



ANNUAL GREEN BOND REPORT

FIRA'S

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GENERAL OVERVIEW

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



GENERAL OVERVIEW

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.



Trust Funds for Rural Development (Fideicomisos Instituidos en Relación con la Agricultura or FIRA, in its Spanish acronym) 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.

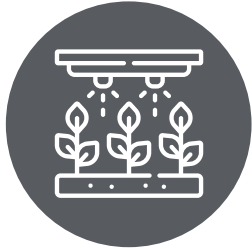
As part of the aforementioned sustainability strategy, in October 2018, FEFA issued its first Green bond (the "Green Bond") with a portfolio composed of hundreds of small, medium and big projects distributed throughout Mexico. The Green Bond Framework¹ (the "Framework") received a positive second opinion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

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).

THE GREEN BOND INCLUDED TWO MAJOR PROJECT CATEGORIES:



- **SUSTAINABLE AGRICULTURE: INCLUDING PROTECTED AGRICULTURE.**



- **EFFICIENT USE OF WATER: DRIPPING, SPRINKLING AND MICRO-SPRINKLING IRRIGATION SYSTEMS.**

FIRA, in collaboration with the Interamerican Development Bank (IDB), worked with the Climate Bond Initiative (CBI) to develop a specific Protected Agriculture Criteria for Mexico, which was released in March 2019. The Green Bond obtained a Climate Bonds Initiative (CBI) certification in April 2019².

² https://www.climatebonds.net/certification/fira_fefa



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.

2

UPDATED INFORMATION ABOUT **THE ISSUER** AND THE GREEN BOND

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

THE ISSUER AND THE GREEN BOND

UPDATED INFORMATION



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.

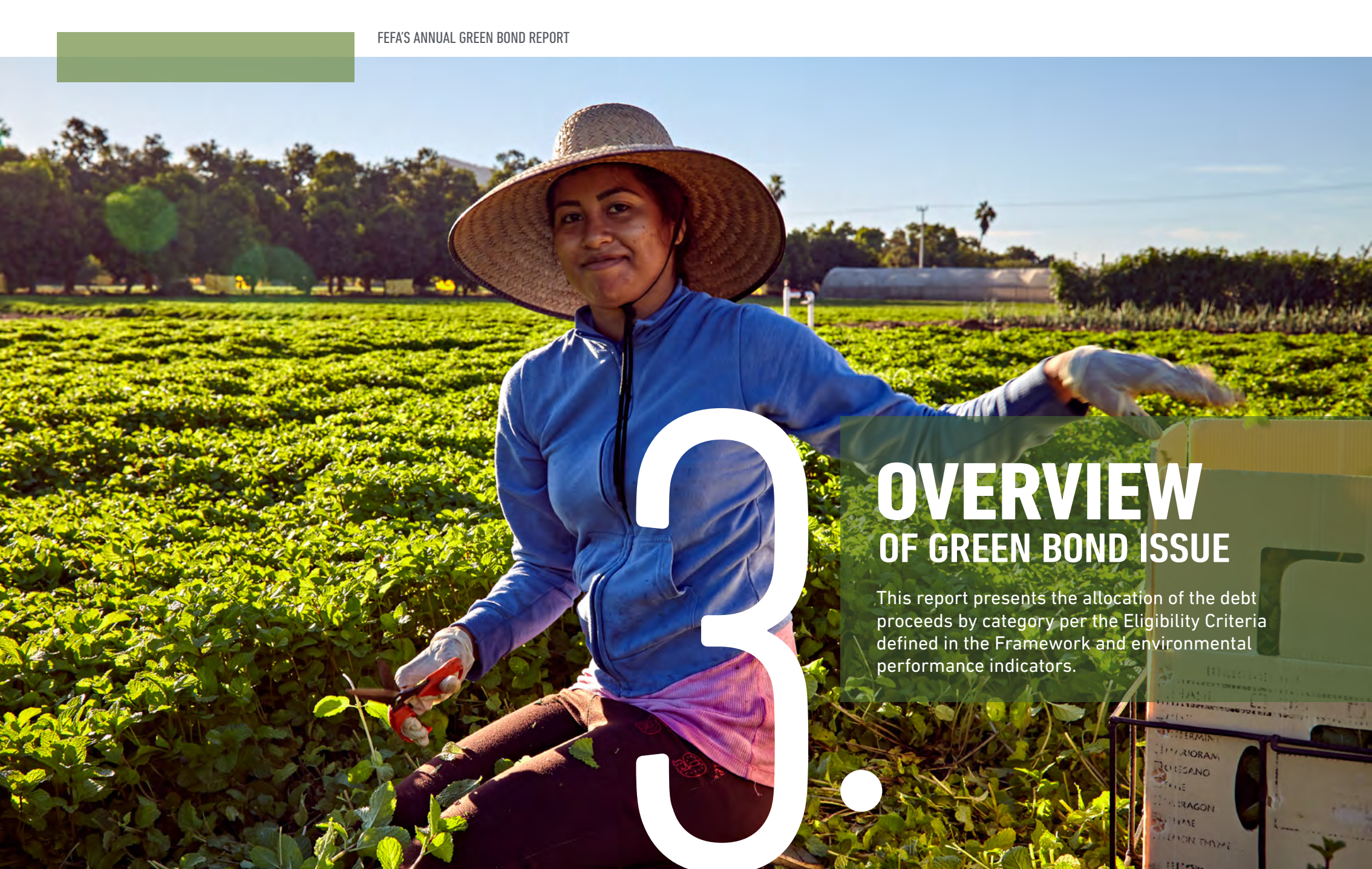
In March 2020, the CBI approved the post issuance certification of the bond (FEFA18V)³. Sustainlaytics provided the post-issuance verification letter ⁴.

