

Sustainability Report 2019



Credit
Rating
Agency





ABOUT THE REPORT

This Sustainability Report covers the result of the application of practices, policies, and sustainability strategies in 2019. Likewise, the performance of HR Ratings and the economic, social and environmental impact that it had in the last year are identified. Finally, the report incorporates our sustainability goals and objectives for 2020.

This report and the previous one are available at:

https://www.hrratings.com/sustainable_company/reports.xhtml

Report publication day: July 22, 2020.





CONTENT

- 04** Message from the Vice-president
- 06** About HR Ratings
- 07** Our Philosophy
- 08** Our Growth
- 12** Our Product
- 15** HR Awareness
- 26** Our sustainable development goals
- 27** Support to charities
- 28** Corporate Level & HR Ratings
- 29** Market Performance
- 31** Corporate Governance

“

The climate emergency is a race we are losing, but it is a race we can win. The climate crisis is caused by us – and the solutions must come from us. We have the tools: technology is on our side.

Antonio Guterres, UN Secretary General

”

MESSAGE FROM THE **VICE-PRESIDENT OF THE BOARD**



ANÍBAL HABEICA

Vice-president of the Board HR Ratings.

Dear friends, clients and HR Ratings family:

2019 was a year of great challenges for the world economy and especially for Mexico. However, at HR Ratings we were able to capitalize opportunities and managed to become the No. 1 rating agency in the Mexican market, measured by number of public transactions. The goal was achieved thanks to the talent we have and the daily effort of all of our collaborators to position HR Ratings as the leading company in the industry. At HR Ratings we have redoubled efforts not only in the expansion of the company, but in creating an innovative company that knows how to focus in business and sustainable goals and in which we all work daily to support our community, reduce our carbon footprint and work on the ten UN Sustainable Development Goals, which we have committed with since 18 months ago.

We are in changing times and with a definition of normality very different from what we had two years ago. We have observed political, economic, cultural and even health challenges during the last 6 months, so the effort put companies in sustainable initiatives is more relevant nowadays. On this regard, I want to highlight the effort we made during 2019 to promote sustainable awareness, improvement in resource management, diversity, gender equality, to name a few, focused on sustainable development. While we were able to begin clear measurements and interesting initiatives, we continue to work to get where we want to be. Definitively, the change of culture is not easy and although we have made interesting advances, we still have a way to go and results to demonstrate.

In 2019 we had a positive balance in meeting the 10 sustainable goals that we set ourselves; however, greater steps are yet to come. Starting this year, we moved to a new office, where the use of led light and dry urinals have contributed to our sustainable gap. Additionally, the incorporation of home office, starting last March 2020, and up to the date of this report has significantly reduced the carbon footprint of HR Ratings, steps that reflect that we are on the right track.

Finally, I can only thank the entire HR Ratings family for the support and participation in our 2019 initiatives of the HR Awareness campaign. I am proud of how we have started to meet the ten UN Sustainable Development Goals we committed to; however, I am more excited for what we can achieve in the short term and the results we will demonstrate during 2020. We invite our readers to continue looking for the small changes that we can make within our day to day, which will help us to have a better planet for everyone.

Sincerely,

Anibal Habeica Villanueva, Vice President of the Board of HR Ratings.

ABOUT HR RATINGS

With more than 12 years in the market, HR Ratings became in 2019 the largest Credit Rating Agency in Mexico. With offices in Mexico and the United States, being innovative and taking care of the quality of our service, at the end of 2019 we achieved the following:

- Increase our current ratings **10.7%** closing 2019 with more than **1,660 ratings**.
- Maintain our client portfolio. At the end of 2019, HR Ratings had more than **480 clients**.
- Increase the rated amount in issuances by **42.5%**, closing 2019 with an amount of up to **US\$97 BN.**

HR Ratings became the leader in Mexico and seeks to expand around the world, committed to our society and the environment.



OUR PHILOSOPHY

MISSION, VISION Y VALUES.



