

FINDEV CANADA TRANSACTION SUMMARY¹

PC Capital Development II L.P. (PC Capital II)

This document provides an overview of the FinDev Canada transaction, including a summary of the anticipated development impacts and of the environmental, social and governance (ESG) assessment performed, potential risks identified, and related mitigation measures to be implemented.



Transaction Description

PC Capital Development II L.P. ("PC Capital II" or "the Fund"), is a private equity fund which provides growth capital to businesses operating primarily in Mexico. PC Capital II will invest in companies engaged in in the financial services, consumer products and services and sustainable industries.

Transaction Details

COUNTERPARTY	PC Capital Development II L.P.
DOMICILE OF INCORPORATION	Mexico
DOMICILE OF OPERATIONS	Mexico
TERM OF FINANCING	10 years
SECTOR	Financial Services
IFC PERFORMANCE STANDARDS TRANSACTION CATEGORY	Category FI-2
FINANCING PRODUCT	Equity
FINDEV CANADA TRANSACTION AMOUNT	A commitment of up to USD 12.5M limited to 12.5% of the Fund size, provided that the commitment shall be at least USD 10 million
DATE OF TRANSACTION DISCLOSURE	14 July 2021
DATE OF TRANSACTION SIGNING	30 August 2021
DATE OF TRANSACTION SUMMARY PUBLICATION	22 October 2021
2X CHALLENGE QUALIFYING	Yes, based on the indirect (Financial intermediaries) and direct (Leadership) criteria

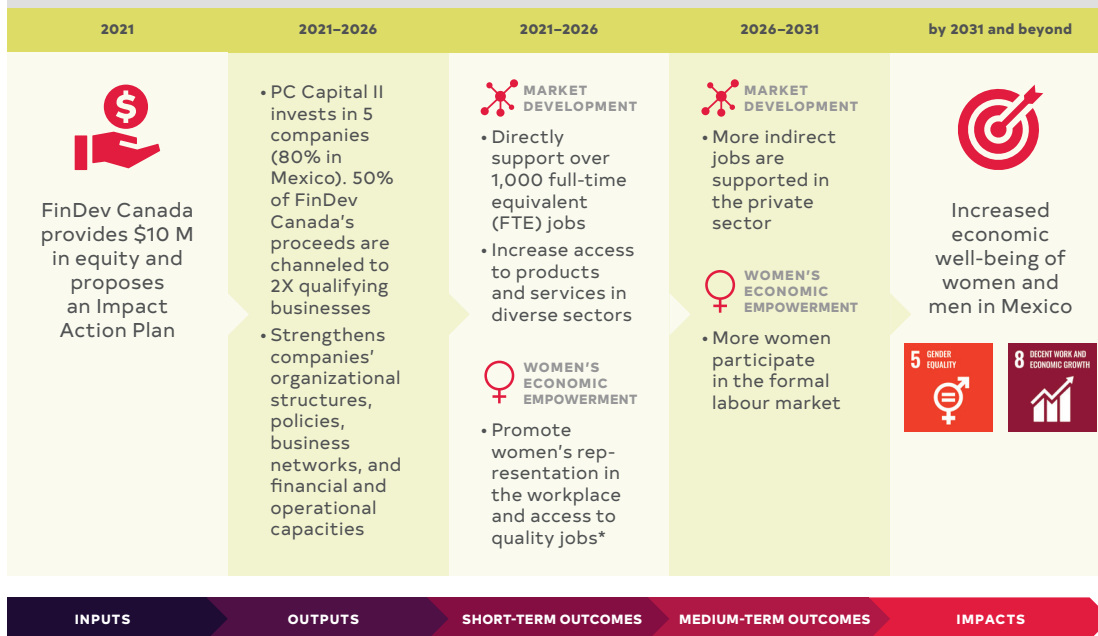
¹This document follows key requirements spelt out in the Interim Disclosure Policy, effective on Jan. 22, 2018: https://www.findevcanada.ca/sites/default/files/2018-02/disclosure_interimpolicy_11dec2017_final.pdf

Summary of Anticipated Development Impacts

The development impact value proposition of this transaction is to provide financing and professional support to Mexican businesses in a growth stage. At least 50% of FinDev Canada's proceeds will support 2X eligible businesses, promoting women's economic participation as business owners, leaders and employees. By fueling business growth, promoting women's economic empowerment, and supporting jobs, this transaction will ultimately increase the economic well-being of women and men in Mexico, as is illustrated by the impact theory of change below.

