

Fondo Especial para Financiamientos Agropecuarios

Type of Engagement: Annual Review

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Introduction

In 2019, Fondo Especial para Financiamientos Agropecuarios (“FEFA”)¹ issued a green bond to finance projects intended at increasing water efficiency, environmentally sustainable agriculture and renewable energy. In November 2020, Fideicomisos Instituidos en Relación con la Agricultura (“FIRA”) engaged Sustainalytics to review the projects funded through the issued green bond and provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the FEFA Green Bond Framework (the “Framework”).²

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded in 2019 and 2020 based on whether the projects and programmes:

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 criteria outlined in the Framework .

Table 1 lists the Use of Proceeds, Eligibility Criteria, and associated KPIs.

Table 1: Use of Proceeds, Eligibility Criteria, and associated KPIs

Use of Proceeds	Eligibility Criteria	Key performance indicators (KPIs)
Environmentally Sustainable Agriculture	Projects for development, construction, operation and maintenance for: <ul style="list-style-type: none"> • Protected agricultural projects for growing food under conditions in which the farmer reduces the effects of environmental factors on his crops, improve productivity, resource efficiency and environmental impacts. • Climate-smart agriculture projects that increase agricultural productivity, adaptation and resilience in the face of climate change, and the reduction and/or absorption of greenhouse gases. • Biodiversity conservation projects that aim to promote knowledge, conservation, restoration, or use biodiversity in a sustainable matter. 	<ul style="list-style-type: none"> • Estimated annual reduction in water consumption (m³) • Estimated annual GHG emissions reduced or avoided
Water Efficiency	Projects for the development, manufacturing, construction, operation and maintenance of water recycling, wastewater treatment facilities, water	<ul style="list-style-type: none"> • Estimated annual reduction in water consumption (m³)

¹ FEFA is one of four trusts funds which together form the Trust Funds for Rural Development (Fideicomisos Instituidos en Relación con la Agricultura or FIRA), a Mexican second-tier development financial institution which offers credit and support to the agricultural and fisheries sectors and promotes rural industrial development.

² FIRA, “Bonos verdes, sociales y o sostenibles”, at: <https://www.fira.gob.mx/InfEspDtoXML/TemasUsuario.jsp>.

	storage facilities or water distribution systems with improved efficiency/quality, including infrastructure and hydrological administration projects that are oriented to improve the efficiency of water utilization.	
Renewable Energy	Projects for equipment, development, manufacturing, construction, operation, distribution and maintenance of renewable energy generation sources,	<ul style="list-style-type: none"> Estimated annual energy savings in KWh, GHG emissions reduced or avoided (tCO₂e).

Issuing Entity's Responsibility

FEFA is responsible for providing accurate information and documentation, in its capacity as a second-tier financial institution, relating to the details of the projects that have been funded, including description of projects, amounts allocated, and project impact..

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of FEFA's Green Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from FEFA employees and review of documentation to confirm the conformance with the FEFA Green Bond Framework.

Sustainalytics has relied on the information and the facts presented by FEFA with respect to the Nominated Projects. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by FEFA.

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 over the assessment of the review.

Conclusion

Based on the limited assurance procedures conducted,³ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of FEFA's green bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the FEFA Green Bond Framework. FEFA has disclosed to Sustainalytics that the 62% of proceeds of the green bond have been allocated as of December 2020.

³ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Detailed Findings

Table 3: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded by the green bond in 2019 and 2020, to determine if projects aligned with the Use of Proceeds Criteria outlined in the FEFA Green Bond Framework and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria.	None
Reporting Criteria	Verification of the projects funded by the green bond in 2019 and 2020 to determine if impact of projects was reported in line with the KPIs outlined in the FEFA Green Bond Framework and above in Table 1.	All projects reviewed reported on at least one KPI per Use of Proceeds criteria.	None

Appendix

Appendix 1: Allocation by Eligibility Criteria

FEFA has disclosed to Sustainalytics, for their review, the amount allocated to each eligible category. A summary of these allocations, broken-down by eligibility criteria, is provided below.

Use of Proceeds Category	Projects	Number of Projects	Allocated Asset (MXN – Millions)
Environmentally Sustainable Agriculture	Protected Agriculture	12	529.7
	Forestry	1	242.5
Water Efficiency	Localized irrigation ⁴	72	287
	Sprinkler irrigation	109	144.4
Renewable Energy	Solar photovoltaic systems	67	334.3
Total		261	1,537.9
Balance (unallocated)		--	962.1

⁴ Includes drip and micro sprinkling irrigation systems.

Appendix 2: Impact Reporting by Eligibility Criteria

In accordance with the commitments in the Framework, FEFA has made available the following impact reporting data:

Use of Proceeds Category	Projects	Annual reduction in water consumption (m ³)	Annual GHG emissions reduced, avoided or captured (ton CO ₂ e)
Environmentally Sustainable Agriculture	Protected Agriculture	5,694,300	23.5
	Forestry	N/A	200,000
Water Efficiency	Localized irrigation	18,881,573	N/A
	Sprinkler irrigation	9,025,863	N/A
Renewable Energy	Solar photovoltaic systems	N/A	5,575
Total		33,601,736	205,598.5

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The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

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

About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world's foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2020, Climate Bonds Initiative named Sustainalytics the "Largest Approved Verifier for Certified Climate Bonds" for the third consecutive year. The firm was also recognized by Environmental Finance as the "Largest External Reviewer" in 2020 for the second consecutive year. For more information, visit www.sustainalytics.com.

5th Green Bond Pioneer Awards

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2015: Best SRI or Green Bond Research or Rating Firm
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The
Green Bond
Principles