

# Fondo Especial para Financiamientos Agropecuarios

**Type of Engagement:** Annual Review

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## Introduction

In 2020, Fondo Especial para Financiamientos Agropecuarios (“FEFA”) issued a social bond to finance productive or investment projects for women (as individuals) or micro, small and medium-sized enterprises (MSMEs), family businesses, large companies, associations and organizations of producers that are led by women or have exclusive participation by women in agricultural, forestry, fisheries and rural areas.<sup>1</sup> In April 2022, Fideicomisos Instituidos en Relación con la Agricultura (“FIRA”) engaged Sustainalytics to review the projects funded through the issued social bond and provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the FEFA Social Bond with a Gender Focus Framework (the “Framework”).<sup>2</sup>

## Evaluation Criteria

Sustainalytics evaluated the projects and assets funded with proceeds from the 2020 social bond based on whether the projects and programmes:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the FEFA Social Bond with a Gender Focus Framework ; and
2. Reported on at least one of the Key Performance Indicators (KPIs) for each Use of Proceeds criteria outlined in the FEFA Social Bond with a Gender Focus Framework .

Table 1 lists the Use of Proceeds, Eligibility Criteria, and associated KPIs while Table 2 lists the associated KPIs.

**Table 1: Use of Proceeds, Eligibility Criteria**

Use of Proceeds	Eligibility Criteria
<b>Access to essential services / Financial Inclusion</b>	New credit recipients <sup>3</sup> with loans for productive or investment projects with the participation of: <ul style="list-style-type: none"> <li>• Woman individuals (exclusively).</li> <li>• MSMEs (Spanish: MiPYMES), family businesses, large companies, associations and organizations of producers with women exclusive participation or led by them.</li> </ul>
<b>Generation of employment / Labor and productive initiative</b>	Beneficiaries with ongoing credits <sup>4</sup> or reinstated <sup>5</sup> with short-term or working capital loans for productive projects granted to: <ul style="list-style-type: none"> <li>• Woman individuals (exclusively).</li> <li>• MSMEs , family businesses, large companies, associations and organizations of producers with women exclusive participation or led by them.</li> </ul>
<b>Socio-economic advancement</b>	Beneficiaries with ongoing credits or reinstated with long-term loans for capital goods acquisition and investment in productive infrastructure granted to:

<sup>1</sup> FEFA is one of four trusts funds which together form the Trust Funds for Rural Development (Fideicomisos Instituidos en Relación con la Agricultura or FIRA), a Mexican second-tier development financial institution which offers credit and support to the agricultural and fisheries sectors and promotes rural industrial development.

<sup>2</sup> FIRA, “Social Bond Framework”, (2020), at: <https://www.fira.gob.mx/Nd/ESG-social.jsp>

<sup>3</sup> Accredited women who appear for the first time in FIRA’s beneficiary databases).

<sup>4</sup> Accredited women with prior registration in FIRA’s beneficiary databases.

<sup>5</sup> Accredited women with previous registration in FIRA’s beneficiary databases, but without operation during the last three years.

<b>and empowerment / Entrepreneurship</b>	<ul style="list-style-type: none"> <li>• Woman Individuals (exclusively).</li> <li>• MSMEs , family businesses, large companies, associations and organizations of producers with women exclusive participation or led by them.</li> </ul>
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**Table 2: Key Performance Indicators**

