

Second-Party Opinion

Banco Compartamos Social Bond Framework

Evaluation Summary

Sustainalytics is of the opinion that the Banco Compartamos Social Bond Framework is credible and impactful and aligns with the four core components of the Social Bond Principles 2023. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds, Employment Generation - Microfinance and Entrepreneurs Financing, Socioeconomic Advancement and Empowerment – Programmes to Support Men and Women with Small Businesses, Access to Essential Services – Financial, are aligned with those recognized by the Social Bond Principles that seek to achieve positive socio-economic outcomes for target populations. Sustainalytics considers that investments in the eligible categories will lead to positive social impacts and advance the UN Sustainable Development Goals, specifically SDGs 5, 8 and 10.



PROJECT EVALUATION AND SELECTION Banco Compartamos' Directors Committee and Finance Committee will be in charge of evaluating and selecting eligible assets in line with the Framework's eligibility criteria. Banco Compartamos' Risk Committee is responsible for assessing social risks in relation to all allocation decisions made under the Framework, while individual loan officers are responsible for assessing potential environmental risks. Sustainalytics considers these social and environmental risk management systems to be adequate and the selection process to aligned with market practice.



MANAGEMENT OF PROCEEDS Banco Compartamos' Executive Committee and Finance Department will oversee the allocation process to ensure that proceeds are fully allocated to eligible loans. An equal amount to the net proceeds of the Social Bonds will be allocated to the portfolio of eligible loans. Proceeds will be tracked through the Bank's internal systems. The Bank intends to fully allocate the proceeds to the eligible assets portfolio immediately after the issuance or within one year of issuance. The Bank has committed to ensuring continuous allocation of the proceeds to eligible loans. Pending full allocation, proceeds will be temporarily held in accordance with the Bank's portfolio policies. This is in line with market practice.



REPORTING Banco Compartamos will report on allocation and impact via an Annual Social Bond Report on its website until full allocation. The allocation reporting will include amounts allocated to each eligible asset, a brief description of selected assets and the outstanding amount of net proceeds yet to be allocated to assets at the end of the reporting period. In addition, the Bank is committed to reporting on relevant impact metrics, where feasible. Sustainalytics views Banco Compartamos' allocation and impact reporting commitments as aligned with market practice.

Second-Party Opinion



Reviewed by:

MORNINGSTAR

SUSTAINALYTICS

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Report Sections

Introduction.....	2
Sustainalytics' Opinion	3

For inquiries, contact the Sustainable Finance Solutions project team:

John-Paul Iamonaco (Toronto)
Project Manager
john-paul.iamonaco@sustainalytics.com
(+1) 416 861 0403

Han Xing (Toronto)
Project Support

Adam Segreti (Toronto)
Project Support

Anna Leckman (Toronto)
Client Relations
susfinance.americas@sustainalytics.com
(+1) 646 518 9623

¹ This document updates the Second-Party Opinion dated 8 September 2023.

Introduction

Banco Compartamos S.A. Institución de Banca Múltiple (“Banco Compartamos”, or the “Bank”) is a financial institution, part of Genera S. A. B. de C. V. (“Genera”, or the “Group”), offering loans and credits – mainly through group lending methodology – to community groups and low-income individuals, as well as bank accounts, saving products, insurance policies, and payment services. The Bank was created as a non-governmental organization in 1990, until 2000 when it obtained a licence to operate as a Limited Object Financial Institution (*sociedad financiera de objeto limitado* or SOFOL). In 2006, Banco Compartamos obtained a banking license and has since operated as a multipurpose bank. Headquartered in Mexico City, Mexico, the Bank currently serves more than 3.1 million clients. Since 2011, Genera, operates in both Mexico and Peru with its subsidiaries using the “Compartamos” brand.

