

INDEPENDENT LIMITED ASSURANCE REPORT

- ▶ **BOSQUES AMAZÓNICOS**
- ▶ **Ucayali, Peru.**
- ▶ **November 2020**



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▶ **Verification details**

TYPE OF ENGAGEMENT: ASSURANCE ENGAGEMENT
FORESTRY CRITERIA OF THE CLIMATE BONDS STANDARD
PERIOD ENGAGEMENT WAS CARRIED OUT: NOVEMBER 2020.
APPROVED VERIFIER: PACIFIC CORPORATE SUSTAINABILITY – PACIFIC CREDIT RATING GROUP
PRE-ISSUANCE ENGAGEMENT LEADER: SANDRA CARRILLO SCARRILLO@PCSLATAM.COM.



1. Introduction

This is an independent pre-issuance assurance report of the proposed US Dollar denominated bond aggregating up to US\$ 45,000,000.00 (“Sustainable Bond”) by Bosques Amazónicos S.A.C. (BAM), located in Pucallpa, Ucayali in accordance with the pre-issuance requirements of “Limited Assurance” under Climate Bonds Standard Version 3.0.

2. Assurance Scope

The objective of this assurance engagement is to obtain a Limited Assurance level of the internal procedures generated by BAM to comply with the requirements of The Green Bonds Principles published by International Capital Market Association, the Climate Bonds Standard Version 3.0 and the Sector Criteria for Conservation and Restoration Forestry projects published by Climate Bonds Initiative. The following principles have been included in the assessment:

1. Use of Proceeds.
2. Process for Project Evaluation and Selection.
3. Management of Proceeds.
4. Reporting.

3. Performed Procedures

Procedures undertaken for this verification included interviews with key staff and reviews of internal and public documents have been carried on the following aspects:

- PCS’s review included an examination of the relevant procedures, policies, and processes, as well as verification of the data provided by the issuer.
- The issuer provided an overview over the project nominated and the relevant processes and documentation regarding the proceeds (e.g. use of proceeds, management of proceeds) to PCS.
- The issuer filled in a questionnaire that covers all criteria of the Climate Bonds Standard V.3.
- The issuer provided background documents that elaborate further on the information mentioned in the questionnaire.
- Using the questionnaire and background documents, PCS carried out an assessment of the CBI criteria. In case any answers were unclear, PCS contacted the issuer for more details and clarification.

4. Conclusion

Based on the limited assurance procedures conducted and evidence obtained, PCS states the following conclusion about BAM Sustainable Bond in relation to Forestry Operations in Peru, much must be read in the subject matter and the limitations of our assurance engagement:

Nothing has come to our attention that causes us to believe that the BAM Sustainable Bond, in terms of use of proceeds, process or evaluation and selection, internal processes and controls for the management of proceeds and reporting prior to issuance, does not meet with the requirements of The Green Bond Principles, the Climate Bonds Standard Version 3, the Forestry Eligibility Criteria (Version 1.1) published by Climate Bonds Initiative.

5. Limitations of Assurance Engagement

This assurance engagement was limited to the Pre-Issuance of the BAM's Sustainable Bond; therefore, our procedures did not constitute an examination or evaluation of the following:

- Data and information beyond the defined reporting boundary and period.
- Credit rating and financial performance and of the prospective issuer.
- Environmental, social, or governance impact of the proposed projects/investments, except to the extent required for compliance with Climate Bonds Initiative Version 3.0.

6. Independence and Quality Control

As an approved verifier by the Climate Bonds Initiative, PCS ensures that the results of the independent Pre-Issuance Verification Report are of the highest quality and reflect an impartial review process of Climate Bonds Standards Version 3.0.

PCS carried out Limited Assurance procedures in accordance with the International Standard on Assurance Engagements (ISAE 3000) established by the International Auditing and Assurance Board (IAASB) of the International Federation of Accountants (IFAC).

PCS nor any member of the verifier team is involved in any way in the issuance or management of the Sustainable Bond. PCS has applied internal procedures to confirm no conflicts of interest for this verification engagement.

7. Issuers' Responsibility

BAM was responsible for providing information and preparing the Framework for Sustainable Issuance relating to:

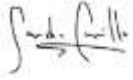
- The details concerning the selection process for the nominated projects.
- The details of the nominated projects and methodology applied.
- The management systems for internal processes and controls for nominated projects.
- The details of commitments for reporting prior to issuance, including investment areas, management of unallocated proceeds and frequency of periodic Assurance Engagements.