MISSION

To support clients and investors to make informed decisions by giving credit quality opinions based on dynamic analysis, transparent, with constant follow up, distinguishing ourselves by our quality customer service.



VISION

To become the leading credit rating agency in the markets we participate at, being distinguished by our commitment to transparency, quality analysis and customer service.



VALUES

- **Transparency:** Give explanations that are always true and precise.
- **Quality of service:** always Treat the customer with respect. Always be helpful and friendly.
- **Integrity:** Having a total and clear knowledge of the operation manuals and our procedures. Be perceptive and know how to listen to customer needs.
- **Punctuality:** Always respect the response times towards customers under all circumstances.
- **Honesty:** Give the client information about the values that govern HR Ratings.
- **Responsibility:** Answer emails and calls in the shortest possible time. Always offer absolute availability and excellent disposition.
- **Trust, Innovation.**

OUR GROWTH



COMISION
NACIONAL
BANCARIA Y
DE VALORES

2007

HR Ratings obtained the registration of the National Banking Securities Commission (CNBV, for its initials in Spanish) in Mexico.

2008

We issued our first public rating.



2012

We obtained the registration of the US Securities and Exchange Commission (SEC) to issue credit ratings for government securities in the United States.



European Securities and
Markets Authority

2014

We became the first Latin American Credit Rating Agency (CRA) certified by the European Securities and Markets Authority (ESMA).

2015

We issued our first rating in the European market (Elektra Group).



OUR GROWTH

2016

We became the second largest CRA in Mexico.

We created a strategic alliance with Japan Credit Rating Agency (JCR).

We were registered by the SEC to issue credit ratings of corporates and financial institutions.

We were included in the credit rating providers list of the National Association of Insurance Commissioners (NAIC) in the United States.

2017

We complied with the Standard established by CONSAR “to have more than 10 years’ experience”. We issued the Green Bonds Methodology and the first Green Certification (BANOB17X and BANOB 17-2X).

We created an alliance with the Central American Credit Rating Society (SC Riesgo for its initials in Spanish).



Climate
INITIATIVE
Bonds

2018

In 2018, we issued 1,516 ratings. We issued the Social and Sustainable Bonds Methodology and the first Sustainable Rating (VINTE 18X).

We created a strategic alliance with DBRS, the fourth largest CRA in the world.

We became an authorized verifier to evaluate green bonds under the outline and standards of the Climate Bonds Initiative (CBI)



OUR **GROWTH**

2019

In 2019, we issued 1,660 ratings. We became No. 1 CRA in Mexico.

We created a strategic alliance with Global Ratings of Ecuador.



**EMPRESA
SOCIALMENTE
RESPONSABLE**



WORLD PRESENCE



Credit
Rating
Agency

OUR PRODUCTS

Ratings on the following sectors
and products:

SECTORS

Corporate

Public Finance

Infrastructure

Financial Institutions

Non-banking Financial Institutions

Energy

Insurance & Leasing

Sovereign Debt

ABS

Future Cash Flows

Investment Funds

TYPES OF RATINGS / REVIEWS

Corporate

Counterparty Risk

Primary, Special, Master, Trustee Administrator and Common Representative

Public Finance – States and Municipalities

Bank Credits

Investment Funds

Long & Short Term Unsecured Issuances.

Structured (Securitizations)

Future Cash Flows

Infrastructure Projects

Insurance and Bond

Sovereign Debt

Decentralized Agencies

Corporate Governance

Green Bonds

Social Bonds

Sustainable Bonds

Integrity Policies

2019 RELEASES

Partial Guarantees Methodology
Water Operating Agencies Methodology



HR AWARENESS

In 2019 HR Ratings became the largest rating agency in Mexico and we understand the commitment it represents in doing it in a sustainable way. For HR Ratings, the most important thing is to continue being innovative, both in the products that we offer to our clients and in what we offer to our employees within the workplace and we are committed to ensuring that this innovation is hand in hand with environmental impacts and positive socially.

