

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and its Sustainable bond framework

BANCOMEXT
13 July 2021

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	• Sustainability Bonds
Relevant standards	• International Capital Market Association's (ICMA) Green Bond Principles (GBP), Social Bond Principles (SBP), and Sustainability Bond Guidelines (SBG).
Scope of verification	• BANCOMEXT Sustainable Bond Framework (as of July 2021)
Lifecycle	• Pre-issuance verification
Validity	• As long as BANCOMEXT Sustainable Bond Framework remains unchanged

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Scope of work

BANCOMEXT (“the issuer”) commissioned ISS ESG to assist with its Sustainability bonds by assessing three core elements to determine the sustainability quality of the instrument:

1. Sustainability bonds link to BANCOMEXT’s sustainability strategy – drawing on BANCOMEXT’s overall sustainability profile and issuance-specific Use of Proceeds categories.
2. BANCOMEXT’s Sustainable Bond Framework (July 2021 version) – benchmarked against the International Capital Market Association's (ICMA) Green Bond Principles (GBP), Social Bond Principles (SBP), and Sustainability Bond Guidelines (SBG).
3. The Selection Criteria – whether the projects contribute positively to the UN SDGs and relative to ISS ESG’s issue-specific key performance indicators (KPIs).

ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ¹
Part 1: Sustainability Bonds link to issuer's sustainability strategy	As Mexico's international commerce development bank, BANCOMEXT's purpose, as set forth in its Organic Law², is to contribute to the economic development in Mexico by providing financing to entities involved in the country's foreign trade. The Use of Proceeds financed through this bond are consistent with the issuer's sustainability strategy and material ESG topics for the issuer's industry for the majority of the categories. The rationale for issuing the bonds is described by the issuer. The issuer has defined a formal concept for its Sustainability Bonds regarding use of proceeds, processes for project evaluation and selection, management of proceeds, and reporting. This concept is in line with the GBP, SBP, and SBG.	Consistent with issuer's sustainability strategy
Part 2: Alignment with the GBP, SBP, and SBG	The overall sustainability quality of the Selection Criteria in terms of sustainability benefits, risk avoidance and minimization are good based upon the ISS ESG assessment. The Sustainability Bonds will be allocated to any of the following eligible project categories including: access to essential services, employment generation, socioeconomic advancement and empowerment, renewable energy, energy efficiency, sustainable water and wastewater management, clean transportation, green buildings, environmentally sustainable management of living natural resources, and pollution prevention and control.	Aligned
Part 3: Sustainability quality of the Selection Criteria	The Use of Proceeds categories have a significant contribution to SDG 1 "No Poverty", SDG 3 "Good Health and Well-Being", SDG 4 "Quality Education", SDG 6 "Clean Water and Sanitation", SDG 7 "Affordable and Clean Energy", SDG 8 "Decent Work and Economic Growth", SDG 10 "Reduced Inequalities", SDG 11 "Sustainable Cities and Communities", SDG 12 "Responsible Consumption and Production", and SDG 13 "Climate Action", and a limited contribution to SDG 9 "Industry, Innovation & Infrastructure" and SDG 15 "Life on Land". The environmental and social risks associated with those use of proceeds categories have been well managed.	Positive

¹ ISS ESG's evaluation is based on the BANCOMEXT's Sustainable Bond Framework (July 2021 version) and on the ISS ESG Indicative Corporate Rating developed as part of the SPO mandate (as of July 2021)

² Ley Orgánica del Banco Nacional de Comercio Exterior (Organic Law of Banco Nacional de Comercio Exterior) first published in the Diario Oficial de la Federación of Mexico on January 20, 1986

ISS ESG SPO ASSESSMENT

PART I: SUSTAINABLE BOND LINK TO BANCOMEXT'S SUSTAINABILITY STRATEGY

A. ASSESSMENT OF BANCOMEXT'S INDICATIVE SUSTAINABILITY PROFILE

Methodological note: Please note that BANCOMEXT is not part of the ISS ESG Corporate Rating Universe. Thus, the below sustainability profile is an assessment conducted by the analyst in charge of the 'Development Banks' sector, based primarily on publicly available information. The below is not based on an ISS ESG Corporate Rating, but considers ISS ESG Research's methodology.

Industry classification: Development Banks

Key Issues of the industry:

1. Sustainability standards for financial products and services
2. Goal-oriented promotion of sustainability issues
3. Climate change and related risks
4. Labor standards and working conditions

Indicative ESG risk and performance assessment:

Banco Nacional de Comercio Exterior SNC (BANCOMEXT) is a state-owned bank established as an instrument of the Mexican government to promote the competitiveness of companies involved in international trade. The company contributes to the economic development and job creation in Mexico by financing the country's foreign trade and fostering small and medium-sized businesses. It also offers e.g., working capital loans, syndicated loans, corporate loans, equipment loans, structured credits, industrial warehouse leases, foreign investment projects, letters of credit, fiduciary services, international export/import factoring, buyer guarantees, currency trading, and money market services. BANCOMEXT serves industries such as automotive, energy, logistics, tourism, mining, aerospace, and telecommunications, among others.

