

Second-Party Opinion

Mega Sustainable Bond Framework



Evaluation Summary

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



USE OF PROCEEDS The eligible categories for the use of proceeds – Employment Generation, Socioeconomic Advancement and Empowerment, Sustainable Agriculture, Sustainable Aquaculture, 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 investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDG 2, 5, 6, 7, 8, 12 and 14.



PROJECT EVALUATION / SELECTION Mega's Environmental and Social Committee, comprised of members from the management team and multiple departments, will meet quarterly and will be responsible for project evaluation and selection in line with Mega's credit process, which includes an environmental and social risk assessment. 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. Furthermore, two supervisory areas (agriculture and other industries) will verify annually the correct allocation of resources. 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	February 23, 2022 ¹
Issuer Location	Guadalajara, Mexico

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¹ In March 2022, Mega made changes to their 2020 Sustainable Bond Framework. The scope of Sustainalytics' update consists of assessing a revised list of eligible categories that meet the Eligibility Criteria, and to confirm that the changes remain compliant with the intentions of the original Framework and sustainable bond market practice.

Introduction

Operadora de Servicios Mega S.A. de C.V. SOFOM ER (“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 Mega Sustainable Bond Framework (the “Framework”) under which it intends to issue sustainability 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 sustainability impact goals and that contribute to 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 five areas:

1. Sustainable Agriculture
2. Sustainable Aquaculture
3. Sustainable Water and Wastewater Management
4. Renewable Energy
5. Pollution Prevention and Control

Mega engaged Sustainalytics to review the Mega Sustainable Bond Framework, dated March 2022,² and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP), and Social Bond Principles 2021 (SBP).³ This Framework will be made available in a separate document.⁴

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

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

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

- The Framework’s alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2021, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.11, 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.

² This is an update to Mega’s Sustainable Bond Framework dated November 2020, for which Sustainalytics provided a Second-Party Opinion, available at: <https://www.gfmega.com>

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

⁴ The Mega Sustainable Bond Framework is available on Operadora de Servicios Mega S.A. de C.V. SOFOM ER’s website at <https://www.gfmega.com>

⁵ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

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

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and 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. The Second-Party Opinion is valid for issuances aligned with the respective Framework for which the Second-Party Opinion was written for a period of twenty-four (24) months from the evaluation date stated herein.

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

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

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Mega Sustainable Bond Framework

Sustainalytics is of the opinion that the Mega Sustainable Bond Framework is credible, impactful and aligns with the four core components of the GBP and SBP. Sustainalytics highlights the following elements of Mega's Sustainability Bond Framework:

- Use of Proceeds:
 - The eligible categories for the use of proceeds – Employment Generation, Socioeconomic Advancement and Empowerment, Sustainable Agriculture, Sustainable Aquaculture, 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 are underserved by traditional banking to promote financial inclusion and formal employment. Sustainalytics notes that Mega's MSME criteria for eligible enterprises follows the definition set by the National Institute of Statistics and Geography of Mexico.⁶
 - For the "Socioeconomic Advancement and Empowerment" category, Mega intends to finance MSMEs that meet the following 2X Challenge Financing for Women⁷ criteria:
 - 51% or more owned by women or incorporated by a woman;
 - 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 "Sustainable Agriculture" category, the Company intends to finance protected agriculture,⁸ including the use of macro-tunnels, which reduce GHG emissions through a

⁶ INEGI, "Micro, pequeña, mediana y gran empresa", at: https://www.inegi.org.mx/contenidos/programas/ce/2009/doc/minimonografias/m_pymes.pdf.

⁷ 2X Challenge Financing for Women, at: <https://www.2xchallenge.org/criteria>

⁸ "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

reduction in the use of pesticides. Mega may also finance the recycling of plastics used in macro-tunnels and other agricultural uses, as well as soil-less substrates agricultural projects. Sustainalytics notes that this category will finance small berry producers located in western cities in Mexico with little access to traditional banking and considers this category to be aligned with market practice.

- For the “Sustainable Aquaculture” category, the Company intends to provide financing to protected aquacultural facilities and fisheries. Eligible aquaculture facilities are those that are certified by the Aquaculture Stewardship Council (ASC)⁹ or by the Best Aquaculture Practices (BAP)¹⁰ – two stars or more; and fishery operations will be certified by the Marine Stewardship Council (MSC).¹¹ Sustainalytics considers these certifications to be credible and impactful.
- 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 (<10 MW), geothermal with direct emission <100gCO₂/kWh, and hydropower facilities with a power density of >5Wm². Sustainalytics notes that any large-scale hydro (>25 MW) shall comply with the International Finance Corporation (IFC) Standards¹² and/or be in alignment with International Hydropower Association’s Hydropower Sustainability Assessment Protocol.¹³ 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 recognizes the environmental and health benefits of measuring vehicles emissions in order to ensure compliance. It should be noted however that this category focuses on the mitigation of the impact of internal combustion of vehicles without consideration of the carbon intensity of such vehicles, and that the greening of transportation in Mexico will require a shift towards low- and zero-carbon vehicles.
- Sustainalytics notes that Mega has defined an exclusionary criteria in line with the World Bank Standards,¹⁴ 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 meet quarterly and will be responsible for project evaluation and selection in line with Mega’s credit process, which includes an environmental and social risk assessment. 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

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.

