



Social Bond Framework

SEPTEMBER 2022

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Introduction

ConCrédito was founded in 2007 located in Culiacan, Mexico. Integrated by “Fin Útil, S.A. de C.V. SOFOM, E.N.R.”, “Comfu, S.A. de C.V.” and “Talento ConCrédito S.A. de C.V.”, ConCrédito is a subsidiary of Genera since 2019, who owns 57.5% of its shareholding.

As a provider of consumer lending services, ConCrédito is the largest microfinance entity by market share in terms to clients and portfolio. In the digitization era and with the aim of improving the customer experience, since 2020, ConCrédito began its digital transformation process that concluded in mid-2021 with the closure of all branches. Currently, 100% of ConCrédito's operations are carried out digitally.

With presence in 158 cities, in 25 states of Mexico, ConCrédito’s customers can be defined as two types:

1. Entrepreneurs, who have a direct contractual relationship with ConCrédito. Composed by 94% women and 6% men with an average age of 44 years.
2. End users, trusted persons of the Entrepreneurs. Composed by 65% women and 35% men with an average age of 39 years, and an average monthly income of Ps. 3,038.

ConCrédito accounts for more than 67,000 direct customers at the moment and has an impact on final users of more than 650,000 people through three major products:

1. Credit:
 - a. ValeDinero: Revolving credits that are granted to Entrepreneurs as productive lines to carry out microcredits requested digitally by end users for amounts from Ps. 2,000 to Ps. 10,000. The loans requested by the end users, which are authorized by the Entrepreneurs, are deposited in debit accounts, and are made available through payment orders or cardless withdrawals at ATMs. Payment terms are between 6 and 12 fortnights.
2. Sales by tern:
 - a. CrediTienda: Virtual store with more than 50,000 products from household appliances to children's and household items. CrediTienda is a product catalog where clients can buy in installments. By having the distribution channel, which is Entrepreneur, ConCrédito sought to provide additional products so that she could offer her clients.
 - b. Personal loans: Credit that can be used by Entrepreneurs directly in case they require the resources.

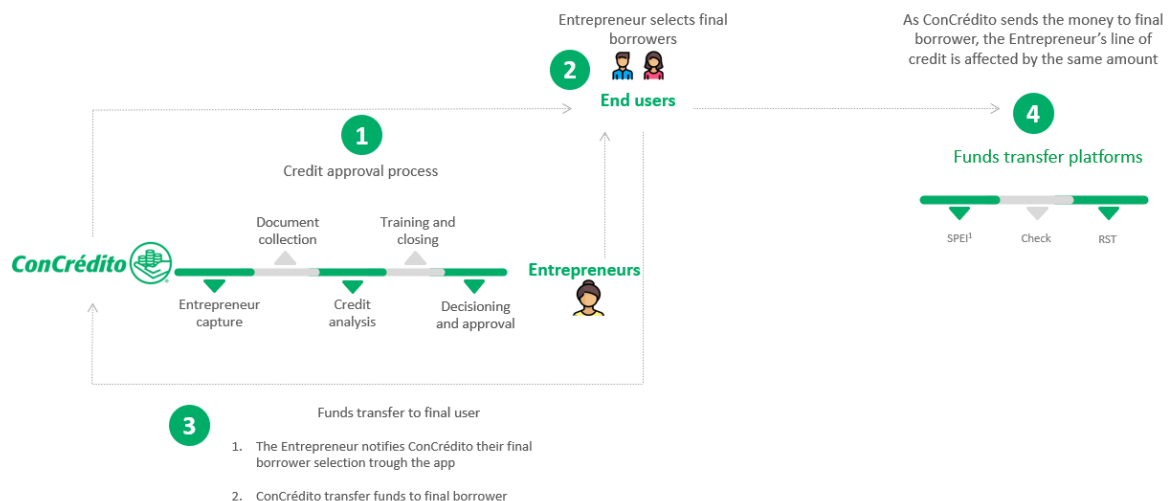
3. Insurance:

- a. ClubProtege: Protection program that includes life insurance and 24/7 assistance for Entrepreneurs and end users.
- b. Credit Insurance: Is an insurance that covers the total amount of the line of credit of the Entrepreneurs.

