

Second-Party Opinion

Mega Sustainable Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that Mega's Sustainable Bond Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2018. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Employment Generation, Socio-Economic Advancement and Empowerment, Environmentally Sustainable Management of Living Natural Resources and Land Use, Sustainable Water and Wastewater Management, Renewable Energy, Pollution Prevention and Control – are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers that the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 2, 5, 6, 7, 8, 12.



PROJECT EVALUATION / SELECTION Mega's Environmental and Social Committee, comprised of members from the management team and multiple departments, will be responsible for project evaluation and selection. Sustainalytics considers the project selection process in line with market practice.



MANAGEMENT OF PROCEEDS Mega will establish a sustainable bond register, managed by the Environmental and Social Committee, through which it will track net bond proceeds. Pending allocation proceeds will be kept in cash, cash equivalents, and or in accordance with Mega's liquidity policies. This is in line with market practice.



REPORTING Mega intends to publish reports on its website within a year of each green, social and/or sustainability issuance and until full allocation. The reports will contain (i) a summary of each outstanding bond; (ii) assignment of proceeds to each eligible category and, where possible, information on the project portfolio; (iii) amount used for financing or refinancing; (iv) balance of unallocated proceeds; and (v) relevant expected environmental or social impacts per eligible category. Sustainalytics views Mega's allocation and impact reporting as aligned with market practice.

Evaluation date November 18, 2020

Issuer Location Guadalajara, Mexico

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Introduction

Operadora de Servicios Mega S.A. de C.V. SOFOMER (“Mega”, or the “Company”) is a financial service provider in Mexico focusing on leasing, credit, and auto loans. Mega was founded in 2003, is headquartered in Guadalajara, Mexico and operates mostly in Mexico, with some business in the United States. The Company is one of the ten main non-bank leasing companies in Mexico.

Mega has developed the Sustainable Bond Framework (the “Framework”) under which it intends to issue green, social or sustainable bonds and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that advance the Company’s impact goals that promote sustainability and that provide positive social results.

The Framework defines eligible social categories in the following two areas:

1. Employment Generation
2. Socio-Economic Advancement and Empowerment

The Framework defines eligible green categories in the following four areas:

1. Environmentally Sustainable Management of Living Natural Resources and Land Use
2. Sustainable Water and Wastewater Management
3. Renewable Energy
4. Pollution Prevention and Control

Mega engaged Sustainalytics to review the Sustainable Bond Framework, dated November 2020, and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2018 (SBG).¹ This Framework will be made available in a separate document.²

Scope of work and limitations of Sustainalytics Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent³ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible categories are credible and impactful.

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

- The Framework’s alignment with the Green Bond Principles 2018, Social Bond Principles 2020, and Sustainability Bond Guidelines 2018, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.6, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

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

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

¹ The Sustainability Bond Guidelines are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

² Mega’s Sustainable Bond Framework will be made available on Mega’s website at: <https://www.gfmega.com>.

³ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

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

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

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

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

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Sustainable Bond Framework

Sustainalytics is of the opinion that the Sustainable Bond Framework is credible, impactful and aligns with the four core components of the Green Bond Principles 2018 (GBP) and Social Bond Principles 2020 (SBP). Sustainalytics highlights the following elements of Mega's Sustainable Bond Framework:

- Use of Proceeds:
 - The eligible categories for the use of proceeds – Employment Generation, Socio-Economic Advancement and Empowerment, Environmentally Sustainable Management of Living Natural Resources and Land Use, Sustainable Water and Wastewater Management, Renewable Energy, Pollution Prevention and Control – are aligned with those recognized by the GBP and SBP.
 - For the "Employment Generation" category, the Company intends to provide financing for micro, small and medium-sized enterprises (MSMEs) that promote financial inclusion, good environmental and social practices, generation of well-paid formal employment, and for the adoption of new technologies. Sustainalytics notes that Mega's MSME criteria for eligible enterprises follows the definition set by the National Institute of Statistics and Geography of Mexico,⁴ which is aligned with market practice.
 - For the "Socioeconomic Advancement and Empowerment" category, Mega intends to finance MSMEs that meet one of the following criteria:
 - 51% or more owned by women or incorporated by a woman; or
 - Have at least 51% of women in senior management positions or 51% of women on the Board of Directors or Investment Committee;
 - Has a workforce made up of at least 51% women and has at least one 'quality indicator', defined as a policy or programme specifically addressing barriers to quality employment for women;
 - Sustainalytics notes that this category will only finance MSMEs and views positively this clear definition of the targeted group.
 - For the "Environmentally Sustainable Management of Living Natural Resources and Land Use" category, the Company intends to finance protected agriculture⁵ and aquaculture facilities.

