

Annual Green Bond Report

FEFA20V





1. GENERAL OVERVIEW

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.

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 June 2020, FEFA issued its third Green bond (the "Green Bond") under the Framework¹ that received a positive second opinion by Sustainalytics for meeting ICMA's Green Bond Principles. This Green Bond's portfolio is composed of hundreds of small, medium and big projects distributed throughout Mexico and it includes four major project categories:

- **Sustainable agriculture:** Protected agriculture, Greenhouses, Conservation tillage, Macro tunnel, Shade production.
- **Efficient use of water:** Water purification equipment.
- **Renewable energy:** Biodigesters, Solar energy equipment, Solar thermal systems.
- **Energy efficiency:** Efficient boilers, Cogeneration of energy equipment, LED luminaires, Cooling system modernisation, Efficient pumping 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 or ESG Portal =>Ambiental).

FIRA's Green bond strategy has been widely recognized as innovative and impactful. In April 2019, FIRA received a "Green, Social and Sustainable MX Bond Award" from the Green Finance Council and the Mexican Stock Exchange for its first green bond emission and, in July 2020, FIRA received the Green ALIDE (Asociación Latinoamericana de Entidades Financieras para el Desarrollo) award for its green bond issuance strategy. This strategy is considered a best practice among financial institutions in Latin America and the Caribbean that promotes environmental sustainability.

One of the main objectives of the green bond strategy is to achieve involvement amongst our stakeholders in implementing green solutions. It is of paramount importance to create awareness of the environmental problems we face as well as to create an active participation of the whole society on its solution. Green bonds are great instruments to inform and channel resources towards green projects.

Finally, FIRA has developed its Institutional Programme for 2020-2024², 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.

² For more information, please read the complete Programme in www.fira.gob.mx section "Acerca de nosotros => Programa Institucional 2020-2024" or the ESG micro site section "Programa Institucional".



2. OVERVIEW OF GREEN BOND ISSUE

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

Table 1. FEFA's Green Bond details.

Issuer:	Fondo Especial para Financiamientos Agropecuarios
Issuer Rating:	mxAAA by S&P and AAA by HR
Issued amount (MXN):	3,000 million
Date of Issuance:	June 26, 2020
Maturity Date:	June 23, 2023
Tenor:	3 years
Bond details:	Floating rate bond, coupon of TIEE ³ + 40 bp
Bond symbol:	FEFA 20V

In September 2020, HR Ratings assigned the green bond level of HR GB 1+ for the Certificate Bonds placed by FEFA with code FEFA20V. This rating is the highest granted by this agency and is based on two aspects: i) the analysis of environmental performance of the project portfolio and eligibility criteria and, ii) adherence to the international Green Bond Principles (GBP). The results are evaluated separately and independently identified in the final green rating assigned. The result of the first stage was "HR GB 1" and in the second stage, in accordance with the Green Bond Evaluation Criteria, the symbol of "+" was assigned for having obtained the compliance level of "Very Good" (you can check HR report in https://www.fira.gob.mx/Files/FEFA20V_ReporteBV_2020.pdf).

In the Framework, FIRA committed to publish an annual use of proceeds report. This report includes, among others, the allocation of the debt proceeds by category per the Eligibility Criteria defined in the Framework and environmental performance indicators.

³ In its Spanish acronym, Tasa de Interés Interbancaria de Equilibrio.



3. USE OF PROCEEDS AND ENVIRONMENTAL PERFORMANCE

In the first year since the green bond issuance, 100% of the proceeds were allocated to financing (77%) or refinancing (23%) 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 no unallocated proceeds.

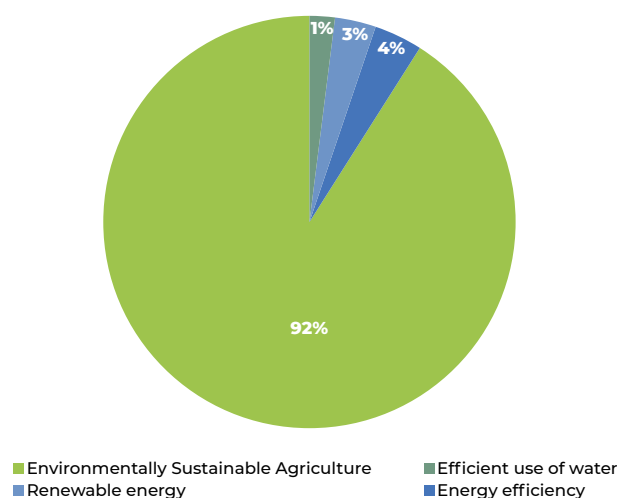
All eligible projects were marked using a unique identifier (FEFA20V) and identified in the credit management system of FIRA denominated SIIOF⁴. This registry was used for continuous monitoring, matching and reporting of the use of proceeds.

