

FS Agrisolutions Indústria de Biocombustíveis Ltda.

Type of Engagement: Annual Review

Date: August 30, 2023

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Introduction

Between July 2021 and March 2023, FS Agrisolutions Indústria de Biocombustíveis Ltda. (“FS” or the “Issuer”) issued eight green bonds under the FS Green Bond Framework to finance projects related to the production of biofuels, as well as to cover operational expenditures for the procurement of woody biomass. In August 2023, FS engaged Sustainalytics to review the projects funded with proceeds from the green bonds and provide an assessment as to whether the projects met the use of proceeds criteria and the reporting commitments outlined in the FS Green Bond Framework.¹ Sustainalytics provided a Second-Party Opinion on the Framework in August 2021.²

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded with proceeds from the green bonds based on whether they:

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

Table 1: Use of Proceeds, Eligibility Criteria and Associated KPIs

Use of Proceeds	Eligibility Criteria	Key performance indicators (KPIs)
Bioenergy	Projects related to production of hydrous and anhydrous corn-ethanol biofuel, including: <ul style="list-style-type: none"> • Capital expenditures for development, construction, operation and maintenance of biofuel production facilities; or • Operational expenditures or refinance of purchased corn feedstock for biofuel production. Feedstock will be purchased from suppliers in compliance with FS Sustainability Protocol and/or certified against the Climate Bonds Standard Agriculture Criteria Version 1. 	<ul style="list-style-type: none"> • Carbon intensity of ethanol production; • Volume of biofuel produced;
Sustainable Forestry	Projects related to the purchase, development and maintenance of forests and biomass from forests, including: <ul style="list-style-type: none"> • Capital expenditures for the development, purchase, planting, and maintenance of exotic forests (like eucalyptus and bamboo plantations) to produce biomass feedstock for co- 	Standing forest area and the carbon inventory per hectare of standing forest

¹ FS, “FS Green Bond Framework”, (2021) at: <https://api.mziq.com/mzfilemanager/v2/d/34aeec8a-d08e-440f-ad7f-324e1e1e7745/3f71d04b-17b5-d486-a0ad-0bc79e4863db?origin=2>

² Sustainalytics, “FS Green Bond Framework”, (2021), at: https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/fs-green-bond-framework-second-party-opinion.pdf?sfvrsn=aa9827fb_1

	<p>generation of steam and electricity primarily dedicated to biofuel production facilities; or</p> <ul style="list-style-type: none"> Operational expenditure or refinancing of exotic forest biomass raw material acquired for cogeneration of steam and electricity, mainly dedicated to biofuel production facilities. 	
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Issuing Entity's Responsibility

FS is responsible for providing accurate information and documentation relating to the details of the funded projects, including description of projects, amounts allocated and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from FS's green bonds. The work undertaken as part of this engagement included collection of documentation from FS and review of said documentation to assess conformance with the Framework.

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

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,³ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed projects do not conform with the use of proceeds and reporting criteria outlined in the Framework. FS has disclosed to Sustainalytics that approximately 90.79% of the proceeds raised from issuances under the Framework were fully allocated as of March 2023.

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.

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 bonds to determine if projects aligned with the use of proceeds criteria outlined in the Framework and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria.	None
Reporting Criteria	Verification of the projects funded by the green bonds to determine if impact of projects was reported in line with the KPIs outlined in the 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 category.	None

Appendix

Appendix 1: Allocation and Reported Impact by Eligibility Criteria⁴

Use of Proceeds Category	Environmental Impact Reported by Eligibility Criteria	Performance	Net Bond Proceeds Allocation (BRL)
Bioenergy	Carbon intensity of anhydrous ethanol produced in the period (gCO ₂ e/MJ)	Lucas do Rio Verde – 16,87 Sorriso – 17,83	1,875,784,000.00
	Carbon intensity of hydrous ethanol produced in the period (gCO ₂ e/MJ)	Lucas do Rio Verde – 16,82 Sorriso – 17,06	
	Volume of ethanol produced (m ³)	1,455,247.45	
Sustainable Forestry	Standing forest area and carbon inventory per hectare of standing forest	Standing forest area: 7,264.58 hectares ⁵	72,471,701.09
Total amount of allocated proceeds (BRL)			1,948,255,701.09
Total amount raised through six green bonds (BRL)			2,145,961,501.98
Percentage of allocated proceeds			90.79%

⁴ As of March 2023.

⁵ FS has communicated to Sustainalytics that the carbon inventory of the forests will be carried out after three years of planting in the dry period (most likely between June 2024 and September 2024).

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In case of discrepancies between the English language and translated versions, the English language version shall prevail.

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