⁴ INEGI, "Micro, pequeña, mediana y gran empresa", at: https://www.inegi.org.mx/contenidos/programas/ce/2009/doc/minimonografias/m_pymes.pdf.

⁵ "Protected agriculture" is defined by the Climate Bond Initiative as "a general term that encompasses horticultural greenhouses and refers to a variety of crop production technologies and techniques in which partial or full control of the plant micro-climate targets species' requirements, greatly improving growing conditions relative to open field agriculture. By reducing variability (e.g. in soil conditions, water availability, temperature, evaporation, pest and disease vectors, input use efficiency) and protecting crops from different environmental, biological and climatological elements, greenhouses and other forms of protected agriculture can: (i) achieve higher and more consistent productivity; (ii) meet market demand for crop quality and timing; (iii) increase control over sanitary and phytosanitary conditions; (iv) reduce crop risk and damage.

- Protected agriculture projects include the use of macro-tunnels,⁶ which reduce GHG emissions through a reduction in the use of pesticides, soil erosion, and water savings. Mega may also finance the recycling of plastics used in macro-tunnels and other agricultural uses, as well as soil-less substrates agricultural projects.
 - Eligible aquaculture facilities are those that are certified by the Aquaculture Stewardship Council (ASC) or by the Best Aquaculture Practices (BAP); and fishery operations will be certified by the Marine Stewardship Council (MSC). Sustainalytics considers these certifications to be credible and impactful. Refer to Appendix 1 for an analysis of these certifications.
- For the “Sustainable Water and Wastewater Management” category, the Company intends to finance drinking water treatment plants and wastewater treatment plants for future use in irrigation and has excluded treatment of wastewater from fossil fuel operations.
 - For the “Renewable Energy” category, Mega intends to finance projects for the generation, transmission, and distribution of energy from renewable sources such as wind, solar, geothermal with direct emission <math><100\text{gCO}_2/\text{kWh}</math>, and hydropower facilities with a power density of >math>5\text{Wm}^2</math>. Sustainalytics notes that any large-scale hydro (>25 MW) shall comply with the International Finance Corporation (IFC) Standards⁷ and/or be in alignment with International Hydropower Association’s Hydropower Sustainability Assessment Protocol.⁸ Furthermore, all new hydropower facilities will undergo an environmental and social impact assessment by a reputable third-party, which Sustainalytics notes as aligned with market practice.
 - For the “Pollution Prevention and Control” category, the Company intends to finance equipment and technology used to measure vehicle emissions and ensure compliance with local air regulations.
 - Sustainalytics notes that Mega has defined an exclusionary criteria in line with the World Bank Standards,⁹ and which includes any activity related to the exploration, production, or transportation of fossil fuels. Sustainalytics views these exclusionary criteria as strengthening the Framework.
- Project Evaluation and Selection:
 - Mega’s Environmental and Social Committee (the “Committee”) will be in charge of the selection, evaluation and approval of projects. The Committee is comprised of the President, an Independent member of the Board, the ESG Manager, the CEO, the General Counsel, an Internal Auditor, and the Sales Director.
 - Based on this governance structure with cross-divisional membership, Sustainalytics considers this process to be in line with market practice.
 - Management of Proceeds:
 - The Committee will be in charge of tracking net proceeds from each issuance and Mega will establish a sustainable bond register. The Company is expected to immediately assign net bond proceeds to eligible projects after each issuance. However, in the instance that funds remain unallocated, these will be held in cash, cash equivalents, and/or in alignment with Mega’s liquidity policies.
 - In the event that a project no longer complies with the eligible green or social categories, the Company will remove and replace it with one that meets the eligibility criteria.
 - Based on the establishment of a bond register and on the disclosure of temporary allocation of bond proceeds, Sustainalytics considers this process to be in line with market practice.
 - Reporting:
 - Mega commits to publishing a report (a “bond report”) for each issuance within the 12 months following the issuance and renewed annually until full allocation. The bond reports will be published on Mega’s website and will contain (i) a summary of each outstanding bond, including

⁶ Macro-tunnels are large structures designed to provide farmers with sustainable, practical and profitable agricultural solutions. The structures are shaped like tunnels with polypropylene fabric used as the protect sheet to surround the erected frames. (Retrieved from Innogryl website at: <https://innogryl.com/macro-tunnels/>)

⁷ IFC, “Hydroelectric Power: A Guide for Developers and Investors”, at: https://www.ifc.org/wps/wcm/connect/906fa13c-2f47-4476-9476-75320e08e5f3/Hydropower_Report.pdf?MOD=AJPERES&CVID=kJ0I35z.

