

FS Agrisolutions Indústria de Biocombustíveis Ltda.

Type of Engagement: Annual Review

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Introduction

FS Agrisolutions Indústria de Biocombustíveis Ltda. (“FS” or the “Company”) issued 11 green bonds between December 2020¹ and March 2024 (collectively the “Green Bonds”) to finance or refinance projects supporting the production of biofuels, and to cover operational expenditures for the procurement of woody biomass. In 2024, FS engaged Sustainalytics to review the projects financed with proceeds from the Green Bonds (the “Nominated Expenditures”) and provide an assessment as to whether they meet the use of proceeds criteria and whether FS complied with the reporting commitments in the FS Green Bond Framework (the “Framework”).² Sustainalytics provided a Second-Party Opinion on the Framework in August 2021.³ This is Sustainalytics’ third annual review of allocation and reporting of the instruments issued under the Framework, following previous reviews provided in July 2022⁴ and August 2023.⁵

Evaluation Criteria

Sustainalytics evaluated the Nominated Expenditures and FS’s reporting based on whether they:

1. Meet the use of proceeds and eligibility criteria defined in the Framework; and
2. Reported on at least one key performance indicator (KPI) for each use of proceeds category defined in the Framework.

Table 1: Use of Proceeds Categories, Eligibility Criteria and Associated KPIs

Use of Proceeds Category	Sub-Category	Eligibility Criteria	Key Performance Indicators
Renewable Energy	Bioenergy: ⁶ production of hydrous and anhydrous corn-ethanol biofuel	i. Capital expenditures for development, construction, operation and maintenance of biofuel production facilities.	i. tCO ₂ avoided
		or ii. Operational expenditures or refinance of purchased corn feedstock for biofuel production. Feedstock will be purchased from suppliers in compliance with FS’ Socioenvironmental Responsibility Policy and/or	ii. CBIOs issued iii. Volume of ethanol production

¹ FS has informed Sustainalytics that the Green Bond issued in December 2020 was under the 2020 version of the Framework. Sustainalytics notes that this 2020 Framework is not publicly available, and FS has confirmed that the 2020 Green Bond met the eligibility criteria set forth in the 2020 Framework.

² 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>

³ Sustainalytics, “Second-Party Opinion, 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

⁴ Sustainalytics, “Annual Review, FS Agrisolutions Indústria de Biocombustíveis Ltda.”, (2022), at: <https://www.fs.agr.br/wp-content/uploads/sites/1010/2022/11/FS-Green-Bond-Framework-Annual-Review-21.22.pdf>

⁵ Sustainalytics, “Annual Review, FS Agrisolutions Indústria de Biocombustíveis Ltda.”, (2023), at: <https://api.mziq.com/mzfilemanager/v2/d/34aeec8a-d08e-440f-ad7f-324e1e1e7745/491e4c8d-aaeb-5b6b-e767-0c94a605868a?origin=2>

⁶ Excludes fossil biofuel production and blending facilities.

		certified against the Climate Bonds Standard Agriculture Criteria Version 1.	
Environmentally sustainable management of living natural resources and land use	Sustainable Forestry: Projects related to the purchase, development and maintenance of forests and biomass from forests	Capital expenditures for the development, purchase, planting, and maintenance of exotics forests (like eucalyptus and bamboo plantations) to produce biomass feedstock for co-generation	<ul style="list-style-type: none"> i. Standing forest area ii. Carbon inventory per hectare of standing forest

Issuer's Responsibility

FS is responsible for providing accurate information and documentation relating to the details of the projects, including descriptions, amounts allocated and impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from FS's Green Bonds. The work undertaken as part of this engagement included collection of documentation from FS and review of said documentation to assess conformance with the Framework.

Sustainalytics relied on the information and the facts presented by FS. 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 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 of the review

Conclusion

Based on the limited assurance procedures conducted,⁷ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the Nominated Expenditures do not conform with the use of proceeds criteria and reporting commitments in the Framework. FS has disclosed to Sustainalytics that 71.62% of the proceeds were allocated as of February 2024 and that it intends to allocate the remaining 28.38% of the proceeds by February 2026.

⁷ Sustainalytics' limited assurance process includes reviewing documentation relating to details of projects, as provided by the issuing entity, which is responsible for providing accurate information. These may include descriptions of projects, estimated and realized costs, and reported impact. Sustainalytics has not conducted on-site visits to projects.

Detailed Findings

Table 2: Detailed Findings

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of projects to determine alignment with the use of proceeds criteria outlined in the Framework.	The Nominated Expenditures comply with the use of proceeds criteria.	None
Reporting Criteria	Verification of projects or assets to determine if impact was reported in line with the KPIs outlined in the Framework.	FS reported on at least one KPI per use of proceeds category.	None

Appendix

As of March 2024, the outstanding proceeds from the 11 active green bonds issued by FS stood at a total BRL 7,803.57 million, of which BRL 5,589.13 million were used to finance the Nominated Expenditures described in Table 3. FS intends to allocate the remaining BRL 2,214.44 million by February 2026.

Table 3: Allocation and Reported Impact from the Green Bonds

Use of Proceeds Category	Sub-Category	Reported Impact	Allocated Proceeds (BRL million)
Renewable Energy	Bioenergy	Anhydrous ethanol: <ul style="list-style-type: none"> i. Carbon intensity of anhydrous ethanol produced between April 2023 to March 2024 (gCO₂e/MJ): 18.72 ii. Percentage emission reduction compared to fossil fuel (gasoline) from anhydrous ethanol: 77.06% 	5,520.33
		Hydrous ethanol <ul style="list-style-type: none"> i. Carbon intensity of hydrous ethanol produced between April 2023 to March 2024 (gCO₂e/MJ): 18.46 ii. Percentage emission reduction compared to fossil fuel (gasoline) from hydrous ethanol: 77.27% 	
		Volume of ethanol produced (m ³): 2,081,165	
Environmentally sustainable management of living natural resources and land use	Sustainable Forestry	<ul style="list-style-type: none"> i. Standing eucalyptus forest area: 6,558.31 hectares 	68.80
Total Proceeds Allocated (BRL million)			5,589.13
Unallocated Proceeds (BRL million)			2,214.44
Outstanding Proceeds from the Green Bonds as of March 2024 (BRL million)			7,803.57

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