



BANCOMEXT

BANCOMEXT

Sustainability Bond Framework

July 2021

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1. Introduction - Sustainable Bond Framework

As one of the world's largest economies and most biodiverse countries, Mexico has a unique role in environmental protection and in the global fight against climate change. To fulfill this role in a way that is truly sustainable, Mexico is also committed to ensuring that its citizens are not left behind, and can fully benefit from the country's transition towards a sustainable development model.

Mexico has started to implement a comprehensive model of sustainable development by designing a structured action plan around the principles of the 2030 Agenda. 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 populations¹.

The current NDP was developed through an inclusive consultation process between the Federal Government, the private sector, academic and scientific institutions and local authorities. Because of this participatory process, the NDP includes a transversal perspective of sustainable development throughout the entire Federal Government with defined actions to achieve the planned goals. The NDP also includes relevant perspectives of non-governmental actors, as well as inputs and considerations made during prior fiscal years. Banco Nacional de Comercio Exterior, Sociedad Nacional de Crédito, Institución de Banca de Desarrollo ("BANCOMEXT," "we," "us" or "our") plays a very important role in the implementation of Mexico's development strategy. In alignment with the NDP and PRONAFIDE, BANCOMEXT supports trade activities of small and medium enterprises nationwide, while backing the Federal Government's Strategic projects, some of which are aimed at reducing inequality and poverty in Mexico, especially the Southern region.

In addition, Mexico is presenting strong economic fundamentals that foresee a solid recovery of its GDP: 5.0% in 2021, 3.0% in 2022 and 2.1% in 2023 according to the IMF. In parallel with these solid economic indicators, sound public finance and international trade trends will support the projected economic growth. Regarding public finances, the Mexican Government has been able to maintain a low fiscal deficit; even during the pandemic, the government debt remained low when compared to other emerging economies, giving ample fiscal space and supporting short-medium term fiscal sustainability.

In trade terms, Mexico's openness is one of the main assets of the economy and supporters for economic growth: Mexico has signed 13 free trade agreements with 50 countries, 32 agreements for the promotion and reciprocal protection of investments with 33 countries and 9 limited scope agreements within the Latin American Integration Association (ALADI). Thus, Mexico is the 11th largest exporter in the world and the second provider for the US market.

In particular, USMCA region is the largest region in terms of GDP and GDP per capita; together Mexico, United States and Canada have a GDP of 24.4 trillion dollars (28% of world GDP) and an intraregional commerce of 1.2 billion every year (2019). Mexico is the ideal partner to the US industry due to its proximity (nearshoring) and commercial affinity (allyshoring). Nowadays, Mexico has the chance to attract investment from companies in China willing to relocate operations.

¹ 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

2. Overview

Founded in 1937, Banco Nacional de Comercio Exterior, Sociedad Nacional de Crédito, Institución de Banca de Desarrollo is a Mexican national development bank that operates as Mexico's international commerce development bank. BANCOMEXT was duly constituted and is validly existing under the laws of the United Mexican States ("Mexico") pursuant to the *Ley Orgánica del Banco Nacional de Comercio Exterior* (Organic Law of Banco Nacional de Comercio Exterior) published in the Diario Oficial de la Federación of Mexico on January 20, 1986 (as amended from time to time, our "Organic Law").

Our purpose, as set forth in our Organic Law, is to contribute to economic development in Mexico, by providing financing to entities involved in the country's foreign trade. We are a central participant in the Mexican government's trade-promotion policies. We originate loans and issue loan guarantees, directly or through commercial banks and non-banking financial intermediaries, to Mexican companies directly or indirectly involved in foreign trade and companies that generate foreign currency income. Our corporate purpose is to foster exports and foreign trade and one of our principal goals is to enhance the productivity and competitiveness of Mexican exporters, particularly in certain key industries. We have been funding Mexican companies, including both large export companies and small and medium enterprises ("SMEs") engaged in export activities, and promoting trade in global markets for more than 85 years by providing financing based on each individual client's needs.