The Bank has developed the Banco Compartamos Social Bond Framework dated September 2024 (the “Framework”) under which it intends to issue one or more social bonds and use the proceeds to finance or refinance, in whole or in part, existing and future lending. The Framework defines eligibility criteria in three areas:

1. Employment Generation – Microfinance and Entrepreneurs Financing
2. Socioeconomic Advancement and Empowerment - Programmes to Support Men and Women with Small Businesses
3. Access to Essential Services – Financial

Banco Compartamos engaged Sustainalytics to review the Framework, updated in September 2024, and provide a Second-Party Opinion on the Framework’s social credentials and its alignment with the Social Bond Principles 2023 (SBP).² The Framework has been published in a separate document.³

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁴ opinion on the alignment of the reviewed Framework with current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Social Bond Principles 2023, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.17.2, which is informed by market practice and Sustainalytics expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Banco Compartamos’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Banco Compartamos representatives have confirmed (1) they understand it is the sole responsibility of Banco Compartamos to ensure that the information provided is complete, accurate and up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

² The Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/social-bond-principles-sbp/>

³ The Banco Compartamos Social Bond Framework is available on Banco Compartamos’s website at: <https://www.compartamos.com.mx/compartamos/informacion-financiera-2024/sostenibilidad>

⁴ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Banco Compartamos.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Banco Compartamos has made available to Sustainalytics for the purpose of this SPO.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Banco Compartamos Social Bond Framework

Sustainalytics is of the opinion that the Banco Compartamos Social Bond Framework is credible, impactful and aligns with the four core components of the SBP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The eligible categories, Employment Generation – Microfinance and Entrepreneurs Financing, Socioeconomic Advancement and Empowerment – Programmes to Support Men and Women with Small Businesses, Access to Essential Services – Financial, are aligned with those recognized by the SBP.
 - Banco Compartamos intends to use net proceeds to finance or refinance its existing portfolio of loans to micro businesses and entrepreneurs, and individuals facing barriers to accessing financial services.
 - The Bank has communicated to Sustainalytics that operating expenditures will not be refinanced under the Framework and, therefore, the Bank has not established a look-back period for refinancing activities.
 - Sustainalytics notes that Banco Compartamos' loans are primarily intended for female entrepreneurs with limited or no credit history,⁵ and that the Bank intends for all of the net proceeds to be allocated to underserved populations, specifically those classified in the C-, D+ and D socioeconomic segments in Mexico.⁶ Sustainalytics views this targeting as credible, noting that financing is not being exclusively granted to those with low incomes, considering the demographics in the Bank's current lending portfolio.
 - In the "Microfinance and Entrepreneurs Financing" category, the Bank intends to finance individual entrepreneurs who are classified in the C-, D+ and D socioeconomic

⁵ Banco Compartamos has two types of loan offerings, which are Crédito Grupal and Crédito Individual. The majority of recipients of these loans are women, who represent 81.7% of the client profile for Crédito Grupal and 57% for the Crédito Individual. Banco Compartamos, (2024), "The Social Bond Framework".

⁶ This classification has been developed by the Mexican Association of Marketing Research and Public Opinion Agencies (AMAI). AMAI classifies households using Mexico's Socioeconomic Level Index (NSE), which groups households on their ability to meet certain needs, based on indicators such as educational level, number of bedrooms and bathrooms in the home, employment, access to vehicles and internet. For example, in 2024, 67% households in level C- have a head of household with maximum secondary education, 78% live in one or two- bedroom homes, spend 38% of income on food and 20% on transportation and communication; for level D, 55% have a head of household that has education up to primary school, 17% have access to internet at home and 46% of income is devoted for food.

AMAI, "Descriptivo De Cada Uno De Los NSE AMAI Estimación 2024", at: <https://www.amai.org/NSE/index.php?queVeo=niveles>

