

ANNUAL GREEN
**BOND
REPORT**

**FE
FA'S**

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FEFA'S ANNUAL GREEN BOND REPORT

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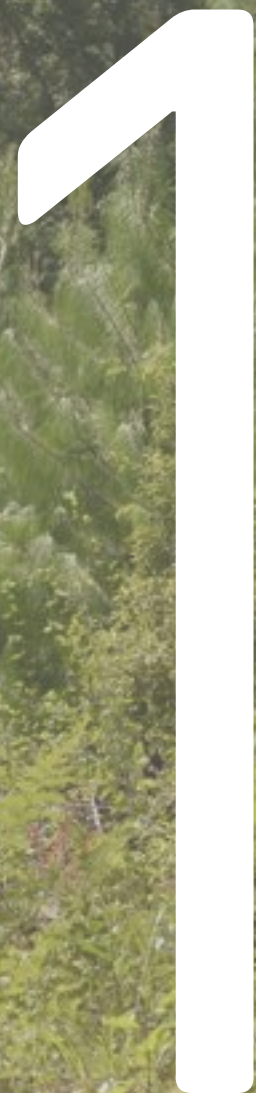
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Sustainalytics, a global leader in ESG & Corporate Governance, has been selected to independently review FEFA's first annual report compliance .



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). 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 November 2019, FEFA issued its second Green bond (the "Green Bond") with a portfolio composed of hundreds of small, medium and big projects distributed throughout Mexico. The Green Bond Framework (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..."

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).

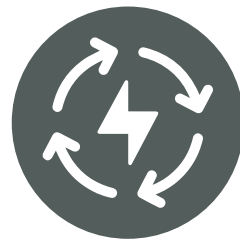
THE GREEN BOND INCLUDED THREE OUT OF THE FOUR CATEGORIES



- **ENVIRONMENTALLY SUSTAINABLE AGRICULTURE**
Protected Agriculture and Forestry **(new)**



- **WATER EFFICIENCY**
Dripping, sprinkling and micro-sprinkling
irrigation systems



- **RENEWABLE ENERGY**
Solar photovoltaic systems **(new)**

This Green Bond includes projects from three out of the four categories declared in the Framework and incorporates two additional types of projects in comparison to the first green bond issued in 2018 (Solar photovoltaic and Forestry).

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

The Green Bond obtained the Climate Bonds Initiative (CBI) certification in February 2020 and was innovative by being the first certified Green bond in the world to use the forestry specific criteria.



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. The strategy is considered one of the best practices among financial institutions in Latin America and the Caribbean that promotes environmental sustainability.

One of the principal 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 the world faces 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 2020-2024, which considers, among other aspects, 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.

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 ISSUED THE GREEN BOND IN 2019
ACCORDING TO THE FOLLOWING:

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:	November 22nd, 2019
MATURITY DATE:	February 10th, 2023
TENOR:	3 years
BOND DETAILS:	Floating rate bond, coupon of TIIE ³ + 14 bp
BOND SYMBOL:	FEFA 19V

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.



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, 62% of the proceeds were allocated to financing (21%) or refinancing (79%) 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 38% of unallocated proceeds.

All eligible projects were marked using a unique identifier (FEFA19V) and identified in the credit management system of FIRA denominated SIIOF ⁴. This registry was used for continuous monitoring, matching and reporting of the use of proceeds. Remaining proceeds are kept in liquid assets and/or in FEFA bank account in accordance with FEFA's normal liquidity management policy.

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 PROJECT
Environmentally Sustainable Agriculture	Protected Agriculture	Protected Agriculture: Mexico	529.7	12
	Forestry	Forestry	242.5	1
Water Efficiency ⁵	Localized irrigation	Water Infrastructure	287	72
	Sprinkler irrigation		144.4	109
Renewable energy	Solar photovoltaic systems	Solar energy	334.3	67
Total			1,537.9	261

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

⁵Includes dripping and micro sprinkling irrigation systems.

DISTRIBUTION OF THE USE OF PROCEEDS PER PROJECT TYPE

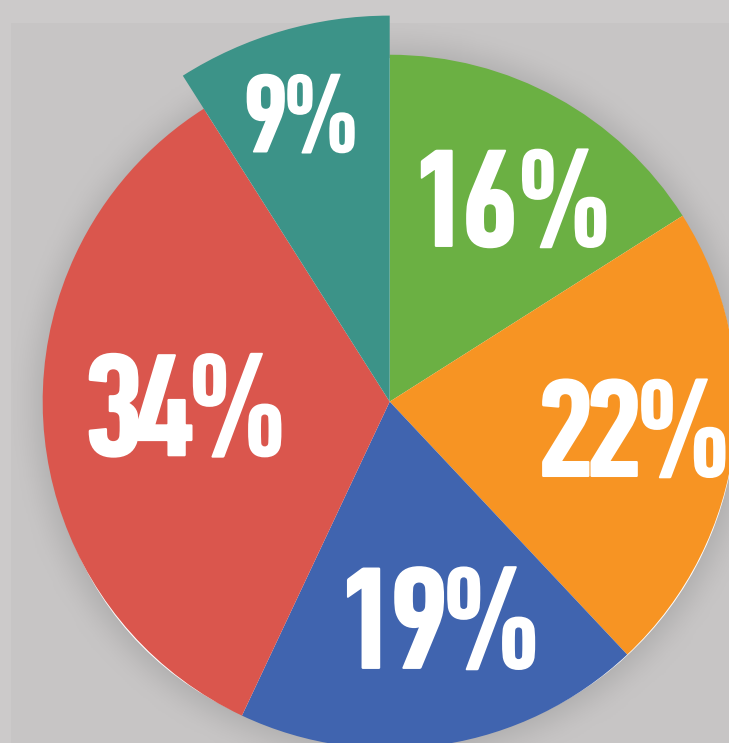


FIGURE 1.

GEOGRAPHICAL DISTRIBUTION OF THE FUNDED PROJECTS (MEXICO)



ENVIRONMENTALLY SUSTAINABLE AGRICULTURE



WATER EFFICIENCY



RENEWABLE ENERGY

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



261 PROJECTS

4.

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). For Solar photovoltaic systems and Forestry the reported quantitative parametric indicator is estimated annual GHG emissions reduced, avoided or captured.

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	5,694,300	23.5 ton CO2e
	Forestry	not applicable	200,000 ton CO2e
Water Efficiency	Localized irrigation	18,881,573	not applicable
	Sprinkler irrigation	9,025,863	not applicable
Renewable energy	Solar photovoltaic systems	not applicable	5,575 ton CO2e
TOTAL		33,601,736	205,598.5 ton CO2e

5.

EXTERNAL REVIEW

Sustainalytics, a global leader in ESG & Corporate Governance, has been selected to independently review FEFA's first annual report compliance regarding its compliance with FEFA's Green Bond Framework.

EXTERNAL REVIEW

SUSTAINALYTICS, A GLOBAL LEADER IN ESG & CORPORATE GOVERNANCE, HAS BEEN SELECTED TO INDEPENDENTLY REVIEW FEFA'S FIRST ANNUAL REPORT COMPLIANCE REGARDING ITS COMPLIANCE WITH FEFA'S 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, for more details please refer to the Compliance Review appendix of this report.