That is why in 2018 HR Awareness was created, the area in charge of looking for solutions within the company with positive environmental and social impacts. HR Awareness bases its proposals on the UN Sustainable Development Goals (SDGs), focusing mainly on the following 10 goals:

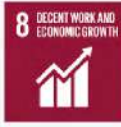


2020

During 2020 there are a couple of new relevant factors to consider. The first one, thanks to the continuous growth of the company, as of June 2020, HR Ratings moved office. The new office will have great benefits for both, our collaborators and our sustainability goals.

On the other hand, considering that for HR Ratings the most important thing is the health and safety of its employees, due to COVID-19 pandemic we found ourselves in the need to operate from home. The above will have significant environmental benefits, not only at the HR Ratings level, but at the global level.





2019 at the Office:

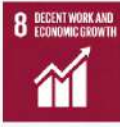
- **Box:** Box lessons at the office.
- **HR Runners:** The team participated in 4 different races.
- **100%** of employees have insurance for major medical expenses.
- **In 2019** we gave talks on different topics relevant to employees: Mortgage Solutions, Insurance for Major Medical Expenses, among others.
- We keep our **Great Place to Work** certification. We are in the **38** place in the ranking of **50 to 500** collaborators.
- Labor participation of women of **41.5%**. It is above the national average of **35%** according to studies by McKinse..*
- **We conducted 1 earthquake drill**, held on January 20, in which all employees participated.

Goals for 2020:

- **Wellness Talks:** In 2020 we are expected to give several talks around health issues.
- **Training:** As part of HR Ratings career plan, employees will be given training in different areas for their job growth.
- **Lactation Room:** in 2020 HR Ratings will adapt a new lactation room in our new offices.
- **Home Office:** Increase to two home office days per month, due to the success of the program in previous years and the environmental impact it generates.
- **Major medical expenses insurance** extended to spouse and children.
- **Financial support** to pay the **Gym** and thus promote the well-being of each collaborator.
- Implementation of **5 additional days** to those established by the law **for paternity leave**.
- Campaign **"Together in the distance"** to support employees in the face of the COVID-19 pandemic.
- Participation in **"A day without us"**.

*McKinsey. 2018. ONE ASPIRATION TWO REALITIES, from McKinsey Website: <https://www.mckinsey.com/-/media/mckinsey/featured%20insights/americas/one%20aspiration%20two%20realities%20promoting%20gender%20equality%20in%20mexico/one-aspiration-two-realities-promoting-gender-equality-in-mexico.ashx>.





2020



SOCIALLY RESPONSIBLE COMPANY

For HR Ratings, it is a privilege to be the first Mexican rating agency to obtain this distinctive, which we not only interpret as recognition, but also adopt as a great responsibility towards our environment and our society.

