

 Early Warning System

IFC-31922

GTSF-Nemak

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### Quick Facts

<b>Countries</b>	Mexico
<b>Financial Institutions</b>	International Finance Corporation (IFC)
<b>Status</b>	Active
<b>Bank Risk Rating</b>	B
<b>Borrower</b>	Nemak, S.A.B. de C.V.



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## Project Description

### OVERVIEW OF IFC'S SCOPE OF REVIEW

In supplier financing programs of this nature, IFC assesses environmental and social (E&S) risk at supplier level by assessing the Buyers' systems for management of E&S performance of their Suppliers. IFC due diligence involved: (i) a review of publicly available information describing Nemak's approach to suppliers including Alfa, S.A.B. de C.V. ("Grupo Alfa")'s sustainability report and Nemak's sustainability website; (ii) a review of procurement, human resources, and environmental documentation pertaining to Nemak's requirements of its suppliers; and (iii) a review of public information concerning labor, environmental and social conditions in Mexico and in the sectors where the potential suppliers of Nemak operate (such as raw materials, freight and machinery).

### PROJECT DESCRIPTION

This project is proposed under the Global Trade Supplier Finance program ("GTSF" or the "Program") approved by the IFC Board in September 2010. (Original Project Link #28723). Tenedora Nemak S.A. de C.V. ("Nemak" or the "Company"), is the world's leading producer of high-technology aluminum components for the automotive industry. The company's product lines include cylinder heads, engine blocks, and transmission parts. Nemak has 27 plants around the globe in Asia (China), Europe (Germany / Hungary / Austria / Slovakia / Czech Republic / Poland), and North (Mexico / USA / Canada) and South America (Brazil / Argentina), producing approximately 43 million units annually. Its clients include some of the largest car manufacturers in the world. Nemak has over 18,000 employees and is a subsidiary of Alfa S.A.B de C.V. The Project will establish a Supplier Finance ("SF") program and make financing available to selected suppliers of Nemak, through the discounting of receivables of the suppliers payable by Nemak. The SF program will have an IFC-funded, uncommitted credit line of US\$50mn. The program will be implemented through PrimeRevenue, a Supply Chain Finance platform, and its local reseller, E-Factor Network ("EFN"), and it is expected to reach 100 Suppliers the large majority of which will be SMEs.

### IDENTIFIED APPLICABLE PERFORMANCE STANDARDS

PS1: Social and Environmental Assessment and Management System In this Project, potential adverse E&S impacts may arise at the level of the Suppliers. While all IFC Performance Standards are applicable to this investment, IFC's due diligence has focused in Nemak's systems for management of E&S performance of their Suppliers; therefore the investment will have impacts which must be managed in a manner consistent with the Performance Standard 1.

### ENVIRONMENTAL AND SOCIAL CATEGORIZATION AND RATIONALE

Suppliers under this transaction provide a variety of services and goods to Nemak including logistics, machinery, food services and goods such as raw materials, cylinder liners, tooling and equipment among others. Most of the suppliers are small Mexican enterprises. The potential risks, where encountered, are both manageable and site specific. This is therefore considered to be an E&S Category B project.

### KEY ENVIRONMENTAL AND SOCIAL ISSUES AND MITIGATION

The most common E&S risks associated with these suppliers include labor management and working conditions, including



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**Investment Description**

- International Finance Corporation (IFC)



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### **Contact Information**

#### ACCOUNTABILITY MECHANISM OF IFC

The Compliance Advisor Ombudsman (CAO) is the independent complaint mechanism and fact-finding body for people who believe they are likely to be, or have been, adversely affected by an IFC or MIGA- financed project. If you submit a complaint to the CAO, they may assist you in resolving a dispute with the company and/or investigate to assess whether the IFC is following its own policies and procedures for preventing harm to people or the environment. If you want to submit a complaint electronically, you can email the CAO at [CAO@worldbankgroup.org](mailto:CAO@worldbankgroup.org). You can learn more about the CAO and how to file a complaint at <http://www.cao-ombudsman.org/>



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**Other Related Projects**

- IFC-28723 Global Trade Supplier Finance