- segments in Mexico. Sustainalytics views the identified target group as credible and impactful.
- In the “Programmes to Support Men and Women with Small Businesses” category, the Bank intends to finance loans to support businesses with the following criteria: i) business owners must be between the ages of 18 and 98 years old; ii) business owners must be a part of a minimum group of five entrepreneurs; iii) business owners must have a valid ID or proof of current address; iv) number of employees cannot exceed 10 members; and v) total assets must be under USD 100,000.
 - Sustainalytics acknowledges that the criteria for identifying eligible businesses under the Framework are broadly informed by IFC’s definition of micro businesses,^{7,8,9} and notes that these businesses will be based in Mexico, which is considered a developing country.¹⁰ Sustainalytics considers financing of such micro entities based in a developing region socially impactful and views positively the additional intention to limit financing to just those businesses that owned by the abovementioned populations.
- In the “Access to Essential services - Financial” category, the Bank will provide personal loans to low-income people with little or no credit history, those accessing a financial service for the first time, and excluded or marginalized populations or communities; and group loans to micro businesses¹¹ where individuals are looking to start a business or further invest in their businesses
 - Sustainalytics views direct lending support to those who face barriers to accessing traditional credit as socially impactful, subject to appropriate due diligence, which is particularly important for working-capital lending.
 - Banco Compartamos has confirmed to Sustainalytics that the Bank will not finance vehicle loans under the Framework.
 - Banco Compartamos has communicated to Sustainalytics that it may also make use of the increased liquidity provided by the issuance to support the development of existing and additional products and services intended to expand access to banking services for the target populations described above.
 - In the “Access to financial services” category, the Bank will include investments in expanding the provision of financial services to individuals and communities who face barriers to accessing these services, including transactional banking and micro insurance products, such as through the Bank’s Yastás network.¹² Sustainalytics notes the potential positive impact of greater financial inclusion by offering these services to target populations “such as excluded or marginalized.”
 - Banco Compartamos has communicated to Sustainalytics that the loans financed under the Framework will be offered at interest rates below the market rate. Additionally, the Bank has in place other financial advantages to protect vulnerable populations against over indebtedness, such as but not limited to, no opening or administration fees, no early-repayment fees, and free life insurance on second group loans. The Bank has confirmed to Sustainalytics that these financial advantages will be applicable to the target population defined under the Framework.
 - Banco Compartamos has communicated to Sustainalytics that the Bank has responsible lending practices in place, such as: i) checking clients’ credit score before

⁷ Sustainalytics notes that most businesses receiving the group loans from the Bank have only one or two employees.

⁸ IFC defines micro enterprises using two out of three criteria, namely i) the number of employees of are less than 10 people, ii) the total asset value is less than USD 100,000, or iii) annual sales is less than USD 100,000. IFC, “IFC’s Definitions of Targeted Sectors”, at: <https://www.ifc.org/en/what-we-do/sector-expertise/financial-institutions/definitions-of-targeted-sectors>

⁹ Banco Compartamos has confirmed Sustainalytics’ understanding that the criteria under “Programmes to Support Men and Women with Small Businesses” will limit the Bank’s activity to the financing of loans to micro businesses. Small and medium business will not be considered.

¹⁰ United Nations Department of Economic and Social Affairs, “World Economic Situation and Prospects”, (2023), at: <https://www.un.org/development/desa/dpad/publication/world-economic-situation-and-prospects-2023/>

¹¹ Banco Compartamos has confirmed to Sustainalytics that these micro businesses share the same definition criteria with ones in the “Programmes to Support Men and Women with Small Businesses” category above. Additionally, the Bank has communicated to Sustainalytics that the only difference between these micro businesses under this category and the ones under the “Programmes to Support Men and Women with Small Businesses” category is the size of the loans the Bank provides to them.

¹² Yastás is a banking correspondent administrator that provides people access to financial operations, service payments, multi-level payments and top-ups at communities where banking infrastructure is limited or non-existent. Genera, “Yastás”, at: <https://www.genera.com.mx/genera/nuestras-empresas/yastas>

lending; ii) providing financial education to support clients tracking their loans; or iii) weekly client meetings to assist new clients to understand loan process. For additional details on the Bank's policies and procedures on responsible lending, refer to Section 2.

