Consejo Mexicano de Normas de Información Financiera y de Sostenibilidad

Mexican Sustainability Reporting Strategy for NPIEs (SMEs)

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INTERNATIONAL SUSTAINABILITY STANDARDS BOARD (ISSB)

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IFRS Sustainability
June 2023
IFRS S1
IFRS® Sustainability Disclosure Standard
General Requirements for Disclosure of Sustainability-related Financial Information

IFRS Sustainability
June 2023
IFRS S2
IFRS® Sustainability Disclosure Standard
Climate-related Disclosures

Disclosure of material information about sustainability-related risks and opportunities

CINIF:

- **strongly supports the IFRS Sustainability Disclosure Standards for PIEs (ISSB Standards)**
- **established a strategy for NPIEs based on user needs (value chain)**
- **will gradually require sustainability information consistent with ISSB Standards**

CONTEXT: BUSINESS CENSUS IN MÉXICO

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5.4 million companies registered in Mexico, of which 99% are micro, small and medium companies. Most large companies are privately owned (NPIE).

Size	# of employees	# Companies	Share of reported Income	Share of people employed
Micro	0-10	5,205,813	17%	42%
Small	11-50	201,691	18%	15%
Medium	51-250	38,158	22%	14%
Large	> 250	5,451	44%	29%

Source: INEGI, Censos Económicos 2023

Mexican Sustainability Reporting Strategy for NPIEs (SMEs)

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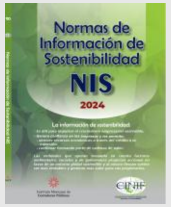
Entities by types of information users	Primary users	Required type of sustainability information	Applicable Normative requirement	¿Location?
1. Public interest entities • Entities that have public accountability: ○ Listed on a stock exchange	▪ Investors ▪ Financial creditors	▪ Material information about an entity's sustainability-related risks and opportunities	CNBV rules ISSB Standards applicable starting 2025 	▪ Regulator requires a report separate from Financial statements (FS)
○ Entities from financial, insurance and pension fund sectors	▪ Stakeholders	▪ Material information about an entity's sustainability-related risks and opportunities	Determinations from Regulators: *…Under development*	
2. Non-Public Interest Entities ▪ The large majority of entities: ○ Includes large, medium, small and micro entities	▪ Value Chain: Customers and Suppliers ▪ Banks	▪ Sustainability metrics (sustainability performance) ▪ Contribution to SDGs ▪ Reduced disclosures on material sustainability risks	NIS of CINIF 	▪ Notes to FS ▪ Treated as other information by auditors.

CINIF Standards for NPIEs (SMEs)

