

# AMAGGI

**Type of Engagement:** Annual Review

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**Engagement Team:**

Nilofur Thakkar, nilofur.thakkar@morningstar.com

Maliha Taj, maliha.taj@morningstar.com

## Introduction

In January 2021, AMAGGI (the “Company”) issued sustainability bonds (the “2021 Sustainability Bonds”) based on the AMAGGI Sustainability Bond Framework (the “Framework”)<sup>1</sup>. The 2021 Sustainability Bonds were aimed at financing projects that support sustainable agricultural practices, preservation of natural resources, climate mitigation, employment, socio-economic advancement and food security in Brazil. In December 2022, AMAGGI engaged Sustainalytics to review the projects funded with proceeds from the issuances (the “Nominated Projects”) and provide an assessment as to whether the projects met the use of proceeds criteria and the reporting commitments outlined in the Framework. Sustainalytics provided a second-party opinion on the Framework in December 2020<sup>2</sup> and a previous annual review in January 2022.<sup>3,4</sup>

## Evaluation Criteria

Sustainalytics evaluated the Nominated Projects funded between January 2022 and December 2022 based on whether they:

1. Met the use of proceeds and eligibility criteria outlined in the Framework; and
2. Reported on at least one of the key performance indicators (KPIs) for each use of proceeds category outlined in the Framework.

Table 1 lists the Use of Proceeds, and Eligibility Criteria, while Table 2 lists the associated KPIs.<sup>5</sup>

**Table 1: Use of Proceeds Category and Eligibility Criteria**

Use of Proceeds Category	Eligibility Criteria
<b>Renewable Energy</b>	<p>Expenditures related to the construction, development, expansion, production, acquisition, maintenance, and operation of renewable energy including solar, run of river hydropower or small scale hydropower (<math>\leq 20</math> MW) and biomass.</p> <p>Eligible biomass must comply with socioenvironmental criteria and does not deplete existing terrestrial carbon pools, does not compete with food production and is not harmful to biodiversity. Biomass can be from exotic origin such as eucalyptus or from authorized sustainable management plan or sawmill residues, which contributes to the reduction of material that could pollute the environment if not disposed of correctly.</p>

<sup>1</sup> AMAGGI, “Sustainability Bond Framework”, (2020), at :

<https://ri.amaggi.com.br/Download.aspx?Arquivo=9/L04U/bw6lv7LchLrtk7Q==&IdCanal=4J+ssVzd70BNePB93AoXjA==>

<sup>2</sup> Sustainalytics, “AMAGGI Sustainability Bond Framework Second-Party Opinion”, (2020), at: [https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/amaggi-sustainability-bond-framework-second-party-opinion.pdf?sfvrsn=790feae6\\_3](https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/amaggi-sustainability-bond-framework-second-party-opinion.pdf?sfvrsn=790feae6_3)

<sup>3</sup> AMAGGI, “Sustainability Bond Report”, pg30 (2021) , at :

<https://ri.amaggi.com.br/Download.aspx?Arquivo=TAz+sQDApBZlmdsHUyjMAA==&IdCanal=4J+ssVzd70BNePB93AoXjA==>

<sup>4</sup> Allocation and environmental impact of projects funded by 2021 Sustainability Bonds in 2019, 2020 and 2021 was covered in the Annual review provided in January 2022.

<sup>5</sup> The Framework defines four categories of green use of proceeds and three categories of social use of proceeds. The Company has allocated proceeds from the current issuance to three green and two social categories.