⁹ ASC, Farm Standards: <https://www.asc-aqua.org/what-we-do/our-standards/farm-standards/>

¹⁰ Best Aquaculture Practices, BAP Certification: <https://www.bapcertification.org/About>

¹¹ Marine Stewardship Council, The MSC Fisheries Standards: <https://www.msc.org/standards-and-certification/fisheries-standard>

¹² 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=kJQI35z.

¹³ IHA, “Hydropower Sustainability Assessment Protocol”, at: <https://www.hydropower.org/topics/featured/hydropower-sustainability-assessment-protocol>.

¹⁴ 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>.

sustainability strategy with time-bound and quantifiable targets to achieve greater social and environmental impacts.

Approach to managing 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 expected 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.

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

- Mega has incorporated the World Bank's Environmental and Social Management System based on the IFC Performance Standard, which consists of a set of processes and practices to mitigate risks.²⁰ Accordingly, 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.²¹ Furthermore, Mega provides related trainings for its employees through courses such as Environmental and Social Risk Analysis by the United Nations Environment Programme Finance Initiative.²²
- Mega's Code of Ethics lays out principles that guide the actions and behaviors of Mega's employees in areas such as customer relations, protection of confidential information, transparency, prevention of workplace harassment, the environment, conflicts of interest, corporate social responsibility, and compliance with applicable sanctions laws and regulations.²³
- In addition to the above, Mega has shared with Sustainalytics, internal manuals and policies the Company utilizes to assess potential environmental and social risks. The Company has also published a summary of its approach to environmental and social risk management policies on its website.²⁴

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

Importance of Providing Support to MSMEs in Mexico

Micro, Small and Medium Enterprises ("MSMEs" and/or "SMEs") account for about 95% of companies in Mexico, highlighting their important contribution to the country's economic growth.²⁵ According to the Organization for Economic Co-operation and Development (OECD), over 4 million MSMEs in Mexico contribute to 12.4% of total gross production and employ 47.2% of the workforce.²⁶ However, MSMEs face significant barriers in accessing financing at affordable rates, paying an average of 17.7% of interest rate in comparison

²⁰ The World Bank Group, "Environmental and Social Management System Implementation Handbook", at: <https://openknowledge.worldbank.org/bitstream/handle/10986/22784/Environmental00n0handbook000general.pdf?sequence=1&isAllowed=y>

²¹ Mega, "Board committees", at: <https://www.gfmega.com/en/gobierno/comites>

²² UN Environment Programme, "Virtual Course on Environmental and Social Risk Analysis (ARAS)", at: <https://www.unepfi.org/training/capacitacion/aras/spanish/>

²³ Mega, "Bylaws and other codes", at: <https://www.gfmega.com/en/gobierno/codes>

²⁴ Mega, "Sustainability", at: <https://www.gfmega.com/en/gobierno/sostenibilidad>

²⁵ Entrepreneur, "Why SMEs in Mexico Fail: The Reasons Nobody Talks about", (2021), at: <https://www.entrepreneur.com/article/371859>

²⁶ OECD, "Financing SMEs and Entrepreneurs 2020: An OECD Scoreboard", (2020), at: <https://www.oecd-ilibrary.org/sites/c2314a63-en/index.html?itemId=/content/component/c2314a63-en>

to 11.8% paid by larger companies.²⁷ In addition, the World Bank reports that only 11% of MSMEs use bank credit due to affordability and accessibility issues.²⁸ This has been further exacerbated by the COVID-19 pandemic which resulted in the closure of more than 1 million MSMEs across Mexico and a corresponding loss of 3 million jobs.²⁹

In response to the financial challenges faced by MSMEs, the Government of Mexico introduced the “Crédito a la Palabra” programme in 2020, directing MXN 25 billion (USD 1 billion) to support family SMEs.³⁰ The programme provides loans of MXN 25,000 (USD 1,032) to be paid within 3 years with an annual interest rate of 6.5%.³¹ In 2021, the Mexican government announced the program’s extension, allocating an additional MXN 1.5 billion (USD 74 million) for the fiscal year.³² Additionally, the federal government has provided loans to almost 700,000 MSMEs and intends to extend credit to about 642,000 small businesses.³³

Sustainalytics notes that Mega’s financing for MSMEs to support their economic activities is expected to have a positive impact on employment generation, economic growth and resilience in the face of the current pandemic.