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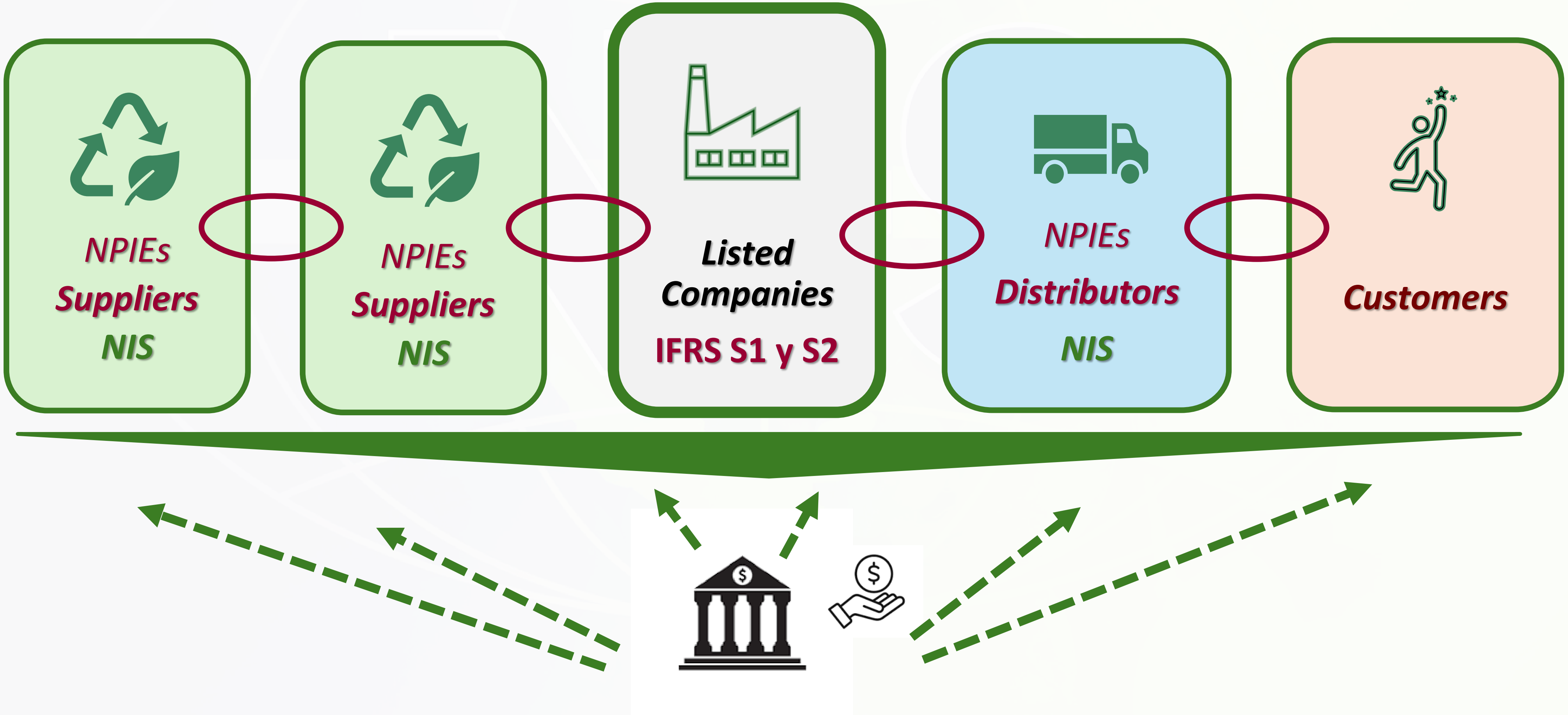
NIS to promote sustainable value chains