⁸ IHA, “Hydropower Sustainability Assessment Protocol”, at: <https://www.hydropower.org/topics/featured/hydropower-sustainability-assessment-protocol>.

⁹ The World Bank, “The World Bank Environmental and Social Framework”, at: <http://documents1.worldbank.org/curated/en/383011492423734099/pdf/The-World-Bank-Environmental-and-Social-Framework.pdf>.

issuance date, size, maturity date and currency; (ii) assignment of proceeds to each eligible category and, where possible, information on of the project portfolio; (iii) amount used for financing or refinancing; (iv) balance of unallocated proceeds; and (v) relevant expected environmental or social impacts per eligible category of proceeds for financing with relevant quantitative impact indicators where feasible.

- Examples of impact indicators include the number of companies that met the environmental and social parameters; the number of hectares with macro-tunnels; capacity (in liters) of water treatment plants; expected annual electricity generation (MWh); and number of verified vehicles.
- Based on the commitment to both allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2018

Sustainalytics has determined that the Sustainable Bond Framework aligns to the four core components of the Green Bond Principles (2018) and Social Bond Principles (2020). For detailed information please refer to Appendix 2: Sustainability Bond/ Sustainability Bond Programme External Review Form.

Section 2: Strategy of Mega

Contribution of Framework to Mega's sustainability strategy

Sustainalytics is of the opinion that Mega demonstrates a commitment to sustainability with a focus on creating social, environmental, and economic value in the sectors to which it provides financing. The Company has identified the development of new financial products that align with its environmental, social, and governance standards to promote sustainable and responsible growth as one of the key aspects of its strategic approach.¹⁰

To advance its goals, the Board of Directors established the Environmental and Social Committee and put it in charge of approving policies and procedures that have been incorporated in Mega's credit risk process. Furthermore, the Company has implemented the Mega Da+ ("Mega Gives+") initiative which aims to provide financing for companies in the agricultural, manufacturing, and service sectors that are led by women.¹¹ Mega has communicated to Sustainalytics its intention to reach 40% of its portfolio allocation under the categories of the MegaDa+ initiative within the next 3 years. In association with Deutsche Investitions- und Entwicklungsgesellschaft (DEG), Mega developed a business strategy with a focus on gender-smart companies. This strategy is also aligned with the 2X Challenge – a global initiative created by the Development Finance Institutions of various G7 countries aimed at supporting women's economic empowerment and gender equality.¹² In addition, through its foundation, Fundación Mega, the Company provides scholarships to low-income children and children with special needs.¹³

Sustainalytics recognizes the importance of the above commitments and ambitions expressed by Mega, and encourages the Company to develop a comprehensive sustainability strategy with defined time-bound and quantifiable targets to achieve greater social and environmental impact. Sustainalytics is of the opinion that the Sustainable Bond Framework is aligned with the Mega's overall sustainability strategy and initiatives and that it will further the Company's action on its key environmental and social priorities.

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

While Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards eligible projects that are recognized by the GBP and SBP to have positive environmental and social impact, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects could include occupational health and safety, land-use change, and biodiversity loss. Additionally, lending may involve financial risks for the offering entity as well as risks to the borrower.

Mega has incorporated the World Bank's Environmental and Social Management System based on the IFC Performance Standard,¹⁴ which consists of a set of processes and practices to mitigate risks. Accordingly,

¹⁰ Mega, "Our strategic focus", at: <https://www.gfmega.com/en/nosotros/estrategia>.

¹¹ <https://links.sgx.com/FileOpen/Mega%20Listing%20-%20Listing%20Offering%20Memorandum.ashx?App=Prospectus&FileID=42571>.

¹² 2X Challenge, "How to Measure the Gender Impact of Investments: Using the 2X Challenge Indicators in Alignment with IRIS+", at: <https://assets.cdcgroup.com/wp-content/uploads/2020/03/16111901/How-to-measure-the-gender-impact-of-investments.pdf>.

¹³ Mega, "Corporate Responsibility", at: <https://www.gfmega.com/en/negocio/responsabilidad-corporativa>.

¹⁴ The World Bank, "Environmental and Social Management System Implementation Handbook", at: <https://openknowledge.worldbank.org/bitstream/handle/10986/22784/Environmental00n0handbook000general.pdf?sequence=1&isAllowed=y>.

Mega's Environmental and Social Management System analyses all credit operations to prevent entities that do not meet these criteria from receiving financing, and to support Mega's clients on the implementation of ESG policies. Among the stages for the evaluation of loans, Mega performs a client's environmental and social risk evaluation.

