

# NACIONAL FINANCIERA S.N.C, I.B.D

**Type of Engagement:** Annual Review

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## Introduction

In 2022, NACIONAL FINANCIERA S.N.C, I.B.D (“NAFIN”) issued a social bond of MXN 9,304 million (USD 466 million) to refinance projects related to micro, small and medium-sized enterprises (the “2022 Social Bond”). In 2023, NAFIN engaged Sustainalytics to review the projects financed with proceeds from the 2022 Social Bond (the “Nominated Projects”) and assess whether the projects met the use of proceeds criteria and the reporting commitments outlined in the NAFIN Sustainability Bond Framework (the “Framework”)¹. Sustainalytics provided a Second-Party Opinion on the Framework in October 2021.² This is Sustainalytics’ second annual review of allocation and reporting of the instruments issued under the Framework, following a previous review in December 2022.

## Evaluation Criteria

Sustainalytics evaluated the Nominated Projects based on whether they:

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

**Table 1: Use of Proceeds Categories, Eligibility Criteria and Associated KPIs**

Use of Proceeds Category	Eligibility Criteria	Key Performance Indicators
<b>Support for SMEs designed to create jobs, prevent and/or alleviate unemployment caused by socioeconomic crisis, natural disasters and climate change.</b> <sup>3</sup>	<p>The funds under this category will be allocated to loans or other financial backing for micro, small and medium-sized enterprises</p> <p><b>Digital systems</b></p> <p>Investments in digital systems<sup>4</sup> that allow data collection and processing of eligible projects for the purpose of tracking environment and social risks and impacts</p>	<ul style="list-style-type: none"> <li>• Number of benefitted SMEs</li> <li>• Number of benefitted SMEs headed by women</li> <li>• Value of the credits granted to SMEs</li> <li>• Number of jobs created related to SMEs competitive programs</li> </ul>

<sup>1</sup> NAFIN, “Sustainability Bond Framework”, (2021), at: [https://www.nafin.com/portalnf/files/secciones/emisiones-relaciones-internacionales/captacion/documentos/BonoSostenibleMEX\\_ENG\\_Final.pdf](https://www.nafin.com/portalnf/files/secciones/emisiones-relaciones-internacionales/captacion/documentos/BonoSostenibleMEX_ENG_Final.pdf)

<sup>2</sup> Sustainalytics, “Second-Party Opinion, Nacional Financiera S.N.C., I.B.D (NAFIN) Sustainability Bond Framework”, (2021), at: [https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/nafin-sustainability-bond-framework-second-party-opinion.pdf?sfvrsn=38487a7\\_1](https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/nafin-sustainability-bond-framework-second-party-opinion.pdf?sfvrsn=38487a7_1)

<sup>3</sup> Population with revenues below the income poverty line according to the definition provided by the National Council for the Evaluation of Social Development Policy CONEVAL (2018.) Agreement by which the general guidelines and criteria for the definition, identification and measurement of poverty are updated. Retrieved from: [https://www.coneval.org.mx/Medicion/MP/Paginas/acuerdo\\_actualizacion\\_lineamientos\\_pobreza\\_2018.aspx](https://www.coneval.org.mx/Medicion/MP/Paginas/acuerdo_actualizacion_lineamientos_pobreza_2018.aspx)

<sup>4</sup> Limited to 5% of total allocations.

## Issuer's Responsibility

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

## Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from NAFIN's 2022 Social Bond. 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.

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,<sup>5</sup> 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 criteria and reporting commitments in the Framework. NAFIN has disclosed to Sustainalytics that the proceeds from the 2022 Social Bond were fully allocated as of December 2022.

## Detailed Findings

**Table 3: Detailed Findings**

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
<b>Use of Proceeds Criteria</b>	Verification of the projects funded with proceeds from the 2022 Social Bond to determine if projects aligned with the use of proceeds criteria outlined in the Framework.	All projects reviewed complied with the use of proceeds criteria.	None
<b>Reporting Criteria</b>	Verification of the projects funded with proceeds from the 2022 Social Bond to determine if impact of projects was reported in line with the KPIs outlined in the Framework.	All projects reviewed reported on at least one KPI per use of proceeds category.	None

<sup>5</sup> Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the funded projects, including description of projects, their estimated and realized costs and impact, as provided by the issuing entity, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

## Appendix

**Table 3: Allocation per Use of Proceeds Category**

Use of Proceeds Category	Net Proceeds Allocation
Support for SMEs designed to create jobs, prevent and/or alleviate unemployment caused by socioeconomic crisis, natural disasters and climate change	MXN 9,304,482,800.00

**Table 4: Reported Impact per Use of Proceeds Category**

Use of Proceeds Category	Environmental and Social Impact Indicators			
	Total credit disbursed to MSMEs	Total number of MSMEs supported	Number of jobs supported	Total number of jobs created
Support for SMEs designed to create jobs, prevent and/or alleviate unemployment caused by socioeconomic crisis and climate change	984 credits	73	231,258	288

**Table 5: Reported Social Impact in Municipalities**

Credit disbursed to SMEs 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
Of the 983 total credits, 618 were disbursed in municipalities highly vulnerable to climate change	Of the 73 MSMEs supported, 23 are in municipalities highly vulnerable to climate change	Of the 231,258 jobs supported, 158,579 were in municipalities highly vulnerable to climate change	Of the 288 jobs created, 217 were in municipalities highly vulnerable to climate change

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