



Annual Green Bond Report
FEFA18V



1. GENERAL OVERVIEW

Trust Funds for Rural Development (Spanish: Fideicomisos Instituidos en Relación con la Agricultura or FIRA) was established in 1954 by Mexico's Federal Government as a second-tier development financial institution that offers credit and guarantees, training, technical assistance and technology-transfer support to the agriculture, livestock, fisheries, forestry and agribusiness sectors in Mexico. FIRA is part of the Mexican financial system and consists of four trusts funds (FONDO, FEFA, FEGA and FOPESCA) that were created and integrated to fulfil its current structure. FEFA is the Green Bond issuer.

The mission of the institution is to foster the consolidation of an inclusive, sustainable and productive agricultural and rural sector.

FIRA's sustainability strategy encompasses national and international strategic partnerships aiming to provide better financial services in more attractive conditions and to provide technical assistance to Mexican producers.

As part of the aforementioned sustainability strategy, in October 2018, FEFA issued its first Green bond (the "Green Bond") with a portfolio composed of hundreds of small, medium and big projects distributed throughout Mexico. The Green Bond Framework¹ (the "Framework") received a positive second opinion by Sustainalytics for meeting ICMA's Green Bond Principles and it concluded: **"... FEFA Green Bond Framework is credible and impactful..."**

The Green Bond included two major project categories:

- **Sustainable Agriculture: Including Protected Agriculture.**
- **Efficient use of water: Dripping, sprinkling and micro-sprinkling irrigation systems.**

¹ FEFA's Green Bond Framework directs the use of proceeds towards four project categories: environmentally sustainable agriculture, water efficiency, energy efficiency and renewable energy (www.fira.gob.mx => Relación con Inversionistas => Bonos verdes, sociales y/o sostenibles=> Fefa Green Bond Framework).

FIRA, in collaboration with the Interamerican Development Bank (IDB), worked with the Climate Bond Initiative (CBI) to develop a specific Protected Agriculture Criteria for Mexico², which was released in March 2019. The Green Bond obtained the Climate Bonds Initiative (CBI) certification in April 2019³.

FIRA's Green Bond was innovative as it was the first certified Green bond in the world to incorporate Protected Agriculture projects. Therefore, in April 2019, FIRA received a "Green, Social and Sustainable MX Bond Award" from the Green Finance Council and the Mexican Stock Exchange for this green bond emission.

On March 2020, the CBI approved the post issuance certification of the bond (FEFA18V)⁴. Sustainlytics provided the post-issuance verification letter.

In addition, in July 2020, FIRA received the Green ALIDE (Asociación Latinoamericana de Entidades Financieras para el Desarrollo) award for its green bond issuance strategy that is considered a best practice among financial institutions in Latin America and the Caribbean that promotes environmental sustainability.

² climatebonds.net/standard/protected-agriculture

³ https://www.climatebonds.net/certification/fira_fefa

⁴ Available in www.fira.gob.mx => Relación con Inversionistas => Bonos verdes, sociales y/o sostenibles=> "FEFA18V Climate Bonds Letter approving Post-issuance Certification"



2. UPDATED INFORMATION ABOUT THE ISSUER AND THE GREEN BOND

FIRA has developed its Institutional Programme for 2020-2024, which considers the Sustainable Development Goals (SDGs), and the Agenda 2030 by incorporating its principles and goals into a sustainability strategy. One of the three institutional priority objectives is to contribute towards the responsible and sustainable development of agriculture, forestry and fisheries. The Programme was published in the Federal Official Gazette (Spanish: Diario Oficial de la Federación) on the 13th of November 2020. For a summary, see Programa Institucional 2020 – 2024 (<https://www.fira.gob.mx/Nd/LineasYAccionesEstrat.jsp>).

It is worth mentioning that since 2021 FIRA reports information on its green bond issuances in the Green Bond Transparency platform (<https://www.greenbondtransparency.com/>), which is an initiative developed by the Inter-American-Development Bank (IDB) to promote transparency in the green bond market in Latin America and the Caribbean (LAC).

3. OVERVIEW OF GREEN BOND ISSUE

FEFA issued the Green Bond in 2020 according to the following:

Table 1. FEFA's inaugural Green Bond details.

Issuer:	Fondo Especial para Financiamientos Agropecuarios
Issuer Rating⁵:	mxAAA by S&P and AAA by HR
Issued amount (MXN):	2,500 million
Date of Issuance:	October 23rd, 2018
Maturity Date:	October 19th, 2021
Tenor:	3 years
Bond details:	Floating rate bond, coupon of TIIIE ⁶ + 15 bp
Bond symbol:	FEFA 18V

In the Framework, the institution committed to publishing an annual use of proceeds report. This report presents the allocation of the debt proceeds by category per the Eligibility Criteria defined in the Framework and environmental performance indicators.

⁵ The issuer rating at the moment of the issuance was mxAAA by S&P and AAA (mex) by Fitch.

⁶ In its Spanish acronym, *Tasa de Interés Interbancaria de Equilibrio*.