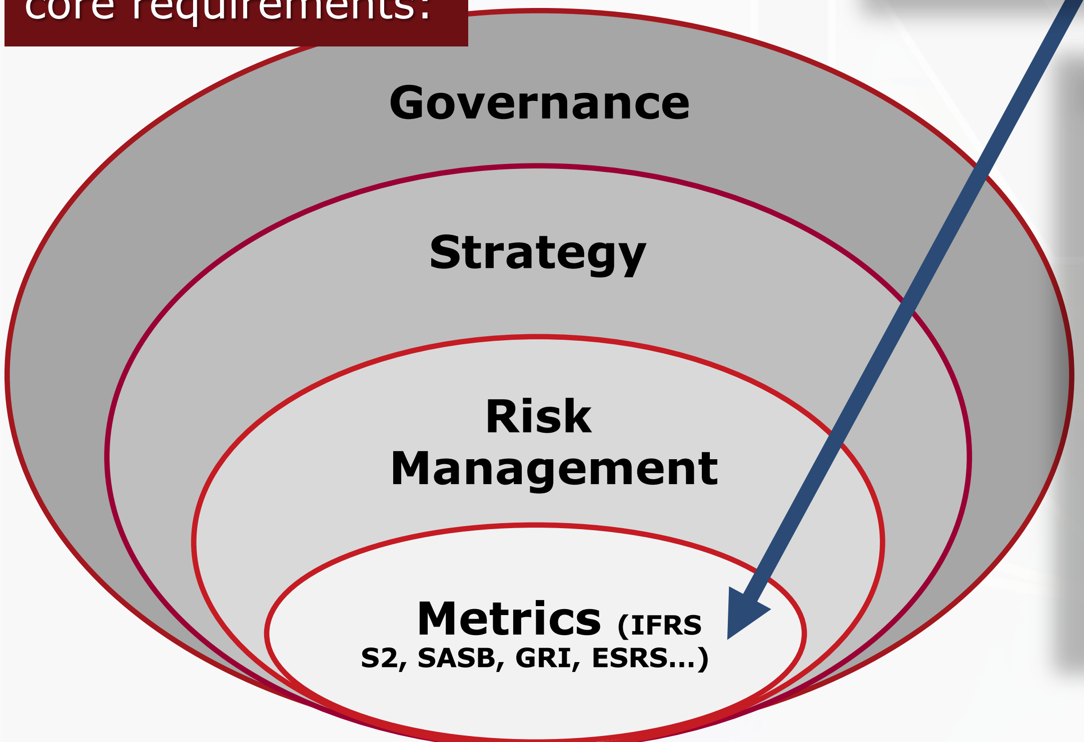


CINIF STANDARDS FOR NPIEs (SMEs)

1st Stage – 2024

- CINIF sustainability reporting strategy will be step-by-step.
- As of 2025, CINIF will require the disclosure in notes to financial statements: *Sustainability Metrics*
- Based on Guidance on core indicators - UNCTAD

IFRS S1 and S2 core requirements:



Sustainability Metrics Reporting will allow NPIEs to:

- Understand and address their sustainability risks
- Establish sustainability strategies to maintain business continuity
- Obtain investment and financing to drive their sustainable growth
- Provide information about Scope 3 GHG Emissions to companies in their value chain that apply IFRS S1 and S2

NIS A-1, *Conceptual Framework for NIS*

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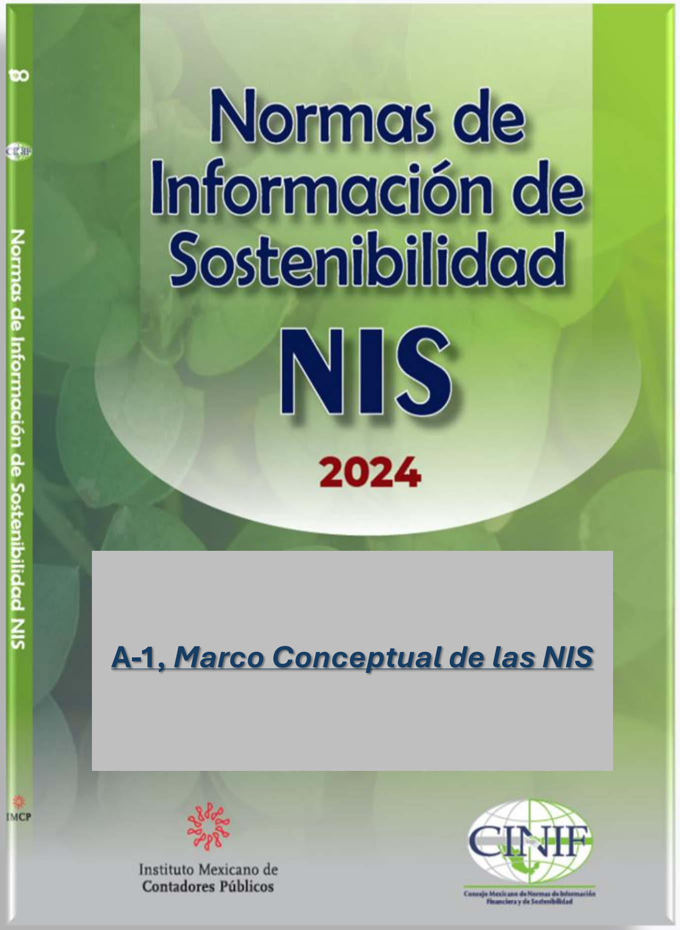

