

Nacional Financiera S.N.C., I.B.D

Type of Engagement: Annual Review

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Introduction

In December 2021, Nacional Financiera S.N.C., I.B.D (“NAFIN” or the “Company”) issued a sustainability bond,¹ under the NAFIN Sustainability Bond Framework (the “Framework”),² to finance or refinance projects related to energy efficiency and micro, small and medium enterprises (the “2021 Sustainability Bonds”). Sustainalytics provided a second-party opinion on the Framework in October 2021.³ In November 2022, NAFIN engaged Sustainalytics to review the projects funded with proceeds from the 2021 Sustainability Bonds and provide an assessment as to whether the projects met the use of proceeds criteria and the reporting commitments outlined in the Framework.

Evaluation Criteria

Sustainalytics evaluated the projects funded with proceeds from the 2021 Sustainability Bonds based on whether the projects:

1. Met the use of proceeds and eligibility criteria outlined in the Framework; and
2. Reported on at least one of the key performance indicators (KPIs) for each use of proceeds category outlined in the Framework.

¹On November 18, 2021, NAFIN completed the placement of a Sustainability Bond in two tranches. One for a 5 year note of USD 63 million (1.3 billion Mexican Pesos) at a floating rate; and a second tranche of USD 313 Million (6.5 billion Mexican Pesos) at a fixed rate.

²NAFIN, “Sustainability Bond Framework”, (2021), at: https://www.nafin.com/portalnf/files/secciones/emisiones-relaciones-internacionales/captacion/documentos/BonoSostenibleMEX_ENG_Final.pdf

³Sustainalytics, “NAFIN Sustainability Bond Framework Second-Party Opinion”, (2021), at: [https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/nacional-financiera-s-n-c/nafin-sustainability-bond-framework-second-party-opinion-\(english\)-\(2021\)/nafin-sustainability-bond-framework-second-party-opinion-\(english\)-\(2021\)](https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/nacional-financiera-s-n-c/nafin-sustainability-bond-framework-second-party-opinion-(english)-(2021)/nafin-sustainability-bond-framework-second-party-opinion-(english)-(2021))

Table 1: Use of Proceeds Category, Eligibility Criteria and Associated KPIs⁴

Use of Proceeds Category	Eligibility Criteria	Key Performance Indicators
Energy Efficiency	<p>I. Programs dedicated to energy efficiency⁵ improvements that comply with the definitions set forth in the Sustainable Energy Use Law⁶, the Official Standards and the guidelines issued by the National Commission for the Efficient Use of Energy⁷ in:</p> <ul style="list-style-type: none"> MSMEs, including, but not limited to, upgrades in the thermal insulation of buildings, air conditioning, refrigeration systems, thermal, concentrated, and photovoltaic solar systems, and lighting replacement with more efficient devices and systems (for example, LED technology).⁸ <p>II. Investments in digital systems⁹ that allow data collection and processing of eligible projects for the purpose of tracking environmental and social risks and impacts.</p>	<ul style="list-style-type: none"> Annual energy savings in MWh/GWh (electricity) and GJ/TJ (other energy savings)/a Reduced/prevented GEI annual emissions in tons equivalent CO₂/b Number of persons benefitted
Support for SMEs and programs designed to create jobs, prevent and/or alleviate unemployment caused by socio-economic crisis, natural disasters and climate change¹⁰	<p>The funds under this category will be allocated to loans or other financial backing for micro, small and medium-sized enterprises.</p> <p>Digital systems</p> <p>Investments in digital systems¹¹ that allow data collection and processing of eligible projects for the purpose of tracking environmental and social risks and impacts.</p>	<ul style="list-style-type: none"> Number of benefitted SMEs Number of benefitted SMEs headed by women Value of the credits granted to SMEs Number of jobs created related to SMEs competitive programs

Issuer's Responsibility

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

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of use of proceeds from the 2021 Sustainability Bonds. The work undertaken as part of this engagement included collection of documentation from NAFIN and review of said documentation to assess conformance with the Framework.

⁴The table contains categories that have been financed through the 2021 Sustainability Bonds. The categories included in the Framework that are not financed through the 2021 issuance are: Clean transportation; renewable energy; sustainable waste management; Improved access to essential services that include education, vocational training as well as financial services and financing for low-income communities and young entrepreneurs and students; and women's empowerment and socioeconomic progress, including their equitable participation and integration into the job market and society.

⁵ Energy efficiency measures with motor vehicles that use fossil fuels are not eligible.

⁶Official Gazette of the Federation (2008). Law for the Sustainable Use of Energy. Retrieved from:

https://www.senado.gob.mx/comisiones/energia/docs/marco_LASE.pdf

⁷ National Commission for the Efficient Use of Energy (2021). Actions and Programs. Retrieved from: <https://www.gob.mx/conuee#6871>

⁸ Excluding general purpose financing.

⁹ Limited to 5% of total allocations.

¹⁰ Refer to Annex 1 of the Framework: Target Beneficiary of the Framework for more information on the target beneficiaries

¹¹ Limited to 5% of total allocations.

Sustainalytics relied on the information and the facts presented by NAFIN. Sustainalytics is not responsible nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by NAFIN.

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

Conclusion

Based on the limited assurance procedures conducted,¹² nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed projects do not conform with the use of proceeds and reporting criteria outlined in the Framework. NAFIN has disclosed to Sustainalytics that the proceeds from the sustainability bond were fully allocated as of December 2021.

Detailed Findings

Table 2: Detailed Findings

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

¹² Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the funded projects, including description of projects, estimated and realized costs of projects, and project impact, as provided by the Issuer, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Appendix

Appendix 1: Allocation and Impact Reporting

Table 3: Allocation Report

Use of Proceeds Category	Net Proceeds Allocation in 2021 (MXN)	Allocation (%)
Energy Efficiency	169,926,621.40	2.2
Support for SMEs designed to create jobs, prevent and/or alleviate unemployment caused by socio-economic crisis, natural disasters and climate change	7,630,073,378.60 ¹³	97.8
Total allocation (MXN)	7,800,000,000	100

Table 4: Impact report for green category

Use of Proceeds Category	Environmental and Social Impact Indicators			
	Credit disbursed for the purchase of energy efficiency appliances and renewable energy systems	Number of photovoltaic systems financed	Number of energy efficiency appliances finances	Greenhouse gas emissions avoided
Energy Efficiency ¹⁴	MXN 169,926,621 739 credits	712	47	103,406 tCO ₂ e

Table 5: Impact report for social category

Use of Proceeds Category	Environmental and Social Impact Indicators			
	Credit disbursed to MSMEs in municipalities highly vulnerable to climate change	Number of MSMEs supported in municipalities highly vulnerable to climate change	Number of jobs supported in municipalities highly vulnerable to climate change	Number of jobs created in municipalities highly vulnerable to climate change
Support for SMEs designed to create jobs, prevent and/or alleviate unemployment caused by socioeconomic crisis and climate change	MXN 7,630,073,378 1,620 credits	56 MSMEs	4,523	312

¹³ This includes refinancing of investments from 2018 to 2020.

¹⁴ NAFIN has communicated to Sustainalytics that the assets financed through the proceeds of the 2021 Sustainability Bonds align with the criteria noted under the Energy Efficiency category.

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In case of discrepancies between the English language and translated versions, the English language version shall prevail.

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