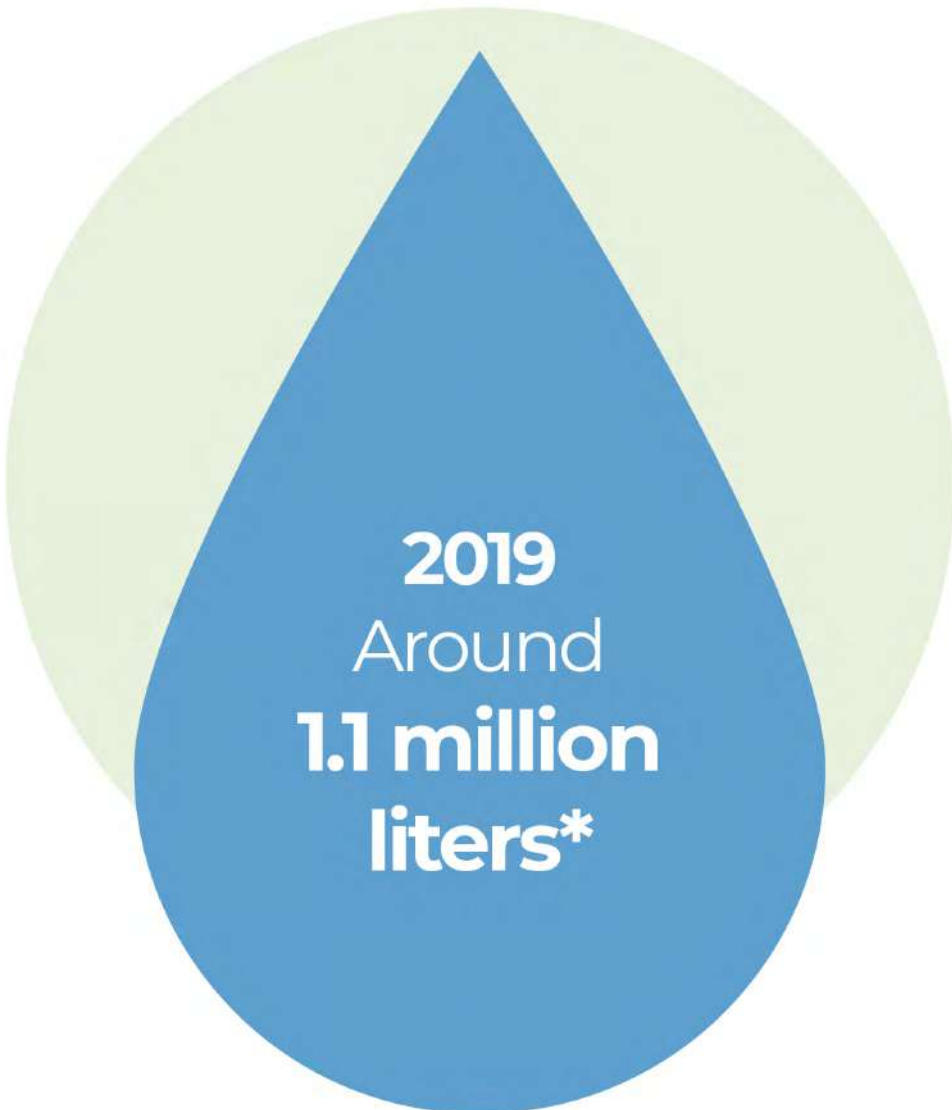
The experience of becoming an (ESR) has allowed us to have a business vision based on respect for people, ethical values, the community, the environment and the sustainability of future generations, which has led us to acquire a commitment to raise awareness and be consistent as collaborators, institution, clients, suppliers and offer the best to our community.

At HR Ratings we are committed to:



WATER USE

With figures estimated by HR, we consider the following water consumption by the company:



To 2020 It is important to consider that for HR Ratings the health and safety of its employees is primordial, so starting in March 2020 all employees were able to work from home. Likewise, we expect to see greater savings in water consumption since the new offices of HR Ratings will have dry urinals and W.C. savers.

*Source: HR Ratings calculations.



ELECTRICAL ENERGY

2019: An increase in energy consumption of 6.9% was observed, consuming a total of 129 kWh per employee.



To 2020 we would expect to see strong savings in energy consumption. On one hand, the energy consumption during the months of working at home should be much less. On the other, in the new offices we already have 100% savings bulbs.

HR Ratings continues to look for different options so that in the long term (2030), 100% of our energy consumption comes from renewable sources.

*Source: HR Ratings calculations based on CFE receipts.



IMPACT FINANCIAL PRODUCTS

One of our values is innovation. Similar to our position in the financial sector, in the sustainable world we have also innovated, offering our clients green, social and sustainable evaluations. In 2019, we conducted three green and sustainable evaluations.



To 2020 we will update our evaluation criteria for green, social and sustainable bonds according to new practices observed both in the Mexican and global markets. Likewise, we would expect to inform the market about these type of products through webinars and sectoral reports.





RESPONSIBLE CONSUMPTION

Among the most important things of becoming sustainable is to have responsible consumption. Therefore, HR Awareness always seeks to implement new policies and recommendations to improve our sustainable consumption practices daily and involve employees.

