

Second-Party Opinion

Grupo Elektra

Financing Framework Linked to Sustainability



Evaluation Summary

Sustainalytics is of the opinion that the Grupo Elektra Financing Framework Linked to Sustainability aligns with the Sustainability-Linked Bond Principles 2023. This assessment is based on the following:

- Selection of Key Performance Indicators** Grupo Elektra Financing Framework Linked to Sustainability includes one KPI: Number of stores that are Edge Certified (see Table 1). Sustainalytics considers the KPI chosen to be adequate given that: i) it is an indirect measure of Grupo Elektra’s performance on a relevant and material issue applicable to the company and industry; and ii) it follows a clear and consistent methodology; but iii) it is not benchmarkable against science-based targets.
- Calibration of Sustainability Performance Targets** Sustainalytics considers the SPT to be aligned with Grupo Elektra’s sustainability strategy. Sustainalytics further considers the SPT to be ambitious based on past performance.
- Bond Characteristics** Grupo Elektra will link the bonds’ financial characteristics to the achievement of the SPT, such as an increase or decrease of the bond coupon. Failure to achieve the SPT will trigger a change in the coupon.
- Reporting** Grupo Elektra commits to report on the progress on the KPI in its annual reports published on its corporate website or as per investors’ requests, and to obtain a limited assurance report. Grupo Elektra is committed to disclosing its progress on the KPI and any information that enables investors to monitor the level of ambition of the SPT. The reporting commitments are aligned with the Sustainability-Linked Bond Principles 2023.
- Verification** Grupo Elektra commits to have a limited assurance report conducted against the achievement of the SPT for the KPI. This is aligned with the Sustainability-Linked Bond Principles 2023.

Evaluation Date	October 24, 2023 ¹
Issuer Location	Mexico City, Mexico

The SPT contributes to the following SDGs:



Overview of KPI and SPT

KPI	Baseline	Strength of KPI	SPT	Ambitiousness of SPT
Number of stores that are EDGE Certified	2022	Adequate	Achieve EDGE certification for 205 stores by 2029	Ambitious

¹ This document updates the Second-Party Opinion originally provided by Sustainalytics in January 2023.

Table of Contents

<u>Scope of Work and Limitations</u>	3
<u>Introduction</u>	4
<u>Sustainalytics’ Opinion</u>	4
<u>Section 1: Sustainalytics’ Opinion on the Alignment of Grupo Elektra S.A.B. de C.V. ’s Sustainability-Linked Notes with the Sustainability-Linked Bond Principles.</u>	4
<u>Selection of Key Performance Indicators (KPIs)</u>	5
<u>Calibration of Sustainability Performance Targets (SPTs)</u>	6
<u>Bond Characteristics</u>	7
<u>Reporting</u>	7
<u>Verification</u>	7
<u>Section 2: Assessment of Grupo Elektra S.A.B. de C.V. ’s Sustainability Strategy.</u>	8
<u>Section 3: Impact of the SPT chosen</u>	10
<u>Conclusion</u>	11
<u>Appendix 1</u>	12

Scope of Work and Limitations

Grupo Elektra has engaged Sustainalytics to review the Grupo Elektra Financing Framework Linked to Sustainability dated October 2023 (the "Framework") and provide an opinion on its alignment with the Sustainability-Linked Bond Principles 2023 (SLBP).²

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent³ opinion on the alignment of the Framework with the SLBP, as administered by ICMA.

As part of this engagement, Sustainalytics exchanged information with various members of Grupo Elektra's management team to understand the sustainability impact of their business processes and SPTs, as well as the reporting and verification processes of aspects of the Framework. Grupo Elektra S.A.B. de C.V.'s representatives have confirmed that:

- (1) They understand it is the sole responsibility of issuer to ensure that the information provided is complete, accurate and up to date;
- (2) They have provided Sustainalytics with all relevant information; and
- (3) 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 the Framework. Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Grupo Elektra. 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 SPTs of KPIs but does not measure KPI performance.⁴ The measurement and reporting of the KPIs is the responsibility of the issuer. 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 Grupo Elektra has made available to Sustainalytics for the purpose of this Second-Party Opinion.

The Second-Party Opinion is valid for issuances aligned with the respective Framework for which the Second-Party Opinion was written and aligned with the methodology to calculate the KPI performance outlined in the Second-Party Opinion up to 24 months or until one of the following occurs:

- (1) A material change to the external benchmarks⁵ against which targets were set;
- (2) A material corporate action (such as a material M&A or change in business activity) which has a bearing on the achievement of the SPTs or the materiality of the KPIs.

For inquiries, contact the Corporate Solutions project team:

Hrithik Sharma (Toronto)
Project Manager
hrithik.sharma@sustainalytics.com
(+1) 647 951 3309

Aakanksha Jain (Toronto)
Project Support

Lindsay Brent (Toronto)
Client Relations
susfinance.americas@sustainalytics.com
(+1) 646 518 9623

Sameen Ahmed (Toronto)
Project Support

²The Sustainability-Linked Bond Principles are administered by the International Capital Market Association and are available at: <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-linked-bond-principles-slbp/>

³When 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.