8. Verifier's Responsibility

The work undertaken by PCS as part of this Limited Assurance Engagement of Climate Bond Certification Pre-Issuance Requirements included the assessment of the following:

- Conformance of BAM's sustainable bond with the Climate Bonds Standard Version 3.0.
- Conformance with the Technical Criteria on Forestry.

- Conformance with the Internal Processes & Controls requirements.
- Conformance with Reporting Prior to Issuance requirements.



Sandra Carrillo

General Manager of Pacific Corporate Sustainability (PCS)

Pacific Credit Rating Group

Annex A: List of Nominated Projects & Assets

The net proceeds of the bond will be used to scale BAM's model in compliance with CBI conservation and restoration forestry criteria.

This bond will achieve the conservation of 10,933 hectares in Ucayali due to its high biodiversity value. This issuance will prevent the emission of 10 million tons of CO₂ into the atmosphere due to the company's conservation efforts.

Among the most relevant characteristics of this area:

- "Aguajales" is the ecosystem with the highest capacity of carbon sequestration in the Amazon: 1,500 tonnes per hectare
- it is the last preserved forests near the city of Pucallpa
- it hosts 266 different bird species.

In addition, BAM aims to restore 2,969 hectares of forest in Ucayali, which will result in the capture of 600,000 tons of CO₂.

The following table resume the main assets that will be financed by the bond:

Asset	US\$ MM	%	Region
Restoration / Reforestation*	6.6	14.6%	Ucayali
Nursery	2.0	4.4%	Ucayali
Restoration / Reforestation services**	3.0	6.6%	Ucayali
Land for restoration***	3.1	6.8%	Madre de Dios
Land for conservation	30.3	67.3%	Ucayali
Total	45.0	100%	

* Restoration / reforestation includes soil analysis, soil preparation, acquisition of seedlings and installation of seedlings in the worked soil.

** Restoration / Reforestation services include the purchase of machinery and equipment to scale our Restoration / Reforestation capacity.

*** With this amount 3,100 hectares of degraded areas (mostly grasslands) will be purchased in Madre de Dios. Although they will be destined for restoration, these funds only include the purchase of the land. In other words, the costs of restoring the land and planting it are not included.

Annex B: Climate Bonds Standard Version 3.0 Pre-Issuance

Certification Checklist

Item	Section	Clause	Assurance procedures	Compliance
1	USE OF PROCEEDS	1.1	Reforestation & conservation of 13,902 hectares located in Ucayali and Madre de Dios. The Nominated Projects & Assets conform to Eligible Forest conservation and restoration activities.	Meets
		1.2.	BAM confirmed that the foreseen net income of the issuance will not be greater than the total exposure of the issuer's investment to the proposed projects and Nominated Assets. Resources obtained from this issuance will be assigned to Conservation & restoration projects detailed in Annex A.	Meets
		1.3	BAM confirmed that the project has not been nominated for other climate finance tools: certificates, climate loans, certified climate debt instruments, green bonds, green loans, or other labeled instruments (such as social bonds or SDG bonds).	Meets
		1.3.1		
		1.3.2		
Item	Section	Clause	Assurance procedures	Compliance
2	PROCESS FOR EVALUATION AND SELECTION OF PROJECTS AND ASSETS	2.1	BAM has established a documented process to nominate eligible projects and assets associated with this issuance based on environmental objectives and criteria, and compliant with forestry eligibility criteria of the Climate Bond Standards.	Meets
		2.1.1	BAM exhibits a strong commitment to mitigate climate change and achieve the Sustainable Development Goals, which is reflected in the capture of 600,000 tons of CO2 that will be achieved by this bond and the avoidance of 10 million tons of CO2 in the atmosphere.	Meets
		2.1.2	BAM's conservation & restoration model has been internationally recognized as one of the most successful experiences in the recovery of degraded areas. To date, BAM has restored 1,000 hectares of degraded pastures and soil highly affected by harmful agricultural practices and overgrazing, by fertilizing and planting 850,000 highly valued native trees: shihuahuaco or cumaru, tahuari, marupa.	Meets
		2.1.3	BAM maintains its commitment to climate change mitigation and sustainable development goals. The Issuer, BAM intends to use 100% of the proceeds for refinance eligible Forestry Projects.	Meets
		2.1.4	Processes to determine whether the Nominate Projects and Assets meet the eligibility requirements specified in the Part 3 of the CBI Standards version 3.0 are in place.	Meets
		2.2	BAM aspects of the decision-making process are described in 2.2.1, 2.2.2 and 2.2.3.	
		2.2.1	To ensure a diligent project evaluation and selection process, BAM has detailed in the framework forestry project criteria and compliance with good potential environmental and social risks associated with the company business model.	Meets
		2.2.2	BAM's conservation and restoration program in Ucayali and Madre de Dios are among the first initiatives in the world validated and verified by the Voluntary Carbon Standard (VCS) in 2013 and 2015, respectively.	Meets
		2.2.3	BAM has assessed that all proposed Nominated Projects & Assets meet the documented objectives as stated under Clause 2.1.1 and are likely	Meets