Mega has established an Environmental and Social Committee in charge of approving appropriate policies and procedures to perform environmental and risk assessments. This is further supported by the Risk Management Committee which is responsible for monitoring and supervising risks.¹⁵ The Company and its employees are also bound by Mega's Code of Ethics,¹⁶ which sets guidelines and policies in regards to (i) customer relations; (ii) protection of confidential information; (iii) transparency; (iv) participatory leadership; (v) personal and professional development; (vi) prevention of workplace harassment; (vii) relations with suppliers; (viii) the environment; (ix) conflicts of interest; (x) gifts; (xi) personal integrity; (xii) external communications; (xiii) termination of the employment relationship, (xiv) rejection of corrupt practices; (xv) corporate social responsibility; and (xvi) compliance with applicable sanctions laws and regulations.¹⁷

In addition to the above, Mega has shared with Sustainalytics, in confidence, manuals and policies the Company utilizes to assess potential environmental and social risks. The Company has also published a summary of its approach to their environmental and social risk management policies on its website.¹⁸ Based on these policies, standards and assessments, Sustainalytics is of the opinion that Mega has implemented adequate measures and is well-positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All six use of proceeds categories are aligned with those recognized by GBP or SBP. Sustainalytics has focused on how the impact is specifically relevant in the local context.

Importance of financing SMEs to facilitate employment generation in Mexico

In OECD countries, Micro, Small and Medium Enterprises ("MSMEs" and/or "SMEs") are an important source of employment, accounting for about 70% of jobs, and are major contributors to value creation, generating between 50% and 60% of value added.¹⁹ With 4 million SMEs representing 12.4% of total gross production and employing 47.3% of the workforce, Mexico's SMEs are a key component of the nation's economy.²⁰ Although SMEs account for about 9 out of every 10 businesses, only one-third have access to financing.²¹ The result of limited access to financing is constrained growth and subsequently lower contributions to the economic development of Mexico as a whole. According to the International Finance Corporation ("IFC"), the financing gap for Mexico's SMEs is the second-highest among Latin American countries at an estimated USD 163 billion.²² The lack of access to finance is further compounded by higher interest charged to SMEs. The OECD reports that on average, there is a 5.9% interest rate spread between SMEs and larger firms leading to even more prohibitive impacts on SMEs' growth prospects.²⁰ As a result, Mexico has the widest productivity gap between SMEs and large firms as well as the lowest labour productivity levels of SMEs among all OECD countries.²³

The Mexican government has shown commitment to supporting its SMEs through institutions like National Financial Development Bank (NAFIN) whose mandate includes facilitating financing access to SMEs, and Bancomext, which was created to promote and finance Mexico's SMEs. However, the various programmes have a total budget of USD 10 billion, indicating there is still a lot to be done to close the total credit gap of

¹⁵ Mega, "Board committees", at: <https://www.gfmega.com/en/gobierno/comites>.

¹⁶ Mega, "Bylaws and other codes", at: <https://www.gfmega.com/en/gobierno/codes>.

¹⁷ SGX, "Listing Offering Memorandum", at: <https://links.sgx.com/FileOpen/Mega%20Listing%20-%20Listing%20Offering%20Memorandum.ashx?App=Prospectus&FileID=42571>.

¹⁸ Mega, "Sustainability", at: <https://www.gfmega.com/en/gobierno/sostenibilidad>.

¹⁹ Organization of Economic Cooperation and Development (OECD), "Enhancing the contributions of SMEs in a global and digitalized economy", (2017), at: <https://www.oecd.org/mcm/documents/C-MIN-2017-8-EN.pdf>.

²⁰ Organization of Economic Cooperation And Development (OECD), "Financing SMEs and Entrepreneurs 2020", (2020) at: <https://www.oecd-ilibrary.org/docserver/061fe03d-en.pdf?expires=1591799913&id=id&accname=quest&checksum=C16E2D403439F007FE4307E9EC4F1FFC>.

²¹ Euromoney, "Mexican banks struggling to plug SME funding gap", (2018) at: <https://www.euromoney.com/article/b1b2vzrpdhmn9f/mexican-banks-struggle-to-plug-sme-funding-gap#:~:text=While%20small%20and%20medium%20sized,of%20GDP%2C%20according%20to%20Moody's>.

²² IFC, "MSME Finance Gap- Assessment of the Shortfalls and Opportunities in Financing Micro, Small and Medium Enterprises in Emerging Markets", (2017) at: <https://www.smefinanceforum.org/sites/default/files/Data%20Sites%20downloads/MSME%20Report.pdf>.