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

One of the three institutional priority objectives is to contribute towards the responsible and sustainable development of agriculture, forestry and fisheries. FIRA will publish this Programme in the 4th quarter of 2020.

³ Available in www.fira.gob.mx => Relación con Inversionistas => Bonos verdes, sociales y/o sostenibles=> "FEFA 18V Climate Bonds Letter approving Post-Issuance Certification"

⁴ Available in www.fira.gob.mx => Relación con Inversionistas => Bonos verdes, sociales y/o sostenibles=> "1er Reporte anual FEFA 18V + POST-ISSUANCE VERIFICATION LETTER"



OVERVIEW OF GREEN BOND ISSUE

This report presents the allocation of the debt proceeds by category per the Eligibility Criteria defined in the Framework and environmental performance indicators.



TABLE 1.

FEFA'S INAUGURAL GREEN BOND DETAILS

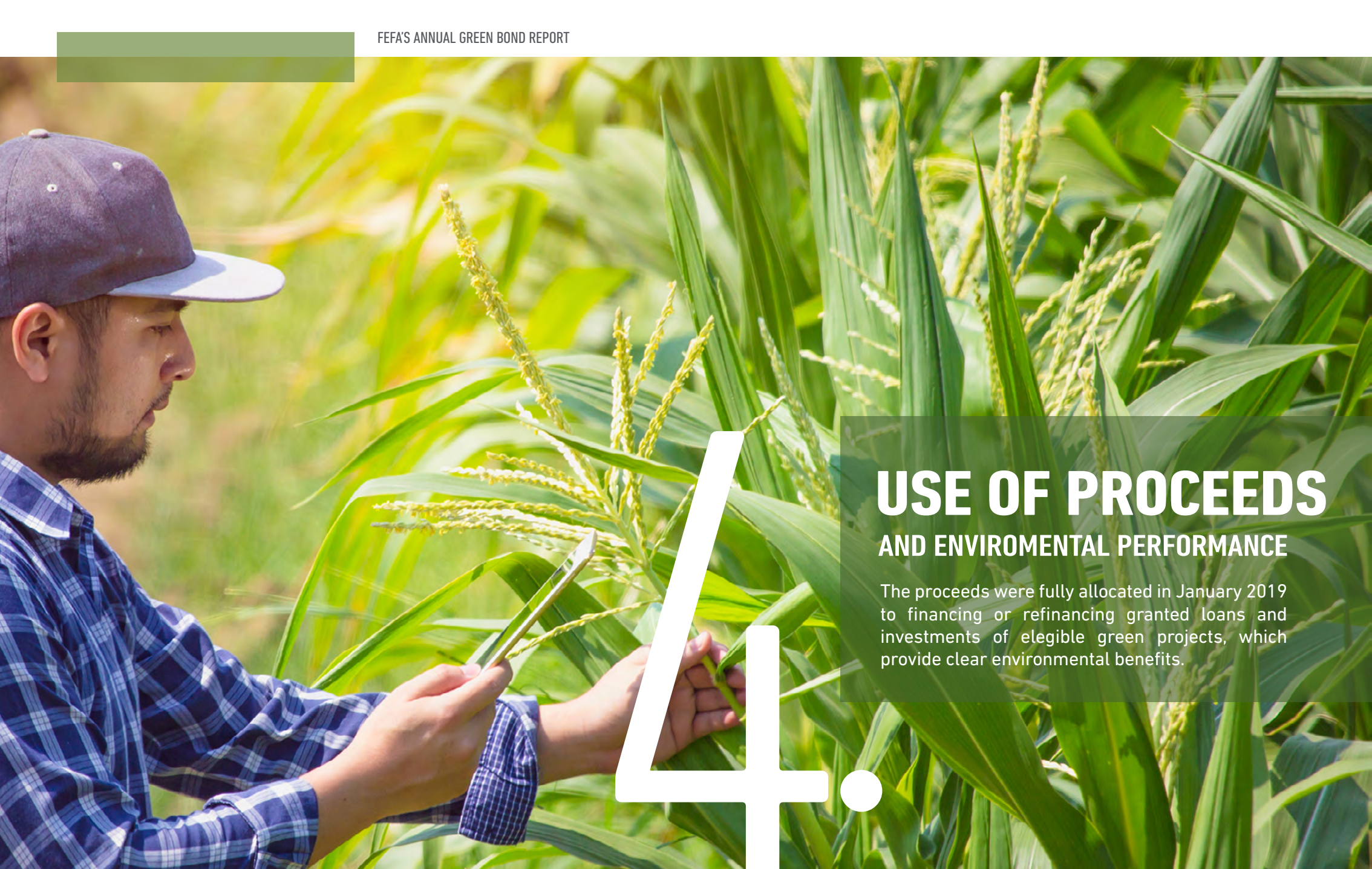
ISSUER:	Fondo Especial para Financiamientos Agropecuarios
ISSUER RATING⁵:	mxAAA by S&P and AAA by HR
ISSUED AMOUNT (MXN):	2,500 million
DATE OF ISSUANCE:	October 23rd, 2018
MATURITY DATE:	October 19th, 2021