- The Framework specifies exclusionary criteria for certain activities that may pose added social or environmental risks, such as gambling, mining, and alcohol. Sustainalytics views this as strengthening the Framework, while encouraging the Bank to avoid where possible lending in the fossil fuels sector.
- Project Evaluation and Selection:
 - The Bank's Directors Committee and Finance Committee will evaluate and select eligible assets and ensure compliance with the Framework's eligibility criteria.
 - The Bank's Risk Committee will support the project selection process by reviewing any reported social risks associated with investments to ensure all projects are appropriately managed and risks mitigated, in addition to ensuring compliance with relevant laws, standards and regulations. The Bank is in the process of establishing a broader socio-environmental risk assessment for eligible projects, while the Bank has communicated to Sustainalytics that its individual loan officers are currently in charge of assessing potential environmental and social risks. Sustainalytics considers the social and environmental risk management systems to be adequate.
 - Based on the delegation of authority to senior management, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - Banco Compartamos' Executive Committee and Finance Department will oversee the allocation process to ensure that proceeds are fully allocated to lending in the three categories of the Framework using a portfolio approach. An equal amount to the net proceeds of the social bonds will be allocated to the portfolio of eligible loans. The Executive Committee and Finance Department will oversee the allocation and management of proceeds through the Bank's internal systems.
 - Sustainalytics notes that the Bank intends to fully allocate the proceeds to the eligible assets portfolio immediately after the issuance or within one year of the issuance. Sustainalytics also notes that the Bank intends to allocate to eligible assets that matches or exceed the balance of net proceeds from the social bonds. Sustainalytics considers it to be good practice to ensure continuous allocation by replenishing the value of the outstanding eligible loans to an amount that is equal to or greater than the net proceeds, in case underlying eligible loans in the pool are amortized or removed for any reason. Banco Compartamos has committed to implement this practice until bond maturity.
 - Pending full allocation, proceeds will be temporarily held in accordance with the Bank's portfolio policies. Banco Compartamos has communicated to Sustainalytics that the proceeds will be held in cash or cash equivalents and will be used to refinance debt and maintain the growth of its portfolio. Furthermore, the Bank has confirmed to Sustainalytics that the Bank will not use the temporary proceeds to refinance debt that is linked to carbon intensive assets or activities.
 - Based on the above, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - The Bank will report on allocation and impact via an Annual Social Bond Report published on its website until full allocation, in a timely manner. In case of material developments, there will be additional reporting. Allocation reporting will include the amount of net proceeds allocated to each eligible category, a brief description of selected assets and the outstanding amount of net proceeds yet to be allocated to assets at the end of the reporting period. Impact reporting will include, where feasible, key performance indicators such as number of beneficiaries, number of first-time loan recipients, number of micro businesses benefited, and number of women-owned businesses benefited.
 - Based on the Bank's reporting commitments, Sustainalytics considers this process to be in line with market practice.

Alignment with Social Bond Principles 2023

Sustainalytics has determined that the Banco Compartamos Social Bond Framework aligns with the four core components of the SBP.

Section 2: Sustainability Strategy of Banco Compartamos

Contribution of the Framework to Banco Compartamos' sustainability strategy

Sustainalytics is of the opinion that Banco Compartamos demonstrates a commitment to sustainability with a focus on financial inclusion and supporting female entrepreneurs. Since its founding as a non-governmental organization, the Bank has focused on providing microfinancing to low-income and underserved populations.¹³ Currently, 81.7% of the Bank's clients in Mexico are women.¹⁴ In addition, the Bank is aligned with Genera Group's sustainability strategy, which focuses on five strategic areas: i) impact on clients; ii) well-being of employees; iii) corporate citizenship; iv) good governance and integrity; and v) environment and climate change.¹⁵

In 2020, Banco Compartamos became a signatory to the UN Principles for Responsible Banking, setting two objectives for 2025: i) financially empower five million women through access to financing opportunities; and ii) disburse ten million loans of less than USD 500 each to reinforce credit penetration among the lowest socioeconomic segments of the population.¹⁶ The Bank has implemented and invested in various social projects to improve the quality of life for people in underserved communities. Examples of projects include: i) a digitalization plan for SMEs, reaching over 62,000 people; ii) a training programme targeted at women of all ages to strengthen entrepreneurial skills, reaching nearly 1,900 women; iii) a business and financial education course reaching 555 micro and small entrepreneurs; and iv) a community development process to empower the grassroots development of social entrepreneurship in fair trade and environmentally conscious practices, targeted at reaching 680 people across 19 communities.¹⁷ These financial education initiatives received a total investment of ~MXN 4,010,804 (~USD 236,330) from Banco Compartamos in 2023.^{18,19}

To further advance financial inclusion, Genera has expanded its electronic and mobile banking systems to increase its service provision to relevant communities and reduce the time and money invested per transaction. For example, Yastás, another Group company, provides people in areas with limited or no banking infrastructure with access to financial transactions, service payments, and mobile airtime top-ups to facilitate communication. Yastás is the largest manager of bank correspondence in Mexico and as of 2023, its network had carried out over 25 million operations for 6,038 businesses authorized to carry out financial transactions of Banco Compartamos, which expanded the Bank's services²⁰ and increased access to the aforementioned transactions in 1,415 municipalities.²¹ These efforts to expand service and address underserved populations has also been met with efforts to protect such customers. As of 2023, the Bank had 16,253 employees certified in customer protection to address the risk of predatory lending and simultaneously provides information and tools expected to empower customers to manage their finances more responsibly, including the avoidance of over-indebtedness or credit history damage.²²

Sustainalytics is of the opinion that the Banco Compartamos Social Bond Framework is aligned with the Group's overall sustainability strategy and initiatives and will further the Bank's action on its key social priorities.