ConCrédito’s loan origination process starts with credit line approvals to Entrepreneurs. This credit line approval process is as follows:

1. Entrepreneur capture: ConCrédito captures new Entrepreneurs willing to originate new loans. This is accomplished by looking into communities for people with prior sales experience, as well as social media and digital platforms.
2. Document collection: ConCrédito runs a credit history check on every Entrepreneur. Also, a credit file is created for every Entrepreneur.
3. Credit analysis: Credit analysis is done on every Entrepreneur's credit file. Personal info is checked and confirmed. Credit score and credit facility amount is confirmed.
4. Training and closing: All Entrepreneurs receive credit management training. Entrepreneur (main borrower) sign final legal documents: credit contract and promissory note.
5. Final borrower selection: Entrepreneurs select final borrowers and originate new loans.

Subsequently, after Entrepreneurs select final borrower and notify ConCrédito through the app, ConCrédito transfer funds to final borrower. The Entrepreneur’s credit facility is affected by the same amount.



For more than 14 years, ConCrédito has benefited more than 67,000 Entrepreneurs who generate an average income of Ps. 2,670 as well as more than 650,000 end users. In addition, 40% of ConCrédito's end users have never had a bank card, and almost 100% do not have other life

insurance, which positions the company as an agent that promotes financial inclusion and a culture of protection in Mexico.

Approach to Sustainability

As a subsidiary of Genera, ConCrédito embraces and aligns to their Sustainability Strategy and its environmental, social and governance (ESG), commitments. With more than 30 years creating shared value to its clients, Genera’s sustainability strategy was defined in 2020 to clarify sustainability efforts regarding its social origin and to align and maintain best global ESG practices in the sector. This strategy is developed and updated by the Sustainability department, who is also in charge of verifying its compliance by monitoring its implementation and linking Genera and its companies to the different international initiatives that promote sustainable management and is approved by the Board of Directors. Progress is reported periodically in the Risk Committee.

This strategy is composed by five strategic axes, each of them with different areas, objectives and goals that address the issues, aiming to generate a greater positive impact, as well as reducing the negative impact caused by its business.



It is also aligned with the Sustainable Development Goals (SDG), an initiative promoted by the United Nations, as the company contributes directly to SDG’s 5. Gender Equality, 8. Decent Work and Economic Growth and 10. Reduce Inequalities, and indirectly to other nine SDG’s.

In addition, Genera updated its [materiality analysis](#) in 2020 in order to address optimally and accurately the issues in which the company generates a greater impact, those that are relevant



to its stakeholders and consolidate the sustainability strategy. The analysis followed an international accepted methodology and considered relevant issues for the industry defined by international initiatives, frameworks, and standards, as well as information resulting from surveys applied to their stakeholders and various secondary sources.

This exercise identified 12 material topics and the management approach aligned with the business strategy. Also, it shows that Genera's performance is above industry average in the social and governance aspects, with areas of opportunity in the environmental issues, which leads to continue with the deployment of ESG efforts so that they permeate all the processes of the organization. The results were presented to the Executive team, including the CEO.

The sustainability strategy is supported by the Strategic ESG Policy, which establish the general principles of action of Genera and its subsidiaries in environmental, social and governance matters in accordance with the sustainable development objectives approved by the United Nations on its 2030 agenda, as well as the commitments that promote compliance with Human Rights aligned commitments to international environmental standards and initiatives. The scope of this policy includes all Genera, its companies, employees, suppliers, clients, and companies that collaborate with Genera in the countries where it operates. The policy is reviewed and approved every two years by the CEO of Genera as of its publication.