- General quality requirements for the preparation and disclosure of sustainability information
- Consistent with the Conceptual Framework of Mexican Financial Reporting Standards (NIF)
- No disclosures requirements included in NIS A-1
- Consistent with general requirements of IFRS S1
- Effective as of January 1, 2025

NIS B-1, *Basic Sustainability Indicators*

IBSO

Effective as of 2025

<u>Universal sustainability</u> performance metrics

All 30 metrics are required

Based on Guidance on Core Indicators (UNCTAD)

To be disclosed comparatively

Quantitative (20)

Qualitative (10)

IBSO Quantitative:

Absolute Value

Relative Value

CINIF Sustainability Standards for NPIEs (SMEs)

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30 Sustainability Metrics must be reported without materiality assessment:

Environmental Area

1. Greenhouse Gas Emissions Scope 1
2. Greenhouse Gas Emissions Scope 2
3. Greenhouse Gas Emissions Scope 3
4. Energy consumption
5. Renewable energy consumption
6. Sustainable investment – Mexican Taxonomy
7. Water inflows
8. Water optimization
9. Wastewater discharge
10. Discharge of treated wastewater
11. Water entering from water-stressed areas
12. Land used within or close to biodiversity-sensitive areas
13. Dependence on ozone-depleting substances and chemicals
14. Waste generation
15. Waste optimization
16. Hazardous waste

Main Metrics of:
IFRS S2, SASB, GRI, ESRS…

Social Area (Human Capital)

17. Equal Opportunity and Dignified Work Management *
18. Gender wage gap
19. Training hours
20. Performance evaluations and professional development of employees *
21. Occupational health and safety management
22. Occupational accidents and illnesses that caused incapacity/death *

Governance Area

23. Board of Directors *
24. Women on the Board of Directors
25. Independent oversight body *
26. Risk management policies *
27. Sustainability strategy *
28. Code of Ethics and Integrity *
29. Information security *
30. Third-party data protection and privacy *

INTERNATIONAL SUSTAINABILITY STANDARDS BOARD (ISSB)

To Identify Sustainability-related risks and opportunities (*)

1. An entity is required to apply

ISSB Standards

2. Additionally, an entity shall refer to and consider the applicability of the topics in:

SASB Standards

3. Finally, an entity may refer to and consider the applicability of:

CDSB framework application guidance for water and biodiversity

The most recent pronouncements of other standard setting bodies whose requirements are designed to meet the information needs of users of general-purpose financial information. For example:

Sustainability risks and opportunities identified by entities that operate in the same industry or geographical region

(*) Paragraph 54, IFRS S1, *General Requirements for Disclosure of Sustainability-related Financial Information*

CINIF Sustainability Standards for NPIEs (SMEs)

