

### Sustainability for Issuers | ESG Standardized Questionnaire

Mexico City, June 29, 2023

As part of the efforts by the *Asociación Mexicana de Afores* (the *Afores'* Mexican Association or "AMAFORE") to align Environmental, Social and Governance ("ESG") factors in the investment processes followed by the *Sociedades de Inversión Especializadas en Fondos para el Retiro* (the Specialized Retirement Fund Investment Companies or "SIEFORES"), on June 26, 2023, the AMAFORE published the Standardized Questionnaire of Environmental, Social and Governance criteria for the issuers<sup>1</sup> (the "ESG Questionnaire").

The ESG Questionnaire (i) aims to be an instrument to provide access to the same ESG information regarding Mexican issuers (debt and equity) (the "Issuers") to the *Administradoras de Fondos para el Retiro* (the Retirement Fund Managers or the "AFORES"), helping them define their analysis models as they relate to ESG factors; and (ii) its main purpose is to collect and unify, under a single criterion, standardized information on the progress made by the Issuers in ESG matters in which the SIEFORES are invested or intend to invest.

The ESG Questionnaire was prepared by AMAFORE based on the compilation and standardization of questions to indicators contained in the questionnaires prepared by the AFORES in the context of public offerings of securities, as well as international sustainability standards and is the result of joint work among the AMAFORE, the AFORES and certain Mexican Issuers.

The ESG Questionnaire aims to incorporate best reporting and disclosure practices in ESG matters.

The ESG Questionnaire was presented to the *Comisión Nacional del Sistema de Ahorro para el Retiro* (the National Commission of the Retirement Savings System or "CONSAR") and other relevant actors in sustainable finance in Mexico and in this context, it was agreed that stock exchanges would facilitate the completion of the ESG Questionnaires by the Issuers through their respective platforms, which is expected to result in a standardized ESG dissemination

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<sup>1</sup> <https://amafore.org/cuestionarios/cuestionario-homologado-asg-para-emisoras/>

standard and criterion. As of this date the frequency with which the Issuers must complete the ESG Questionnaire has not been defined.

The Ministry of Finance and Public Credit and the CONSAR have made significant progress in ESG regulation to achieve a sustainable, equitable and inclusive financial ecosystem<sup>2</sup>. An example of this is the amendments to the regulation applicable to the AFORES (the *Circular Única Financiera*) in September 2022 to strengthen the incorporation of ESG factors in the SIEFORES' corporate governance, risk assessment methodologies and definition of their investment strategies. In this regard, the use of the ESG Questionnaire will make the investment analysis process by SIEFORES easier.

Although, as of this date, the securities market regulation does not provide explicit requirements for qualitative disclosure on ESG aspects for Issuers, in practice, and until specific disclosure obligations are enacted, the consideration and implementation of the ESG Questionnaire by the AFORES in their investment decision-making processes will likely accelerate the disclosure process of ESG aspects and progress by the Issuers and the development of the respective regulation.

The implementation of the ESG Questionnaire aims, among other things, to base ESG compliance criteria on the best available practices and provide standardized information to the AFORES' analysis models.

- In the environmental sphere, it encompasses aspects such as water treatment, waste measurement and monitoring, and greenhouse gas control by the Issuers, including the identification of possible impacts and vulnerabilities to climate change, the identification and development of opportunities in clean technologies, the implementation of recycling measures and their respective internal programs.
- In the social aspect, it explores the level of social opportunities offered by the Issuer, considers the demographic risks it is exposed to, compliance with applicable standards in local supply chains, analysis of exposure to potential reputational risks, and even the implementation of responsible marketing policies.
- Regarding the governance of the Issuer, in addition to including corporate policies that cover corporate governance, financial systems, corporate ethics, taxes, compensation and remuneration, it also requires the identification of corporate risks such as engaging

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<sup>2</sup> [La CONSAR está comprometida con la implementación de la Taxonomía Sostenible de México | Comisión Nacional del Sistema de Ahorro para el Retiro | Gobierno | gob.mx \(www.gob.mx\)](#)

in controversial activities and the adequate disclosure and correct management of information related to shareholding and the exercise of control powers.

Along with the publication of Mexico's Sustainable Taxonomy on March 16, 2023, the ESG Questionnaire contributes to provide greater clarity and certainty to true sustainable management of investments and companies in our country, expanding the regulatory framework governing the integration of ESG factors in the Mexican financial sector.

The implementation of efforts focused on the sectors encompassing ESG is a reality that, day by day, brings us closer to making more informed and conscious decisions regarding our environment, employees, clients and suppliers.

Galicia is the only firm in Mexico with the capability to provide legal advice on all aspects of each ESG factor. If you require assistance regarding the ESG Questionnaire or any other ESG related matter, please contact your point of contact at Galicia or send an email to [esg@galicia.com.mx](mailto:esg@galicia.com.mx).

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