The following industries are the key industries identified in our 2019-2025 Commercial Strategy:



Tourism



Energy



Telecomm



**Digital and
Innovation**



**Financial
Services**



**Automotive and
Aerospace**



Food Processing



**Industrial
Facilities**



Logistics



Capital Goods



Healthcare



**Electrical-
Electronic**



**Specialized
Manufacturing**








**Foreign Trade
Services**

3. BANCOMEXT's Commitment to Sustainability

BANCOMEXT's main goal is to create prosperity among the Mexican society by contributing to its sustainable economic development. Due to the bigger complexity of local and global challenges (such as inequality and global warming), it is required to design and implement sustainable strategies with an environmental and social framework. For this reason, BANCOMEXT is making a commitment to have a larger and meaningful impact on the society by promoting projects with high environmental responsibility standards, objectives related to sustainable development, economic growth, social equality and environmental values.

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 are aligned with the United Nations 2030 Sustainable Development Goals (SDGs). Through its decree and its strategy, BANCOMEXT contributes directly in promoting the following:

SDG Alignment	
	<ul style="list-style-type: none"> Currently, our portfolio represents a considerable volume of borrowers with clean energy projects
	<ul style="list-style-type: none"> We offer retail banking financing programs aim at fostering economic growth by promoting international trade and foreign exchange transactions. Additionally, we try to aid the generation and assurance of employment across the Mexican economy
	<ul style="list-style-type: none"> With the development of sustainable financial products for financing of "Sustainable Offices" we promote the adoption of good practices in the construction and industrial infrastructure sectors. The objective of these products is to expand buildings that are in line with Green Building Standards² with recognized national and international certifications
	<ul style="list-style-type: none"> In coordination with our institutional Positive Leadership and Social Responsibility Program, an annual internal communication campaign is carried out that disseminates postcards with relevant information on climate change actions in order to create awareness and expand environmental education among BANCOMEXT community (employees)
	<ul style="list-style-type: none"> BANCOMEXT is a development bank and thus is committed to leading by example and creating a framework for the implementation of the SARAS (as defined below), and establishing policies and procedures for Environmental and Social risk management systems. We offer technical support for borrowers to build and strengthen a culture of environmental and social responsibility and also create synergies with other government bodies such as SEMARNAT, PROFEPA, SENER, SECTUR, which promote the strengthening of institutional technical capacities

² Defined as those buildings with Certification Systems (LEED Gold certified or higher, BREEAM Excellent or higher, HQE Excellent or higher or equivalent nationally recognized certifications, when international certifications are not available)

Sustainability is core to BANCOMEXT, and as such, we build upon our principles and strategies responsibly to ensure our actions have a positive impact, guaranteeing a long-term economic and social value to our stakeholders. We recognize our mission of helping clients achieve financial security can only be accomplished through our people. We invest in developing the talents and expertise of our employees and foster a work environment that is challenging, inclusive, collaborative, and results-oriented.

In order to institutionalize this commitment of embracing sustainability as one strategic pillar of its core business, BANCOMEXT is strategically working to define an integral sustainability policy (in alignment with ESG corporate practices), applying transversally to all areas in the institution and considering material topics for the stakeholders and shareholders, with aims to harmonize, to document and to eventually report its institutional policies and practices.

3.1 The SARAS Framework

As a development bank, it is intrinsic to BANCOMEXT's mandate to finance projects that reduce negative environmental and social impacts, by nurturing best practices and responsibility that aim to achieve sustainable economic growth. Therefore, in 2017, the organization's top management decided to establish an internal Environmental and Social Risk Management System (ESRMS) framework, referred hereafter as SARAS (Sistema de Gestión de Riesgos Ambientales y Sociales) (referred hereafter as "SARAS"). The SARAS identifies, oversees and administers potential environmental and social impacts in our credit approval process.

