

FS Agrisolutions Indústria de Biocombustíveis Ltda.

Type of Engagement: Annual Review

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Introduction

During FY2022, FS Agrisolutions Indústria de Biocombustíveis Ltda. (“FS” or the “Issuer”) issued nine green bonds under the FS Green Bond Framework aimed at financing projects related to the production of biofuels, as well as to cover the operational expenditures for the procurement of woody biomass. In May 2022, FS engaged Sustainalytics to review the projects funded through green bonds issued between April 2021 and March 2022 and provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the FS Green Bond Framework.¹ Sustainalytics provided a Second-Party Opinion on the Framework in August 2021.²

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded with proceeds from the green bonds based on whether the projects and programmes:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the FS Green Bond Framework; and
2. Reported on at least one of the Key Performance Indicators (KPIs) for each Use of Proceeds criteria outlined in the FS Green Bond 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)
Bioenergy	<p>Projects related to production of hydrous and anhydrous corn-ethanol biofuel, including:</p> <ul style="list-style-type: none"> (i) Capital expenditures for development, construction, operation and maintenance of biofuel production facilities; or (ii) Operational expenditures or refinance of purchased corn feedstock for biofuel production. Feedstock will be purchased from suppliers in compliance with FS Sustainability Protocol and/or certified against the Climate Bonds Standard Agriculture Criteria Version 1. 	<ul style="list-style-type: none"> (i) Carbon intensity of ethanol production; (ii) Volume of biofuel produced;

¹ FS, “FS Green Bond Framework”, (2021) at: <https://api.mziq.com/mzfilemanager/v2/d/34aeec8a-d08e-440f-ad7f-324e1e1e7745/3f71d04b-17b5-d486-a0ad-0bc79e4863db?origin=2>

² Sustainalytics, “FS Green Bond Framework”, (2021), at: https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/fs-green-bond-framework-second-party-opinion.pdf?sfvrsn=aa9827fb_1

Sustainable Forestry	<p>Projects related to the purchase, development and maintenance of forests and biomass from forests, including:</p> <ul style="list-style-type: none"> (i) Capital expenditures for the development, purchase, planting, and maintenance of exotic forests (like eucalyptus and bamboo plantations) to produce biomass feedstock for co-generation of steam and electricity primarily dedicated to biofuel production facilities; or (ii) Operational expenditure or refinancing of exotic forest biomass raw material acquired for cogeneration of steam and electricity, mainly dedicated to biofuel production facilities. 	Standing forest area and the carbon inventory per hectare of standing forest
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Issuing Entity's Responsibility

FS is responsible for providing accurate information and documentation 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 FS's Green Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from FS employees and review of documentation to confirm the conformance with the FS Green Bond Framework.

Sustainalytics has relied on the information and the facts presented by FS 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 FS.

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 FS's green bonds, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the FS Green Bond Framework. FS has disclosed to Sustainalytics that approximately 53.3% of green bond proceeds raised from issuances under the Framework were fully allocated as of May, 2022. Of the total unallocated proceeds, 98% is earmarked for expenditures under the Framework's Bioenergy category, while 2% is earmarked for Sustainable Forestry expenditures.

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 2: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded by the green bonds to determine if projects aligned with the Use of Proceeds Criteria outlined in the FS 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 bonds to determine if impact of projects was reported in line with the KPIs outlined in the FS Green Bond Framework and above in Table 1. For a list of KPIs reported please refer to Appendix 1.	All projects reviewed under the Bioenergy category reported on at least one KPI per Use of Proceeds criteria, while projects financed under the Sustainable Forestry category will be reported in 2022.	KPI data for expenditures under the Sustainable Forestry are not yet available, as such expenditures have only recently commenced. For more information see Appendix 1.

Appendix

Appendix 1: Impact Reporting by Eligibility Criteria

Use of Proceeds Category	Environmental Impact Reported by Eligibility Criteria	Performance	Net Bond Proceeds Allocation (BRL)
Bioenergy	Carbon intensity of anhydrous ethanol produced in the period (gCO ₂ e/MJ)	17.81	2,142,841,074.20
	Carbon intensity of hydrous ethanol produced in the period (gCO ₂ e/MJ)	17.68	
	Volume of ethanol produced (m ³)	2,822,052.02	
Sustainable Forestry	Standing forest area and carbon inventory per hectare of standing forest	N/A ⁴	58,014,164.79

⁴ FS has communicated to Sustainalytics that its Sustainable Forestry expenditures commenced in late 2021 and as a result, related performance data is not yet available.

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

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