

Fondo Especial para Financiamientos Agropecuarios (FEFA) Green Bond

Type of Engagement: Annual Review

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Introduction

In 2018, Fondo Especial para Financiamientos Agropecuarios (“FEFA”)¹ issued a green bond aimed at financing environmentally sustainable agriculture and efficient use of water. In October 2019, Fideicomisos Instituidos en Relación con la Agricultura (FIRA) engaged Sustainalytics to review the projects funded through the issued green bonds and provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the FEFA Green Bond Framework.

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded between August 2018 to October 2019, based on whether the projects and programmes:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Green Bond Framework; and
2. Reported on at least one of the Key Performance Indicators (KPIs) for each Use of Proceeds criteria outlined in the Green Bond Framework.

Table 1 lists the Use of Proceeds, Eligibility Criteria, and associated KPIs.

Table 1: Use of Proceeds and Eligibility Criteria²

Use of Proceeds	Project	Key Performance Indicators
Environmentally Sustainable Agriculture	<ul style="list-style-type: none"> • Projects for development, construction, operation and maintenance for (i) protected agricultural projects for growing food under conditions in which the farmer reduces the effects of environmental factors on his crops, improve productivity, resource efficiency and environmental impacts; (ii) climate-smart agriculture projects that increase agricultural productivity, adaptation and resilience in the face of climate change, and the reduction and/or absorption of greenhouse gases; (iii) biodiversity conservation projects that aim to promote knowledge, conservation, restoration, or use biodiversity in a sustainable matter. 	<ul style="list-style-type: none"> • Annual reduction in water consumption (m³) • Annual GHG emissions reduced, avoided or captured
Water Efficiency	<ul style="list-style-type: none"> • Projects for the development, manufacturing, construction, operation and maintenance of water recycling, wastewater treatment facilities, water 	<ul style="list-style-type: none"> • Annual reduction in water consumption (m³)

¹ FEFA is one of four trusts funds which together form the Trust Funds for Rural Development (Fideicomisos Instituidos en Relación con la Agricultura or FIRA).

² FEFA’s bond Framework allows for investment in Energy Efficiency & Renewable Energy, no proceeds from the 2018 issuance were allocated to this category.

	storage facilities or water distribution systems with improved efficiency/quality, including infrastructure and hydrological administration projects that are oriented to improve the efficiency of water utilization.	
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Issuing Entity's Responsibility

FIRA is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact on the best capacity of its second-tier financial institution role.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of FEFA's Green Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from FIRA employees and review of documentation to confirm the conformance with the Green Bond Framework.

Sustainalytics has relied on the information and the facts presented by FIRA with respect to the Nominated Projects. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct 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 over the assessment of the review.

Conclusion

Based on the limited assurance procedures conducted,³ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of the FEFA Green Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Green Bond Framework. FIRA has disclosed to Sustainalytics that the proceeds of the green bond were fully allocated as of January 2019.

Detailed Findings

Table 2: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded by the green bond as of October 2019 to determine if projects aligned with the Use of Proceeds Criteria outlined in the Green Bond Framework and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria.	None

³ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Reporting Criteria	Verification of the projects funded by the green bond as of October 2019 to determine if impact of projects was reported in line with the KPIs outlined in the Green Bond Framework and above in Table 1. For a list of KPIs reported please refer to Appendix 1.	All projects reviewed reported on at least one KPI per Use of Proceeds criteria.	None
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Appendix 1: Impact Reporting by Eligibility Criteria

In accordance with the commitments in the Framework, FEFA has made available the following impact reporting data:

Use of Proceeds Category	Environmental Impact Reported by Eligibility Criteria		
	Projects	Annual reduction in water consumption (m3)	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	N/A
	Sprinkler irrigation	11,888,044	N/A

Appendix 2: Allocation by Criterion

FEFA has disclosed to Sustainalytics, for their review, the amount allocated to each eligible category. A summary of these allocations, broken-down by eligibility criteria, is provided below.

Use of Proceeds Category	Projects	Number of Projects	Allocated Asset (MXN – Millions)
Environmentally Sustainable Agriculture	Protected Agriculture	103	\$1,311
	Localized irrigation	287	\$744
Water Efficiency	Sprinkler irrigation	131	\$448
	Total	521	\$2,503

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Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that supports investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world's leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization, and supports various stakeholders in the development and verification of their frameworks. In 2015, Global Capital awarded Sustainalytics "Best SRI or Green Bond Research or Ratings Firm" and in 2018 and 2019, named Sustainalytics the "Most Impressive Second Party Opinion Provider". The firm was recognized as the "Largest External Reviewer" by the Climate Bonds Initiative as well as Environmental Finance in 2018, and in 2019 was named the "Largest Approved Verifier for Certified Climate Bonds" by the Climate Bonds Initiative. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan and the Minister of the Environment Award in the Japan Green Contributor category of the Japan Green Bond Awards in 2019.

For more information, visit www.sustainalytics.com

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