Moreover, Genera is member of the Sustainability Committee of the Asociación de Bancos de México (ABM), and the Bolsa Mexicana de Valores (BMV). Participating in these forums allows the company to be aware of relevant issues and strengthen ties with companies that are committed to creating opportunities responsibly.

Accountability efforts of Genera include the measurement of their impact and the disclosure of its performance annually, using international standards to communicate it in a common language internally and for its stakeholders.

ConCrédito Approach to Sustainability

Entrepreneurs

ConCrédito provides women entrepreneurs with tools to boost their business, such as "Mi oficina" app that allows them to manage their business from a mobile phone; permanent support on the growth of their business, and training on financial education like "10 Golden Rules" guideline that aids in the origination process in order to grant good loans. To many Entrepreneurs, the experience within ConCrédito has helped to expand their digital footprint.

Social networks such as Facebook and Instagram allow ConCrédito to maintain close and constant communication with Entrepreneurs, bringing them closer to topics such as business management, digital tips, productivity, and recognition of outstanding Entrepreneurs. ConCrédito website offers other communication channels, such as telephone or instant messaging service (WhatsApp).

Additionally, ConCrédito developed a Customer Experience Index that is measured on a quarterly basis, which is made up of: recommendation index, overall satisfaction, and service satisfaction. Based on the results, actions are taken for the continuous service improvement to Entrepreneurs.

To ensure best conditions for ConCrédito's borrowers, the company has incorporated the Client Protection Index into its operations. The Client Protection Index is an internal monitoring system that allows the company to measure levels of compliance with seven principles for minimum standards and best practices in client protection. The seven principles include:

1. Appropriate product design and distribution
2. Prevention of over-indebtedness
3. Transparency
4. Reasonable prices
5. A fair and respectful treatment of clients
6. Customer privacy protection
7. Customer complaints resolution mechanisms

Collaborators

Since 2016, ConCrédito has worked towards technology adoption while focusing on their people, seeking that both Entrepreneurs and collaborators implement digital processes, enabling a smooth transition and integration to a world of unstoppable technological development. One of ConCrédito's most significant advances is "1,2,3PorMi" app through which all employees manage their daily work activities such as daily planner, Entrepreneurs and activities status, indicators, etc. Also, all training and specialization from ConCrédito University are 100% online based. Collaborators appreciate the digital transformation efforts and progress; they have expressed their gratitude for a digital approach on the job as this enables them to spend more time with their family and loved ones at home.

Ever since ConCrédito methodology was created, a strong focus was placed on eliminating and avoiding any possible incentive or practice that could cause promoters, business advisors and managers to foster Entrepreneurs to over-leverage. Best-in-class origination and credit portfolio management practices are embodied in ConCrédito operational DNA. The Remuneration Committee determines compensation of those collaborators subject to the Remuneration System. ConCrédito collaborators, 62% women and 38% men, compensation is determined by their skills and job profile.

In terms of occupational health and safety, initiatives are implemented that promote the well-being and integrity of ConCrédito collaborators. "My health 360" website, inspired by the WHO definition¹ of health, encourages collaborators to prioritize health and well-being. On this website

¹ WHO health definition: Health is a state of complete physical, mental and social well-being and not merely the absence of disease or infirmity.



staff can find content on diverse topics such as environmental awareness activities, third-party courses for continuous learning, mental health tips, online yoga classes, etc.

The “Concientización y capacitación en seguridad y privacidad de la información” program give collaborators the tools needed to capture, store and manage information in accordance with internal guidelines.

The June 2022 Work Environment survey results reflect that 94% of collaborators take pride on ConCrédito and 93% recommend it as a very good place to work. Also, 95% of employees state that they are treated fairly, regardless of age, ethnic group, race, sexual preference, gender or position within the company.

Likewise, during the first quarter of 2022, ConCrédito participated in the McKinsey & Company "Organizational Health Index" survey, where it obtained a score of 82, placing it in the top decile within the industry benchmark and among companies with similar characteristics at an international level.