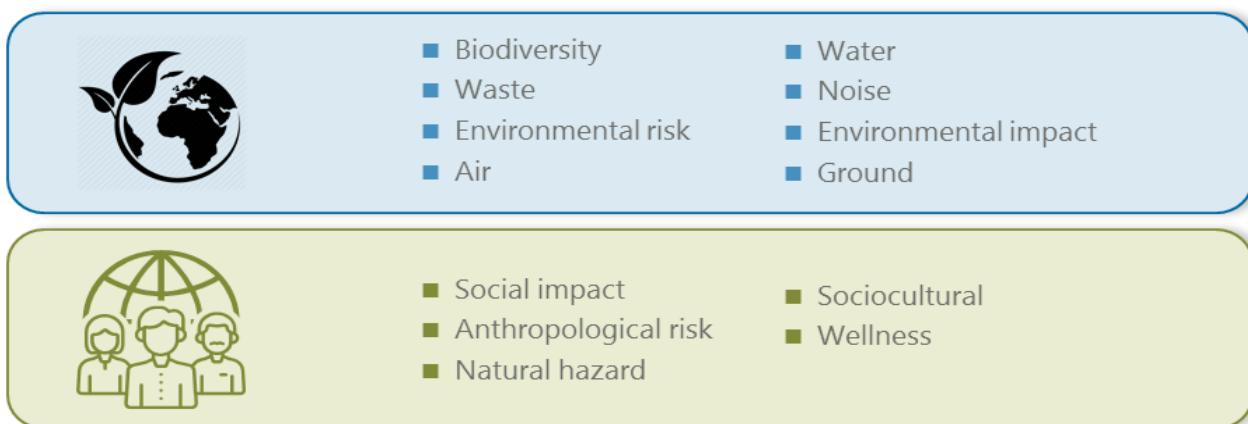
The SARAS methodology was developed under the Equator Principles³ ("EPs"), a risk management framework that determines, assesses and manages environmental and social risks involved in projects. Voluntarily adopting evaluation practices under the EPs allows BANCOMEXT to incorporate contractual agreements with future creditors pursuant to which such creditors are required to mitigate, and compensate us for, the effects of any non-compliance during the life of the credit.



The objective of the SARAS is to establish a management framework that includes policies, procedures, tools, internal communication actions and training, to identify, supervise and administer the potential environmental and social impacts in our credit process, with the purpose of preventing non-compliance with or breaches of contracts that could result in default due to operation risks.

³ https://equator-principles.com/wp-content/uploads/2017/03/equator_principles_III.pdf

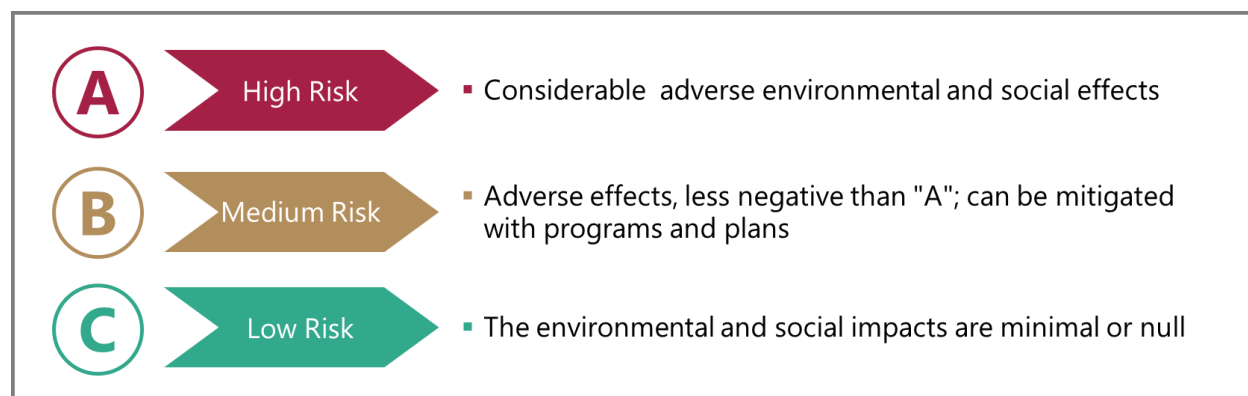
In addition, the SARAS seeks to identify, at a very early stage of the credit process, environmental and social risks of the projects to be financed. We have defined the following guiding principles for the SARAS and guidelines to comply with the environmental and social regulations.