TENOR:	3 years
BOND DETAILS:	Floating rate bond, coupon of TIIE ⁶ + 15 bp
BOND SYMBOL:	FEFA 18V

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.



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USE OF PROCEEDS AND ENVIRONMENTAL PERFORMANCE

The proceeds were fully allocated in January 2019 to financing or refinancing granted loans and investments of eligible green projects, which provide clear environmental benefits.

USE OF PROCEEDS AND ENVIROMENTAL PERFORMANCE



ALL THE ELIGIBLE PROJECTS
WERE MARKED IN THE
CREDIT MANAGEMENT SYSTEM
OF FIRA (SIIOF)⁹ USING A
UNIQUE IDENTIFIER (FEFA18V)
THIS REGISTRY WAS USED FOR
CONTINUOUS MONITORING,
MATCHING AND REPORTING OF
THE USE OF PROCEEDS.

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.

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.

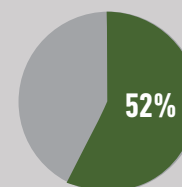
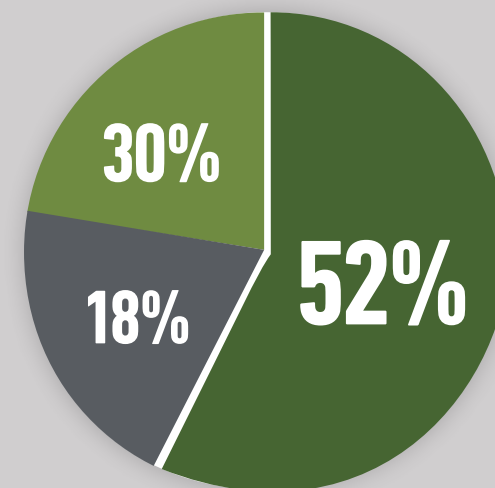
The table below summarizes the green projects, which account for the Green Bond issuance on an aggregate portfolio basis. Figure 1 shows the geographical distribution of such projects.

TABLE 2.