¹³ Banco Compartamos, "Social Bond Framework 2024"

¹⁴ Ibid.

¹⁵ Genera, "Annual and Sustainability Report 2023", at: https://www.genera.com.mx/wcm/connect/0978ed40-fa21-49d0-943b-25fed3eec701/Genera_IA+English.pdf?MOD=AJPERES

¹⁶ Ibid.

¹⁷ Ibid.

¹⁸ Banco Compartamos, "Principles for Responsible Banking Reporting and Self-Assessment Template", (2023), at: <https://www.compartamos.com.mx/wcm/connect/db06d0f0-16e9-46d9-82b3-9cb6b5387da4/Template+PBR+2024+EN+Compartamos+Banco.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-db06d0f0-16e9-46d9-82b3-9cb6b5387da4-p2-nvym>

¹⁹ USDMXN 16.9712 as of December 29, 2023

²⁰ Genera, "Annual and Sustainability Report 2023", at: https://www.genera.com.mx/wcm/connect/0978ed40-fa21-49d0-943b-25fed3eec701/Genera_IA+English.pdf?MOD=AJPERES

²¹ Ibid.

²² Banco Compartamos, "Principles for Responsible Banking Reporting and Self-Assessment Template", (2023), at: <https://www.compartamos.com.mx/wcm/connect/db06d0f0-16e9-46d9-82b3-9cb6b5387da4/Template+PBR+2024+EN+Compartamos+Banco.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-db06d0f0-16e9-46d9-82b3-9cb6b5387da4-p2-nvym>

Approach to managing social risks associated with the projects

Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards eligible projects expected to provide positive social impacts. However, Sustainalytics is aware that such eligible projects could also lead to negative social outcomes. While the Bank plays a limited role in the development of the specific projects that it finances, by offering lending and financial services, it is exposed to environmental and social risks associated with the companies and projects that it may finance. Some of these risks include business ethics, and accurate population targeting and predatory lending.

Sustainalytics is of the opinion that Banco Compartamos is able to manage or mitigate potential risks through the implementation of the following processes and policies:

- Regarding the business ethics risks associated with the Bank's lending, the Bank abides by Genera's Code of Ethics and Conduct (the "Code").²³ The Code provides ethical conduct guidelines for its interactions with peers, suppliers and customers. Every new member of the Group is required to do a training course on the Code's application and undergo a yearly recertification.²⁴ Additionally, Genera has an Ethics Committee tasked with overseeing and penalizing employees or suppliers for activities deemed to be out of compliance with of the Code.²⁵ Genera has an overarching strategic sustainability policy where the Group has outlined its social commitments including those around anti-corruption, non-discrimination and diversity and inclusion as well as reiterating on the aforementioned labour rights and human rights stances.²⁶ In addition, the Group has a specialized Anti-Money Laundering department run by its Compliance Officer to ensure the compliance with applicable laws on Anti-Money Laundering and Terrorist Financing.²⁷ Both the Ethics Committee and the Anti-Money Laundering department utilize and maintain processes for handling whistleblowing complaints in accordance with the Group's Whistleblower Protection Institutional Guidelines.²⁸
- With regard to risks related to appropriate population targeting and predatory lending, Banco Compartamos has participated in the Smart Campaign since 2014, which applies to businesses that meet specific standards focused on need-based products, avoidance of predatory lending, pricing transparency and competitiveness, among other practices.^{29,30} Banco Compartamos has also adopted Client Protection Principles to protect clients' vulnerabilities and mitigate risks in relation to its financial inclusion programmes. The principles include: i) suitable products and services; ii) prevention of over-indebtedness; iii) transparency; iv) competitive pricing; v) fair and respectful treatment of clients; vi) clients data privacy; and a vii) mechanisms for resolving complaints.³¹ These principles are embedded in the aforementioned code of ethics that binds every Group employee.³² Specifically relating to the prevention of over-indebtedness, Genera analyzes customers' information to determine their ability to repay debt.³³ Banco Compartamos provides educational resources for its