⁴ Sustainalytics has provided an opinion based on the understanding that the financial characteristics of instruments issued under this Framework will be tied to the achievement of SPTs corresponding to each of the KPIs included in the Framework.

⁵ Benchmarks refers to science-based benchmarks.

Introduction

Grupo Elektra (the “Company”) operates as a financial and specialty retail company in Mexico and Central America and a short-term non-bank credit provider in the United States. The Company operates its business through two segments: financial business and commercial business. The financial business segment operations are carried out under the Banco Azteca brand, which offers banking and financial services mainly to people of social-economic levels C+, C-, D+ and D- in Mexico.⁶ The commercial business segment engages in the sale of products such as appliances, furniture, cell phones, motorcycles and computers through an omnichannel network of stores. As of December 2022, the Company operates in more than 6,300 “points of contact”^{7,8} in Mexico, the US, Guatemala, Honduras and Panama. The Company was founded in 1950 and is headquartered in Mexico City, Mexico. Grupo Elektra is part of Grupo Salinas (the “Group”), a group of companies that operate in the financial, retail, telecommunications and media sectors.

Grupo Elektra has developed the Grupo Elektra Financing Framework Linked to Sustainability dated October 2023 (the “Framework”) under which it intends to issue sustainability-linked bonds (SLB) where the applicable margin or coupon under the relevant bond agreement is tied to the achievement of the SPT for the KPI: Number of stores that are Edge Certified.

Grupo Elektra has engaged Sustainalytics to review the Framework and provide an opinion on its alignment with the Sustainability-Linked Bond Principles 2023. The Framework will be published in a separate document.⁹

Grupo Elektra has defined the following KPI and SPT:

Table 1: KPI Definitions

KPI	Definition
Number of stores that are EDGE Certified	The KPI represents the number of Tiendas Elektra stores (the “Elektra stores”) in Mexico that achieve EDGE Certification. ¹⁰ Elektra stores in Mexico total 1,220 as of December 2022. All Elektra stores have a Banco Azteca branch inside. There are 712 Banco Azteca standalone branches that are not covered by this KPI.

Table 2: SPT and Past Performance

KPI	2022 (baseline)	SPT 2029
Number of stores that are EDGE Certified	No stores certified	Achieve EDGE Certification for 205 stores

Sustainalytics’ Opinion

Section 1: Sustainalytics’ Opinion on the Alignment of the Grupo Elektra Financing Framework Linked to Sustainability with the Sustainability-Linked Bond Principles

Sustainalytics is of the opinion that the Grupo Elektra Financing Framework Linked to Sustainability aligns with the five core components of the SLLBP.

⁶ AMAI, “Perfil de Los hogares según Nivel Socioeconómico 2020”, at: <http://www.amai.org/NSE/index.php?queVeo=niveles>

⁷ Each point of contact considered represents a retail store, bank branch, freestanding pawn shop, microlending location or cash advance centre.

⁸ Grupo Elektra, “Grupo Elektra Announces Revenue of Ps.48,297 Million And EBITDA Of Ps.3,266 Million In The Fourth Quarter Of 2022,” at: <https://www.grupoelektra.com.mx/api/pdfEkt/3599>

⁹ The Grupo Elektra Financing Framework Linked to Sustainability will be available on Grupo Elektra’s website at: <https://www.grupoelektra.com.mx/es/bono-sustentable>

¹⁰ EDGE, at: <https://edgebuildings.com/certify/certification/>



Selection of Key Performance Indicators

Relevance and Materiality of KPIs

In its assessment of materiality and relevance, Sustainalytics considers: i) whether an indicator speaks to a material impact of the issuer's business on environmental or social issues; and ii) to what extent the KPI is applicable.

Sustainalytics considers the KPI to be material and relevant given that retail facilities and brick-and-mortar storefronts have an impact on environmental sustainability as these storefronts consume energy for space heating and cooling, lighting, ventilation and equipment use. Furthermore, the Sustainability Accounting Standards Board identifies energy management as a material issue for multiline and specialty retailers and distributors, and energy efficiency improvements as a relevant strategy to improve sustainability.¹¹ The KPI is also relevant to the Company's own sustainability agenda. In its 2022 Sustainability Report, Grupo Elektra mentions the achievement of EDGE certification for its branches as part of a larger effort to improve energy efficiency and reduce emissions.¹²

Sustainalytics also considers green building certification of Elektra stores to be material and applicable to the Company's total environmental impact. Grupo Elektra has more than 6,300 contact points in Mexico, the US, Guatemala, Honduras and Panama, the majority of which (79%) are in Mexico.¹³ Furthermore, Tiendas Elektra and Banco Azteca branches consume the most energy, accounting for 96% of the Company's total electrical energy consumption and for 95% of its scope 1 and 2 emissions.^{14,15}

KPI Characteristics

In its assessment of the KPI's characteristics, Sustainalytics considers: i) whether it uses a clear and consistent methodology; ii) whether it follows an externally recognized definition; iii) whether the KPI is a direct measure of the issuer's performance on the material environmental or social issue; and iv) if applicable, whether the methodology can be benchmarked against an external contextual benchmark.¹⁶

Sustainalytics considers Grupo Elektra's definition and methodology to calculate the KPI progress to be clear and consistent based on using a green building certification which is externally recognized and follows a consistent methodology. While Sustainalytics notes that the KPI follows a defined external methodology, there are no science-based external benchmarks available for assessing progress on the KPI.

