

FS Agrisolutions Indústria de Biocombustíveis Ltda.

PROGRAMMATIC POST-ISSUANCE VERIFICATION LETTER

BIOENERGY CRITERIA OF THE CLIMATE BONDS STANDARD

Type of engagement: Assurance Engagement

Period engagement was carried out: June-July 2022

Approved verifier: Sustainalytics

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Scope and Objectives

During FY2022, FS Agrisolutions Indústria de Biocombustíveis Ltda. (“FS” or “the Company”) issued Certified Climate Bond Debt Instruments (the green debt instruments) aimed at financing or refinancing CAPEX or OPEX related to the production of corn ethanol. In 2022, FS engaged Sustainalytics to review the projects funded through the issued green debt instruments and provide an assessment as to whether the projects financed between April 2021 to March 2022 met the Post-Issuance Requirements under the Bioenergy¹ criteria of the Climate Bonds Standard Version 3.0.²

Green debt instrument projects include:

- CAPEX investments in relation to the production of corn ethanol
- Operating expenditures in relation to the production of corn ethanol
- Refinancing of any of the above

Schedule 1 provides details of the Nominated Projects & Assets and disbursement of proceeds.

Post-Issuance Evaluation Criteria

Post-issuance Requirements of the Climate Bonds Standard Version 3.0:

- Use of Proceeds
- Evaluation and Selection of Projects & Assets
- Management of Proceeds
- Reporting

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, total development cost of each project, and disbursed amounts.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of FS’ green debt instruments, issued to finance or refinance CAPEX or working capital related to the production of corn ethanol, and provided an independent opinion informing FS as to the

¹ Climate Bonds Initiative, Bioenergy Criteria under the Climate Bonds Standard. See more, at: <https://www.climatebonds.net/files/files/Bioenergy%20Criteria%20Document%20July%202020.pdf>

² Climate Bonds Initiative, Climate Bonds Standard Version 3.0. See more, at: https://www.climatebonds.net/files/files/Climate%20Bonds_Standard_Version%203_0_December%202017.pdf

conformance of the green debt instruments with the Post-Issuance Requirements and Bioenergy criteria of the Climate Bonds Standard.

Sustainalytics has relied on the information and the facts presented by FS with respect to the Nominated Projects & Assets. 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 makes 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 debt instruments.

Verifier's Responsibility

Sustainalytics conducted the verification in accordance with the Climate Bonds Standard Version 3.0 and with International Standard on Assurance Engagements 3000 (ISAE 3000) – Assurance Engagements other than Audits or Reviews of Historical Financial Information.

The work undertaken as part of this engagement included conversations with relevant FS employees and review of relevant documentation to confirm the conformance of FS' green debt instruments with the Post-Issuance Requirements of the Climate Bonds Standard Version 3.0.

Exceptions

No exceptions were identified. All projects aligned with the Post-Issuance Requirements of the Climate Bonds Standard Version 3.0 and were in conformance with the Bioenergy criteria.

Conclusion

Based on the limited assurance procedures conducted and evidence obtained, nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the allocation of BRL 2.1 billion from the FS Certified Climate Debt Instruments, issued to fund eligible green projects, is not in conformance with the Post-Issuance Requirements of the Climate Bonds Standard.

Schedule 1: Overview of Nominated Projects and Assets

The proposed Nominated Projects and Assets include the financing of operating expenditures in relation to the production of corn ethanol. The Nominated Projects and Assets yielded a carbon intensity of ethanol production³ of:

- Anydrous ethanol: 17.81 gCO₂/MJ
- Hydrous ethanol: 17.68 gCO₂/MJ

FS used the Climate Bonds Standard Agriculture criteria as a proxy to fulfil the feedstock certification requirements under the Bioenergy criteria.

Schedule 2: Overview of green debt instruments

Eligible issuances during FY2022:

Operation Type ⁴	Amount (BRL million)	Date of Operation	Use of Proceeds ⁵	Percent of allocation
CPRF	70	28 July 2021	OPEX Bioenergy	100%
CPRF	100	30 July 2021	OPEX Bioenergy	100%
CCB	100	19 August 2021	OPEX Bioenergy	100%
CCB	120	23 August 2021	OPEX Bioenergy	100%
CRA	300	3 September 2021	OPEX Bioenergy	100%
Notes (Bond, 2nd Retap)	437	28 September 2021	OPEX Bioenergy	100%
CRA ⁶	508	1 February 2022	OPEX Bioenergy	0%
CRA ⁶	508	1 February 2022	OPEX Bioenergy	0%
Total	2,143			

³ FS has utilized the RenovaCalc GHG calculation tool to determine the carbon intensity.