			to conform to the relevant eligibility requirements under Part C of the Climate Bonds Standard, as PCS has put in place a diligent project evaluation and selection process. (See 2.2.1).	
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Item	Section	Clause	Assurance procedures	Compliance
3	MANAGEMENT OF PROCEEDS	3.1	The net proceeds are appropriately tracked by BAM and documented (see points 3.1.1., 3.1.2., and 3.1.3.).	Meets
		3.1.1	The net proceeds will be appropriately tracked by BAM and documented.	Meets
		3.1.2	Unallocated Net Proceeds will be managed in compliance with the requirements in Clause 7.3. of CBI standards: Unallocated proceeds will be held in any form of cash, bank deposit or other form of available current financial asset.	Meets
		3.1.3	BAM has an earmarking process reflected in the management of a project list, which will be published in the annual Bond Reporting.	Meets

Item	Section	Clause	Assurance procedures	Compliance
4	REPORTING PRIOR TO ISSUANCE	4.1	BAM Sustainable Issuance Framework will be found here: https://www.bosques-amazonicos.com/	Meets
		4.1.1	The issuer will base its management system on the ICMA (International Capital Market Association) Green Bond Principles and Social Bond Principles, as well as the Climate Bonds Standard version 3.0 standards.	Meets
		4.1.2	PCS confirms that BAM Sustainable Issuance Framework includes a summary of the expected use of proceeds' contribution to achieve the goals of the Paris Agreement.	Meets
		4.1.3	PCS confirms that BAM Sustainable Issuance Framework includes a descriptive decision-making process to ensure a diligent project evaluation and selection process as stated in 2.1.	Meets
		4.1.4	PCS confirms that BAM Sustainable Issuance Framework includes a description of the relevant Forestry Eligibility Criteria, as well as relevant impact metrics, on which BAM Sustainable Issuance Framework intends to report on.	Meets
		4.1.5	PCS confirms that BAM Sustainable Issuance Framework clearly states the approach used to managed unallocated net proceeds.	Meets
		4.1.6	BAM will prepare a report with the detail of the total allocation of proceeds (including a breakdown by project category and revenue allocation). The company will annually publish a set of sustainability indicators to inform about the project's contributions to environmental development. The indicators are described within BAM's Sustainable Issuance Framework.	Meets
		4.1.7	There are no limits specified on the amount of information that can be submitted for the nominated project.	Meets
		4.1.8	According to the informative prospectus, the net proceeds will be invested during the term of the green securities issuance and will be used to refinance current debt, finance project costs and working capital.	Meets

Item	Section	Clause	Assurance procedures	Compliance
		4.2	BAM Disclosure Documentation meets the criteria defined by the CBI Standards Version 3.	Meets
		4.2.1	BAM indicated that it seeks to finance the conservation of the ecosystems of the Amazon and the restoration of degraded lands through investment in commercial forest plantations and the sale of carbon credits. BAM generates value for the forest and its investors, promoting the sustainable development of local economies and helping to reduce the effects of climate change.	Meets
		4.2.2	BAM’s Prospectus will state the intended types of temporary investment instruments for the management of unallocated Net Proceeds.	Meets
		4.2.3	BAM’s Prospectus will state that issuances are backed by two layers of external reviews to ensure maximum transparency and certainty for investors: - Layer one, External Verification by PCS - Layer two, CBI Verification	Meets
		4.2.4	BAM’s Reports will state that BAM will reaffirm conformance with the Climate Bonds Standard while the Bonds remains outstanding and will be available onto their website.	Meets
		4.2.5	BAM confirmed that the prospectus or final terms will include a CBI disclaimer provided in the Certification Agreement.	Meets

