

Fideicomisos Instituidos en Relación con la Agricultura

Type of Engagement: Annual Review

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Introduction

In April 2023, Fondo Especial para Financiamientos Agropecuarios (“FEFA”)¹ issued its first green resilience bond (“FEFA 23V”) to finance projects supporting climate adaptation and mitigation. In September 2024, Fideicomisos Instituidos en Relación con la Agricultura (“FIRA”) engaged Sustainalytics to review the projects financed with proceeds from the FEFA 23V (the “Nominated Expenditures”) and provide an assessment as to whether they meet the use of proceeds criteria and whether FIRA complied with the reporting commitments outlined in the FIRA Sustainable Bonds Framework (“the Framework”).² Sustainalytics provided a Second-Party Opinion on the Framework in April 2023.³

Evaluation Criteria

Sustainalytics evaluated the Nominated Expenditures and FIRA’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	Eligibility Criteria	Key Performance Indicators
Absorption before extreme climate events	Credits for projects that help reduce or prevent the impacts from extreme climate events in the municipalities with highest vulnerability to climate change according to the climate change vulnerability assessment of INECC,⁴ in order to preserve and restore essential functions and structures in the agricultural, forestry, livestock, fishing, food and rural sectors.	<ul style="list-style-type: none"> i. Volume of credit granted to increase the absorption capacity to face the impact of extreme climate events. ii. Volume of credit disbursed to increase the absorption capacity in municipalities with a vulnerability index of 2 and 3, according to the classification of the National Atlas of Vulnerability to climate change of the INECC. iii. Number of beneficiary borrowers with increased the absorption capacity in the face of extreme weather events.
Adaptation to extreme climate events	Credits for projects that contribute to adjust, modify or change the characteristics of a	<ul style="list-style-type: none"> i. Volume of credit disbursed to increase adaptive capacity to the impact of extreme climate events.

¹ FEFA is one of the four trust 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 that offers credit and support to the agricultural and fisheries sectors and promotes industrial development.

² FIRA, “Sustainable Bond Framework”, (2023), at: <https://www.fira.gob.mx/Files/Marco>

³ Sustainalytics, “Second-Party Opinion, FIRA Sustainable Bond Framework”, (2023), at: [https://urldefense.com/v3/_https://fira.gob.mx/InfEspDtoXML/abrirArchivo.jsp?abreArc=104903_!!D8DunMSJ4IdRi9iu3BgMJ40INMXxf8pehLHzMr8Rlmt4cYGHsdZ32cEUSdeap138z6P7L-3MuXu9e1oSM8X_pl3eNXYcnw9GQIZqOM2nfZo27Q\\$](https://urldefense.com/v3/_https://fira.gob.mx/InfEspDtoXML/abrirArchivo.jsp?abreArc=104903_!!D8DunMSJ4IdRi9iu3BgMJ40INMXxf8pehLHzMr8Rlmt4cYGHsdZ32cEUSdeap138z6P7L-3MuXu9e1oSM8X_pl3eNXYcnw9GQIZqOM2nfZo27Q$)

⁴ According to the National Atlas on Climate Change Vulnerability in Mexico. Government of Mexico, Institute of National Ecology and Climate Change, “Atlas Nacional de Vulnerabilidad al Cambio Climático (ANVCC)” at: https://www.gob.mx/cms/uploads/attachment/file/171747/atlas_vulnerabilidad.pdf

	productive system to better respond to climate change induced shocks and stresses in the agricultural, forestry, fishing, food and rural sectors, in the municipalities with highest vulnerability to climate change according to the climate change vulnerability assessment of INECC.	<ul style="list-style-type: none"> ii. Volume of credit disbursed to increase adaptive capacity in municipalities with vulnerability index of 2 and 3, according to the classification of the National Atlas of Vulnerability to climate change of the INECC. iii. Number of beneficiary borrowers with the productive systems with increased adaptive to withstand extreme climate events.
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Issuer's Responsibility

FIRA 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 FIRA's FEFA 23V. The work undertaken as part of this engagement included collection of documentation from FIRA and review of said documentation to assess conformance with the Framework.

Sustainalytics relied on the information and the facts presented by FIRA. 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 FIRA.

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,⁵ 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. FIRA has disclosed to Sustainalytics that the proceeds from the FEFA 23V were fully allocated as of August 2024.

⁵ 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.	FIRA reported on at least one KPI per use of proceeds category.	None

Appendices

Appendix 1: Allocation Reporting

Table 3: Allocation of Proceeds from the FEFA 23V

Use of Proceeds Category	Number of Projects	Amount Allocated (MXN million)
Adaptation to extreme climate events	70	360
Absorption before extreme climate events	206	2,625
Total	276	2,985
Total Net Proceeds Raised		2,985
Unallocated Amount		0

Climate change adaptation approach, according to INECC	Number of Projects	Amount Allocated (MXN million)
Community-Based Adaptation (AbC) ⁶	35	493
Ecosystem-Based Adaptation (AbE) ⁷	19	200
Disaster Risk Reduction-Based Adaptation (AbRRD) ⁸	222	2,292
Total	276	2,985

Vulnerability Level of Beneficiary Municipality	Number of Projects	Amount Allocated (MXN million)
First Level	254	2,447
Second Level	6	77
Third Level	16	461
Total	276	2,985

Appendix 2: Reported Impact

Table 4: Reported Impact from the FEFA 23V

Use of Proceeds Category	Key Performance Indicators	Reported Impact
Absorption Before Extreme Climate Events	Amount of credit granted to increase the capacity for absorbing the impact of extreme climate events.	MXN 2,625 million

⁶ Refers to a comprehensive approach where the primary objective is to improve the capacity of the local communities to adapt to climate change, combining traditional knowledge with innovative strategies which not only seek to reduce current vulnerabilities but also increase the adaptive capacity of people to face new and dynamic challenges. (CARE, 2010), cited in INECC 2020.

⁷ Refers to the use of biodiversity and ecosystem services as part of a broader adaptation strategy to help people adapt to the adverse effects of climate change (IUCN, 2012), cited in INECC 2020.

⁸ Refers to an approach to disaster risk management related to climate variability, extreme events and preparation for risks related to climate change (based on ADCP, 2013), cited in INECC 2020.

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	Amount of credit to increase absorption capacity in municipalities at a vulnerability level of two and three, according to the INECC Climate Vulnerability Atlas classification.	MXN 537 million
	Number of final beneficiaries with increased response and recovery capacity to extreme climate events.	238
Adaptation to Extreme Climate Events	Amount of credit granted to increase the capacity for adaptation to the impact of extreme climate events	MXN 360 million
	Amount of credit to increase adaptation capacity in municipalities at a vulnerability level of two and three, according to the INECC Climate Vulnerability Atlas classification.	MXN 1 million
	Number of final beneficiaries with increased adaptation capacity in their productive systems to extreme climate events.	2,047

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