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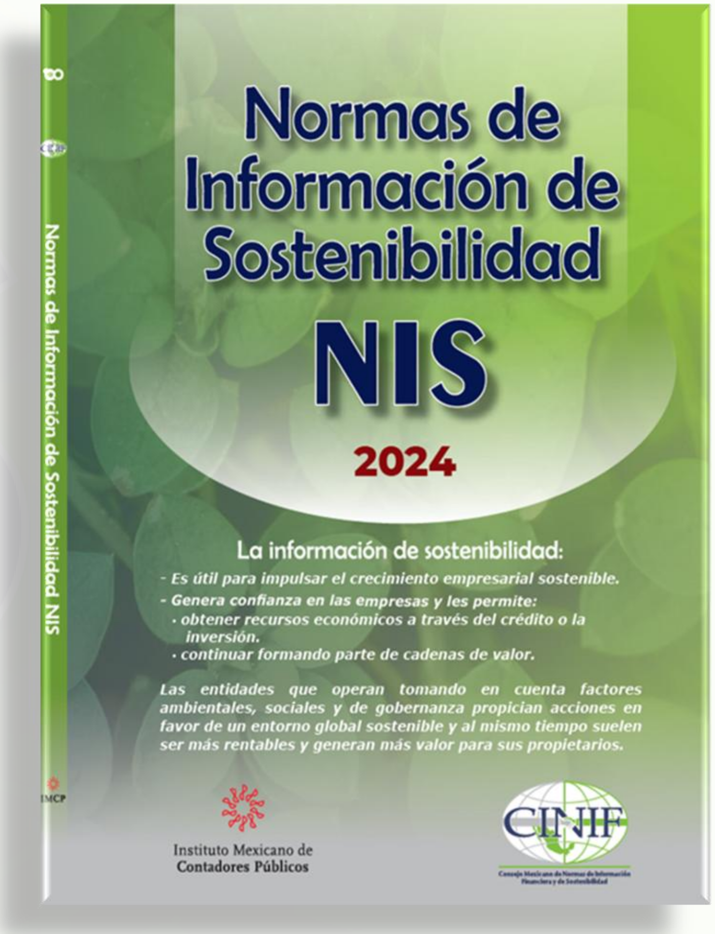
Important milestones	Dates
▪ Publication date	May 13, 2024
▪ Effective date:	YE 2025
▪ IBSO relief: ○ Scope 3 GHG Emissions ○ Sustainable Investments	YE 2026
✓ English Version:	October 2025



NIS B-1 Educational material and calculation tools

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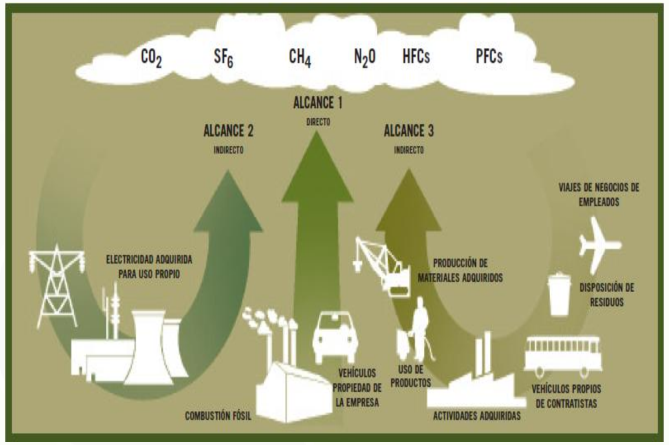
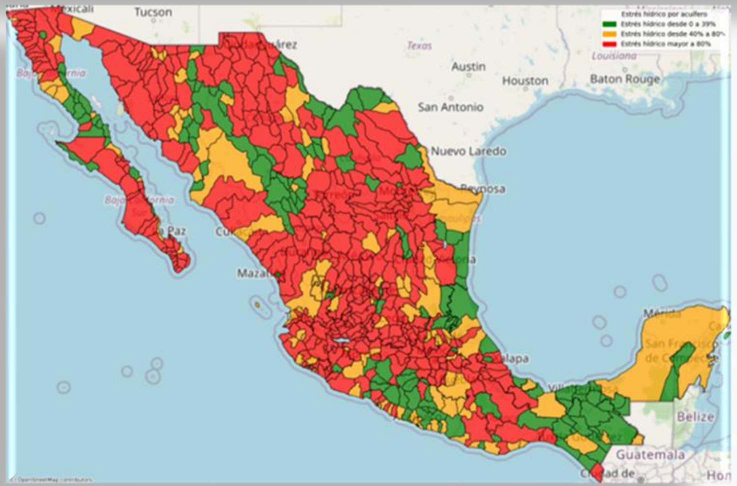
Educational Materials

- Practical examples for IBSO determination
- NIS Implementation Guide
- FAQ
- Training programs