Sustainalytics considers the KPI to be indirectly linked to the sustainability performance of Grupo Elektra, given that it measures the Company's portfolio of storefronts and is assessed against a green building certification scheme (EDGE) which is an indirect indicator of the GHG emission, energy and water-use performance of buildings. Sustainalytics views the EDGE green building certification scheme to be credible and impactful.

Overall Assessment

Sustainalytics considers the KPI: Number of stores that are Edge Certified to be adequate given that: i) it is an indirect measure of Grupo Elektra's performance on a relevant and material issue applicable to the Company and industry; and ii) it follows a clear and consistent calculation methodology; but iii) it is not benchmarkable against science-based targets.

¹¹ Sustainability Accounting Standards Board, "Multiline and Specialty Retailers & Distributors Sustainability Accounting Standard", (2018), at: <https://www.sasb.org/standards/download/?lang=en-us>

¹² Grupo Elektra, "Sustainability Report", (2022), p.97, at <https://www.grupoelektra.com.mx/Documents/Es/Downloads/Grupo-Elektra-Informe-de-Sustentabilidad-2022-Eng.pdf>

¹³ Grupo Elektra, "Financing Framework Linked to Sustainability", (2023), at: <https://www.grupoelektra.com.mx/es/bono-sustentable>

¹⁴ Grupo Elektra, "Sustainability Report", (2022), p. 92, at: <https://www.grupoelektra.com.mx/Documents/Es/Downloads/Grupo-Elektra-Informe-de-Sustentabilidad-2022-Eng.pdf>

¹⁵ Grupo Elektra, "Sustainability Report", (2022), p.95, at: <https://www.grupoelektra.com.mx/Documents/Es/Downloads/Grupo-Elektra-Informe-de-Sustentabilidad-2022-Eng.pdf>

¹⁶ External contextual benchmarks provide guidance on alignment with ecological system boundaries. This criterion is not applied to social KPIs or impact areas for which such contextual benchmarks are not available.

KPI	Strength of KPI			
Number of stores that are EDGE Certified	Not Aligned	Adequate	Strong	Very strong



Calibration of Sustainability Performance Targets

Alignment with Grupo Elektra’s Sustainability Strategy

Grupo Elektra has set the following SPT for its KPI:

- Achieve EDGE certification for 205 stores, equivalent to approximately 16.8% of the total of Grupo Elektra stores in Mexico as of 2022, totalling approximately 307,000 m² in area.

Sustainalytics considers the SPT to be aligned with Grupo Elektra’s sustainability strategy for the following reasons:

- Grupo Elektra has developed a sustainability model composed of environmental, social and economic pillars as a guide for establishing objectives and creating initiatives. In terms of the environment, the Company commits to creating circular economies and reducing waste, increasing energy efficiency in its operations and lowering its emissions.¹⁷
- The Company aims to increase renewable energy consumption from 30% in 2022 to 55% in 2028 by purchasing and generating renewable energy.¹⁸

Strategy to Achieve the SPT

Grupo Elektra intends to achieve the SPT through the following strategy:

- Grupo Elektra has established the Energy Seal, which is an internal methodology with contextual targets for minimizing energy consumption in its Elektra stores. New construction of Grupo Elektra stores and branches adhere to the Energy Seal programme as of 2017, helping to reduce 29% of the annual energy consumption compared to stores without construction standards.¹⁹
- Grupo Elektra has in place an internal water use policy that promotes water saving and use efficiency.²⁰
- Grupo Elektra will form a team, made up of personnel from the Environment, Corporate Finance, Expansion and Sustainability departments, to oversee the review process and administration of EDGE certification and the achievement of the SPT.²¹

Ambitiousness, Baseline and Benchmarks

To determine the ambitiousness of the SPT, Sustainalytics considers: i) whether the SPT goes beyond a business-as-usual trajectory; ii) how the SPT compares to targets set by peers; and iii) how the SPT compares with science.²²

Sustainalytics was able to use the following benchmarks to assess ambitiousness: past performance.

None of Grupo Elektra’s current storefronts are EDGE-certified. Therefore, meeting the SPT would constitute a significant shift from a business-as-usual trajectory for the Company. The SPT is also notable from the national

¹⁷ Grupo Elektra, “Sustainability Report”, (2022), at: <https://www.grupoelektra.com.mx/Documents/Es/Downloads/Grupo-Elektra-Informe-de-Sustentabilidad-2022-Eng.pdf>

¹⁸ Grupo Elektra, “Financing Framework Linked to Sustainability,” (2023), at: <https://www.grupoelektra.com.mx/es/bono-sustentable>

¹⁹ Ibid.