3.2 Categorization and Methodology to Evaluate Environmental and Social Risks

The SARAS generates a creditor profile and determines a regulatory framework, in line with the creditor's industry and sector, it also establishes the documentation required to verify the creditor's performance and compliance in environmental and social matters, in alignment with current national legislation and international best practices. After the generation of the creditor profile, environmental and social recommendations and requirements are established, which must be complied with in order for the credit to be approved. A specialized group within BANCOMEXT oversees and validates every approved framework, and in some instances, it might also require a more exhaustive revision.

The SARAS establishes a category in function of the level of environmental and social risks, in alignment with the EPs and the International Financial Corporation's performance standards, which are the following:



Once the category is defined, the reach of the framework is designed with the SARAS based on the type of project to be financed, the size of the credit and the environmental and social risk (A, B or C)

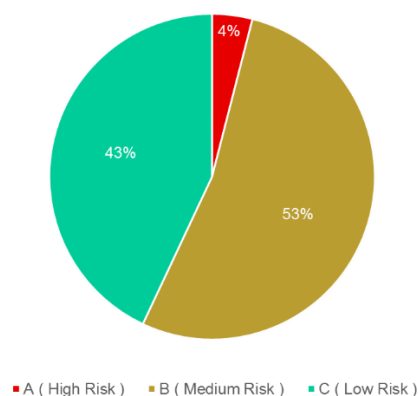
Credit Characteristics	Credit Amount	Documentation / Process Requirements
Investment Projects of Categories A and B (Energy Sector)	More than 10 million dollars	Environmental and Social Due Diligence in accordance with the type, magnitude and stage of the Project, in accordance with the Equator Principles / IFC Performance Standards
Investment Projects of Categories: B (ex. Energy Sector) and C	More than 10 million dollars	
Investment Projects of Categories A, B and C	Less than 10 million dollars	In accordance with the BANCOMEXT Methodology in compliance with current national environmental and social regulations
Other Type of Transactions of Categories ^{1/} A, B and C	Open Amount	

1/ Not related to investment projects. Considers transactions such as: working capital, equipment acquisition, corporate financing, VAT, factoring, among others.

3.3 Statistics (SARAS results)

Since the implementation of the SARAS framework in 2017 to December 31, 2020, we have carried out 670 Environmental and Social assessments. . Out of these, 4% are risk category A (the high risk category for a total of 24 assessments), 53% risk B (the medium risk category, for a total of 354 assessments) and 43% risk C (the Low Risk category, for a total of 292 assessments).

E&S Risk Category, number of assessments done 2017 - 2020



3.4 Institutional Sustainability Commitments

Through the SARAS, BANCOMEXT is aligned with and contributes to the principles of various international and national initiatives for the mitigation of global warming and the advancement of the [Sustainable Development Goals] of the financial sector, such as:

- ✓ Mitigation and adaptation commitments to Climate Change by 2030 by the Paris Agreement
- ✓ Sustainable Development Goals by the United Nations
- ✓ Principles of Responsible Banking, Finance Initiative of the United Nations Environment Program (UNEP-FI)
- ✓ Task Force on Climate-Related Financial Disclosure (TCFD)
- ✓ Sustainability Protocol of the Associated Mexican Banks (ABM)⁴
- ✓ Network of Central Banks and Supervisors for Greening the Financial System (NGFS)

Additionally, with the adoption of the SARAS in its credit process, BANCOMEXT has complied with its contractual commitments in its funding lines with international and multilateral banks such as KFW, IDB, JBIC and recently the guarantee granted by the World Bank (MIGA).

One of the main elements and purposes of these initiatives and institutional commitments is the incorporation of environmental and social risk management, review and documentation of social and environmental aspects that allow the measurement and reporting of potential financial risks. In addition to reaffirming its commitment to sustainable financing, BANCOMEXT is the first development bank in Mexico that operates the SARAS in an integral way in its credit process. We welcome this leadership opportunity in order to promote this good practice and share processes experiences within other development institutions (such as FIRA⁵, NAFIN⁶ and BANOBRAS⁷).

4. Rationale for Issuance

In 2019, the Federal Government published the National Development Plan 2019- 2024 (PND 2019- 2024), its purpose is to specify the national objectives, strategy, and priorities for Mexico's comprehensive, equitable, inclusive, and sustainable development. This document leads and coordinates the strategic planning and action lines defined by the whole government in order to achieve the goals defined by the President on it. Given its nature, the PND is aligned with the United Nations 2030 Sustainable Development Goals (SDGs).