4. USE OF PROCEEDS AND ENVIRONMENTAL PERFORMANCE

As informed in the first annual report of this bond published in November 2019, the proceeds were fully allocated in January 2019 to financing⁷ or refinancing⁸ granted loans and investments of eligible green projects, which provide clear environmental benefits and promote the transition to low-carbon and climate resilience. There is therefore a zero balance of unallocated proceeds.

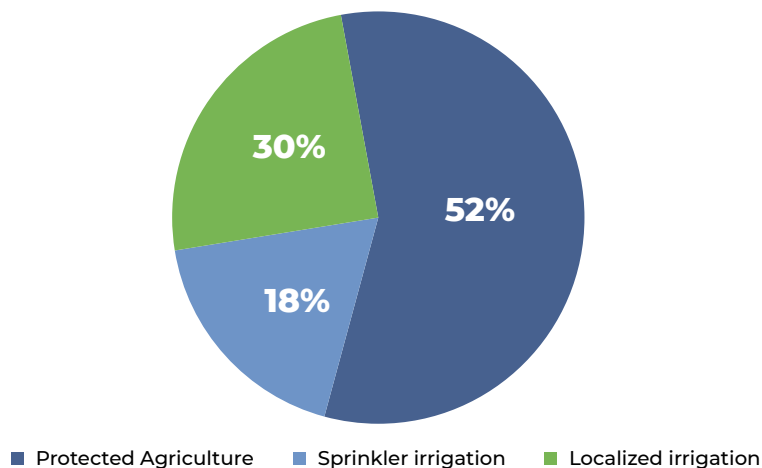
All the eligible projects were marked using a unique identifier (FEFA18V) and identified in the credit management system of FIRA denominated SIIOF⁹. This registry was used for continuous monitoring, matching and reporting of the use of proceeds.

The table below summarizes the green projects, which account for the Green Bond issuance on an aggregate portfolio basis. Figure 1 shows the geographical distribution of such projects.

Table 2. Green Portfolio. FEFA's funded eligible projects

Eligible Green Project	Projects	CBI Criteria	Value (MXN - Millions)	Number of projects
Environmentally Sustainable Agriculture	Protected agriculture	Protected Agriculture: Mexico	1,311	103
Water Efficiency	Localized irrigation ¹⁰	Water Infrastructure	744	287
	Sprinkler irrigation		448	131
TOTAL			2,503	521

Amount of eligible green projects



⁷ Allocation of bond proceeds to new projects: 4%.

⁸ Allocation to bond proceeds to refinanced projects: 96%.

⁹ In its Spanish acronym, Sistema Informático Integral de las Operaciones de FIRA.

¹⁰ Includes dripping and micro sprinkling irrigation systems.



Figure 1. Geographical distribution of the funded projects (Mexico)



5. IMPACT REPORTING

In accordance with FEFA's Green Bond Framework, this report includes parametric indicators on the environmental impact of the Eligible Green Projects that are considered on a portfolio level. For Protected agriculture, the reported quantitative parametric indicators are estimated annual reduction in water consumption (m³) and estimated annual GHG emissions reduced, avoided or captured; for water efficiency projects, the reported quantitative parametric indicator is the estimated annual reduction in water consumption (m³). Table 3 shows the estimated annual values for each project category.

Table 3. Quantitative parametric indicators per project category

Eligible Green Project	Projects	Annual reduction in water consumption (m ³)	Annual GHG emissions reduced, avoided or captured
Environmentally Sustainable Agriculture	Protected agriculture	67,405,260	279 ton CO ₂ e
Water Efficiency	Localized irrigation	51,916,404	not applicable
	Sprinkler irrigation	11,888,044	not applicable
TOTAL		131,209,708 m³	279 ton CO₂e

The ongoing operation of the individual projects financed with the green bond proceeds continue to generate environmental benefits. Therefore, the aggregated amounts for the three years of the above-mentioned parametric indicators are shown in table 4.

Table 4. Aggregated quantitative parametric indicators per project category (year 1, 2 and 3)

Eligible Green Project	Projects	Annual reduction in water consumption (m ³)	Annual GHG emissions reduced, avoided or captured
Environmentally Sustainable Agriculture	Protected agriculture	202,215,780	837 ton CO ₂ e
Water Efficiency	Localized irrigation	155,749,212	not applicable
	Sprinkler irrigation	35,664,132	not applicable
TOTAL		393,629,124	837 ton CO₂e

5. EXTERNAL REVIEW

Sustainalytics, a global leader in ESG & Corporate Governance, has previously independently reviewed FEFA's annual report¹¹ regarding its compliance with FEFA's Green Bond Framework. In particular:

1. If the projects meet the Use of Proceeds the Eligibility Criteria outlined in the Framework.
2. FEFA reported on the Key Performance Indicators for each Use of Proceeds according to the criteria defined in the Framework.

Sustainalytics concluded that all projects complied with the use of proceeds and reporting criteria.

¹¹ Available in