Importance of GHG emission reduction in the agricultural sector in Mexico

As the world’s thirteenth largest GHG emitter,³⁴ Mexico has committed to a conditional reduction³⁵ of GHG emissions by 36% by 2030 and 50% by 2050 in its Intended Nationally Determined Contribution (“INDC”).^{36,37} These goals were enshrined into law in its General Climate Change Law (“LGCC”) in 2018.³⁸ According to Climate Transparency, Mexico is not on track to meet the Paris Climate Agreement’s 1.5°C Celsius maximum temperature rise target because the country’s GHG emissions have increased by 60% from 1990 to 2018 and the INDCs are not in line to the 1.5°C pathway.³⁹ The agricultural sector is responsible for 15% of Mexico’s total GHG emissions with manure and synthetic fertilizer making up 32% and 10% of agricultural emissions, respectively.^{40, 41}

More than 84% 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.⁴² In Mexico, small family farms account for about 40% of agricultural outputs and are essential contributors to the economy.⁴³ A myriad of challenges makes small-scale farming in Mexico unsustainable, including limited access to financing for smallholder

²⁷ OECD, “Financing SMEs and Entrepreneurs 2020: An OECD Scoreboard”, (2020), at: <https://www.oecd-ilibrary.org/sites/c2314a63-en/index.html?itemId=/content/component/c2314a63-en>

²⁸ The World Bank, “Expanding Financial Access for Mexico’s Poor and Supporting Economic Sustainability”, (2021), at: <https://www.worldbank.org/en/results/2021/04/09/expanding-financial-access-for-mexico-s-poor-and-supporting-economic-sustainability>

²⁹ Mexico News Daily, “Coronavirus has shuttered 1 million small businesses”, (2020), at: <https://mexiconewsdaily.com/news/coronavirus-has-shuttered-1-million-small-businesses/>

³⁰ Global Trade Alert, “Mexico: Government launches USD 1 billion credit programme to family SMEs (COVID-19)”, (2020), at:

<https://www.globaltradealert.org/intervention/79315/state-loan/mexico-government-launches-usd-1-billion-credit-programme-to-family-smes-covid-19>

³¹ *Ibid.*

³² *Ibid.*

³³ Mexico News Daily, “IMSS has approved 700,000 loans worth 25,000 pesos to small businesses”, (2020), at

<https://mexiconewsdaily.com/news/coronavirus/imss-has-approved-700000-loans-to-small-businesses/>

³⁴ NRDC, “Groups to Biden Admin: Step Up Climate Diplomacy with Mexico”, (2022), at: <https://www.nrdc.org/media/2022/220118>

³⁵ Conditional contributions require the support of financial, technical and technological instruments, as well as capacity-building which will accelerate the implementation of mitigation actions across the country. For more information, please visit:

<https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Mexico%20First/NDC-Eng-Dec30.pdf>

³⁶ UNFCCC, “Nationally Determined Contributions”, (2020), at: <https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Mexico%20First/NDC-Eng-Dec30.pdf>

³⁷ IEA, “General Law of Climate Change (Mexico)”, (2021), at: <https://www.iea.org/policies/8683-general-law-of-climate-change-mexico>

³⁸ *Ibid.*

³⁹ Climate Transparency, “Comparing G20 Climate Action towards Net Zero”, (2021), at: <https://www.climate-transparency.org/wp-content/uploads/2021/10/CT2021Mexico.pdf>

⁴⁰ OECD, “Agricultural Policy Monitoring and Evaluation 2021 : Addressing the Challenges Facing Food Systems”, (2021), at: <https://www.oecd-ilibrary.org/sites/a7f07ad3-en/index.html?itemId=/content/component/a7f07ad3-en>

⁴¹ Climate Transparency, “Comparing G20 Climate Action towards Net Zero”, (2021), at: <https://www.climate-transparency.org/wp-content/uploads/2021/10/CT2021Mexico.pdf>

⁴² Science Direct, “Which farms feed the world and has farmland become more concentrated?”, (2021), at:

<https://www.sciencedirect.com/science/article/pii/S0305750X2100067X?via%3Dihub>

⁴³ 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>.

farms, lower production yields and droughts caused by climate change.^{44,45,46} In response to these challenges, Mexico's Secretariat of Agriculture and Rural Development (SADER) introduced a new program, "Production for Wellbeing", geared towards enhancing access to services and investments for small and medium-sized farms.⁴⁷ According to the United Nations 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.⁴⁸