To maintain close communication with collaborators, every 2 weeks "Agile morning" sessions are held in which relevant industry and company issues are discussed. Being a company that operates 100% digitally, all ConCrédito collaborators have a username to sign into Google Workspace – a set of tools that allows staff to maintain continuous communication. Also, every month a town hall meeting takes place, in which the CEO and the management team go over the company's results and give relevant announcements. All these efforts had an impact on staff, as the results for the 2022 “Work environment” survey showed that 96% of ConCrédito collaborators consider that communication within the company is clear and timely.

Good governance and integrity

ConCrédito aims to establish relationships based on trust with its stakeholders while considering the highest ethical standards. ConCrédito established “Línea ten valor” line so that anyone can confidentially report ethical non-compliance situations. In the last 2 years, perception of reliability and credibility within the company has increased from 20% to 80%.

Corporate Citizenship

ConCrédito constantly seeks to contribute to the welfare of society, the company supports non-profit organizations that care for children with cancer (GANAC). Since 1995 GANAC has been providing medicines, transportation, food, research, equipment, and emotional support to children affected by cancer. For 10 years, ConCrédito has been donating to and fundraising activities for this institution. In 10 years, Ps. 20,000,000 have been raised to support GANAC.

Environment

With a commitment to the environment since 2021, ConCrédito has provided women-owned businesses with technological solutions, providing lending opportunities through digital platforms. ConCrédito eliminates the use of paper, reducing the environmental impact of this type of waste.

Rationale for Issuance

ConCrédito aims to issue Social Bonds to consolidate inclusive finance as an asset class with the potential to attract a wide range of investors who share the same goals of social and economic inclusion. In addition, ConCrédito will seek to position its Social Bonds as an innovative alternative to inclusive finance and will intend to encourage other businesses in a comparable industry to follow suit by issuing this kind of instrument.

Alignment with the Social Bond Principles (SBP)

The Social Bond Principles 2021 (SBP), as administered by the International Capital Market Association (ICMA), are voluntary process guidelines for best practices when issuing Social Bonds. The SBP has four core components; use of proceeds, process for project evaluation and selection, management of proceeds, and reporting, and urges the Social Bond Market to be transparent, open, and honest. ConCrédito's Social Bond Framework (SBF), is aligned with the four core components of the SBP.

It is pretended that ConCrédito will only securitise a portfolio of loans through this framework, resulting in Secured Social Collateral Bond issuances. According to ICMA's definition, a Secured Social Collateral Bond is a bond collateralized by one or more specific assets aligned with the SBP. The first source of repayment is generally the cash flows of the assets.

1. Use of Proceeds

For the SBF purposes, all the proceeds will be used to finance or refinance, in whole or in part, portfolios that provide positive social impacts that fall into the Eligible Social Categories based on the ICMA's Social Bond Principles.

In concordance with ConCrédito's medium and long-term strategy to service the low-income segment of the Mexican population, Eligible Social Categories include existing and future products and services listed in Table 1 that promotes microfinancing, microinsurance, transactional channels, and financial education. When the portfolio aligns to any Category and Subcategory of Table 1, it must have positive social impact especially for targets populations listed in the Table 2.

Table 1. Eligible Social Categories.

Category	Sub-category	End Use of Proceeds	SDG Alignment
Employment Generation and Socioeconomic Empowerment	Programs to create and support women entrepreneurs.	<p>ValeDinero: Revolving credits that are granted to Entrepreneurs as productive lines to carry out microcredits requested digitally by end users² for amounts from Ps. 2,000 to Ps. 10,000. The loans requested by the end users, which are authorized by the Entrepreneurs, are deposited in debit accounts, and are made available through payment orders or cardless withdrawals at ATMs.</p> <p>When collecting, ConCrédito shares these loan collections. Entrepreneurs get to keep from Ps. 2,700 to Ps. 23,000 every month, which represent additional income for more than 67,000 Mexican families.</p> <p>Please note that ValeDinero’s interest rates are within the existing market rates in Mexico at the time of loan origination.</p>	<p>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 enterprises, including through access to financial services.</p> <p>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.</p> <p>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.</p>

² Historically, around 70% – 80% of loan proceeds are used by end users to finance their small business, other debt payment and medical emergencies.