BANCOMEXT's strategy is in line with the guiding principles established by the National Development Plan 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.

We recognize our role as transformation agents and promoters of social development. In order to enhance the power of BANCOMEXT to address environmental and social issues, where we have the ability to effect positive change, we intend to issue Sustainability Bonds which aim to finance green and/or social projects that align with our sustainability priorities. We hope the issuance of our Sustainability Bonds will inspire other similar institutions to do the same.

⁴ The *Protocolo de Sustentabilidad con la Asociación de Bancos de México ("ABM")*, which is a voluntary agreement among certain financial institutions in Mexico that created a framework of guidelines on sustainability that to be adopted by each signatory institution. The signatories include : (A) Commercial Banks: Actinver, Barclays, Credit Suisse, Mibanco, BBVA, HSBC, Banco Azteca, BOFA Merrill Lynch, Mifel, Banbajio, Cibanco, Monex, Banorte, Citibanamex, Sadabel, Banregio, Compartamos and Santander and (B) Development Banks: BANCOMEXT, FIRA, BANOBRAS, FND, BANSEFI, NAFIN and SHF [consider using full legal names for all named institutions]

⁵ Fideicomisos Instituidos en Relación con la Agricultura ("FIRA")

⁶ Nacional Financiera, S.N.C. ("NAFIN")

⁷ Banco Nacional De Obras Y Servicios Públicos, S.N.C. ("BANOBRAS")

5. Alignment with the Sustainability Bond Guidelines

Sustainability Bonds are debt securities, the proceeds of which will be exclusively applied to finance or refinance green projects, social projects or a combination thereof. The Sustainability Bond Guidelines (SBG)⁸ administered by the International Capital Markets Association (ICMA) recommend the alignment of Sustainability Bonds with the four core components of both the Green Bond Principles 2018 (“GBP”)⁹ and Social Bond Principles 2018 (“SBP”)¹⁰, collectively known as “The Principles”. The GBP and SBP outline eligible project categories for green and social projects. The Principles are voluntary process guidelines that recommend transparency, disclosure and promote integrity for best practices when issuing Green Bonds, Social Bonds and Sustainability Bonds.



This framework may, from time to time, be updated and, will be applied to any Sustainable Bonds issued by BANCOMEXT. In the event of an update to this framework, any future projects will be in alignment with the high-level eligible project categories recognized by “The ICMA Principles”.

5.1 Eligible Projects

An amount equal to the net proceeds of our Sustainability Bonds will be allocated to existing or future investments in or financings of Eligible Projects that meet any of BANCOMEXT’s Sustainability Bond Framework Eligibility Criteria as defined below. Eligible Projects are investments and expenditures made by us or any of our 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).

“Eligibility Criteria” means any of the following:

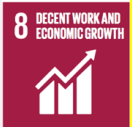
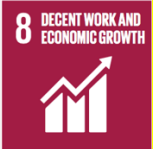

Social Bond Project Categories:

SBP Eligible Project Category	Eligible Projects and Examples	SDG Alignment
<p>Access to Essential Services</p> <p>Target Population:</p> <ul style="list-style-type: none"> Micro, Small- and medium-sized companies in Mexico¹¹ under E&S category B (Medium Risk) and C (Low Risk) 	<ul style="list-style-type: none"> Disbursements to programs that provide essential services to underserved target populations. Projects include access to: <ul style="list-style-type: none"> 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 	 

⁸ <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

¹⁰ <https://www.icmagroup.org/green-social-and-sustainability-bonds/social-bond-principles-sbp/>

¹¹ 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

<p>Employment Generation</p> <p>Target Population:</p> <ul style="list-style-type: none"> Micro, Small- and medium-sized companies in Mexico¹² under E&S category B (Medium Risk) and C (Low Risk) 	<ul style="list-style-type: none"> Disbursements to programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, including through the potential effect of SME financing and microfinance 	
<p>Socio-Economic Advancement and Empowerment</p> <p>Target Population:</p> <ul style="list-style-type: none"> Low-income and underserved populations in Mexico¹³ under E&S category B (Medium Risk) and C (Low Risk) Local Indigenous Communities 	<ul style="list-style-type: none"> Disbursements focused in regional economic development¹⁴ Disbursements focused on the preservation of historical and cultural heritage of local indigenous communities as well as the promotion of commerce 	 






¹² 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

¹³ 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

¹⁴ Regions in alignment with the strategic projects defined in the National Development Plan.