<p><b>Environmentally Sustainable Management of Living Natural Resources &amp; Land Use</b></p>	<p>Expenditures related to acquisition, long term leasing, maintenance, operation of farms, including:</p> <ul style="list-style-type: none"> <li>• New farm operations (acquisitions<sup>6</sup> or long term leased land): including farms with low productivity or with degraded areas that we implement good agricultural practices<sup>7</sup> and sustainable production intended to be certified by well recognized sustainable standards - ProTerra, Round Table on Responsible Soy (RTRS), 2BSvs<sup>8</sup> or ISCC<sup>9</sup> - after some years.</li> <li>• Research and implementation of biological control (including techniques used for pest control to reduce the application of agrochemicals); and innovative agricultural practices such as climatology, connectivity in the field and efficiency for machinery and best agricultural practices.</li> </ul> <p>Expenditures and investments related to own production, development, operation, construction of associated infrastructure of more socioenvironmental efficient and sustainable certified products including the following schemes:</p> <ul style="list-style-type: none"> <li>• Grains (soy and corn): ProTerra, Round Table on Responsible Soy (RTRS), 2BSvs or ISCC.</li> </ul> <p>Expenditures related to sustainable sourcing (procurement) of certified products including the following schemes:</p> <ul style="list-style-type: none"> <li>• Grains (soy and corn): ProTerra, Round Table on Responsible Soy (RTRS), 2BSvs or ISCC.</li> </ul>
<p><b>Preservation of Natural Resources and Biodiversity</b></p>	<p>Expenditures related to the conservation or protection of natural resources, native vegetation and biodiversity, including maintenance or restoration of high conservation value areas and other conservation areas.</p>
<p><b>Climate Change Mitigation</b></p>	<p>Expenditures related the implementation, operation, and maintenance of tools to mitigate and monitor supply chain socioenvironmental risk, especially deforestation and conversion criteria through real time fire warning systems. Examples include: AMAGGI ORIGINAR 2.0 system</p>
<p><b>Socio-Economic Advancement and Empowerment</b></p>	<p>Expenditures focused on advancing job growth opportunities through job training, education, and rotational opportunities that provide skill enhancement. Examples include: Young Apprentice Program, Education Aid Program, Inclusion and Diversity Program; Agro computing Technology Course.</p> <p>Expenditures related to the promotion of local development, strengthen social prominence, local entrepreneurship and inclusive businesses.</p> <p>Expenditures related to mapping traditional, indigenous and family farming communities, in order to provide a more comprehensive and complex view of the socioeconomic scenario and vulnerabilities to further implement jurisdictional, regional or local strategies for their development.</p>
<p><b>Employment Generation, and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, including through the</b></p>	<p>Expenditures related to programs and initiatives designed to encourage organizations and social initiatives that are directly acting on the front line with vulnerable population affected by COVID-19, with a focus on the areas of food supply, health, education or social protection so that they can have structure to maintain a transition</p>

<sup>6</sup> New land acquisitions regarding this framework will only be considered if it was originally deforested prior to 2008. If there was a deforestation area after 2008, the company will provide restoration or compensation of such area.

<sup>7</sup> Common principles of good agricultural practices describe farming that uses available technology optimally to promote agricultural productivity of safe and healthy food, to achieve economic viability and agricultural, environmental sustainability and social responsibility. Source: Good Agricultural Practices – a working concept Background paper for the FAO Internal Workshop on Good Agricultural Practices - Rome, Italy 27-29 October 2004

<sup>8</sup> 2BSvs Association, at : [https://www.2bsvs.org/lg\\_en.html](https://www.2bsvs.org/lg_en.html)

<sup>9</sup> ISCC, at : <https://www.iscc-system.org/>

<b>potential effect of SME financing and microfinance</b>	process from essential needs of the communities to their social regular activities again.
<b>Food Security and Sustainable Food Systems</b>	Expenditures related to programs that promote sustainable food systems and sustainable production. Examples include: Responsible Grain Chain Management Program, Farmer Solution Programs, Technological Circuit, support to family agricultural projects and Responsible Logistics Program.

**Table 2: Associated KPIs**

<b>Use of Proceeds Category</b>	<b>KPIs</b>
<b>Renewable Energy</b>	<ul style="list-style-type: none"> <li>• Annual GHG emissions avoided in tons of CO<sub>2</sub> equivalent</li> <li>• Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy)</li> <li>• Capacity of renewable energy plant(s) constructed or rehabilitated in MW</li> <li>• Volume of biomass from exotic origin, sustainable management plan and sawmill residues</li> </ul>
<b>Environmentally Sustainable Management of Living Natural Resources &amp; Land Use</b>	<ul style="list-style-type: none"> <li>• Total area of new farm operations with good agricultural practices implemented</li> <li>• Total volume produced on new farm operations with good agricultural practices implemented</li> <li>• Total area of certified farms</li> <li>• Total volume of certified grains</li> <li>• Total area with research and implementation of biological control</li> <li>• Number of research and implementations of innovative agricultural</li> <li>• Total area of certified farms</li> <li>• Total volume of certified grains</li> <li>• Total area of preserved and conserved native vegetation at procured certified farms</li> </ul>
<b>Preservation of Natural Resources and Biodiversity</b>	<ul style="list-style-type: none"> <li>• Area of land conserved in hectares</li> <li>• Area of land revegetated or in restoration process</li> <li>• Volume of carbon stock on the conserved area</li> </ul>
<b>Climate Change Mitigation</b>	<ul style="list-style-type: none"> <li>• Total area in hectares monitored and registered at ORIGINAR system</li> <li>• Percentage of traceability of direct suppliers in the priority jurisdictions</li> <li>• Percentage of the volume from the priority jurisdictions that are deforestation free</li> </ul>
<b>Socio-Economic Advancement and Empowerment</b>	<ul style="list-style-type: none"> <li>• Number of hours in education/training</li> <li>• Number of people who received education/training</li> <li>• Number of people promoted after or during training/education programs</li> <li>• Number of people with disabilities employed and/or trained</li> <li>• Number of young people prepared for the job market</li> <li>• Number of people positively impacted</li> </ul>