²⁰ Grupo Elektra, “Sustainability Report 2021”, (2021), p.62, at: <https://www.grupoelektra.com.mx/Documents/Es/Downloads/Grupo-Elektra-Informe-de-Sustentabilidad-2021-Eng.pdf>

²¹ Grupo Elektra, “Financing Framework Linked to Sustainability,” (2023), at: <https://www.grupoelektra.com.mx/es/bono-sustentable>

²² Contextual benchmarks that indicate the alignment of targets with ecosystem boundaries

perspective of EDGE-certified buildings in Mexico, which currently has a total of 45 projects (totalling approximately 870,000 m² in area) that are certified by EDGE, mainly in hospitality and residential housing.^{23,24} Adding 205 certified buildings with a total area of 307,000 m² would represent approximately 35.3% of total certified floor space in the country.

Sustainalytics was unable to assess the SPT’s ambition against science-based targets because EDGE certification rates the energy consumption of a building against a set of benchmarks as opposed to the actual GHG emissions of the building portfolio. Furthermore, Grupo Elektra’s SPT focuses on achieving green building certifications, whereas similar companies reviewed by Sustainalytics have mainly set GHG emissions reduction goals or renewable energy net consumption targets. As such, Sustainalytics was not able to assess the target against peers.

Overall Assessment

Sustainalytics considers the SPT to align with Grupo Elektra’s sustainability strategy and to be ambitious given that it presents a significant improvement compared to business as usual.

SPT	Ambitiousness of SPT			
Achieve EDGE certification for 205 stores by 2029	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious



Bond Characteristics

Grupo Elektra has disclosed that the financial characteristics of any securities issued or debt raised under the Framework will be tied to the achievement of the SPT. The financial characteristics may include a coupon increase or decrease whether the SPT is met on the respective target observation date (31 December 2029). If the Company does not issue the relevant verification assurance certificate within the term established there will be an applicable premium payment as defined in the terms and conditions of the instrument’s trust agreement.

The specific details on the financial mechanism for the financial instrument will be specified in the relevant transaction documentation. Sustainalytics considers these levels of disclosure to be aligned with the SLBP, noting that it does not opine on the adequacy of the magnitude of financial penalty.



Reporting

Grupo Elektra commits to report on an annual basis on the performance of the KPI in its annual reports, on its corporate website and at investors’ requests, and commits to obtain a limited assurance report. This is in line with the SLBP. The company further commits to disclosing relevant information, including an audited annual performance of the selected KPI (measured and compared to the SPT), the economic impact and any cases of non-compliance, information that enables investors to monitor the level of ambition of the SPT, the delivery of monitoring reports verified by a third party, any reassessment of the KPI or reformulation of the SPT, and any current or potential factor that may limit or affect the selected KPI.



Verification

Grupo Elektra commits to have an external verifier provide limited assurance for the assessment of performance of the KPI against the SPT at least once a year, which is aligned with the SLBP on verification.

²³ Grupo Elektra, “Financing Framework Linked to Sustainability,” (2023), at: <https://www.grupoelektra.com.mx/>

²⁴ EDGE, “EDGE Project Studies Archive”, at: <https://edgebuildings.com/project-studies/>

Section 2: Assessment of Grupo Elektra's Sustainability Strategy

Credibility of Grupo Elektra Sustainability Strategy

Grupo Elektra's sustainability strategy is guided by Grupo Salinas' (the "Group") larger sustainability goal of creating "inclusive prosperity" by promoting social well-being and reducing its environmental impact.^{25,26} Grupo Elektra has accordingly developed sustainability models consisting of social, economic and environmental aspects for the Company and specific to each business unit. Regarding the environment, Grupo Elektra focuses on mitigating the environmental footprint of its operations and in its value chain by implementing green initiatives, products and credits as detailed below.

In 2022, Grupo Elektra invested MXN 374.4 million (USD 20.89million) in environmental initiatives targeting energy efficiency in its operations for the reduction of GHG emissions and improved waste management.²⁷ The Company focused on selecting certified energy-efficient equipment in lighting and air conditioning, which resulted in avoiding 8,118 tCO₂ emissions in 2022.²⁸ Grupo Elektra has also achieved a reduction in its fuel consumption of 36% in 2022 from a baseline of 2021.²⁹ The group also reports having reduced 31% of its scope 1 emissions in 2022 compared to 2021, but increasing 7% of its scope 2 emissions. To address these emissions further, Grupo Elektra aims to focus on incorporating renewable energy as part of its energy mix and has 30% of its current energy supply drawn from renewable sources.³⁰ The Company has set a target to increase the share of renewable energy in its energy consumption to 55% by 2028.³¹ Grupo Elektra also intends to seek EDGE green building certification for its branches to achieve further energy efficiencies going forward.³² Regarding waste management, Grupo Elektra commits to reducing and recycling the waste generated and minimizing the landfill usage.³³

In view of Grupo Elektra's sustainability strategy and initiatives, Sustainalytics considers that the Framework will further support the Company's efforts to reduce its environmental footprint. Additionally, Sustainalytics notes that Grupo Elektra had set yearly targets for GHG emissions and energy consumption up to 2022 and encourages the Company to establish and publicly disclose medium- and long-term decarbonization targets covering upstream and downstream emissions.