²³ Genera, "Código de Ética y Conducta", (2023), at: https://www.genera.com.mx/wcm/connect/a6a844a0-8b4b-40b4-8238-56fb512e2f03/CEC_22_CEYC.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-a6a844a0-8b4b-40b4-8238-56fb512e2f03-ocUqL45

²⁴ Ibid.

²⁵ The mandate of the Ethics Committee has been confirmed with Banco Compartamos.

²⁶ Genera, "Política Estratégica de Sostenibilidad", (2024), at: https://www.genera.com.mx/wcm/connect/16147fa9-1899-4be0-bfed-bce46878e37f/Politica+Sostenibilidad_Genera+2024.pdf?MOD=AJPERES

²⁷ Genera, "Code of Ethics and Conduct for Suppliers and Organizations", (2024), at: <https://www.genera.com.mx/wcm/connect/a0f690f4-dbcb-48c2-a847-c560ef8bd43f/CEC+Proveedores+y+Organizaciones-Proveedores+y+Organizaciones+Ingl%C3%A9s+2024.pdf?MOD=AJPERES>

²⁸ Ibid. the presence of procedures to handle whistleblowing has been confirmed as well with Banco Compartamos

²⁹ Banco Compartamos, "Compartamos Banco obtains the Smart Campaign Certification", (2014), at:

https://www.compartamos.com/wps/wcm/connect/?MOD=PDMPProxy&TYPE=personalization&ID=NONE&KEY=NONE&LIBRARY=%252FcontentRoot%252Ficm%253Alibraries&FOLDER=%252FSala+de+Prensa%252FBoletines+en%252F2014%252F&DOC_NAME=%252FcontentRoot%252Ficm%253Alibraries%252FSala+de+Prensa%252FBoletines+en%252F2014%252F20140903+Compartamos+Banco+obtains+the+Smart+pdf

³⁰ Center for Financial Inclusion, "Smart Campaign", at: <https://www.centerforfinancialinclusion.org/research/consumer-protection/smart-campaign/>

³¹ Genera, "Política Estratégica de Sostenibilidad", (2024), at: https://www.genera.com.mx/wcm/connect/16147fa9-1899-4be0-bfed-bce46878e37f/Politica+Sostenibilidad_Genera+2024.pdf?MOD=AJPERES

³² Genera, "Código de Ética y Conducta", (2023), at: https://www.genera.com.mx/wcm/connect/a6a844a0-8b4b-40b4-8238-56fb512e2f03/CEC_22_CEYC.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-a6a844a0-8b4b-40b4-8238-56fb512e2f03-ocUqL45

³³ Banco Compartamos, "Principles for Responsible Banking Reporting and Self-Assessment Template", (2023), at:

<https://www.compartamos.com.mx/wcm/connect/db06d0f0-16e9-46d9-82b3-9cb6b5387da4/Template+PBR+2024+EN+Compartamos+Banco.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-db06d0f0-16e9-46d9-82b3-9cb6b5387da4-p2-nvym>

clients to learn how to manage their loans and resources, as well for the responsible management of their credit lines.³⁴

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Banco Compartamos has implemented adequate measures and is well positioned to manage and mitigate the social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

The use of proceeds categories are aligned with those recognized by the SBP. Sustainalytics focuses below on where the impact is specifically relevant in the local context.