2019

- We carried out 2 sales of sustainable products for employees in which around 400 products were purchased such as bamboo toothbrushes, reusable bags, bar soaps, solid toothpaste, among others.
- We separate the garbage for easy handling by the building administration.

2020

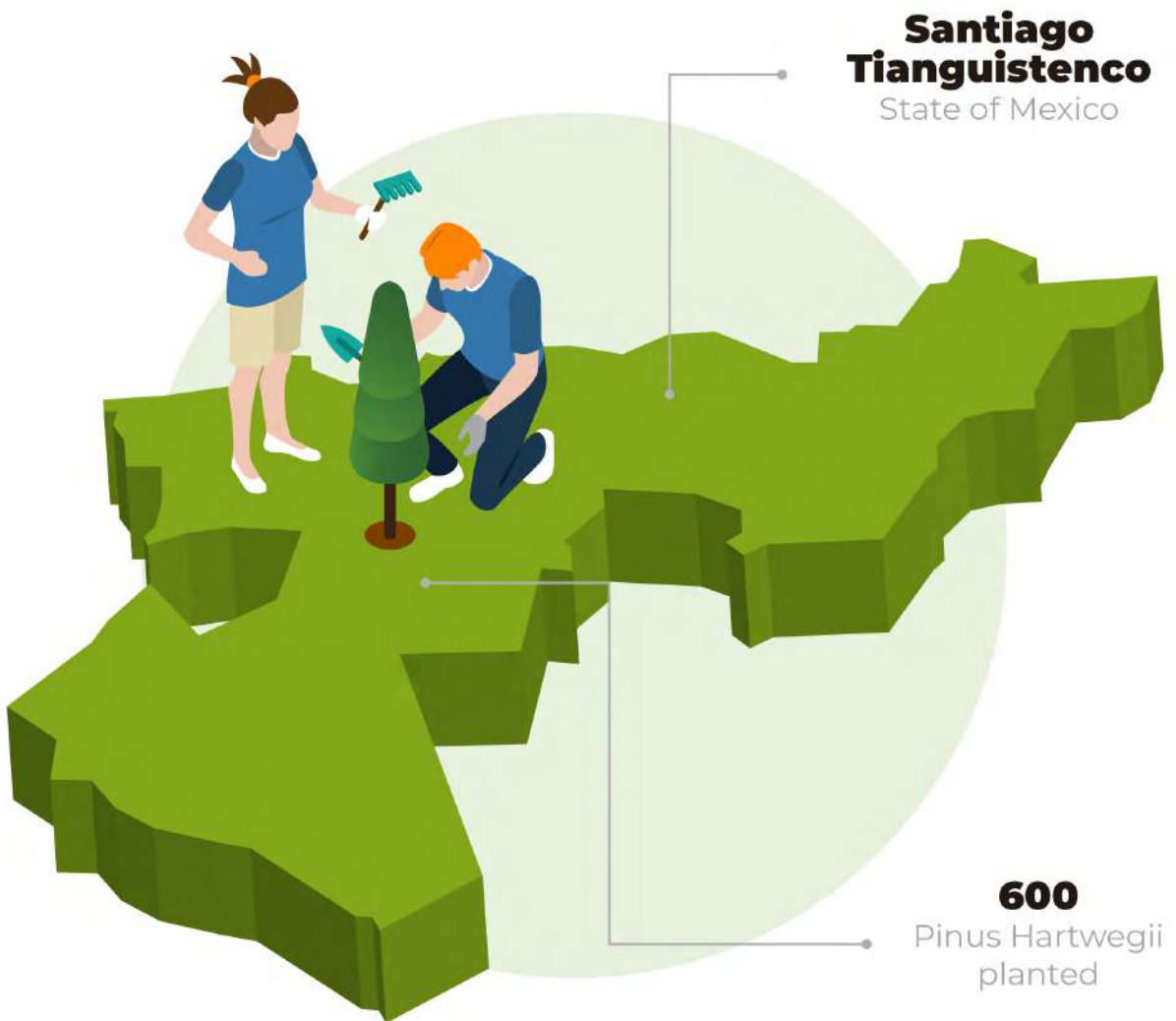
- Continue to separate the trash and look for small quantity recycling alternatives.
- Reduce the consumption of sheets of paper.
- Sectoral sustainability to inform the financial market about simple practices that could be implemented, as well as promoting green finance.
- Increase the dissemination of suggestions and sustainable alternatives within the company.
- Continue with the sales of sustainable products.
- Reduce the printing of business cards by including a QR code.