***NIS Tools*:**

- **Tool to calculate Scope 1 & 2 GHG Emissions and energy use** – preloaded emission factors
- **Tool to identify water inflows from aquifers with water stress** – based on geolocation / National water commission data
- **Tool to identify proximity to biodiversity risk areas** – based on geolocation / National biodiversity commission data

NEW CINIF STANDARDS FOR NPIES (SMES)

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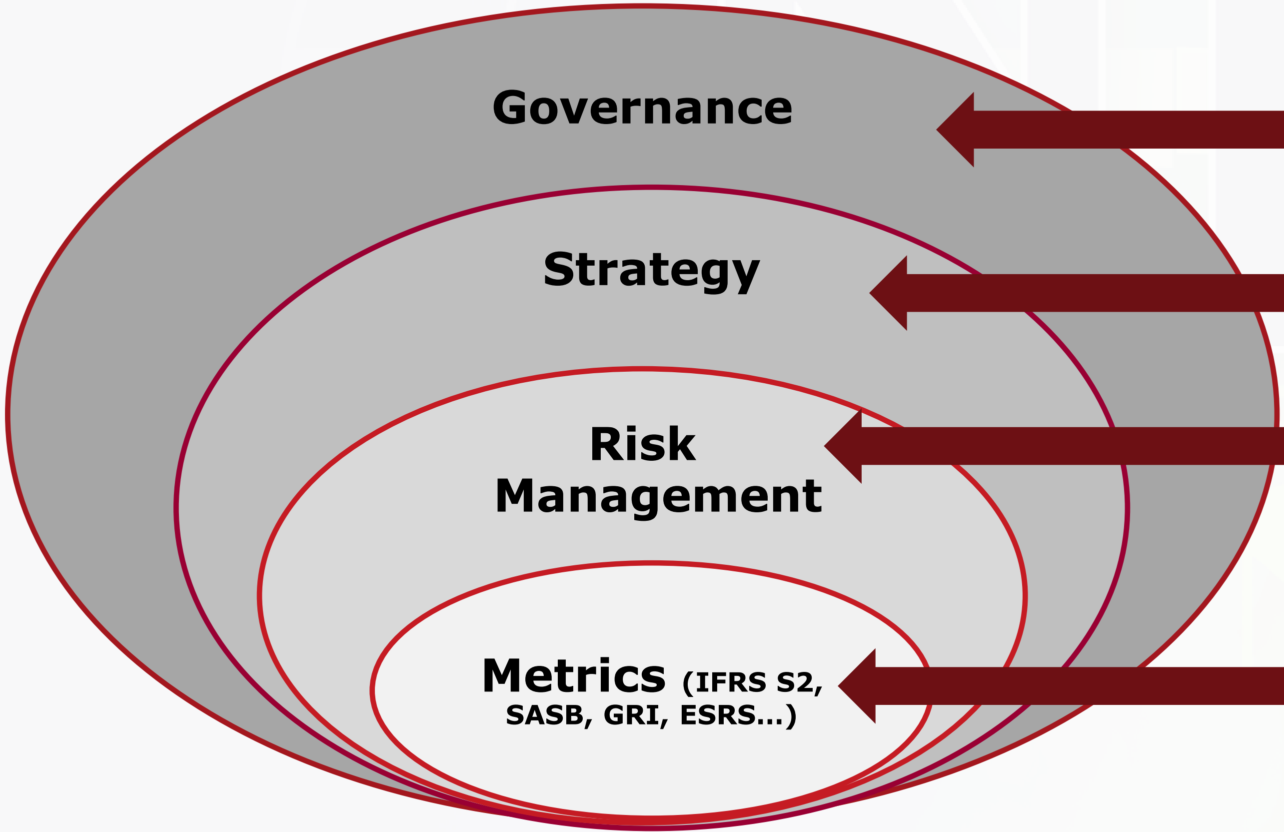
2nd Stage – 2026

CINIF will require reporting:



Reduced disclosures consistent with ISSB Standards

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Sustainability Metrics

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Thank you!