BANCOMEXT has established an application procedure within the credit process that is in line with the Equator Principles and IFC Performance Standards. Additionally, the bank implemented an internal Environmental and Social Risk Management System framework (SARAS framework), which identifies and monitors potential environmental and social impacts in the credit approval process. Yet, the strictest criteria only apply to high-risk projects.

In terms of a goal-oriented promotion of sustainability issues, BANCOMEXT's focus lies on the promotion of infrastructure and economic development, including employment generation, and to a lesser extent on the provision of basic services such as health. There is a general commitment regarding climate change and the bank is financing e.g., renewable energy projects and sustainable buildings. Nevertheless, in comparison with the company's overall portfolio, it is estimated that the share of green finance is low.

With regards to its own operations, BANCOMEXT has taken measures to address specific workforce-related issues such as equality and non-discrimination as well as health and safety, including mental

health which is key in the financial sector. There is, however, no indication of a comprehensive strategy going beyond national legislation relating to other areas, including work-life balance and employment security.

Sustainability impact of products and services portfolio

- **Social impact of the product portfolio:**

In line with the bank's promotion of financing small and medium-sized enterprises, BANCOMEXT is also providing microfinance and thereby contributing to poverty alleviation. Moreover, as part of its key industries, the company offers financial services to healthcare facilities, e.g., for medical devices and equipment, which in turn generate high paying jobs in low income regions in Mexico. Yet, as the extent of these services is limited, it is estimated that the company's total lending and investment portfolio overall does not have significant net positive or negative impacts.

- **Environmental impact of the product portfolio:**

As part of its priority sectors, BANCOMEXT focuses on the energy industry. The company is financing both renewable energy projects as well as oil and coal projects. Considering the higher loan volume of financed renewable energy projects compared to fossil fuels, the overall impact of the company's portfolio is estimated to be slightly positive.

Key controversy risks for the industry³

Based on a review of controversies affecting banks, but not specifically BANCOMEXT, in the period of 1 January 2019 – 02 June 2021, the greatest risk reported against companies operating in the Development Bank industry relates to activities that may have adverse impacts on the environment or concern business malpractice. This is closely followed by activities related to human rights. The top three issues that have been reported against companies within the industry are as follows: alleged failure to prevent money laundering, failure to mitigate climate change impacts and failure to respect consumers' rights. This is closely followed by alleged anti-competitive behavior, failure to assess environmental impacts and deceptive, misleading and fraudulent practices.

There is no indication of BANCOMEXT being involved in any of the above-mentioned controversies according to a high-level controversy screening of publicly available information.

³ In this section, ISS ESG discloses key areas of controversy risks for the issuer's industry, and conducts a screening to identify potential controversies faced by the issuer specifically. ISS ESG has identified ESG controversy-related news (2019-2021) for 523 banks in 70 different locations.

B. CONSISTENCY OF SUSTAINABLE BOND WITH BANCOMEXT'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the issuer

BANCOMEXT's main goal is to create prosperity among the Mexican society by contributing to its sustainable economic development. Mexico has started to implement a comprehensive model of sustainable development by designing a structured action plan around the principles of the United Nations 2030 Sustainable Development Goals (SDGs). In order to achieve this, Mexico has been consistently incorporating the intersecting principles and objectives of the 2030 Agenda into its development plans, public policies and federal budgets. Through its National Development Plan ("NDP") and its National Program to Finance Development ("PRONAFIDE"), Mexico has strongly emphasized that sustainable development is an indispensable factor of national well-being. The NDP promotes a deep reengineering of public spending to redirect resources towards integral programs that generate well-being, and target the most disadvantaged populations⁴.

BANCOMEXT's sustainability strategy is in line with the guiding principles established by the NPD related to equality, austerity, and social and economic inclusion, as well as the specific guidelines established in the PRONAFIDE. Particularly, BANCOMEXT develops its activities to promote greater financial inclusion to contribute to the sustained economic development and social well-being.

Rationale for issuance

BANCOMEXT's Sustainable Bond Framework was developed to finance projects with a social and environmental impact, especially those that support Mexican companies involved in foreign trade, directly or indirectly, and companies that generate foreign exchange income. BANCOMEXT strategies were developed in alignment with national and international sustainable development plans, namely Mexico's PND and PRONAFIDE and the United Nations' Agenda 2030.

Contribution of Use of Proceeds categories to sustainability objectives and priorities

ISS ESG mapped the Use of Proceeds categories financed under the Sustainable Bond Framework with the sustainability objectives defined by the issuer, and with the key ESG industry challenges as defined in the ISS ESG Corporate Rating methodology for the Development Banks sector. Key ESG industry challenges are key issues that are highly relevant for a respective industry to tackle when it comes to sustainability, e.g. climate change and energy efficiency in the buildings sector. From this mapping, ISS ESG derived a level of contribution to the strategy of each Use of Proceeds categories.