	<ul style="list-style-type: none"> <li>• Number of social institutions as part of the local development network</li> <li>• Number of social leaders and social entrepreneurs acting in their communities</li> <li>• Number of inclusive business or initiatives created</li> <li>• Number of communities involved and benefited</li> <li>• Number of mapped communities</li> <li>• Number of beneficiaries by the implemented strategies</li> <li>• Number of partnerships created for the development of communities.</li> <li>• Number of communities involved and benefited</li> </ul>
<b>Employment Generation, and programs designed to prevent and/or alleviate unemployment stemming</b>	<ul style="list-style-type: none"> <li>• Number of social institutions and initiatives benefited</li> <li>• Number of beneficiaries</li> </ul>
<b>Food Security and Sustainable Food Systems</b>	<ul style="list-style-type: none"> <li>• Number of farmers involved</li> <li>• Number of farmers and people engaged on events about good agricultural practices and sustainable production</li> <li>• Number of farmers who received rural extension services</li> <li>• Number of beneficiaries</li> <li>• Number of communities involved and benefited</li> </ul>

## Issuer’s Responsibility

AMAGGI is responsible for providing accurate information and documentation relating to the details of the funded projects, including description of projects, amounts allocated and project impact.

## Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of use of proceeds from AMAGGI’s sustainability bond. The work undertaken as part of this engagement included collection of documentation from AMAGGI and review of said documentation to assess conformance with the AMAGGI Sustainability Bond Framework.

Sustainalytics relied on the information and the facts presented by AMAGGI. Sustainalytics is not responsible nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by AMAGGI.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight of the review.

## Conclusion

Based on the limited assurance procedures conducted,<sup>10</sup> nothing has come to Sustainalytics’ attention that causes us to believe that, in all material respects, the reviewed projects do not conform with the use of proceeds criteria and reporting commitments in the AMAGGI Sustainability Bond Framework. AMAGGI has disclosed to Sustainalytics that the proceeds of the 2021 Sustainability Bonds were fully allocated as of December 2022.

<sup>10</sup> Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the funded projects, including description of projects, estimated and realized costs of projects, and project impact, as provided by the Issuer, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

## Detailed Findings

**Table 3: Detailed Findings**

<b>Eligibility Criteria</b>	<b>Procedure Performed</b>	<b>Factual Findings</b>	<b>Error or Exceptions Identified</b>
<b>Use of Proceeds Criteria</b>	Verification of the projects funded by the 2021 Sustainability Bonds between January 2022 and December 2022 to determine if the Nominated Projects aligned with the use of proceeds criteria outlined in the Framework and above in Table 1.	All projects reviewed complied with the use of proceeds criteria.	None
<b>Reporting Criteria</b>	Verification of the projects funded by the 2021 Sustainability Bonds between January 2022 and December 2022 to determine if impact of the Nominated Projects was reported in line with the KPIs outlined in the Framework and above in Table 2. For a list of KPIs reported, please refer to Appendix 2.	All projects reviewed reported on at least one KPI per use of proceeds category.	None

## Appendices

### Appendix 1: Allocation Reporting by Use of Proceeds Category

On 28 January 2021, AMAGGI raised USD 750 million through the issuance of the 2021 Sustainability Bonds. As of December 2021, the total amount allocated to the Nominated Projects was USD 556.34 million.

By December 2022, AMAGGI allocated additional USD 212 million to the Nominated Projects and 100% of these allocations were used to finance new projects between January 2022 to December 2022. No projects were refinanced.