⁴ CPRF (Financial Certificate of Rural Product), CCB (Bank Credit Certificate) and CRA (Agribusiness Receivables Certificates) are credit facilities available for the rural sector in Brazil.

⁵ Funds have been used for the procurement of corn and related expenses for the production of corn ethanol.

⁶ FS has communicated to Sustainalytics that resources from this transaction will be allocated between the second quarter of 2022 and the fourth quarter of 2023.

Schedule 2A: Post-Issuance Requirements of the Climate Bonds Standard

<p>Use of Proceeds</p>	<p>5.1 The Net Proceeds of the Bond shall be allocated to the Nominated Projects & Assets.</p> <p>5.2 All nominated Projects & Assets shall meet the documented objectives of the Bond as stated under Clause 6.1.1 and shall be in conformance with the requirements of Part C of the Climate Bonds Standard.</p> <p>5.3 The Issuer shall allocate the Net Proceeds to Nominated Projects & Assets within 24 months of issuance of the Bond, or the Issuer shall disclose in post-issuance reporting as per clause 8.3 the estimated timeline for allocation of net proceeds to Nominated Projects & Assets. Net proceeds may be reallocated to other Nominated Projects & Assets at any time while the Bond remains outstanding.</p> <p>5.4 Nominated Projects & Assets shall not be nominated to other Certified Climate Bonds, Certified Climate Loans, Certified Climate Debt Instruments, green bonds, green loans or other labelled instruments (such as social bonds or SDG bonds) unless it is demonstrated by the Issuer that:</p> <p>5.4.1. distinct portions of the Nominated Projects & Assets are being funded by different Certified Climate Bonds, Certified Climate Loans, Certified Climate Debt Instruments, green bonds, green loans or other labelled instruments or;</p> <p>5.4.2. the existing Certified Climate Bond, Certified Climate Loan or Certified Climate Debt Instrument is being refinanced via another Certified Climate Bond, Certified Climate Loan or Certified Climate Debt Instrument.</p> <p>5.5 Where a proportion of the Net Proceeds of the Bond are used for refinancing, the Issuer shall track the share of the Net Proceeds used for financing and refinancing and identify which Nominated Projects & Assets may be refinanced. This may also include the expected look-back period for refinanced Nominated Projects & Assets.</p> <p>5.6 The Net Proceeds of the Bond shall be tracked by the Issuer following a formal internal process which is documented in accordance with Clause 3.1.</p> <p>5.7 The Net Proceeds of the Bond shall be no greater than the Issuer's total investment exposure or debt obligation to the Nominated Projects & Assets, or the relevant proportion of the total Market Value of the Nominated Projects & Assets which are owned or financed by the Issuer.</p> <p>5.8 Additional Nominated Project & Assets may be added to, or used to substitute or replenish, the portfolio of Nominated Project & Assets as long as the additional Nominated Project & Assets are eligible under Part C of the Climate Bonds Standard and are consistent with the Bond's objective as set out in Clause 6.1.1.</p> <p>5.8.1. Where additional Nominated Projects & Assets are covered by Sector Eligibility Criteria which were not included in the scope of either the Pre-Issuance Verification or the Post-Issuance Verification engagements, the Issuer shall engage a Verifier to provide a Verifier's Report covering at least the conformance of the additional Nominated Projects & Assets with the relevant Sector Eligibility Criteria under Part C of the Climate Bonds Standard.</p>
<p>Process for Evaluation and Selection of Projects & Assets</p>	<p>6.1 The Issuer shall document and maintain a decision-making process which it uses to determine the continuing eligibility of the Nominated Projects & Assets. This includes, without limitation:</p> <p>6.1.1. A statement on the climate-related objectives of the Bond;</p> <p>6.1.2. How the climate-related objectives of the Bond are positioned within the context of the Issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability;</p>