USE OF PROCEEDS CATEGORY	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG INDUSTRY CHALLENGES	CONTRIBUTION
Access to Essential Services	✓	✓	Contribution to a material objective
Employment Generation	✓	✓	Contribution to a material objective

⁴ For more information on the UMS SDG Sovereign Bond Framework, please visit:

https://www.finanzaspublicas.hacienda.gob.mx/work/models/Finanzas_Publicas/docs/ori/Espanol/SDG/UMS-SDG_Sustainable_Bond_Framework.pdf

Socioeconomic Advancement and Empowerment	✓	✓	Contribution to a material objective
Renewable Energy	✓	✓	Contribution to a material objective
Energy Efficiency	✓	✓	Contribution to a material objective
Sustainable Water and Wastewater Management	✓	✓	Contribution to a material objective
Clean Transportation	✓	✓	Contribution to a material objective
Green Buildings	✓	✓	Contribution to a material objective
Environmentally Sustainable Management of Living and Natural Resources and Land Use	✓	✓	Contribution to a material objective

Opinion: ISS ESG finds that the Use of Proceeds financed through this bond are consistent with the issuer's sustainability strategy and material ESG topics for the issuer's industry for the majority of the categories. The rationale for issuing Sustainability Bonds is clearly described by the issuer.

PART II: ALIGNMENT WITH ICMA'S GBP, SBP, AND SBG

1. Use of Proceeds

An amount equal to the net proceeds of the Sustainability Bonds will be allocated to existing or future investments in or financings of Eligible Projects that meet any of BANCOMEXT's Sustainable Bond Framework Eligibility Criteria as defined below. Eligible Projects are investments and expenditures made by BANCOMEXT or any of its subsidiaries beginning with the issuance date of any Sustainability Bonds, or in the 36 months prior to any such issuance, in eligible green and/or social projects (as defined herein).

Eligible Social Projects applies to any of the following:

SBP Category	Eligible Projects and Examples
Access to Essential Services Target population: Micro, Small- and medium-sized companies in Mexico ⁵ under E&S category B (Medium Risk) and C (Low Risk)	- Disbursements to programs that provide essential services to underserved target populations. Projects include access to: - Healthcare - Education - Vocational Training - Financing and Financial Services - Disbursements related to equitable access to and control over assets, services, resources, and opportunities; equitable participation and integration into the market and society, including reduction of income inequality
Employment Generation Target population: Micro, Small- and medium-sized companies in Mexico ⁶ under E&S category B (Medium Risk) and C (Low Risk)	Disbursements to programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, including through the potential effect of SME financing and microfinance
Socioeconomic Advancement and Empowerment <u>Target population:</u> Low-income and underserved	- Disbursements focused in regional economic development⁸ - Disbursements focused on the preservation of historical and cultural heritage of local indigenous communities as well as the promotion of commerce

⁵ In alignment to the definition established by the United Mexican States Secretary of Economy dates June 30, 2019. Please refer to appendix for full definition

⁶ In alignment to the definition established by the United Mexican States Secretary of Economy dates June 30, 2019. Micro companies are those with up to 10 employees and annual sales of up to \$4.0 million MXN. Small companies are those 1) in the commercial industry with 11-30 employees and annual sales between \$4.01 - \$100.0 million MXN and 2) in the industrial & services industry with 11-50 employees and annual sales between \$4.01 - \$100.0 million MXN. Medium companies are those 1) in the commercial industry with 31-100 employees and annual sales between \$100.01 - \$250.0 million MXN, 2) in the services industry with 51-100 employees and annual sales between \$100.01 - \$250.0 million MXN, and 3) in the industrial industry with 51-250 employees and annual sales between \$100.01 - \$250.0 million MXN.

⁸ Regions in alignment with the strategic projects defined in the National Development Plan.

populations in Mexico ⁷ under E&S category B (Medium Risk) and C (Low Risk) and local indigenous communities	
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Eligible Green Projects applies to any of the following:

GBP Category	Eligible Projects and Examples
Renewable Energy	- Disbursements to projects related to the construction, development, expansion, production, acquisition, maintenance, and operation of renewable resources, including: - Wind (onshore), water (hydropower)⁹ and solar (photovoltaic), including the processes of generation, transmission, storage, equipment and products
Energy Efficiency	- Disbursements to projects that could result in increased energy efficiency, using best efforts basis to ensure all projects achieve at least a 30% energy efficiency improvement. Eligible Projects might include: - Financing of electric powered machinery or incorporation of energy saving technologies. Including high efficiency engines and LED lighting technology - Investments for optimization of energy consumption in productive processes and reducing energy loss. Including efficient boilers, continuous kilns, and heat insulating walls - Investments in energy consumption measurement and control systems. Including industrial thermometers
Sustainable Water and Wastewater Management	- Disbursements to projects to technologies and equipment for efficient use of water. Including smart dosage systems and rain water collectors¹⁰ - Disbursements to systems for reduction of pollutants in liquid waste; including filters and others equipment for wastewater treatment, installation or maintenance of wastewater treatment plants for waste resulting from industrial processes¹¹