2020

Reforestation Brigade

We carried out the first reforestation brigade of HR Ratings. This is an event that we will carry out annually in which employees, family and friends participate.



It is important to consider that an adult pine tree can absorb up to 50 tons of CO₂, which is why we consider reforestation brigades as one of the most important practices to combat global warming. This is because, unfortunately, forest fires are common in Mexico and not all of these pines will manage to reach adulthood.



REFORESTATION BRIGADE



**Credit
Rating
Agency**



OUR SUSTAINABLE DEVELOPMENT

Based on our own calculations, we were able to calculate the carbon footprint of HR Ratings. To count on this figure, we consider the following concepts: water, energy, flights, waste and transportation, both those used for meetings and those used by employees to get to the offices.

Approximately we emit 518 tons of CO₂.

During 2019 we faced different challenges to considerably reduce our carbon footprint; however, during 2020 we hope that the benefits obtained from the infrastructure of the new office and work in case support significantly. The foregoing, considering that we are looking for offices with dry urinals, hand dryers, 100% saving light bulbs and that maintain the separation of garbage.

On the other hand, we have made significant progress in sustainable actions that do not necessarily show a direct benefit in HR Ratings' carbon footprint. For example, actions such as the **ESR** badge, the sustainable products sales campaign, support for gender equality, participation in the Pride month support and the reforestation brigade are activities that are in line with our commitment, in accordance with the **10 Sustainable Development Goals (SDGs)** that we focus on. They are also activities that help us spread our philosophy among employees, their families and our clients.



SUPPORT TO CHARITIES

Casa de las Mercedes

Casa de las Mercedes: As of October 2015, we adopted the cause of the foundation and made monetary contributions on behalf of the entire team and collaborators of HR Ratings. Additionally, we visit the Casa de las Mercedes facilities to live with the women and children who are living there.



In December 2019, the employees accompanied us to live together and present 60 children with their Christmas gifts. We managed to fulfill the children's dream on these festive dates.

On the other hand, we also continue to support the Association for the Defense of Animal Rights and Rabies Prevention and every six months we donate around 80kg of plastic lids to the Banco de Tapitas social initiative. Banco de Tapitas aims to generate resources and support children with cancer.

**Banco
de
Tapitas®**



Dona tus tapitas para salvar vidas



CORPORATE LEVEL & HR RATINGS



Since 2015, we have been acknowledged as a Great Place to Work.



Climate
Bond
Certified

In 2018, we became authorized verifiers for the evaluation of green bonds under the outline and standards of CBI.



We are part of the Advisory Council for Green Finance (CCFV, for its initials in Spanish) since its creation in 2016.



We have rating evaluation criteria for Green, Social and Sustainable bonds.



EMPRESA
SOCIALMENTE
RESPONSABLE

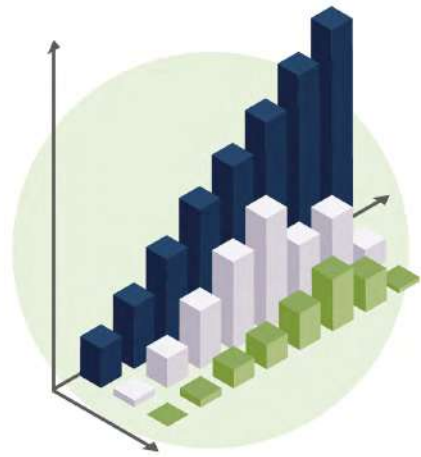
In 2019, we were the first risk rating agency to be a Socially Responsible Company (ESR for its acronym in Spanish)

PERFORMANCE MARKET

HR Ratings has had a remarkable performance and significant growth. Since its authorization by the CNBV, it has become one of the leading companies in the Mexican market. In 2019 we became the largest rating agency in Mexico.