²³ Organization of Economic Cooperation And Development (OECD), "Mexico Policy Brief", (2017), at: <https://www.oecd.org/policy-briefs/mexico-raising-productivity-in-small-traditional-enterprises.pdf>

over USD 60 billion in SME financing.²⁴ Other productivity initiatives have been put in place targeted at lowering the personal income tax rate, providing management training and increasing ICT adoption in MSMEs as well as the Financial Inclusion Action Plan in 2016, which addresses the importance of SME financing.²³

Sustainalytics is of the view that Mega's provision of financing to SMEs through its sustainable bond is expected to have a positive impact on job generation and improve economic growth in Mexico.

Impact of supporting women's entrepreneurship and gender equity

Another dimension of the Mexican economy that is important to consider is the gender disparity in the work force. According to the OECD, Mexico has the second-lowest women's labour force participation rate amongst OECD countries, with less than half of Mexican women of working age involved in the labour market.²⁵ This gender disparity pervades all aspects of social and economic life. Overall, women earn, on average, 14% less than men in OECD countries and face more obstacles for employment and high levels of harassment.²⁵ Access to finance is another significant challenge faced by women in Mexico and around the world. It is estimated that women-owned SMEs have a \$300 billion financing gap and more than 70% of women-owned SMEs have limited or no access to financial services.²⁶

The World Bank has highlighted that closing the gender gap in financial inclusion could have positive effects by providing financial security, increasing savings and investment rates, and managing economic risk; with studies showing that an increase in accessibility to financial services for women and women-owned businesses leads to higher overall economic growth and women's empowerment.²⁷ Mexico, in particular, could add approximately \$800 billion, or an additional 70% to its GDP, if the country closes the gender gap in the labour force.²⁸

Recognizing its gender gaps, the Mexican government has developed initiatives, social programmes and laws that advance gender equality and women's empowerment. In 2002, Mexico's Supreme Court issued a law requiring that 30% of all candidates for elections are women.²⁸ More recently, the government has committed to supporting gender equity through its National Development Plan 2019-2024, which is focused on equal rights and opportunities for women and vulnerable populations. In addition, the National Development Financing Programme 2020-2024 was set up to provide training, financial education, and technical assistance for women, companies led by women and other vulnerable groups in support of greater financial inclusion. Also, to address limited access to financial services, the National Policy for Financial Inclusion 2020-2024 was developed and has as one of its main goals to advance the financial inclusion of vulnerable populations, including women.

Mega's financing of businesses that are women-owned and women-led, is expected to provide positive social outcomes through supporting gender equality through its sustainable bond.

Importance of GHG emission reduction in the agricultural sector in Mexico

As a signatory to the Paris Climate Agreement, Mexico has set ambitious GHG emission reduction targets in its Intended Nationally Determined Contribution ("INDC") to lower GHG emissions by 22% (36% with international support)²⁹ by 2030 and by 50% by 2050, below 2000 levels. These goals were enshrined into law in its General Climate Change Law ("LGCC") in 2018.³⁰ Mexico is the world's tenth largest GHG emitter and accounts for about 1.3% of global GHG emissions.³¹ According to Climate Transparency, Mexico is not on track to meet the Paris Climate Agreement's 1.5 degree Celsius maximum temperature rise target because the country's GHG emissions have increased by 70% from 1990 to 2016 and are projected to increase further

²⁴ The World Bank Group, "Technical Note SME Finance", (2016) at: <https://openknowledge.worldbank.org/bitstream/handle/10986/28601/120394-WP-P159016-PUBLIC-Financial-Sector-Assessment-Program-series-Mexico-2016-FSAP-Update-TN-SME-Finance.pdf?sequence=1&isAllowed=y>

²⁵ OECD, "Gender Equality and the Empowerment of Women for Inclusive Growth in Mexico", (2020), at: <https://www.oecd.org/about/secretary-general/gender-equality-and-empowerment-of-women-for-inclusive-growth-mexico-january-2020.htm>.

²⁶ International Finance Corporation, "Bridging the Gender Gap in Access to Finance" at: https://www.ifc.org/wps/wcm/connect/news_ext_content/ifc_external_corporate_site/news+and+events/news/bridging+the+gender+gap+in+access+to+finance#:~:text=IFC%20has%20estimated%20that%20worldwide,no%20access%20to%20financial%20services.

²⁷ World Bank, "Diagnóstico de Género en México", (2019), at: <http://documents1.worldbank.org/curated/en/312181558677765028/pdf/Mexico-Gender-Assessment.pdf>.