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.⁴⁹ Sustainalytics is of the opinion that Mega's financing in macro-tunnels and soil-less substrates in Mexico have the potential to support small-scale farms and contribute to the country's environmental and economic goals.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The bond(s) issued under the Mega Sustainable Bond Framework 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.
Socioeconomic 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.
Sustainable Agriculture	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 Aquaculture	14. Life Below Water	14.2 By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans

⁴⁴ Catalyst Fund, "Why we invested: Verqor enables smallholder farmers in Mexico to access financing and connect with buyers", (2021), at: <https://bflaglobal.com/catalyst-fund/insights/why-we-invested-verqor-enables-smallholder-farmers-in-mexico-to-access-financing-and-connect-with-buyers/>

⁴⁵ Frontiers in Climate, "Evaluating Risk and Possible Adaptations to Climate Change Under a Socio-Ecological System Approach", (2021), at: <https://www.frontiersin.org/articles/10.3389/fclim.2021.674693/full>

⁴⁶ United States Department of Agriculture, "Drought Conditions in Mexico and Its Effect on Agriculture", (2021), at: https://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=Drought%20Conditions%20in%20Mexico%20and%20Its%20Effect%20on%20Agriculture_Monterrey%20ATO_Mexico_06-02-2021.pdf

⁴⁷ USDA Foreign Agricultural Service, "Mexico Announces New "Production for Wellbeing" Support Program", (2019), at: https://agriexchange.apeda.gov.in/MarketReport/Reports/Mexico%20Announces_New_Production_for_Wellbeing_Support_Program_Mexico_Mexico_2-7-2019.pdf

⁴⁸ Food and Agriculture Organization (FAO), "Smallholders and Family Farming", at: <http://www.fao.org/family-farming/themes/small-family-farmers/en/>.

⁴⁹ 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>

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 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 Mega’s 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, 12 and 14. 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 (2021) and Social Bond Principles (2021).

Appendix

Appendix 1: 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:	Mega Sustainable Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	February 23, 2022
Publication date of review publication:	February 23, 2022
Original publication date:	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, Socioeconomic Advancement and Empowerment, Sustainable Agriculture, Sustainable Aquaculture, 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 investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDG 2, 5, 6, 7, 8, 12 and 14.

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 meet quarterly and will be responsible for project evaluation and selection in line with Mega's credit process, which includes an environmental and social risk assessment. 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. Furthermore, two supervisory areas (agriculture and other industries) will verify annually the correct allocation of resources. 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 |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> 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:

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

Information reported:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Sustainability Bond financed share of total investment |
| <input checked="" type="checkbox"/> Other (please specify): issuance date, size, maturity date and currency; amount used for financing or re-financing purposes; unallocated amount. | |

Frequency:

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

Impact reporting:

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

Information reported (expected or ex-post):

- | | |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input type="checkbox"/> Energy Savings |
|---|---|

- | | |
|---|---|
| <ul style="list-style-type: none"> <input type="checkbox"/> Decrease in water use <input type="checkbox"/> Target populations | <ul style="list-style-type: none"> <input type="checkbox"/> Number of beneficiaries <input checked="" type="checkbox"/> Other ESG indicators (please specify): Percentage of bond resources directed to SMEs, Percentage of bond resources directed to the portfolio aligned to the 2xchallenge Financing for Women, Percentage of bond resources directed to the portfolio aligned to the Green Projects, Percentage of bond resources directed to portfolio originated up to 6 months before the bond issuance date and that meet the eligibility criteria, Percentage of bond resources pending placement, Amount of outstanding loans to SMEs, Number of outstanding loans to SMEs, Number of SMEs with outstanding loans, Amount of outstanding loans to SMEs as a percentage of Mega's total portfolio, Number of first loans reported to the financial sector, Existing formal jobs in SMEs, Number of formal jobs generated by SMEs, Amount of outstanding loans that meet the 2X Challenge Financing for Women criteria, Number of outstanding loans that meet the 2X Challenge Financing for Women criteria, Number of companies that meet the 2X Challenge Financing for Women criteria with outstanding loans, Amount of outstanding loans to that meet the 2X Challenge Financing for Women criteria as a percentage of Mega's total portfolio, Amount of outstanding green loans, Number of outstanding green loans, Number of companies with outstanding green loans, Amount of outstanding loans for green lending as a percentage of Mega's total portfolio, Number of hectares in which macro-tunnels technology is used for crop production, Tons collected of contaminating waste, Capacity of water treatment plants, Expected annual generation, CO2e emissions avoided, Number of verified units |
|---|---|

Frequency:

- | | |
|--|--|
| <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Annual <input type="checkbox"/> Other (please specify): | <ul style="list-style-type: none"> <input type="checkbox"/> Semi-annual |
|--|--|

Means of Disclosure

- | | |
|--|---|
| <ul style="list-style-type: none"> <input type="checkbox"/> Information published in financial report | <ul style="list-style-type: none"> <input type="checkbox"/> 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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