Importance of MSME financing in Mexico

In the context of Mexico’s emerging market economy, micro-, small- and medium-sized enterprises (MSMEs) make up a vital part of the economy and overall employment.³⁵ In 2022, Mexico had 4.86 million SMEs, generating 14.6% of national GDP and employing nearly 50% of the entire workforce.³⁶ However, the lack of access to finance for MSMEs has become a significant impediment for employment, economic development and shared prosperity in the country. MSMEs in Mexico face a financing gap of USD163.9 billion,³⁷ accounting for 14% of GDP, the second-highest gap by volume among all Latin American countries.³⁸ Additionally, 2018 data from the OECD shows a 5.9% interest rate spread between SMEs and larger firms as the average interest rates correlate with the size of the borrowing company, which further burdens MSMEs seeking financing.³⁹

The MSME financing gap leads to a wide labour productivity gap. Mexico has the lowest labour productivity of SMEs among all OECD countries. The significant productivity gap between SMEs and large firms aggravates income inequalities and slows economic growth in Mexico. The importance of addressing these concerns is represented in the steps the Mexican federal government has taken in implementing specific programmes targeted to micro and small enterprises. These include initiatives aimed at lowering the personal income tax rate, providing management training and adopting ICT in micro businesses. The Financial Inclusion Action Plan, launched in 2016, also addresses the importance of MSME financing.⁴⁰

By continuing to provide financial services to underserved populations, Banco Compartamos’ financing under the Framework is expected to contribute to creating job opportunities and to help promote the economic development of the communities targeted. Therefore, Sustainalytics is of the view that Banco Compartamos’ provision of loans for micro and small businesses is expected to have a positive impact on job creation in Mexico.

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the Banco Compartamos Social Bond Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
1. Employment Generation – Microfinance and Entrepreneurs Financing	8. Decent work and economic growth	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized

³⁴ Gentera, “Annual and Sustainability Report 2023”, at: https://www.gentera.com.mx/wcm/connect/0978ed40-fa21-49d0-943b-25fed3eec701/Gentera_IA+English.pdf?MOD=AJPERES

³⁵ OECD, “Financing SMEs and Entrepreneurs 2024 – Full Country Profile: Mexico”, (2024), at: <https://www.oecd-ilibrary.org/docserver/06ac4535-en.pdf?expires=1729101327&id=id&accname=guest&checksum=B74AD022A6ADE2E69AA9D90B89ED18EF>

³⁶ OECD, “Financing SMEs and Entrepreneurs 2022: An OECD Scoreboard. Full Country Profile: Mexico”, (2022), at: https://read.oecd-ilibrary.org/industry-and-services/financing-smes-and-entrepreneurs-2022_53f52411-en#page2

³⁷ SME Finance Forum, “MSME Finance Gap”, at: <https://www.smefinanceforum.org/data-sites/msme-finance-gap>

³⁸ IFC, “MSME Finance Gap- Assessment of the Shortfalls and Opportunities in Financing Micro, Small and Medium Enterprises in Emerging Markets”, (2017), at: <https://www.smefinanceforum.org/sites/default/files/Data%20Sites%20downloads/MSME%20Report.pdf>

³⁹ OECD, “Financing SMEs and Entrepreneurs 2022: An OECD Scoreboard. Full country profile: Mexico”, (2022), at: https://read.oecd-ilibrary.org/industry-and-services/financing-smes-and-entrepreneurs-2022_53f52411-en#page1

⁴⁰ OECD, “Mexico Policy Brief”, (2017), at: <https://www.oecd.org/mexico/mexico-raising-productivity-in-small-traditional-enterprises.pdf>.

		enterprises, including through access to financial services
2. Socioeconomic Advancement and Empowerment - Programmes to Support Men and Women with Small Businesses	5. Gender Equality	5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life
Access to Essential Services – Financial	8. Decent work and economic growth	8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all
	10. Reduced inequalities	10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status

Conclusion

Banco Compartamos has developed the Banco Compartamos Social Bond Framework under which it intends to issue social bonds and use the proceeds to finance lending aimed at advancing social and economic inclusion. Sustainalytics considers that the eligible projects are expected to provide positive social impacts.

The Banco Compartamos Social Bond Framework outlines a process for tracking, allocation and management of proceeds, and makes commitments for Banco Compartamos to report on allocation and impact. Sustainalytics considers the Banco Compartamos Social Bond Framework to be aligned with the overall sustainability strategy of the Group and that the use of proceeds will contribute to the advancement of the UN Sustainable Development Goals 5, 8 and 10. Additionally, Sustainalytics is of the opinion that Banco Compartamos has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that Banco Compartamos is well positioned to issue social bonds and that the Banco Compartamos Social Bond Framework is robust, transparent and in alignment with the core components of the Social Bond Principles 2023.

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