⁷ The Framework's design is based on definition of "poverty per income" and open data collected through the Census of Population and Housing, and analyzed by The National Council for Evaluation of Social Development Policy (Consejo Nacional de Evaluación de la Política de Desarrollo Social, or "CONEVAL"), to target the most needed territories and populations. CONEVAL, 2021. <https://www.coneval.org.mx/Medicion/Paginas/Glosario.aspx>. Some examples of regions and municipalities, that take into consideration poverty levels, and are officially listed as "Priority Attention Zones" (ZAP in Spanish): http://dof.gob.mx/2020/BIENESTAR/ZONAS_PRIORITARIAS_2021.pdf. Poverty per Income: Previous estimates to measure income poverty have changed because the General Law of Social Development ("Ley General de Desarrollo Social") requires that the measurement of poverty in the country be carried out with a multi-dimensional approach. Income poverty consists of comparing people's income with the monetary values of access to nutrition, economic capacities and assets

⁹ Large-scale hydropower (>10MW) are not eligible

¹⁰ This includes either an average energy consumption of the system (including abstraction, treatment and distribution) of 0.5 kwh per cubic meter billed/unbilled authorized water supply or less. Increasing the energy efficiency of the water system can also include decreasing the average energy consumption by 20% (including abstraction, treatment and distribution) by at least 20%; measured in kwh per cubic meter billed/unbilled authorized water supply or closing the gap between the actual leakage of the water supply network and a given target value of low leakage by at least 20%.

¹¹ New wastewater treatment will substitute more GHG emission intensive wastewater treatment systems (such as pit latrines, septic tanks, anaerobic lagoons, etc.).

Clean Transportation	▪ Disbursements to the modernization in transport systems, including transportation with: ○ Zero direct emissions (e.g. electric, hydrogen) ○ Trains direct emissions per tonne-km (gCO₂/tkm) that are 50% lower than average reference CO₂ emissions of HDVs as defined for the Heavy Duty CO₂ Regulation¹² ▪ Disbursements the purchase of electric vehicles and/ or for infrastructure projects associated with electric vehicles; including charging stations
Green Buildings	▪ Disbursements for the acquisition, financing, construction or retrofitting in line with Green Building Standards (planning and design, energy efficiency, green roofs, water efficiency and conservation, material conservation and resource efficiency, environmental quality) ▪ Disbursements for Certification Systems (LEED Gold certified or higher, BREEAM Excellent or higher, HQE Excellent or higher or equivalent nationally recognized certifications such as NMX, when international certifications are not available)
Environmentally Sustainable Management of Living Natural Resources and Land Use	▪ Disbursements to afforestation, reforestation, landscape conservation or restoration projects that have, to the extent possible, FSC/PEFC/SFI certifications other equivalent certifications
Pollution Prevention and Control	▪ Disbursements aimed to: ○ Reduce air emissions, such as nitrogen compounds, sulfur compounds, smog and others ○ Greenhouse gas control ▪ Disbursements aimed for: ○ Waste prevention, waste reduction and waste recycling ○ Energy/emission-efficient waste to energy and associated environmental monitoring

Exclusion Criteria

The net proceeds of the Sustainability Bonds will not be knowingly allocated to investments to the following:

- All fossil-fuel based activities
- Activities or projects that are not compliant with the fundamental principles of employee rights¹³
- Any product or activity considered illegal under the laws or regulations of the country or under international conventions and agreements.
- Manufacturing, importing or exporting of firearms and ammunition.

¹² Rail that is dedicated to the transport of fossil fuels or fossil fuels blended with alternative fuels is not eligible even if meeting the criteria above

¹³ As defined by (International Labor Organization, <http://www.ilo.org>): i) freedom of association, freedom to join a union and the effective recognition of the right to collective bargaining; ii) the prohibition of all forms of forced or obligatory labor; iii) the prohibition of child labor, including, but not limited to, the prohibition of persons under 18 years of age working in hazardous conditions (including construction activities), performing night work and being declared fit to work based on an examination doctor; and iv) the elimination of discrimination in matters of employment and occupation, in which discrimination is defined as any difference, exclusion or preference based on reasons of race, color, sex, religion, political opinion or national or social origin.

- Production or commercialization of alcoholic beverages¹⁴ (beer, wine and alcoholic beverages produced or commercialized by Mexican companies are eligible)
- Production or trade of tobacco¹⁵
- Gambling, casinos and other similar activities
- Manufacture or sale of radioactive materials, except for the purchase of medical equipment, quality control (measurement) equipment, and any equipment for which it can be shown that the source of radioactivity will be negligible or adequately covered. Production, trade or use of non-agglomerated asbestos fibers¹⁶
- Production or trade of wood or other forest products derived from forests without a corresponding sustainable management plan
- Forest projects or operations in fragile or environmentally sensitive areas that do not have a forest management plan and the approved environmental permit.
- Manufacture or sale of products with polychlorinated biphenyls.
- Production, trade, storage or transportation of dangerous chemical products that do not comply with Mexican regulations.
- Cross-border trade in waste, except non-hazardous waste for recycling¹⁷
- Production or trade in pharmaceutical specialties that have been subject to phase-outs or those with international bans¹⁸
- Production or trade in pesticides or herbicides that have been subject to international phase-outs or bans and persistent organic pollutants (POPs)¹⁹
- Production or trade in ozone-depleting substances subject to international phase-outs²⁰
- Fishing with gillnets and drift in the marine environment with nets of more than 2.5 km in length.
- Production or activities that violate land that is owned by indigenous peoples or has been claimed by adjudication, without the full documented consent of said peoples.
- Production or commercialization of products or activities considered illegal according to local regulations or international conventions and agreements, such as wildlife or products regulated by the Convention on International Trade in Endangered Species of Wild Fauna and Flora²¹