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	Value (MXN - Millions)	Number of projects
Environmentally Sustainable Agriculture	Protected agriculture	254.44	97
	Greenhouses	2327.12	246
	Conservation tillage	1.88	8
	Macro tunnel	167.87	54
	Shade production (Coffe)	2.00	1
Efficient use of water	Water purification equipment	26.19	1
Renewable energy	Biodigesters	55.16	28
	Solar energy equipment	20.17	7
	Solar thermal systems	9.07	1
Energy efficiency	Efficient boilers	19.39	2
	Cogeneration of energy equipment	29.07	2
	LED luminaires	50.41	2
	Cooling system modernisation	37.73	5
	Efficient pumping systems	2.80	1
TOTAL		3,003.3	455

Elegible Green Project Distribution



⁴ In its Spanish acronym, Sistema Informático Integral de las Operaciones de FIRA.

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



4. IMPACT REPORTING

In accordance with the FEFA Green Bond Framework, this report includes parametric indicators on the environmental impact of Eligible Green Projects that are considered at the portfolio level.

In the case of the environmentally sustainable agriculture category, for protected agriculture, greenhouses, conservation tillage, macro tunnel and shade production (Coffee) projects, the quantitative parametric indicators reported are water savings (m³) and estimated annual GHG emissions reduced, avoided or captured (ton CO₂e).

Regarding the energy efficiency category, for efficient boilers, cogeneration of energy equipment, LED luminaires, cooling system modernisation and efficient pumping systems projects, the reported parametric indicators are estimated annual GHG emissions reduced, avoided or captured (ton CO₂e) and energy saved (MJ&MWh).

While in the renewable energy category, for biodigesters, solar energy equipment and solar thermal systems projects, the estimated parametric indicators are the additional renewable energy capacity installed (MJ&MWh) and the estimated annual GHG emissions reduced, avoided or captured (ton CO₂e).

Finally, for the efficient use of water category, for Water purification equipment project, the quantitative parametric indicator reported is water savings (m³).

Resulting in the following annual estimates of the environmental impacts of the projects:

- Water savings of 64.29m³
- Reduced emissions: 6,309.39 tonCO₂e
- Energy saved: 9,702.67 MWh & 13,543,527.89 MJ
- Additional renewable energy capacity installed: 732.69 MWh & 15,611,653.28 MJ

Table 3 shows the estimated annual values for each project category.

Table 3. Quantitative parametric indicators per project category

ENVIRONMENTALLY SUSTAINABLE AGRICULTURE		
Projects	Annual GHG emissions reduced, avoided or captured (ton CO ₂ e).	Water saving (Mill. m ³)
Protected agriculture	25.60	6.21
Greenhouses	234.18	56.81
Conservation tillage	22.43	Not applicable
Macro tunnel	409.63	0.15
Shade production (Coffe)	292.67	Not applicable
TOTAL	984.52	63.17

ENERGY EFFICIENCY		
Projects	Annual GHG emissions reduced, avoided or captured (ton CO ₂ e).	Energy Saved
Efficient boilers	880.33	13,543,527.89 MJ
Cogeneration of energy equipment	1,112.16	5,743.80 MWh
LED luminaires	1,500.03	3,036.50 MWh
Cooling system modernisation	428.43	867.27 MWh
Efficient pumping systems	27.22	55.10 MWh
TOTAL	3,948.16	9,702.67 MWh
		13,543,527.89 MJ

RENEWABLE ENERGY		
Projects	Annual GHG emissions reduced, avoided or captured (ton CO ₂ e).	Additional renewable energy capacity installed
Biodigesters	995.98	15,322,758.51 MJ
Solar energy equipment	361.95	732.69 MWh
Solar thermal systems	18.78	288,894.77 MJ
TOTAL	1,376.71	732.69 MWh
		15,611,653.28 MJ

EFFICIENT USE OF WATER	
Projects	Water saving (Mill. m ³)
Water purification equipment	1.12



5. EXTERNAL REVIEW

FEFA's green bond portfolio has been verified by HR Ratings to independently review the first annual report regarding to its conformity with FEFA's Green Bond Framework.

HR Ratings concluded that all projects complied with the use of proceeds and reporting criteria, for more details please refer to the HR Ratings review appendix of this report.