Please note that the interest rate that the Entrepreneurs pay are in accordance with National Commission for the Protection and Defense of Users of Financial Services (CONDUSEF) guidelines. However, the active rate for the Entrepreneurs can decrease as their business activity increases, as well as they continue active in ConCrédito’s structure.

Additional financial benefits for the Entrepreneurs includes a personal loan with preferential rates that can be up to 15% of the Entrepreneurs’ revolving line. This credit is independent of ValeDinero and is solely for Entrepreneurs personal use.

Table 2. Target Population Criteria.

Target Population	Description
Underserved, owing to a lack of quality access to essential goods and services.	<ul style="list-style-type: none"> • Unbanked population: those in households without a checking or savings account who may rely on alternative financial services (AFS), such as payday loans, non-bank money orders, non-bank check cashing services, non-bank remittances, rent-to own services, pawn shops, or refund anticipation loans. • Underbanked population: those in households that have a checking and/or a savings account but may still regularly use AFS. • Unserved population: those who are unbanked, underbanked, or otherwise have limited access to mainstream financial services, often due to limited or no credit history. <p>Source: Sustainability Accounting Standard Board (SASB), Commercial Banks Standard.</p>
Low income population	<p>Socioeconomic level of C-, D+, D and E:</p> <ul style="list-style-type: none"> • Level C-: Nearly three out of every four households (74%) at this level have a head of household with studies higher than Elementary School. Just over half (52%) have a fixed internet connection in the home. In relation to spending, 38% is dedicated to food and spending on transportation and communication reaches 24%. • Level D+: In just over 6 out of 10 households at this level (62%), the head of the household has a higher education than Elementary School. Only 22% of households have a fixed internet connection in the home. Spending on food increases to 42% and spending on education is 7%. • Level D: In 53% of households, the head has studies up to primary school. 86% of the houses where they live have one or two bedrooms. Only 14% have fixed internet at home. Just under half of their spending goes to food (48%).

	<ul style="list-style-type: none"> Level E: The majority of households (82%) have a head with studies no higher than primary school. Seven out of ten homes have only one bedroom and 83% do not have a full bathroom. Internet ownership in the home is very low (0.3%) More than half of spending is allocated to food (52%) and only 1% to education. <p>Source: Asociación Mexicana de Agencias de Investigación de Mercado (AMAI), Niveles Socioeconómicos (NSE).</p>
Unemployed	<ul style="list-style-type: none"> Unemployed population: those of working age who were not in employment, carried out activities to seek employment during a specified recent period and were currently available to take up employment given a job opportunity. <p>Source: United Nations Educational, Scientific and Cultural Organization (UNESCO), Unemployed Population.</p>
Women and/or sexual and gender minorities	<ul style="list-style-type: none"> Women entrepreneurs

For purposes of the eligible portfolio, the lookback period is a maximum of 24 months. However, the renewal of revolving credits is carried out every 18 months and the duration of the loans by end users is a maximum of 10 months, for which there will hardly be any scenario where they have been placed in periods longer than the established one.

2. Process for Evaluation and Selection

ConCrédito's selection process is basically to look for women who have experience in catalog sales, their own businesses and other channels. Subsequently, a qualitative and quantitative credit analysis is carried out to evaluate your business management capacity to define and assign an adequate line of credit.

Entrepreneurs can always turn to ConCrédito's Collection department to support them with payments from their end customers. Likewise, ConCrédito provides them with the necessary knowledge and tools to achieve this by assigning them a Business Advisor (account executives), who, in addition to constantly training them, monitors the growth and health of their business. ConCrédito's intention is for this to be a long-term business for the Entrepreneur.