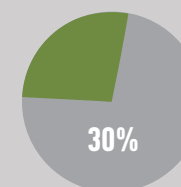
GREEN PORTFOLIO. FEFA'S FUNDED ELIGIBLE PROJECTS

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

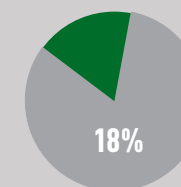
AMOUNT OF ELIGIBLE GREEN PROJECTS



PROTECTED AGRICULTURE



LOCALIZED IRRIGATION



SPRINKLER IRRIGATION

¹⁰ Includes dripping and micro sprinkling irrigation systems.

FIGURE 1.

GEOGRAPHICAL DISTRIBUTION OF THE FUNDED PROJECTS (MEXICO)



PROTECTED AGRICULTURE

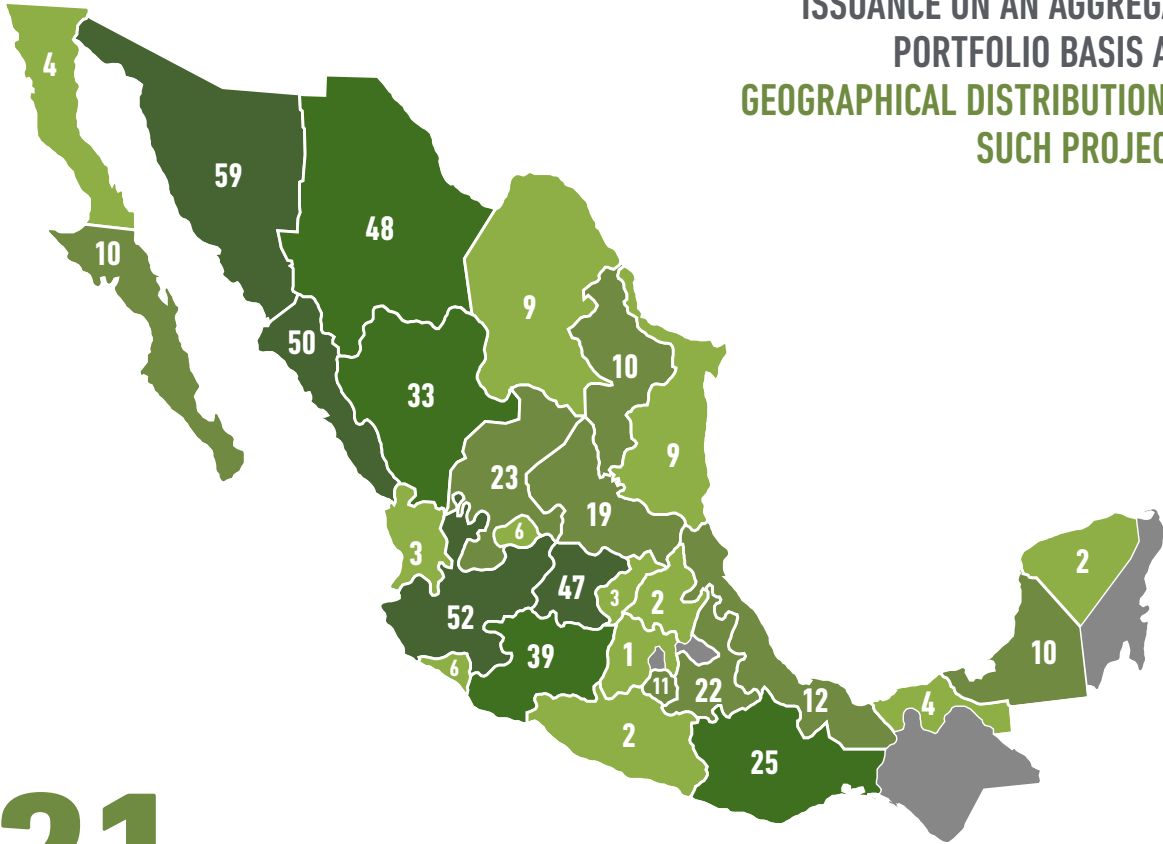


SPRINKLER IRRIGATION



LOCALIZED IRRIGATION

ACCOUNT FOR THE GREEN BOND ISSUANCE ON AN AGGREGATE PORTFOLIO BASIS AND GEOGRAPHICAL DISTRIBUTION OF SUCH PROJECTS.



521 PROJECTS



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.