Grupo Elektra's Environmental and Social Risk Management

Overall, Sustainalytics considers Grupo Elektra's ESG risk management as average.³⁴ Sustainalytics also acknowledges that while Grupo Elektra's defined targets are impactful, achieving the SPT may bear environmental and social risks related to emissions and waste management, land use and biodiversity, community and stakeholder relations, occupational health and safety, human capital and supplier sustainability.

Sustainalytics comments below on Grupo Elektra's ability to mitigate such potential risks.

- To prevent environmental risks relating to emissions, waste and biodiversity, Grupo Elektra is committed to conducting business activities in an environmentally responsible manner to minimize its environmental impact.³⁵ The Climate Change Policy of Grupo Elektra further sets forth the commitments to maintaining a waste-sorting and treatment system, monitoring environmental indicators and reporting emissions, and conducting annual assessments of environmental impacts of the Company's operations through an identification and evaluation matrix to identify risk mitigating strategies.³⁶ Furthermore, the Company's Solid Waste Policy lays out its commitment to separate, recycle and reuse

²⁵ Grupo Elektra, "Sustainability Report", (2022), at: <https://www.grupoelektra.com.mx/Documents/Es/Downloads/Grupo-Elektra-Informe-de-Sustentabilidad-2022-Eng.pdf>

²⁶ Grupo Salinas, "Sustainability", at: <https://www.gruposalinas.com/en/Sustentabilidad>

²⁷ Grupo Elektra, "Sustainability Report", (2022), p. 90, at: <https://www.grupoelektra.com.mx/Documents/Es/Downloads/Grupo-Elektra-Informe-de-Sustentabilidad-2022-Eng.pdf>

²⁸ Grupo Elektra, "Sustainability Report", (2022), p. 97, at: <https://www.grupoelektra.com.mx/Documents/Es/Downloads/Grupo-Elektra-Informe-de-Sustentabilidad-2022-Eng.pdf>

²⁹ Grupo Elektra, "Sustainability Report", (2022), p. 91, at: <https://www.grupoelektra.com.mx/Documents/Es/Downloads/Grupo-Elektra-Informe-de-Sustentabilidad-2022-Eng.pdf>

³⁰ Grupo Elektra, "Financing Framework Linked to Sustainability," (2023), at: <https://www.grupoelektra.com.mx/es/bono-sustentable>

³¹ Grupo Elektra, "Financing Framework Linked to Sustainability," (2023), at: <https://www.grupoelektra.com.mx/es/bono-sustentable>

³² Grupo Elektra, "Sustainability Report", (2022), p.97, at: <https://www.grupoelektra.com.mx/Documents/Es/Downloads/Grupo-Elektra-Informe-de-Sustentabilidad-2022-Eng.pdf>

³³ Grupo Elektra, "Sustainability Report", (2022), p. 99, at: <https://www.grupoelektra.com.mx/Documents/Es/Downloads/Grupo-Elektra-Informe-de-Sustentabilidad-2022-Eng.pdf>

³⁴ Sustainalytics, "Company ESG Risk Ratings: Grupo Elektra SAB de CV", at: <https://www.sustainalytics.com/esg-rating/grupo-elektra-sab-de-cv/1008258881>

³⁵ Grupo Elektra, "Código De Ética Y Conducta De Grupo Elektra", at: <https://grupoelektra.com.mx/Documents/ES/Downloads/Codigo-de-Etica-y-Conducta-de-Grupo-Elektra-2019.pdf>

³⁶ Grupo Elektra, "Climate Change Policy of Grupo Elektra", at: https://www.gruposalinas.com/sustentabilidad/content/documents/es/descargas/Climate_Change_Policy.pdf

waste generated across its operations such as cardboard, steel, aluminium and paper.^{37,38} For construction projects, Grupo Elektra conducts a land and soil assessment and establishes a mitigation plan to prevent any damage to soil and land or loss of biodiversity associated with such projects, under its Land Use Policy.³⁹ Under the policy, the Company's Energy and Environment department conducts site visits to ensure compliance with the policy. Sustainalytics further notes that Mexico has laws pertaining to environmental protection and management such as the General Law for Ecological Balance and Environmental Protection (the "Ecology Law") which regulates environmental risks including land use, soil use and conservation, and creates administrative instruments for addressing these risks such as the environmental impact assessment procedure. Additionally, the Ecology Law also addresses risks to biodiversity by establishing procedures for managing protected and restoration zones and governing flora and fauna.⁴⁰ Grupo Elektra has confirmed to Sustainalytics that it has processes in place to ensure the Company's operations are in compliance with the Ecology Law, where relevant.