Green Bond Project Categories:

GBP Eligible Project Category	Eligible Projects and Examples	SDG Alignment
Renewable Energy	<ul style="list-style-type: none"> Disbursements to projects related to the construction, development, expansion, production, acquisition, maintenance, and operation of renewable resources, including: <ul style="list-style-type: none"> Wind (onshore), water (hydropower)¹⁵ and solar (photovoltaic), including the processes of generation, transmission, storage, equipment and products 	 
Energy Efficiency	<ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Disbursements to projects to technologies and equipment for efficient use of water. Including smart dosage systems and rain water collectors¹⁶ 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 processes¹⁷ 	




¹⁵ Large-scale hydropower (>10MW) are not eligible

¹⁶ 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%.

¹⁷ New wastewater treatment will substitutes more GHG emission intensive wastewater treatment systems (such as pit latrines, septic tanks, anaerobic lagoons, etc.).

Clean Transportation	<ul style="list-style-type: none"> ▪ Disbursements to the modernization in transport systems, including transportation with : <ul style="list-style-type: none"> ○ 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 Regulation¹⁸ ▪ Disbursements the purchase of electric vehicles and/ or for infrastructure projects associated with electric vehicles; including charging stations 	  
Green Buildings	<ul style="list-style-type: none"> ▪ 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	<ul style="list-style-type: none"> ▪ Disbursements to afforestation, reforestation, landscape conservation or restoration projects that have, to the extent possible, FSC/PEFC/SFI certifications other equivalent certifications 	

¹⁸ 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

<p>Pollution Prevention and Control</p>	<ul style="list-style-type: none"> ▪ Disbursements aimed to: <ul style="list-style-type: none"> ○ Reduce air emissions, such as nitrogen compounds, sulfur compounds, smog and others ○ greenhouse gas control ○ ▪ Disbursements aimed for : <ul style="list-style-type: none"> ○ waste prevention, waste reduction and waste recycling ○ energy/emission-efficient waste to energy and associated environmental monitoring 	  
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We will not knowingly allocate proceeds from any issuance of Sustainable Bonds to the following:

- All Fossil-Fuel based activities
- Activities or Projects that are not compliant with the fundamental principles of employee rights¹⁹
- 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.
- Production or commercialization of alcoholic beverages²⁰ (Beer, wine and Alcoholic beverages produced or commercialized by Mexican companies are eligible)
- Production or trade of Tobacco²¹
- 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 fibers²²
- 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 recycling²³

¹⁹ 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.

²⁰ 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.

²¹ 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.

²² This restriction does not apply to the purchase or use of fiber cement slabs with an asbestos content less than 20%.

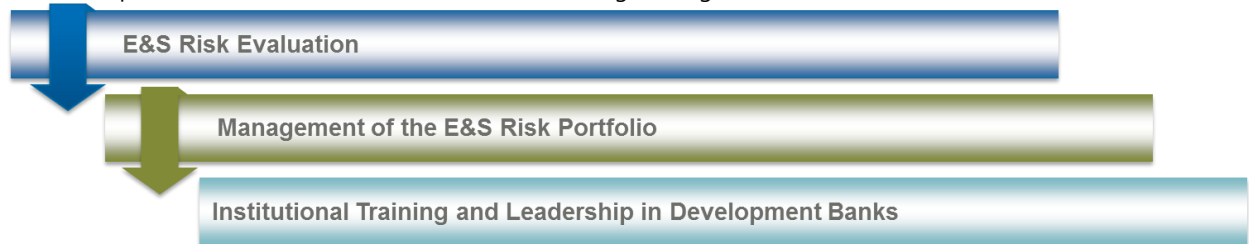
²³ As defined by the Basel Convention (<http://www.basel.int>).