**Table 4: Allocation of net proceeds**

Use of Proceeds Category	Eligibility Criteria	Net Bond Proceeds Allocation (USD) in 2022
Environmentally Sustainable Management of Living Natural Resources and Land Use	Expenditures related to sustainable sourcing (procurement) of certified products	205,774,382
Preservation of Natural and Biodiversity	Expenditures related to the conservation or protection of natural resources, native vegetation and biodiversity, including maintenance or restoration of high conservation value areas and other conservation areas	13,508.56
Climate Change Mitigation	Expenditures related the implementation, operation, and maintenance of tools to mitigate and monitor supply chain socioenvironmental risk, especially deforestation and conversion criteria through real time fire warning systems	5,090,711.83
Socio-Economic Advancement and Empowerment	Expenditures focused on advancing job growth opportunities through job training, education, and rotational opportunities that provide skill enhancement  Expenditures related to mapping traditional, indigenous and smallholder agriculture communities  Expenditures related to the promotion of local development, strengthen social prominence, local entrepreneurship and inclusive businesses	970,756.56
Food Security and Sustainable Food Systems	Expenditures related to programmes that promotes sustainable food systems and sustainable production	151,354.81
<b>Total proceeds allocated in 2022 (USD)</b>		<b>212,000,713.76</b>
<b>Total allocation of net proceeds allocated from January 2019 to December 2021 as reported in the previous assessment provided in January 2022</b>		<b>556,341,016.69</b>

## Appendix 2: Impact Reporting by Use of Proceeds Category

Table 5: Impact Reporting by Environmental Use of Proceeds Category

Use of Proceeds Category	Environmental Impact Reported by Eligibility Criteria
<b>Environmentally Sustainable Management of Living Natural Resources and Land Use</b>	<ul style="list-style-type: none"> <li>Total area of certified farms: 564,472.45 hectares</li> <li>Total volume of certified grains: 921,207.00 tonnes</li> <li>Total area of preserved and conserved native vegetation at procured certified farms: 199,204.06 hectares.</li> </ul>
<b>Preservation of Natural and Biodiversity</b>	<ul style="list-style-type: none"> <li>Total area of land conserved: 137,305.99 hectares</li> <li>Total area of land revegetated or in restoration process: 163.61 hectares</li> <li>Total volume of carbon stock on the conserved area: 74,009,166.35 tonnes</li> </ul>
<b>Climate Change Mitigation</b>	<ul style="list-style-type: none"> <li>Total area of land monitored and registered in the ORIGINAR System: 16,883,000.00 hectares</li> <li>Percentage of traceability of direct suppliers in the priority jurisdictions: 99.70%</li> <li>Percentage of the volume from the priority jurisdictions that are deforestation free: 100%</li> <li>Investments in new and technologies, such as regenerative and low-carbon agriculture, precision agriculture, and microclimate monitoring (USD): 4,878,608.95</li> </ul>

Table 6: Impact Reporting by Social Use of Proceeds Category

Use of Proceeds Category	Project Examples	Social Impact Reported
<b>Socio-Economic Advancement and Empowerment</b>	Expenditures focused on advancing job growth opportunities through job training, education, and rotational opportunities that provide skill enhancements.	<ul style="list-style-type: none"> <li>Number of hours in professional technical and behavioural training: 270,891.18</li> <li>Number of people who received education support: 263</li> <li>Number of people who received technical and behavioural training: 8,255</li> <li>Number of people promoted each year, after or during education programs (technical education, undergraduate and graduate): 48</li> <li>Number of people promoted each year, after or during technical and behavioural training: 1098</li> </ul>

		<ul style="list-style-type: none"> <li>• Number of people with disabilities trained in AMAGGI: 258</li> <li>• Number of young people prepared for the job market: 8</li> </ul>
	Expenditures related to the promotion of local development, strengthen social prominence, local entrepreneurship, and inclusive businesses.	<ul style="list-style-type: none"> <li>• Number of people positively impacted: 685</li> <li>• Number of social institutions integrated in FALM<sup>11</sup>'s local development activities: 87</li> <li>• Number of social leaders and social entrepreneurs involved with FALM's local development initiatives: 98</li> <li>• Number of communities involved and benefited: 9</li> <li>• Number of inclusive business or created initiatives: 4</li> </ul>
	Expenditures related to mapping traditional, Indigenous, and family farming communities.	<ul style="list-style-type: none"> <li>• Number of mapped communities: 7</li> </ul>
<b>Food Security and Sustainable Food Systems</b>	Expenditures related to programs that promote sustainable food systems and sustainable production	<ul style="list-style-type: none"> <li>• Number of people engaged on events about good agricultural practices and sustainable production: 964</li> <li>• Number of farmers engaged on events about good agricultural practices and sustainable production: 589</li> </ul>

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<sup>11</sup> The Fundação André e Lucia Maggi (FALM) is a federal non-profit institution that coordinates all AMAGGI's private social investments. For more details, see: <https://www.fundacaoandreeluciamaggi.org.br/en/the-foundation/about-us/>

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

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Or contact us [contact@sustainalytics.com](mailto:contact@sustainalytics.com)