- To address social impacts on community and stakeholders, Grupo Elektra has in place a human rights due diligence process that is based on the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. The process incorporates the following key elements: i) integration of responsible business conduct into management policies and systems; ii) identification and assessment of negative impact on operations; iii) halting, prevention, or mitigation of negative impact; iv) follow-up on the implementation of the results; v) report on how impacts are addressed; and vi) collaboration on the repair of the impact. Additionally, Grupo Elektra has a whistleblower system and maintains a complaint channel, through which stakeholders may report complaints regarding compliance and ethical issues.⁴¹
- According to its code of ethics,⁴² Grupo Elektra commits to ensuring occupational health and safety through constant training and awareness-raising, promoting and maintaining a safe and healthy workplace, and providing a work environment suitable for different operations. In addition, Grupo Elektra has established various mechanisms, tools and policies to promote a culture of prevention, which includes protection measures, provision of appropriate equipment, review of facility conditions, analysis and remediation of safety hazards and risks. Moreover, the Company has taken initiatives that promote a culture of health, such as the provision of free first-contact medical services and organization of workshops and campaigns to prevent, identify and combat occupational illnesses and diseases.⁴³
- To prevent risks related to human capital, Grupo Elektra's code of ethics outlines basic principles regarding human rights, inclusion and non-discrimination, integrity and business ethics, and prohibits any type of workplace harassment and sexual exploitation. The code applies to all employees, as well as suppliers, partners, business allies and contractors.⁴⁴
- To guarantee responsible purchases, Grupo Elektra evaluates suppliers through the Supplier Circle Certification process. The process aims to monitor the efficiency and quality of the supply chain in which the Company ensures that its suppliers comply with the financial, operational, legal and trade standards including Grupo Elektra's social and environmental responsibilities policies.⁴⁵

In addition to the above, Sustainalytics notes that it has not found evidence of major controversies related to Grupo Elektra. Overall, Sustainalytics considers that Grupo Elektra has adequate management programmes and policies to mitigate the above risks.

³⁷ Grupo Elektra, "Solid Waste Collection Policy - Grupo Elektra", at:

https://www.gruposalinas.com/sustentabilidad/content/documents/es/descargas/Solid_Waste_Collection_Policy_of_Grupo_Salinas.pdf

³⁸ Grupo Elektra, "Sustainability Report", (2022), at: <https://www.grupoelektra.com.mx/Documents/Es/Downloads/Grupo-Elektra-Informe-de-Sustentabilidad-2022-Eng.pdf>

³⁹ Grupo Elektra, "Land use specifications (Land Use Change, Impact Measurement and Mitigation Measures) - Grupo Elektra", at: [Land-Use-Policy.pdf \(grupoelektra.com.mx\)](https://www.grupoelektra.com.mx/Documentos/Es/Downloads/Grupo-Elektra-Informe-de-Sustentabilidad-2022-Eng.pdf)

⁴⁰ Management for Organizational Operations and System of Expenses (MOOSE), "Summary of Environmental Law in Mexico", at: <https://moose.cec.org/moose/lawdatabase/mx04.cfm?varlan=english#:~:text=The%20General%20Law%20of%20Ecological,and%20conservati on%2C%20naturally%20protected%20areas%2C>

⁴¹ Ibid.

⁴² Grupo Elektra, "Codes of Ethics", at: <https://grupoelektra.com.mx/es/codigo-de-etica>

⁴³ Grupo Elektra, "Sustainability Report", (2022), at: <https://www.grupoelektra.com.mx/Documents/Es/Downloads/Grupo-Elektra-Informe-de-Sustentabilidad-2022-Eng.pdf>

⁴⁴ Grupo Elektra, "Codes of Ethics", at: <https://grupoelektra.com.mx/es/codigo-de-etica>

⁴⁵ Grupo Elektra, "Sustainability Report", (2022), p. 81, at: <https://www.grupoelektra.com.mx/Documents/Es/Downloads/Grupo-Elektra-Informe-de-Sustentabilidad-2022-Eng.pdf>

Section 3: Impact of the SPT

Importance of promoting energy efficiency in Mexico

Mexico is the second largest emitter of GHG emissions in Latin America.⁴⁶ In 2022, Mexico updated its Nationally Determined Contribution to the Paris Agreement and increased its emissions reduction target from 22% to 35%, to be achieved by 2030.⁴⁷ To tackle emissions from the built environment, the Mexican Ministry of Energy has developed a roadmap to reduce electricity consumption by 53.4% and 78.7% in residential and commercial buildings, respectively, by 2050.⁴⁸ As part of the road map, Mexico has established building energy norms and an energy code to mandate energy-efficient construction practices.⁴⁹

To achieve its targets, the government has committed to improving the energy efficiency of buildings. For instance, the Government of Mexico City created a programme in 2008, the Certification Program for Sustainable Buildings (*Programa de Certificación de Edificaciones Sustentables*), to promote eco-friendly building construction, refurbishments and remodeling, and the establishment of a standard by which commercial and residential buildings can be graded.⁵⁰ Other government efforts include the adoption of the National Model Energy Conservation Code, which sets mandatory and voluntary energy efficiency standards related to buildings, including on the design, building envelope, thermal insulation, mechanical and lighting systems and water heating.^{51,52} The Government of Mexico has also launched programmes that provide incentives for low-emission construction, such as the green mortgage programme and the EcoCasa programme.⁵³

In the same vein, local governments and the private sector have also taken actions. Yucatan State became the first jurisdiction in Mexico to sign on to the Net Zero Carbon Buildings Commitment, stating its intention to reach zero emissions in its building portfolio by 2030 and zero emissions from all state buildings by 2050.⁵⁴ In the private sector, the EDGE certification system, which has been adopted by many developers in Mexico, announced EDGE Zero Carbon in September 2019, which has enabled buildings to be certified as Zero Carbon Buildings at a marginal additional cost.⁵⁵

Based on the above, Sustainalytics is of the opinion that Grupo Elektra’s efforts to increase the share of EDGE-certified stores are expected to positively contribute to reducing the Company’s environmental footprint in Mexico and support the achievement of Mexico’s energy emission reduction commitments more broadly.