- Production or trade in pharmaceutical specialties that have been subject to phase-outs or those with international bans²⁴
- Production or trade in pesticides or herbicides that have been subject to international phase-outs or bans and persistent organic pollutants (POPs)²⁵
- Production or trade in ozone-depleting substances subject to international phase-outs²⁶ 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 Flora ²⁷

5.2 Process of Project Evaluation and Selection:

For the development, implementation and operation of the SARAS, we 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's responsibilities can be summarized in the following 3 categories



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 others 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 this framework. The UGAS, Corporate Banking and the DGA of Emissions and International Relations

²⁴ 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/edmqsm-2001_3.pdf).

²⁵ 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)

²⁶ 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).

²⁷ Convention on International Trade in Endangered Species of Wild Fauna and Flora, <https://www.cites.org/>

will replace²⁸ 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.

5.3 Management of Proceeds:

BANCOMEXT will track the allocation of the proceeds from the issuance of Sustainable 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 Sustainable Bonds. Pending the allocation of an amount equal to such net proceeds, we will temporarily invest an amount equal thereto in accordance with our internal liquidity portfolio guidelines or in cash, cash equivalents and/or U.S. treasury securities. Payment of principal and interest on BANCOMEXT's Sustainable Bonds will be made from our general funds and will not be directly linked to the performance of any Eligible Projects. We intend to allocate an amount equal to the net proceeds in the first 36 months after issuance.

5.4 Transparency & Reporting:

5.4.1 Allocation Reporting:

BANCOMEXT will update investors annually regarding the allocation of an amount equal to the net proceeds from the issuance of the Sustainable Bonds until such amount has been fully allocated to Eligible Projects. The update will appear in a public standalone report located on BANCOMEXT's website²⁹ and will include amounts allocated to projects presented in aggregation based on portfolio categories as well as the amount of unallocated proceeds.

5.4.2 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Job Generation (number) Annual jobs generated or maintained (number)
Socio-Economic Advancement and Empowerment	<ul style="list-style-type: none"> Number of financed SMEs Amount of investments in lower-income regions Amount invested in archeological activities
Renewable Energy	<ul style="list-style-type: none"> Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy)
Energy Efficiency	<ul style="list-style-type: none"> Annual energy savings in MWh/GWh (electricity) and GJ/TJ (other energy savings)
Sustainable water and wastewater management	<ul style="list-style-type: none"> Annual absolute (gross) water use before and after the project in m³/a, reduction in water use in %

²⁸ 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

²⁹ <https://www.bancomext.com/wp-content/uploads/2021/07/Reporte-Asignación-de-Recursos.pdf>

Clean Transportation	<ul style="list-style-type: none"> ▪ Number of hybrid or electric vehicles deployed ▪ Number of people with access to clean transportation
Green Buildings	<ul style="list-style-type: none"> ▪ 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	<ul style="list-style-type: none"> ▪ Reforestation (Ha.) ▪ Survival percentage of species in nursery (%)
Pollution Prevention and Control	<ul style="list-style-type: none"> ▪ 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.)

6. External Review

6.1 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 SPO provider’s website as well as our website³⁰.

6.2 Assurance

We expect that our allocation report will be accompanied by (i) assertions by our 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 our 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.

³⁰ https://www.bancomext.com/wp-content/uploads/2021/07/Bancomext_Full_SPO_Final-vClean-7.7.pdf

Appendix:

Definitions of Micro, Small- and Medium-sized companies in Mexico				
Size	Industry	Number of Employees	Annual Sales (MXN in millions)	Max. Weighted Score*
Micro	All	Up to 10	Up to \$4.0	4.6
Small	Commercial	From 11 to 30	From \$4.01 to \$100.0	93
	Industrial & Services	From 11 to 50	From \$4.01 to \$100.0	95
Medium	Commercial	From 31 to 100	From \$100.01 to \$250.0	235
	Services	From 51 to 100		
	Industrial	From 51 to 250	From \$100.01 to \$250.0	250
*Max Weighted Score: (Employees) x 10% + (Annual Sales) x 90%				

Disclaimer

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