<b>Use of Proceeds</b>	<b>Key Performance Indicators</b>
<b>Access to essential services / Financial Inclusion</b>	<ul style="list-style-type: none"> <li>• Number of women benefiting from a FIRA loan for the very first time.</li> <li>• Amount of credits granted for the very first time to final female borrowers (as individuals or as members or partners of a company, association or organization of producers with exclusive participation of women or led by women).</li> </ul>
<b>Generation of employment / Labor and productive initiative</b>	<ul style="list-style-type: none"> <li>• Number of women (final credited) receiving agricultural or working capital credit to carry out their productive Project.</li> <li>• Number of credits of provision or working capital to productive projects of women individuals, or companies, organizations or associations of women producers or those led by women.</li> <li>• Amount of agricultural or working capital credits granted to final credited women (as individuals or as members or partners of a company, association or organization of producers with the exclusive participation of women or led by women).</li> </ul> <p>FIRA will report complementary indicators on the subject of labor and productive inclusion for the selected cases.</p> <ul style="list-style-type: none"> <li>• Jobs generated or sustained through the productive project financed through the social bond.</li> <li>• Value of the production linked to the productive project financed through the social bond (e.g. Hectares harvested, or units produced, etc.).</li> </ul>
<b>Socio-economic advancement and empowerment / Entrepreneurship</b>	<ul style="list-style-type: none"> <li>• Number of women (final credited) receiving long-term credit for the acquisition of capital goods and investment in productive infrastructure.</li> <li>• Number of long-term credits for the acquisition of capital goods and investment in productive infrastructure in support of productive projects of individuals, companies, organizations or associations of women producers or those led by women.</li> <li>• Amount of long-term loans for the acquisition of capital goods and investment in productive infrastructure to final credited women (as individuals or as members or partners of a company, association or organization of producers with exclusive participation of women or led by women).</li> </ul> <p>FIRA will report complementary indicators on the subject of labor and productive inclusion for the selected cases.</p> <ul style="list-style-type: none"> <li>• Areas of the enterprise benefited through the productive project financed by the social bond (management capacity, improvements in the organization, in the value chains; innovation processes, etc.)</li> </ul>

## Issuing Entity's Responsibility

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

## Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of FEFA’s Social Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from FEFA employees and review of documentation to confirm the conformance with the FEFA Social Bond with a Gender Focus Framework .

Sustainalytics has relied on the information and the facts presented by FEFA with respect to the Nominated Projects. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by FEFA.

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

## Conclusion

Based on the limited assurance procedures conducted,<sup>6</sup> nothing has come to Sustainalytics’ attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of FEFA’s Social Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the FEFA Social Bond with a Gender Focus Framework . FEFA has disclosed to Sustainalytics that the proceeds of the social bond were fully allocated as of October, 5<sup>th</sup>, 2021.

## Detailed Findings

**Table 3: Detailed Findings**

<b>Eligibility Criteria</b>	<b>Procedure Performed</b>	<b>Factual Findings</b>	<b>Error or Exceptions Identified</b>
<b>Use of Proceeds Criteria</b>	Verification of the projects funded by the social bond in 2020 to determine if projects aligned with the Use of Proceeds Criteria outlined in the FEFA Social Bond with a Gender Focus Framework and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria.	None
<b>Reporting Criteria</b>	Verification of the projects funded by the social bond in 2020 to determine if impact of projects was reported in line with the KPIs outlined in the FEFA Social Bond with a Gender Focus Framework and above in Table 2. For a list of KPIs reported please refer to Appendix 1.	All projects reviewed reported on at least one KPI per Use of Proceeds criteria.	None

<sup>6</sup> Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

## Appendix: Allocation and Impact Reporting by Eligibility Criteria

Use of Proceeds Category	Amount of Credit Granted <sup>7</sup> (million MXN)	Allocation of proceeds in %	Number of Credits <sup>8</sup>	Number of Women <sup>9</sup>
Access to essential services / Financial Inclusion	377	12%	1,210	4,201
Generation of employment / Labor and productive initiative	1,487	49%	3,995	4,375
Socio-economic advancement and empowerment / Entrepreneurship	1,196	39%	2,607	1,431
<b>Total</b>	<b>3,060</b>	<b>100%</b>	<b>7,812</b>	<b>10,007</b>

### Allocation by Sector

Sectors	Amount of Credit Granted <sup>10</sup> (million MXN)	Allocation of proceeds in %
Agriculture	1,599	52%
Livestock	1,086	35%
Forestry and fisheries	48	2%
Other rural sectors	327	11%
<b>Total Allocated proceeds</b>	<b>3,060</b>	<b>100%</b>
<b>Net proceeds raised from the issuance</b>	<b>3,000</b>	
<b>Percentage of net proceeds allocated</b>	<b>100%</b>	

<sup>7</sup> It refers to the amount of financing granted to productive projects for women.

<sup>8</sup> Number of operations registered with an identifier in the SIIOF (Integrated Computer Information System of FIRA Operations).

<sup>9</sup> It corresponds to the number of women supported in each category, without repetition.

<sup>10</sup> It refers to the amount of financing granted to productive projects for women.

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