Contribution to SDGs

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

KPI	SDG	SDG Target
Number of stores that are EDGE Certified	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
	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

⁴⁶ Mexico News Daily, “Mexico to raise its emissions reduction target for 2030”, (2022), at: <https://mexiconewsdaily.com/news/mx-to-raise-emissions-target-2030/>

⁴⁷ United Nations Development Programme, “Mexico”, at: <https://climatepromise.undp.org/what-we-do/where-we-work/mexico>

⁴⁸ IEA, “Roadmap for Building Energy Codes and Standards for Mexico”, (2017), at: <https://www.iea.org/policies/2474-roadmap-for-building-energy-codes-and-standards-for-mexico>

⁴⁹ Mackres, E. et al. (2020), “Will Mexico Rise to the Zero-carbon Buildings Challenge?”, World Resources Institute, at: <https://www.wri.org/blog/2020/02/zero-carbon-buildings-mexico>

⁵⁰ Baker McKenzie, “Global Sustainable Buildings Index – Mexico: Green Certification”, at: <https://resourcehub.bakermckenzie.com/en/resources/global-sustainable-buildings-index/latin-america/mexico/topics/green-certification>

⁵¹ Mackres, E. et al. (2020), “Will Mexico Rise to the Zero-carbon Buildings Challenge?”, World Resources Institute, at: <https://www.wri.org/blog/2020/02/zero-carbon-buildings-mexico>

⁵² IEA, “Building Energy Conservation Code”, (2019), at: <https://www.iea.org/policies/2473-building-energy-conservation-code>

⁵³ Mackres, E. et al. (2020), “Will Mexico Rise to the Zero-carbon Buildings Challenge?”, World Resources Institute, at: <https://www.wri.org/blog/2020/02/zero-carbon-buildings-mexico>

⁵⁴ Ibid.

⁵⁵ Ibid.

Conclusion

Grupo Elektra intends to issue sustainability-linked bonds tying the coupon rate to achievement of the following SPT:

- Achieve EDGE certification for 205 stores by 2029

Sustainalytics considers the KPI chosen to be adequate given that: i) it is an indirect measure of Grupo Elektra's performance on a relevant and material issue applicable to the Company and industry; and ii) it follows a clear and consistent calculation methodology; but iii) it is not benchmarkable against science-based targets. Additionally, Sustainalytics considers the SPT to be ambitious given that it presents a material improvement compared to past performance. Furthermore, Sustainalytics considers the reporting and verification commitments to be aligned with the SLBP.

Based on the above, Sustainalytics considers the Grupo Elektra Financing Framework Linked to Sustainability to be in alignment with the five core components of the Sustainability-Linked Bond Principles and the prospective achievement of the SPT to be impactful.

Appendix 1: Sustainability-Linked Bonds – External Review Form

Section 1. Basic Information

Issuer name: Grupo Elektra S.A.B. de C.V.

Sustainability-Linked Bond ISIN:

Independent External Review provider's name for second party opinion pre-issuance (sections 2 & 3): Sustainalytics

Completion date of this form: October 24, 2023

Section 2. Pre-Issuance Review

SCOPE OF REVIEW

The review:

- assessed the 5 core components of the SLBP (**complete review**) and confirmed the alignment with the SLBP.
- assessed only some of them (**partial review**) and confirmed the alignment with the SLBP; please indicate which elements:
 - Selection of Key Performance Indicators (KPIs)
 - Calibration of Sustainability Performance Targets (SPTs)
 - Verification
 - Bond characteristics
 - Reporting

ROLE(S) OF INDEPENDENT REVIEW PROVIDER

- Second Party Opinion
- Verification
- Other (*please specify*):
- Certification
- Scoring/Rating

Does the review include a sustainability quality score?

- Of the issuer
- Of the framework
- No scoring
- Of the selected KPIs/SPTs
- Other (*please specify*):

ISSUER'S OVERARCHING OBJECTIVES

Does the review include:

- An assessment of the issuer's overarching sustainability objectives and strategy, and the policies and/or processes towards their delivery?
- An identification and assessment of environmental, social and governance related risks of adverse impact through the Issuer's [actions] and explanations on how they are managed and mitigated by the issuer?
- A reference to the issuer's relevant regulations, standards, or frameworks for sustainability-related disclosure and reporting?

CLIMATE TRANSITION STRATEGY

Does the review assess:

- The issuer’s climate transition strategy & governance?
- The alignment of both the long-term and short/medium-term targets with the relevant regional, sector, or international climate scenario?
- The credibility of the issuer’s climate transition strategy to reach its targets?
- The level/type of independent governance and oversight of the issuer’s climate transition strategy (e.g. by independent members of the board, dedicated board sub-committees with relevant expertise, or via the submission of an issuer’s climate transition strategy to shareholders’ approval).
- If appropriate, the materiality of the planned transition trajectory in the context of the issuers overall business (including the relevant historical datapoints)?
- The alignment of the issuer’s proposed strategy and targets with appropriate science-based targets and transition pathways that are deemed necessary to limit climate change to targeted levels?
- The comprehensiveness of the issuer’s disclosure to help investors assess its performance holistically?

