics does not warrant that the information presented in this Opinion is complete, accurate or up to date.

Nothing contained in this Opinion shall be construed as to make a representation or warranty, express or implied, regarding the advisability to invest in or include companies in investable universes and/or portfolios. Furthermore, this Opinion shall in no event be interpreted and construed as an assessment of the economic performance and credit worthiness of the bond, nor to have focused on the effective allocation of the funds' use of proceeds.

The client is fully responsible for certifying and ensuring its commitments` compliance, implementation and monitoring.

Sustainalytics

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