Opinion: ISS ESG considers the Use of Proceeds description provided by BANCOMEXT's Sustainable Bond Framework as aligned with the GBP, SBP, and SBG. The eligible categories are aligned with the

¹⁴ This restriction does not apply to companies for which the operations or activities related to the criteria represent less than 30% of the company's total annual revenue.

¹⁵ This restriction does not apply to project sponsors who do not have substantial involvement in these activities. "Not having a significant stake" means that the activity in question is secondary to the main activities of the project sponsor.

¹⁶ This restriction does not apply to the purchase or use of fiber cement slabs with an asbestos content less than 20%.

¹⁷ As defined by the Basel Convention (<http://www.basel.int>).

¹⁸ Pharmaceutical products that are being phased out or banned, according to the United Nations publication Banned Products: Consolidated List of Products whose consumption or sale has been banned, withdrawn, severely restricted or unapproved by governments (www.who.int/medicines/library/qsm/edmqsm-2001-3/edm-qsm-2001_3.pdf).

¹⁹ Defined in the international convention on the reduction and elimination of persistent organic pollutants (COP; September 1999); currently include the pesticides aldrin, chlordane, dieldrin, endrin, heptachlor, mirex, and toxaphene, in addition to the industrial chemical chlorobenzene (www.pops.int)

²⁰ Ozone Layer Harmful Substances (ODS) are chemical compounds that react with and deplete stratospheric ozone, producing the so-called "holes in the ozone layer". The Montreal Protocol includes a list of these substances and the target dates for their reduction and withdrawal from the market. Some of the chemical compounds regulated by the Montreal Protocol are aerosols, refrigerants, blowing agents, solvents, and fire protection agents (www.unep.org/ozone/montreal.shtml).

²¹ Convention on International Trade in Endangered Species of Wild Fauna and Flora, <https://www.cites.org/>

issuer's sustainability strategy. The environmental benefits of the projects are clear and the risk to finance controversial projects is reduced as the company follows the best market practice by disclosing an exclusion list.

2. Process for Project Evaluation and Selection

For the development, implementation and operation of the SARAS, BANCOMEXT created the Environmental and Social Management Unit (*Unidad de Gestión Ambiental y Social* or "UGAS") to be involved at both stages of the credit origination process: the authorization and the monitoring of the credit.

UGAS' responsibilities includes the following categories:

- E&S Risk Evaluation;
- Management of the E&S Risk Portfolio; and
- Institutional Training and Leadership in Development Banks.

The UGAS performs portfolio management functions and monitors the performance of the environmental and social obligations of the borrowers. The UGAS engages in four types of monitoring and follow-up activities, including:

1. Review of compliance with contractual environmental and social requirements, through the institutional tool Internal Supervision System of Credit (SISC).
2. Preparation of UGAS supervision reports. Follow-up reports are prepared on environmental and social issues of investment projects, which are evaluated in compliance with the EPs and IFC Performance Standards, mainly in the energy sector.
3. Review of reports from external works supervisor assigned to investment projects (during construction phases) from other sectors that do not involve the EPs and IFC Performance Standards.
4. Proactive monitoring of public information related to environmental or social impacts on the borrowers, mainly tourism.

The UGAS, Corporate Banking and the DGA of Emissions and International Relations will be responsible for validating the pool of investments meet both the eligibility criteria set forth in the Use of Proceeds as well as excluded criteria sections of BANCOMEXT's framework. The UGAS, Corporate Banking and the DGA of Emissions and International Relations will replace²² investments that no longer satisfy the criteria established in this framework with new investments if needed in order to provide information for the annual allocation report and impact report.

Opinion: *ISS ESG considers the Process for Project Evaluation and Selection description provided by BANCOMEXT's Sustainable Bond Framework as aligned with the GBP, SBP, and SBG. The issuer has a structured process to identify eligible projects and ESG risks associated with the eligible projects. A dedicated team comprised of internal stakeholders with diverse expertise will oversee the selection process, in line with best market practice.*

²² In the event that (i) an Investment does not meet the Eligibility Criteria, or (ii) there are any early prepayments related to any Investment, or (iii) if the Investment matures before the maturity of the bond/loan, BANCOMEXT will replace it with new Investments selected according to the Eligibility Criteria

3. Management of Proceeds

BANCOMEXT will track the allocation of the proceeds from the issuance of Sustainability bonds using its internal recording system. Internal records will show an allocation of an amount equal to the net proceeds from the issuance of the Sustainability bonds. Pending the allocation of an amount equal to such net proceeds, BANCOMEXT will temporarily invest an amount equal thereto in accordance with their internal liquidity portfolio guidelines or in cash, cash equivalents and/or U.S. treasury securities. Payment of principal and interest on BANCOMEXT's Sustainability bonds will be made from their general funds and will not be directly linked to the performance of any Eligible Projects. BANCOMEXT intends to allocate an amount equal to the net proceeds in the first 36 months after issuance.