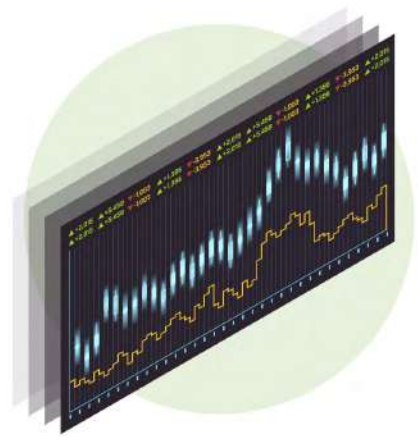
485
Clients



1,660
Ratings



US\$97 BN
Rated amount in
issuances



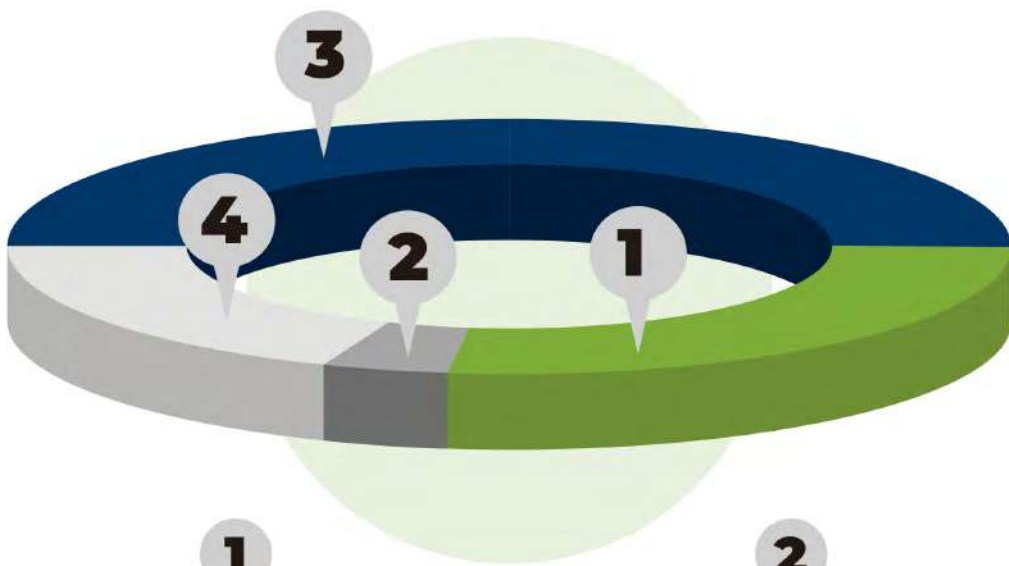
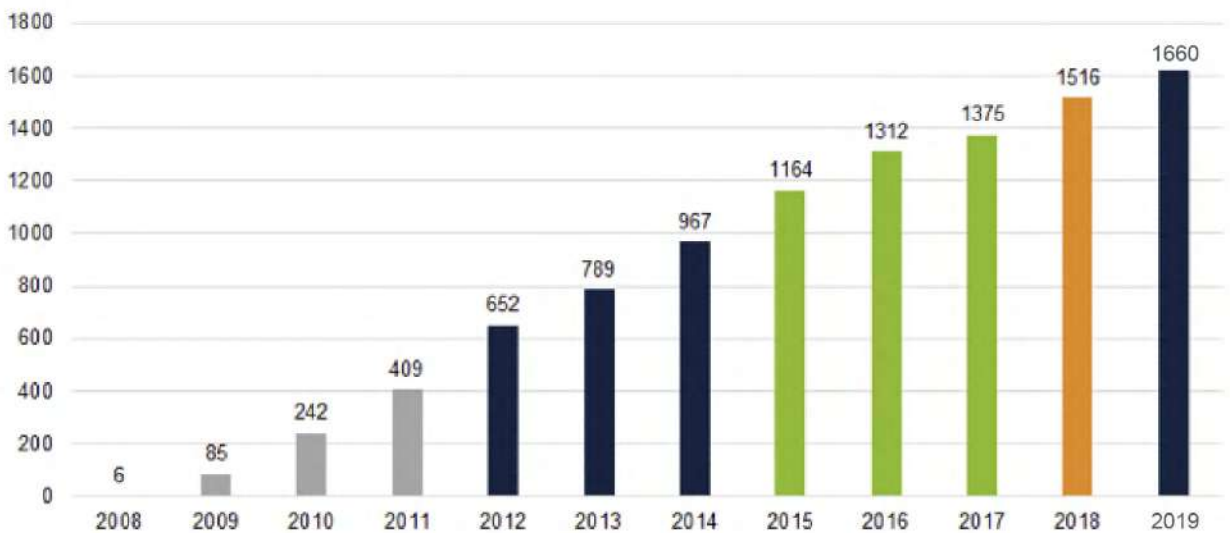
52.0%
Participation in the
number of issues in force
from 2008 to 2019