²⁸ McKinsey & Company, "One Aspiration, Two Realities" (2018), at: <https://www.mckinsey.com/~media/mckinsey/featured%20insights/americas/one%20aspiration%20two%20realities%20promoting%20gender%20equality%20in%20mexico/one-aspiration-two-realities-promoting-gender-equality-in-mexico.ashx>

²⁹ NRDC, "The Road from Paris: Mexico's Progress Toward its Climate Pledge", (2017), at: <https://www.nrdc.org/sites/default/files/paris-climate-agreement-progress-2017-mexico-ib.pdf>.

³⁰ WRI, "Choosing the Right Path: Low-Cost Policy Options for Enhancing Mexico's Climate Goals While Achieving Long-Term Social Benefits", at: https://wriorg.s3.amazonaws.com/s3fs-public/choosing-right-path_0.pdf.

³¹ Climate Transparency, "Brown to Green: G20 Transition to a Low Carbon Economy - Mexico", (2016), at: https://www.climate-transparency.org/wp-content/uploads/2016/09/Mexico_Country-Profile.pdf.

until at least 2030.³² Although the energy sector is a major contributor to Mexico's GHG emissions, the agricultural sector is responsible for 12.1%³³ with manure and synthetic fertilizer making up 31% and 13% of agricultural emissions, respectively.³²

More than 80% of all farms globally are small (below two hectares), with family farms occupying around 70% - 80% of farmland and producing over 80% of food worldwide.³⁴ In Mexico, small family farms account for about 40% of agricultural outputs and are essential contributors to the economy.³⁵ Many smallholder farms are constrained by limited access to financing, lower production yields and droughts caused by climate change. A myriad of challenges makes small-scale farming in Mexico unsustainable. According to Food and Agriculture Organization ("FAO"), a shift to sustainable agriculture will increase food production, create more jobs in the sector and preserve the natural resource base and will be powered by small scale farms.³⁶

Mega intends to finance farming methods such as macro-tunnels and soil-less substrates. These are expected to increase productivity and achieve efficiencies in water use, fertilizer use, pesticide application as well as overall reduced GHG emissions.³⁷ Use of macro-tunnels and growing produce in soil-less substrates in Mexico have the potential to support small-scale farms and help the country achieve both its environmental and economic goals. Mega's Sustainable Bond Framework contemplates financing for the sector that will preserve resources such as water, improve yields and overall empower small farmers in Mexico to be sustainable.

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 sustainable bond advances the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Employment Generation	8. Decent work and economic growth	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services
Socio-Economic Advancement and Empowerment	5. Gender Equality	5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life
Environmentally Sustainable Management of Living Natural Resources and Land Use	2. Zero Hunger	2.3 By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and nonfarm employment
Sustainable Water and Wastewater Management	6. Clean Water and Sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater

³² Climate Transparency, "Brown to Green: G20 Transition Towards a Net-Zero Emissions Economy - Mexico", (2019), at: https://www.climate-transparency.org/wp-content/uploads/2019/11/B2G_2019_Mexico.pdf.

³³ The United States Agency for International Development (USAID), "Greenhouse Gas Emissions in Mexico", (2017), at: https://www.climate-links.org/sites/default/files/asset/document/2017_USAID_GHG%20Emissions%20Factsheet_Mexico_0.pdf.

³⁴ Food and Agriculture Organization (FAO), "Launch of the UN's Decade of Family Farming to unleash family farmers' full potential", (2019), at: <http://www.fao.org/news/story/en/item/1195811/icode/>.

³⁵ International Fund for Agricultural Development (IFAD), "Smallholder farming key to development in Latin America and the Caribbean", at: <https://www.ifad.org/en/web/latest/speech/asset/39036385>.

³⁶ Food and Agriculture Organization (FAO), "Smallholders and Family Farming", at: <http://www.fao.org/family-farming/themes/small-family-farmers/en/>.

³⁷ Barret et. Al, "Achieving environmentally sustainable growing media for soil-less plant cultivation systems – A review", 2016, at: <https://www.sciencedirect.com/science/article/pii/S030442381630471X>

		and substantially increasing recycling and safe reuse globally
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Pollution Prevention and Control	12. Responsible consumption and production	12.a Support developing countries to strengthen their scientific and technological capacities to move towards more sustainable patterns of consumption and production

Conclusion

Mega has developed the Sustainable Bond Framework under which it will issue sustainable bonds and use the proceeds to finance projects that advance the Company's impact goals that promote sustainability and that provide positive social results. Sustainalytics considers that the projects funded by the sustainable bond proceeds are expected to have positive environmental and social impact.