Development Challenges:

- Only 44% of working age Mexican women participate in the labour force, compared to 52% in Chile, 56% in Colombia & the OECD average of 71% (OECD, 2021)
- The gender pay gap in Mexico is 28.4% (CEDAW, 2016)
- Women perform on average 77% of all unpaid care and domestic work (CEDAW, 2016)
- 42% of the Mexican population lives under the national poverty line (World Bank, 2019)
- Inequality is higher than in most advanced economies: the poorest 20% of households earn 5% of total income (OECD, 2021)



* A quality job reflecting the presence of any company internal policy or programme — beyond that which is required by local law or compliance — that addresses barriers to women entering, maintaining, or advancing within the workforce.



MARKET DEVELOPMENT

- **Supporting business and economic growth in Mexico:** The private sector plays a key role in Mexico's economy: medium and large-sized enterprises employ nearly 40% of the Mexican working population and contribute to 70% of the national GDP. Given that traditional bank financing does not fully meet the needs of growing businesses, PC Capital II aims to fill this gap by identifying, investing in and supporting companies in Mexico to grow and widen their reach. Accelerating such growth means increasing the number of jobs supported and created for Mexican women and men, as well as improving access to products and services in financial services and other sectors in Mexico.



WOMEN'S ECONOMIC EMPOWERMENT

- **Supporting women entrepreneurs, leaders and employees:** in Mexico, only 44% of working age women participate in the formal labour force and those who do face a gender pay gap of over 28%. Moreover, women carry out on average 77% of all unpaid care and domestic work in the country. PC Capital II will help increase women's participation in the formal economy by supporting portfolio companies to promote the recruitment, retention, and career advancement of women in the workplace. The Fund will also channel 50% of FinDev Canada's funds to 2X eligible businesses, thus supporting women entrepreneurs, leaders and employees in Mexico.
- **Promoting women's representation in the private equity industry:** PC Capital II will do so by increasing the representation of women leaders to at least 30% within its senior management team. It will also undertake a gender diagnostic analysis with a view to further foster a gender inclusive workplace.
- **2X Challenge qualification:** with PC Capital II's commitment to direct 50% of FinDev Canada's funds towards 2X eligible businesses and to bring women's representation in its senior management team to at least 30%, this transaction qualifies for the 2X Challenge.

Summary of Environmental and Social Assessment and Related Risk Mitigation Measures

The E&S risks associated with this transaction stem from the individual companies that the Fund will invest in using FinDev Canada funds. The majority of the Fund's existing and proposed portfolio is comprised of lower risk business activities with E&S risks that are site specific, generally reversible, and readily addressed through mitigation measures. Risks associated to this type of lending can be diverse and may trigger different IFC Performance Standards, which are applied to each transaction with the assistance of external advisors.

The E&S risks of this transaction are limited and will be mitigated by the Fund's Environmental and Social Management System (ESMS) and corporate human resources documents. Opportunities for enhancement of these mitigants were identified during due diligence and have been captured in an Environmental and Social Action Plan (ESAP) that will enable the Fund to achieve full alignment with international standards and best practices. PC Capital II's corporate policies are designed to meet host country standards in the markets where it operates. It is anticipated that PC Capital will be able to maintain regulatory compliance in the markets it serves and functions.

This review was completed in accordance with FinDev Canada's Environmental and Social Policy.

An illustrative list of key documents reviewed is outlined below:

- PC Capital ESMS
- PC Capital Employee Handbook
- Sample investment E&S Assessment
- Due diligence call and presentations with PC Capital

The following International Finance Corporation (IFC) Performance Standards were applied in FinDev Canada's assessment in addition to host country requirements and the IFC Interpretation Note on Financial Intermediaries:

- IFC Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts
- IFC Performance Standard 2: Labor and Working Conditions