Overall comment on this section:

Section 3. Detailed pre-issuance 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.

SELECTION OF KEY PERFORMANCE INDICATORS (KPIs)

Definition, Scope, and parameters

- Clear definition of each selected KPIs
- Clear calculation methodology
- Other (please specify):

Relevance, robustness, and reliability of the selected KPIs

- Credentials that the selected KPIs are relevant, core and material to the issuer’s sustainability and business strategy
- Evidence that the KPIs are externally verifiable, if that is not already the case
- Credentials that the KPIs are measurable or quantifiable on a consistent methodological basis
- Evidence that the KPIs can be benchmarked
- Current verification or assurance status
- Other (please specify):

Overall comment on this section:
 Grupo Elektra Financing Framework Linked to Sustainability includes one KPI: Number of stores that are Edge Certified (see Table 1). Sustainalytics considers the KPI chosen to be adequate given that: i) it is an indirect measure of Grupo Elektra’s

performance on a relevant and material issue applicable to the company and industry; and ii) it follows a clear and consistent methodology; but iii) it is not benchmarkable against science-based targets.

CALIBRATION OF SUSTAINABILITY PERFORMANCE TARGETS (SPTs)

Rationale and level of ambition

- | | |
|--|---|
| <input checked="" type="checkbox"/> Evidence that the SPTs represent a material improvement compared to issuer's own performance over baseline | <input checked="" type="checkbox"/> Credentials on the relevance and reliability of selected benchmarks and baselines |
| <input checked="" type="checkbox"/> Evidence that SPTs are consistent with the issuer's sustainability and business strategy | <input type="checkbox"/> Other (<i>please specify</i>): |

Does the review assess if the specificities of the sector and/or local context have been identified and addressed?

- | | |
|---|--|
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| <input type="checkbox"/> Not applicable | |

Relevance and reliability of selected benchmarks and baselines

- | | |
|---|---|
| <input checked="" type="checkbox"/> Issuer's past performance | <input checked="" type="checkbox"/> Issuer's peer performance |
| <input type="checkbox"/> Science-based trajectories (<i>please specify the references</i>): | <input type="checkbox"/> Other (<i>please specify</i>): |

Does the review assess the credibility of the issuer's strategy and action plan to achieve the SPTs?

- | | |
|---|-----------------------------|
| <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
|---|-----------------------------|

Does the review identify the key factors that may affect the achievement of the SPTs?

- | | |
|---|-----------------------------|
| <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
|---|-----------------------------|

Does the review opine on:

- | | |
|--|--|
| <input checked="" type="checkbox"/> the timelines for the target achievement | <input checked="" type="checkbox"/> the target observation date(s) |
| <input checked="" type="checkbox"/> the trigger event(s) | <input type="checkbox"/> Other (<i>please specify</i>): |
| <input type="checkbox"/> potential recalculations or adjustments description | |

Overall comment on this section:

Sustainalytics considers the SPT to be aligned with Grupo Elektra's sustainability strategy. Sustainalytics further considers the SPT to be ambitious based on past performance.

BOND CHARACTERISTICS

Does the review assess whether the bond's financial and/or structural characteristics are commensurate and meaningful?

- Yes No

Does the review opine on the fallback mechanisms in case the SPTs cannot be calculated or observed in a satisfactory manner?

- Yes No

Overall comment on this section:

Grupo Elektra will link the bonds' financial characteristics to the achievement of the SPT, such as an increase or decrease of the bond coupon. Failure to achieve the SPT will trigger a change in the coupon.

REPORTING

Does the review assess the commitments of the issuer to report:

Content:

- The performance of the selected KPIs Verification
 The level of ambition of the SPTs Assurance report
 Other (please specify):

Frequency:

- Annual Semi-annual
 Other (please specify):

Means of Disclosure

- Information published in financial report, or annual report and accounts Information published in sustainability report or sustainability suite of reporting
 Information published in ad hoc documents Other (please specify):

Overall comment on this section:

Grupo Elektra commits to report on the progress on the KPI in its annual reports published on its corporate website or as per investors' requests, and to obtain a limited assurance report. Grupo Elektra is committed to disclosing its progress on the KPI and any information that enables investors to monitor the level of ambition of the SPT. The reporting commitments are aligned with the Sustainability-Linked Bond Principles 2023.

Section 4. Post-issuance

CHANGE TO PERIMETER REVIEW (if applicable)

Material change:

- Perimeter KPI methodology
 SPTs calibration Other (please specify):

VERIFICATION

Level of verification:

- Limited assurance
- Reasonable assurance
- Other (*please specify*):

Frequency:

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

Section 5. Additional Information

Useful links (e.g. to the external review provider’s methodology or credentials, to the full review, to issuer’s documentation, etc.)

Analysis of the contribution to the UN Sustainable Development Goals:

Additional assessment in relation with the issuer/bond framework:

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