Opinion: ISS ESG finds that the Management of Proceeds proposed by BANCOMEXT aligns with the GBP, SBP, and SBG. All proceeds will be tracked in an appropriate manner and the temporary investments are disclosed.

4. Reporting

Allocation Reporting

BANCOMEXT will update investors annually regarding the allocation of an amount equal to the net proceeds from the issuance of the Sustainability bonds until such amount has been fully allocated to Eligible Projects. The update will appear in a public standalone report located on BANCOMEXT's website²³ and will include amounts allocated to projects presented in aggregation based on portfolio categories as well as the amount of unallocated proceeds.

Impact Reporting

Where feasible, the allocation report will include qualitative and quantitative environmental performance indicators such as those included below.

PROJECT CATEGORY	KPI
Access to Essential Services	- Number of people provided with access to financial services, including microfinance - Number/volume of loans provided to target group - Number of new businesses created - Number of individuals that received the essential service
Employment Generation	- Job Generation (number) - Annual jobs generated or maintained (number)
Socio-Economic Advancement and Empowerment	- Number of financed SMEs - Amount of investments in lower-income regions - Amount invested in archeological activities
Renewable Energy	Annual renewable energy generation in MWh/GWh (electricity and GJ/TJ (other energy)
Energy Efficiency	Annual energy savings in MWh/GWh (electricity) and GJ/TJ (other energy savings)

²³ <https://www.bancomext.com/wp-content/uploads/2021/07/Reporte-Asignación-de-Recursos.pdf>

Sustainable Water and Wastewater Management	▪ Annual absolute (gross) water use before and after the project in m³/a, reduction in water use in %
Clean Transportation	▪ Number of hybrid or electric vehicles deployed ▪ Number of people with access to clean transportation
Green Buildings	▪ Number of buildings built with number of certification and levels of certification (LEED (Gold or higher), BREEAM (Excellent or higher), HQE Excellent or equivalent environmental certification scores, where feasible)
Environmentally Sustainable Management of Living Natural Resources and Land Use	▪ Reforestation (Ha.) ▪ Survival percentage of species in nursery (%)
Pollution Prevention and Control	▪ Annual absolute (gross) amount of waste that is separated and/or collected, and treated (including composted) or disposed of (in tonnes p.a.) ▪ Annual absolute (gross) amount of waste that is recycled (in tonnes p.a.) ▪ GHG emissions reduction (tCO₂e p.a.)

Opinion: ISS ESG finds that the reporting proposed by BANCOMEXT's Sustainable Bond Framework is aligned with the GBP, SBP, and SBG. The issuer has clearly defined the scope and level of reporting, and reports will be publicly available and updated annually until net proceeds are fully allocated.

External review

Second Party Opinion

BANCOMEXT has obtained and will make publicly available a Second Party Opinion ("SPO") from a consultant with recognized environmental and social expertise to provide an opinion on the environmental and social benefits of this framework as well as the alignment to the SBP. The SPO will be available on the ISS ESG website²⁴ as well as on the BANCOMEXT website²⁵.

Assurance

BANCOMEXT expects its allocation report will be accompanied by (i) assertions by its management as to the amount of the net proceeds from the sale of any Sustainability Bonds that have been allocated to Eligible Projects; (ii) a report from an independent third party who will examine and verify the management of the net proceeds from the sale of any Sustainability Bonds and provide assurance as to the compatibility in all material respects of any selected Eligible Project(s), to which a portion or all of the net proceeds from the sale of any Sustainability Bonds have been allocated, with the eligibility criteria set forth in this framework.

²⁴ <https://www.issgovernance.com/esg/second-party-opinion/>

²⁵ https://www.bancomext.com/wp-content/uploads/2021/07/Bancomext_Full_SPO_Final-vClean-7.7.pdf

PART III: SUSTAINABILITY QUALITY OF THE ISSUANCE

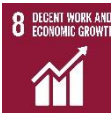
A. CONTRIBUTION OF THE SUSTAINABILITY BONDS TO THE UN SDGs

Based on the assessment of the sustainability quality of the Sustainable Bond Selection Criteria and using a proprietary methodology, ISS ESG assessed the contribution of the BANCOMEXT's Sustainable Bond to the Sustainable Development Goals defined by the United Nations (UN SDGs).