The Sustainable Bond Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that Sustainable Bond Framework is aligned with the overall sustainability strategy of the company and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 2, 5, 6, 7, 8, and 12. Additionally, Sustainalytics is of the opinion that Mega has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that Mega is well-positioned to issue sustainable bonds and that the Sustainable Bond Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles (2018) and Social Bond Principles (2020).

Appendices

Appendix 1: Overview and Assessment of Fishery and Aquaculture Certifications




	Marine Stewardship Council ³⁸	Aquaculture Stewardship Council ³⁹	Best Aquaculture Practices ⁴⁰
Background	Marine Stewardship Council (MSC) is a non-profit organisation founded in 1996 that issues eco-label certifications for fisheries which are sustainable and well-managed.	The Aquaculture Stewardship Council (ASC) is an independent, international NGO that manages the ASC certification and labelling programme for responsible aquaculture.	The BAP certification is administered by the Global Aquaculture Alliance (GAA), a non-profit organisation focused on advocacy, education and leadership in responsible aquaculture matters.
Clear positive impact	Promoting sustainable fisheries practices.	Promoting sustainable aquaculture practices.	Promoting sustainable aquaculture practices.
Minimum standards	<p>A minimum score must be met across each of the performance indicators.</p> <p>As a condition to certification, low-scoring indicators must be accompanied by action plans for improvement.</p>	<p>Quantitative and qualitative thresholds which are designed to be measurable, metric- and performance-based.</p> <p>Certification may be granted with a “variance” to certain requirements of the standard. This variance is designed to allow the standard to adapt to local conditions but has been criticised for weakening the standard and overriding the consultations involved in the standard-setting process.</p>	<p>The BAP assessment has mandatory minimums, but also includes indicators which allow the proponent to define individual targets.</p> <p>As the certification process is fishery-specific, the standard may be more robust for some species. For example, the Monterey Bay Aquarium’s Seafood Watch programme recommends BAP as a reputable label for freshwater fish, mussels and shrimp, but not salmon, scallops or clams. ⁴¹</p>
Scope of certification or programme	<p>The MSC standard consists of a fisheries standard and a chain of custody standard.</p> <p>The Fishery Standard assesses three core principles: sustainable fish stocks, minimising environmental impact and effective fisheries management; collectively, these account for the major environmental and social impacts.</p> <p>The Chain of Custody standard addresses certified purchasing; product identification; separation; traceability and records; and good management.</p>	<p>ASC encompasses nine farm standards, covering 15 fish species as well as the harvest of seaweed. These farm standards lay out minimum requirements regarding both environmental and social performance.</p> <p>Additionally, a Chain of Custody Standard is mandatory for all supply chain actors in order to ensure traceability.</p>	<p>Different certifications are available for different parts of the supply chain: farms, processing plants, hatcheries, feed mills. In practice, that means that a processing plant that does not necessarily source all of its fish from certified farms can still be certified (a star rating display on the label provides this information).</p> <p>Within each fishery-specific standard there are requirements and recommendations which apply to social, environmental, animal health & welfare and food safety issues.</p>

³⁸ Marine Stewardship Council, at: <https://www.msc.org/standards-and-certification/fisheries-standard>.

³⁹ Aquaculture Stewardship Council, at: <https://www.asc-aqua.org/what-we-do/our-standards/farm-standards/>.

⁴⁰ Best Aquaculture Practices, at: <https://www.bapcertification.org/About>.

⁴¹ Monterey Bay Aquarium Seafood Watch, at: <https://www.seafoodwatch.org/seafood-recommendations/eco-certification>.