ConCrédito reports and consults the history of its Entrepreneurs in the credit circle. Therefore, it supports them to obtain credit in other institutions by generating their credit history.

Within ConCrédito, the Risk and Credit Committees are responsible for approving and calibrating everything related to credit policies, customer risk profiles, line limits, among other functions. These two Committees report to the Board of Directors and the Executive Committee, respectively. Likewise, the Credit department oversees that the portfolio meets the eligibility criteria of the framework and the approval of the eligible portfolio in terms of target population.

ConCrédito has set formal processes to ensure that the loan terms at the loan origination stage are aligned with the CONDUSEF guidelines, reducing possibility of having unfair loan terms. In addition, the loans terms and that the loan origination process are predefined by ConCrédito, mitigating risks of predatory lending and informality at the Entrepreneur's end.

Moreover, no socioenvironmental risks are associated to its portfolios due to the nature of ConCrédito's operations. Nevertheless, the company defined the following ineligible businesses and activities for use of proceeds in Social Bonds:

- a. Production or activities involving harmful or exploitative forms of forced labor/harmful child labor.
- b. Commercial logging operations for use in primary tropical moist forest.
- c. Production or trade in products containing PCBs.
- d. Production or trade in ozone depleting substances subject to international phase out.
- e. Production or trade in wood or other forestry products from unmanaged forests.
- f. Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals.
- g. Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples.
- h. Production or commercialization of weapons or munitions.

It is important to mention that there are no social or environmental risks associated with the loans granted by ConCrédito, since their focus is merely for the working capital of the Entrepreneurs.

3. Management of Proceeds

ConCrédito intends to achieve full allocation of proceeds at each issuance with no flexibility to reallocate. The principal repayments from the securitization will be used to onboard new end user and increasing the credit lines of the existing assigned Entrepreneurs in warranty.

The Executive Committee is responsible for ensuring the total allocation and tracking of the proceeds. Also, the Executive Committee together with the Credit department will be responsible for tracking the proceeds.

4. Reporting

ConCrédito will be publishing in its website a Social Bond Report annually or on a timely basis in case of material developments. The Report will include the following aspects:

- Net proceeds raised from each Social Bond.
- Proceeds used to finance or refinance purposes.
- Social impacts of the proceeds allocated.

Table 3 describes some relevant output KPI’s according to the Eligible Social Category that will be used, were feasible, to report social impacts of the portfolio financed or refinanced throughout the life of the Social Bond.

Table 3. Expected Impact Metric Reporting.

Category	Key Performance Indicators (KPI)
Employment Generation and Socioeconomic Empowerment	<ul style="list-style-type: none"> • Jobs created, supported, and/or retained • Number of women-owned business benefited • Number of disbursements to women-owned business • Amount disbursed to women-owned business • Number of low-income, rural or minority women provided with access to affordable credit • Number of low-income, rural or minority women provided with access to information or financial services through digital products/services

The report will have a description of qualitative and quantitative impact metrics that will be used to demonstrate substantial contribution to social impacts. Also, it will include a description of the key underlying methodology and/or assumptions used in the quantitative determination, if necessary.

ConCrédito’s Finance department will be responsible for the aforementioned quantification, reporting it and making the necessary changes if required.

External Review

1. Second Party Opinion (SPO)

The Second Party Opinion (SPO), on the social benefits and the alignment of the SBF with the SBP was conducted by Sustainalytics. Sustainalytics is an independent and reputable consultant with a proven environmental and social track record. The SPO will be available in the SPO’s provider website.



2. Compliance Review

ConCrédito will appoint a third-party to conduct a compliance review on an annually basis until all the proceeds have been allocated to track the allocation of the proceeds from the Social Bond in accordance with the Management of Proceeds section established in this SBF.