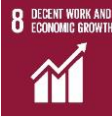
This assessment is displayed on 5-point scale (see Annex 1 for methodology):

Significant Obstruction	Limited Obstruction	No Net Impact	Limited Contribution	Significant Contribution
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Each of the Sustainable Bond's Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Social Activities		
Access to Essential Services <i>Disbursements in programs that provide essential healthcare services to underserved target populations</i>	Significant Contribution	 
Access to Essential Services <i>Disbursements in programs that provide essential education and vocational training services to underserved target populations</i>	Significant Contribution	 
Access to Essential Services <i>Disbursements in programs that provide essential financial services to underserved target populations</i>	Significant Contribution	 
Access to Essential Services <i>Investments to equitable access to and control over assets, services, resources, and opportunities; equitable participation and integration into the market and society, including reduction of income inequality</i>	Significant Contribution	
Employment Generation <i>Investments and/or expenditures designed to prevent/alleviate unemployment stemming from socioeconomic crises, including through the potential effect of small-medium financing and microfinance</i>	Significant Contribution²⁶	
	Limited Contribution	

²⁶ This project category is assessed as having a significant contribution to SDG 8, beyond the SDGA proprietary methodology.

Socioeconomic Advancement and Empowerment <i>Financing business opportunities for local indigenous communities and in specific areas in Mexico that are designated as low-income²⁷</i>	Limited Contribution	  
Socioeconomic Advancement and Empowerment <i>Regional economic development²⁸</i>	Limited Contribution	
	No Net Impact	

Green Activities		
Renewable Energy	Significant Contribution	 
Energy Efficiency	Significant Contribution	 
Sustainable Water and Wastewater Management	Significant Contribution	
	Limited Contribution	
Clean Transportation <i>Transport infrastructure (trains) with low-carbon emissions, electric and hydrogen transport systems, charging infrastructure for electric vehicles</i>	Limited Contribution	 
Green Buildings	Significant Contribution ²⁹	

²⁷ The Framework's design is based on definition of "poverty per income" and open data collected through the Census of Population and Housing, and analyzed by The National Council for Evaluation of Social Development Policy (Consejo Nacional de Evaluación de la Política de Desarrollo Social, or "CONEVAL"), to target the most needed territories and populations. CONEVAL, 2021. <https://www.coneval.org.mx/Medicion/Paginas/Glosario.aspx>. Some examples of regions and municipalities, that take into consideration poverty levels, and are officially listed as "Priority Attention Zones" (ZAP in Spanish): http://dof.gob.mx/2020/BIENESTAR/ZONAS_PRIORITARIAS_2021.pdf. Poverty per Income: Previous estimates to measure income poverty have changed because the General Law of Social Development ("Ley General de Desarrollo Social") requires that the measurement of poverty in the country be carried out with a multi-dimensional approach. Income poverty consists of comparing people's income with the monetary values of access to nutrition, economic capacities and assets

²⁸ Regions in alignment with the strategic projects defined in the National Development Plan.

²⁹ According to ISS ESG methodology, green building certifications with strict requirements have a significant contribution to SDG 11. Those considered under this framework are the LEED, BREEAM, and HQE certifications.

Environmentally Sustainable Management of Living Natural Resources and Land Use	Limited Contribution³⁰	
Pollution Prevention and Control <i>Reducing air emissions, such as nitrogen compounds, sulfur compounds, smog and others</i>	Significant Contribution	
Pollution Prevention and Control <i>Waste prevention, waste reduction, and waste recycling</i>	Significant Contribution	
	No Net Impact	
Pollution Prevention and Control <i>Energy/emission-efficient waste to energy and associated environmental monitoring</i>	No Net Impact	 

³⁰ Projects that have the FSC and PEFC certifications are assessed as having a limited contribution to SDG 15, as per ISS ESG methodology.

B. MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS ASSOCIATED WITH THE SELECTION CRITERIA

The ISS ESG KPI ensures that environmental and social risks attached to the projects financed are taken into consideration and have been minimized (as represented by a check mark; see Annex 1 for methodology) This assessment is based on the issuer's policies and strategy regarding ESG risks minimization in its assets selection process, and in particular under BANCOMEXT's SARAS framework³¹, the bank's environmental and social risk management system.

Key performance indicators (KPIs) covering both Green and Social activities

ASSESSMENT AGAINST ISS ESG KPI

Impact of operations on biodiversity



Considered in the SARAS framework. All investments projects are contractually required to conduct Environmental Impact Assessments (EIA). In some cases, certifications of ISO 14001, EMAS, or equivalent standards are reported during the initial assessment.

Labor, health and safety standards



Considered in the SARAS framework. Labor conditions are assessed by an E&S (Environmental & Social) consultant or external supervisor to ensure high labor, health, and safety standards are complied with across all financed projects, including during construction and maintenance work.



Considered in the SARAS framework. Companies must submit annual reports of labor risk exposure for all employees to Mexico's Ministry of Labor. BANCOMEXT is obligated to request this information during the initial assessment. The certifications of ISO 14001, EMAS or equivalent are also reported by companies, in case it applies, during the initial assessment.

Waste management and pollution prevention



Considered in the SARAS framework. Companies must provide documents during the initial assessment as part of the E&S requirements and in alignment with national regulation. This includes the certifications of the ISO 14001, EMAS, or equivalent reported by companies during the initial assessment.