<p>Verification of standards and risk mitigation</p>	<p>Third-party conformity assessment bodies (CABs), certified by Accreditation Service International (ASI), carry out assessments in line with the MSC standard and ISO 17065.</p> <p>Certification is valid for up to five years.</p>	<p>Third-party conformity assessment bodies (CABs), certified by Accreditation Service International (ASI), carry out assessments in line with the ASC standard and ISO 17065.</p> <p>Major non-compliances must be remedied within three months.</p>	<p>Third-party certification bodies such as Global Trust, Bureau Veritas, Control Union, Lloyd’s Register, NSF, SGS assess compliance against the standard.</p> <p>Non-compliance precludes recertification until the violation is remedied.</p>
<p>Third-party expertise and multi-stakeholder process</p>	<p>Aligned with the UN Code of Conduct for Responsible Fishing and further informed by the Global Sustainable Seafood Initiative (GSSI), World Trade Organization (WTO) and International Social and Environmental Accreditation and Labelling (ISEAL)</p>	<p>Developed in line with United Nation’s Food and Agriculture Organization (UN FAO) and International Labour Organization (ILO) principles.</p> <p>Managed in accordance with the International Social and Environmental Accreditation and Labelling (ISEAL) Codes of Good Practice.</p>	<p>The standard is managed by an oversight committee, which takes development input from a technical committee as well as public comments.</p> <p>Aligned with Global Food Safety Initiative (GFSI), Global Social Compliance Programme (GSCP) and Global Sustainable Seafood Initiative (GSSI).</p>
<p>Performance display</p>			
<p>Qualitative considerations</p>	<p>The MSC label is the most widely recognised sustainable fisheries label worldwide and is generally accepted to have positive impacts on marine environments.</p> <p>Proponents of the label cite the transparent science-based process for approval and its successful engagement with industry groups. Criticism from various observers include lack of focus on preventing by-catch; protecting marine mammals and endangered species; follow-up on conditions; crew safety; and live tracking of supply chains.</p>	<p>Widely recognised and modeled on the successful MSC certification.</p> <p>Some criticism has been focused on the ability to certify with a “variance”, in which certain aspects of the standard can be interpreted or waived during the audit procedure.</p> <p>While a reputable certification overall, the standard does not fully mitigate all the risks associated with aquaculture.</p>	<p>Widely recognised within the industry.</p> <p>As the certification process is fishery-specific, the standard may be more robust for some species than for other.</p> <p>While a reputable certification overall, the standard does not fully mitigate all the risks associated with aquaculture.</p>

Appendix 2: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Operadora de Servicios Mega S.A. de C.V. SOFOM ER
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	Sustainable Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	November 18, 2020
Publication date of review publication:	November 18, 2020

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.
The review assessed the following elements and confirmed their alignment with the GBP and SBP:

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

ROLE(S) OF REVIEW PROVIDER

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

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

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

Please refer to Evaluation Summary above.

Section 3. Detailed review

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

1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

The eligible categories for the use of proceeds – Employment Generation, Socio-Economic Advancement and Empowerment, Environmentally Sustainable Management of Living Natural Resources and Land Use, Sustainable Water and Wastewater Management, Renewable Energy, Pollution Prevention and Control – are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers that the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 2, 5, 6, 7, 8, 12.

Use of proceeds categories as per GBP:

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

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

Use of proceeds categories as per SBP:

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

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Mega's Environmental and Social Committee, comprised of members from the management team and multiple departments, will be responsible for project evaluation and selection. Sustainalytics considers the project selection process in line with market practice.

Evaluation and selection

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

Information on Responsibilities and Accountability

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

3. MANAGEMENT OF PROCEEDS

Overall comment on section *(if applicable)*:

Mega will establish a sustainable bond register, managed by the Environmental and Social Committee, through which it will track net bond proceeds. Pending allocation proceeds will be kept in cash, cash equivalents, and or in accordance with Mega's liquidity policies. This is in line with market practice.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (please specify): |

Additional disclosure:

- | | |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements |

- Disclosure of portfolio balance of unallocated proceeds
 Other (please specify):

4. REPORTING

Overall comment on section (if applicable):

Mega intends to publish reports on its website within a year of each green, social and/or sustainability issuance and until full allocation. The reports will contain (i) a summary of each outstanding bond; (ii) assignment of proceeds to each eligible category and, where possible, information on the project portfolio; (iii) amount used for financing or refinancing; (iv) balance of unallocated proceeds; and (v) relevant expected environmental or social impacts per eligible category. Sustainalytics views Mega's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

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

Information reported:

- Allocated amounts
 Sustainability Bond financed share of total investment
- Other (please specify): issuance date, size, maturity date and currency; amount used for financing or re-financing purposes; unallocated amount.

Frequency:

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

Impact reporting:

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

Information reported (expected or ex-post):

- GHG Emissions / Savings
 Energy Savings
- Decrease in water use
 Number of beneficiaries
- Target populations
 Other ESG indicators (please specify): Number of first loans reported to the financial sector; number of companies that meet the environmental and social parameters; percentage of

creation of formal employment; Number of loans that meet the criteria guided by the 2X Challenge; number of hectares with macro-tunnels; number of tons of collection of contaminating waste; number of capacity in liters of water treatment plants; and number of verified vehicles.

Frequency:

- Annual
 Semi-annual
 Other (please specify):

Means of Disclosure

- Information published in financial report
 Information published in sustainability report
 Information published in ad hoc documents
 Other (please specify): Sustainable Bond Report
 Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

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

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

<http://www.gfmega.com>

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 AND THE SBP**

- i. Second-Party Opinion: An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the

issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.

- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
- iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green, Social and Sustainability Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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