	<p>6.1.3. The Issuer's rationale for issuing the Bond;</p> <p>6.1.4. A process to determine whether the Nominated Projects & Assets meet the eligibility requirements specified in Part C of the Climate Bonds Standard;</p> <p>6.1.5. Other information provided by the Issuer as described in Clause 2.2</p>
Management of Proceeds	<p>7.1 The Net Proceeds of the Bond shall be credited to a sub account, moved to a sub-portfolio or otherwise identified by the Issuer in an appropriate manner, and documented.</p> <p>7.2 The Issuer of the Bond shall maintain the earmarking process to manage and account for allocation of Net Proceeds to the Nominated Projects & Assets as described in Clause 3.1.3</p> <p>7.3 While the Bond remains outstanding, the balance of the tracked Net Proceeds shall be reduced by amounts allocated to Nominated Projects & Assets. Pending such allocations to Nominated Projects & Assets, the balance of unallocated Net Proceeds shall be:</p> <p>7.3.1. Held in temporary investment instruments that are cash, or cash equivalent instruments, within a Treasury function; or</p> <p>7.3.2. Held in temporary investment instruments that do not include greenhouse gas intensive projects which are inconsistent with the delivery of a low carbon and climate resilient economy; or</p> <p>7.3.3. Applied to temporarily reduce indebtedness of a revolving nature before being redrawn for investments or disbursements to Nominated Projects & Assets.</p>
Reporting – Post-issuance	<p>8.1 The Issuer shall prepare an Update Report at least annually while the Bond remains outstanding.</p> <p>8.1.2. The Update Report shall be made available to holders of the Bond and to the Climate Bonds Standard Board.</p> <p>8.1.3. The Issuer should provide an Update Report to holders of the Bond on a timely basis in case of material developments.</p>

Schedule 2B: Conformance to the Post-Issuance Requirements of the Climate Bonds Standard

Evaluation Criteria	Factual Findings	Error or Exceptions Identified
Use of Proceeds	<p>5.1 An overview of Nominated Projects & Assets is provided in Schedule 1.</p> <p>5.2 The Nominated Project & Assets meets the documented objectives of the finance and are in conformance with the requirements of Part C of the Climate Bonds Standard.</p> <p>5.3 The Net Proceeds have been or will be allocated to Nominated Projects & Assets within 24 months of issuance of the debt instruments.</p> <p>5.4 FS confirms that the Nominated Projects & Assets have not been nominated to other Certified Climate Bonds, Certified Climate Loans, Certified Climate Debt Instruments, green bonds, green loans or other labelled instruments (such as social bonds or SDG bonds).</p> <p>5.5 FS confirms that it has tracked the share of the Net Proceeds used for financing and refinancing.</p> <p>5.6 FS's Green Bond Framework documents that the Net Proceeds are tracked following a formal internal process.</p> <p>5.7 FS has confirmed that the Net Proceeds raised are no greater than the total investment exposure or debt obligation to the Nominated Projects & Assets which are owned or financed by the Issuer.</p> <p>5.8 Sustainalytics has confirmed that these assets continue to comply with the sector criteria.</p> <p>5.8.1 N/A</p>	None
Process for Evaluation and Selection of Projects & Assets	<p>6.1 FS's Green Bond Framework documents a decision-making process which it uses to determine the continuing eligibility of the Nominated Projects & Assets. This includes, without limitation:</p> <p>6.1.1 A statement on the climate-related objectives of the financing;</p> <p>6.1.2 How the climate-related objectives of the financing are positioned within the context of the FS's overarching objectives, strategy, policy and/or processes relating to environmental sustainability;</p> <p>6.1.3 FS's rationale for issuing the debt instruments;</p> <p>6.1.4 A process to determine whether the Nominated Project meet the eligibility requirements specified in the Climate Bonds Standard;</p> <p>6.1.5 Other information provided by FS as described in Clause 2.2.</p>	None
Management of Proceeds	<p>7.1 FS confirmed that Net Proceeds of the debt instruments are received in an FS free-trading account and tracked accordingly.</p>	None

	<p>7.2 FS confirmed that it maintained an earmarking process to manage and account for allocation of Net Proceeds to the Nominated Projects & Assets.</p> <p>7.3 FS has confirmed that while the financing remained outstanding, the balance of the tracked Net Proceeds were invested in fixed income securities and are redeemed according the amounts allocated to Nominated Projects & Assets.</p>	
Reporting – Post-issuance	<p>8.1. FS is committed to preparing an Update Report at least annually while the financing remains outstanding.</p> <p>8.1.2. The Update Report will be made available to the lenders and to the Climate Bonds Standard Board.</p> <p>8.1.3. FS will provide an Update Report to the lenders on a timely basis in case of material developments</p>	None

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