³¹ Bancomet's SARAS, established in 2017, identifies, oversees and administers potential environmental and social impacts in BANCOMEXT's credit approval process. The SARAS methodology was developed under the [Equator Principles](https://www.BANCOMEXT.com/staticcontent/informe-anual-2019/en/social-responsibility/) ("EPs"), a risk management framework that assesses, categorizes, and manages environmental and social risks involved in projects. Voluntarily adopting evaluation practices under the EPs allows BANCOMEXT to incorporate contractual agreements with future creditors pursuant to which such creditors are required to mitigate and compensate for the effects of any non-compliance during the life of the credit. More information on the SARAS methodology can be found here: <https://www.BANCOMEXT.com/staticcontent/informe-anual-2019/en/social-responsibility/>.

Dialogue with local communities

- For all projects in the Energy sector, Social Impact Assessments are conducted, and these assessments include the identification of interested groups, indigenous communities, community engagement plan, and grievance mechanisms. Investment projects for the Energy sector align with the Equator Principles and IFC Standards. However, impact assessment for transaction in all other sectors do not include a community dialogue component.

Key performance indicators (KPIs) specific to Green activities

ASSESSMENT AGAINST ISS ESG KPI

Users safety

- Crash test results (e.g. NCAP) for transportation are not considered in the current SARAS process.

Recyclability of solar

- ✓ Companies are requested to have evidence of compliance with regulation for waste management processes (Ley General del Equilibrio Ecológico y la Protección al Ambiente, y Ley General para la Prevención y Gestión Integral de los Residuos) during the initial assessment and annual monitoring. Energy investment projects, including the final disposal of solar panels, must comply with national regulation.

Climate change mitigation

- No specific methodology or measures are in place for the SARAS framework related to the energy efficiency performance of vehicles and no life-cycle assessment of charging and fueling stations are conducted.

Water management (green buildings)

- ✓ Considered in the SARAS framework. Valid licenses of water management (consumption and disposal) are requested for submission during the initial assessment and monitoring purposes in alignment with Ley General del Equilibrio Ecológico y la Protección al Ambiente, y Ley de Aguas Nacionales. Certifications for ISO 14001, ISO 14046, and ISO 46001 are also reported by companies during the initial assessment.

Water management (water withdrawal, supply and treatment)

- Project must comply with Mexican Official Norms (NOM) that are based on international regulations for water quality and water treatment. If applicable, this is also assessed during the construction or operation phases. However, no policies are in place for water withdrawal or reduction of freshwater usage.

Key performance indicators (KPIs) specific to Social activities

ASSESSMENT AGAINST ISS ESG KPI

Inclusion



Considered in the SARAS process. Companies are requested to provide supportive documents related to Human Resources policies (e.g. Ethical Code of Conduct), Gender Equity, or Non-Discrimination certifications.

Quality management

-

Certifications of ISO 9001 or an equivalent regarding quality management are issued by the Labor Ministry and reported by companies, in the case that it applies, during the initial assessment.

DISCLAIMER

1. Validity of the SPO: As long as no material changes are made to BANCOMEXT's Sustainable Bond Framework and Selection Criteria.
2. ISS ESG uses a scientifically based rating concept to analyze and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) on bonds based on data from the issuer.
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ANNEX 1: Methodology

ISS ESG KPIs

The ISS ESG Sustainable Bond KPIs serve as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the use of proceeds of BANCOMEXT's Sustainability Bonds.

It comprises firstly the definition of the use of proceeds category offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance of the assets can be clearly identified and described.

The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the assets and which can also be used for reporting. If a majority of assets fulfill the requirement of an indicator, this indicator is then assessed positively. Those indicators may be tailor-made to capture the context-specific environmental and social risks.

To review the KPIs used in this SPO, please contact Federico Pezzolato (details below) who will send them directly to you.

Environmental and social risks assessment methodology

ISS ESG evaluates whether the assets included in the Sustainable Bond Framework match the eligible project category and criteria listed in the Green Bond KPIs.

All percentages refer to the amount of assets within one category (e.g. wind power). Additionally, the assessment “no or limited information is available” either indicates that no information was made available to ISS ESG or that the information provided did not fulfil the requirements of the ISS ESG Green Bond KPIs.

The evaluation was carried out using information and documents provided to ISS ESG on a confidential basis by BANCOMEXT (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the asset location, were drawn on to complement the information provided by the issuer.

Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, ISS ESG identifies the extent to which BANCOMEXT's Sustainability Bonds contribute to related SDGs.

ANNEX 2: Quality management processes

SCOPE

BANCOMEXT commissioned ISS ESG to compile a Sustainability Bond SPO. The Second Party Opinion process includes verifying whether the Sustainable Bond Framework aligns with the GBP, SBP, and SBG and to assess the sustainability credentials of its Sustainability bonds, as well as the issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA GBP, SBP, and SBG
- ISS ESG KPI

ISSUER'S RESPONSIBILITY

BANCOMEXT's responsibility was to provide information and documentation on:

- Framework
- Eligibility criteria
- Documentation of ESG risks management at the portfolio level

ISS ESG's VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

ISS ESG has conducted this independent Second Party Opinion of the Sustainable Bond to be issued by BANCOMEXT based on ISS ESG methodology and in line with the ICMA GBP, SBP, and SBG.

The engagement with BANCOMEXT took place from May to July 2021.

ISS ESG's BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About ISS ESG SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainability bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

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