HR Ratings' participation in the local market went from covering 50.3% of issues in 2018 to 56.3% in 2019.

Source: Bolsa Mexicana de Valores (BMV)

PERFORMANCE MARKET

Current Ratings by the End of each year by HR Ratings



1
20.3%
Corporate

2
3.0%
Infrastructure

3
53.9%
Financial
Institutions

4
22.9%
Finance
Public

*Source: HR Ratings.

GOVERNANCE CORPORATE

At HR Ratings we have a team of experienced and trained analysts who, based on accredited methodologies, incorporate forward looking analysis in our ratings. The analysis committee together has more than 95 years of experience, with an average of around 17 years per member. At HR Ratings we have a solid corporate governance structure with a board of directors made up of internal and independent members, who represent at least 50% of it.

The purpose of HR Ratings' board is to review, approve and audit the methodologies that we use to generate the analyzes, opinions, evaluations and credit ratings. Additionally, our directors have the task of monitoring the structure, operation and policies of the credit committee, as well as, in general, reviewing compliance with applicable regulations. The members of the board of directors, both internal and independent, are the following:

Alberto I. Ramos

Chairman of the Board of Directors
Bachelor in Economy – ITAM
Postgraduate Degree in Advanced Econometrics – ITAM

Anibal Habeica

Vice president, Board of Administration
Bachelor in Economy – ITAM

Fernando Montes de Oca

General Manager
Bachelor in Financial Management – ITESM
MBA – NYU Stern School of Business

Manuel J. Molano

Member of the Council
Bachelor in Economy – ITAM
Master in Agricultural Economics – London University
General Manager de IMCO

GOVERNANCE CORPORATE

Vicente Corta

Independent Member of the Council
Bachelor in Law – Iberoamericana University
Masters in Law – Warwick University, UK

Tonatiuh Rodríguez

Independent Member of the Council
Bachelor in Economy – ITAM
Masters in Economy – Warwick University, UK
Banamex Award in Economy, 2002

Valeria Moy

Independent Member of the Council
Bachelor in Economy – ITAM
Masters in Management – London School of
Economics and Political Science, London UK

Javier Nájera Muñoz

Independent Member of the Council
Bachelor in Economy – ITAM
Postgraduate in Senior Management – IPADE Business School



**Credit
Rating
Agency**



CONTACT

María Fernanda Guzmán

Vicepresident Human Resources
mariafernada.guzman@hrratings.com

Luisa Adame

Public Finance Manager
luisa.adame@hrratings.com

Tania Quevedo

Human Resources Manager
tania.quevedo@hrratings.com

HR Ratings de México, S.A., de C.V.
Tel +52 (55) 15 00 31 30

Guillermo González Camarena 1200
Piso 10, Col. Centro de Ciudad Santa Fe
C.P. 01210, CDMX

www.hrratings.com