IMPACT REPORTING

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 CO²e
Water Efficiency	Localized irrigation	51,916,404	not applicable
	Sprinkler irrigation	11,888,044	not applicable



The ongoing operation of the individual projects financed with the green bond proceeds continue to generate environmental benefits. Therefore, the aggregated amounts for the second year of the above-mentioned parametric indicators are shown in **table 4**. In addition, this report includes an “in focus” section in the annex with the success story of a protected agriculture project in Oaxaca to better illustrate the beneficial impact of this type of projects.

TABLE 4.
 AGGREGATED QUANTITATIVE PARAMETRIC INDICATORS PER PROJECT CATEGORY (YEAR 1 AND 2)

ELIGIBLE GREEN PROJECT	PROJECTS	ANNUAL REDUCTION IN WATER CONSUMPTION (M ³)	ANNUAL GHG EMISSIONS REDUCED, AVOIDED OR CAPTURED.
Environmentally Sustainable Agriculture	Protected Agriculture	134,810,520	558 ton CO²e
Water Efficiency	Localized irrigation	103,832,808	not applicable
	Sprinkler irrigation	23,776,088	not applicable

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EXTERNAL REVIEW

Sustainalytics, a global leader in ESG & Corporate Governance, has previously reviewed FEFA's Annual report to verify its compliance with its green bond framework.

EXTERNAL REVIEW

**SUSTAINALYTICS,
A GLOBAL LEADER IN ESG &
CORPORATE GOVERNANCE, HAS
INDEPENDENTLY REVIEWED THE
FIRST FEFA'S ANNUAL REPORT¹¹
REGARDING ITS COMPLIANCE WITH
GREEN BOND FRAMEWORK.**



Sustainalytics, reviewed 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.**

CONCLUSION.

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

¹¹ Available in www.fira.gob.mx => Relación con Inversionistas => Bonos verdes, sociales y/o sostenibles=> "1er Reporte anual FEFA 18V + reporte Sustainalytics"



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IN FOCUS/ ANNEX 1 PROTECTED AGRICULTURE

FEFA's green bond, has financed agricultural projects that contributes towards a more sustainable production with the implementation of Protected Agriculture techniques.

PROTECTED

AGRICULTURE

ANNEX 1.

**THE PROJECT IS LOCATED
IN SAN PABLO GÜILÁ,
OAXACA, MEXICO. THE
AREA PRESENTS A HIGH
RATE OF MARGINATION,
WATER SCARCITY AND
THE LOCAL LANGUAGE IS
ZAPOTECO, ONE OF THE
OLDEST ORIGINAL MEXICAN
LANGUAGES.**



FEFA's green bond, in partnership and with the kind contribution of the IDB, has financed agricultural projects that contribute towards a more sustainable production with the implementation of Protected Agriculture techniques. In this annex we illustrate the particular story of one of over 500 projects that have benefited from this green bond as an example of how financial resources impact at the project level.

The lack of economic opportunities in the area has traditionally fostered immigration to the USA. One of those migrants, Mr. José Melchor Pérez, returned in 2007 to San Pablo Güilá having acquired knowledge in protected agriculture and dripping irrigation systems to start a new horticulture production project.



He constituted an enterprise named Daan Llia, the company has received FIRA's financial services, specifically credit funds, through one of its local financial intermediaries. In 2018, the project received funding from the issuance of the FEFA 18V Green Bond, which enabled them to continue and expand its operations.

Daan Llia has implemented a number of technologies and best practices that contribute towards the sustainability of its products. It conducts local reforestation (in order to improve water retention in the area), has implemented a rainwater collection system, soil conservation projects in order to prevent soil erosion, renewable energy systems (solar photovoltaic), plastic reuse, and it creates 800 direct jobs from which 70% are women.



PROTECTED AGRICULTURE PROJECTS HAVE A POSITIVE IMPACT OVER THE ENVIRONMENT AND SOCIETY AS WELL AS PROVIDING HIGHER INCOMES TO THE PRODUCERS; THEREFORE, THESE INVESTMENTS ARE GREEN AND IMPACTFUL.

You can access multimedia content created by the IDB in collaboration with FIRA about this project in the following link:

<https://www.greenfinancelac.org/es/recursos/videos/bid-oaxaca/>



ANNUAL GREEN
**BOND
REPORT**



FIRA

FIDEICOMISOS INSTITUIDOS EN RELACIÓN CON LA AGRICULTURA