Annex C: Forestry Criteria

Eligible activity type	1: Mitigation component: Management Plan	Compliance
Forest Conservation & Restoration Criteria	<p><u>Soil health:</u> The process begins with a biophysical analysis of the soil to identify the ideal type of native species for the area, continues with the production of plants in the nursery, and concludes with the installation of future trees in the selected area that has been previously fertilized and enriched with nitrogen-capturing species that support and optimize the growth of timber trees.</p>	Meets
	<p><u>Water management:</u> BAM makes minimum consumptive (extractive) use of water. Field activities were basically supplied by seasonal rains. BAM respects the watercourses, streams, and gallery forests within the estate. The use of water was limited to cases of fire prevention, as well as to human consumption after purification. At the main entrance of the estate there is a traditional well and its use to supply the accommodation, nursery and warehouse was minimal.</p>	Meets
	<p><u>Fire management</u> Increase of planting areas (60% approx), combined with natural regeneration coverage to reduce fire, pest and fare problems. In addition, the company has adequate protocols and equipment for fire prevention and control. Firewall and roads up to 6m wide, Distanced Management Units, control towers (10m. height), plant 2% of the crop in a location far from the plantations as a compensation mechanism for damage caused by the occurrence of a fire. The project has a fire control team who undergo frequent trainings. The team is trained on weed control, maintenance of boundaries, and fire control towers.</p>	Meets

	<p><u>Riparian areas protection</u> BAM holds a management plan to conserve all kind of riparian areas, including the stratified sediments of varying textures that are subject to intermittent flooding or fluctuating water tables that may reach the surface, as well as the vegetation and soil. They main measure taken by BAM is to focus on the conservation activities and avoiding changes in the ecosystem even when this is a private property. As part of its restoration process, BAM respects / conserves the gallery forests, which are the natural corridors through which the wildlife passes. BAM counts and protects in its ownership with 6,000 hectares of peatlands, the world's most carbon-dense terrestrial ecosystems. Peatlands are formed from partially decomposed plant remains that have accumulated over thousands of years under conditions of waterlogging.</p>	<p>Meets</p>
	<p><u>Biodiversity management</u> BAM has institutionalized a scientific program that allows to evaluate the value and ecological importance of the ecosystems located on its property. This program includes a continuous inventory of natural diversity with an emphasis on the most ecologically valuable species and communities (threatened or endangered species, varieties of restricted distribution, new organisms for science and others). The project works for the ecological characterization of the natural communities of the property (primary, secondary, bajjal forests, intervened areas), which will allow precise zoning with a view to their conservation and possible sustainable use. The project also restore, as far as possible, the most valuable natural environments of the property with a view to promoting the return of wildlife species and encouraging natural processes such as pollination, restoring the balance of ecosystems, ecotourism, among others.</p>	<p>Meets</p>
	<p><u>Species selection</u> BAM restores and conserves hectares of native species such as shihuahuaco or cumaru, tahuari, marupa. A combination of native species such as those sown by BAM in Ucayali can absorb 200 tons of CO2 per hectare from the atmosphere in a decade. Given that the soil structure remains intact, BAM works on the so-called "enrichment strips" system where do not intervene 40% of the area and we plant native species of high commercial value that are previously propagated in nurseries on the other 60%.</p>	<p>Meets</p>
	<p><u>Chemical use:</u> In relation to the use of agrochemicals in the BAM risk matrix, the application is proposed after natural regeneration regrowths (enrichment sashes) or legume hedges (open field), which prevent contact of the chemical directly with the soil and water sources. BAM states that do not use chemicals that are listed in the Stockholm Convention and the Rotterdam Convention, neither they have no plans to them in the future, except in case of an emergency situation or a governmental order.</p>	<p>Meets</p>
	<p><u>Forest protection:</u> In Ucayali, BAM's team is responsible for forest property safety and there are cooperation agreements with neighboring communities to strengthen these protection measures. In Madre de Dios, BAM work with the indigenous federation to protect the forest. The project provides legal support to report any situation of illegal logging.</p>	<p>Meets</p>

Eligible activity type	2: Resilience component	Compliance
<p>Forest Conservation & Restoration Criteria</p>	<p>Section 1. BAM holds a process to assess key risks from a changing climate, both to their property and to the broader ecosystem. Aligned to the IPCC report, main risk evaluated includes temperature changes, changes to water availability, increased risk of flooding or drought, increased fire risk, water quality and biodiversity. BAM has mapped these risks in terms of their location, frequency, severity, and likelihood, as well as their impact in their conservation & restoration program. This process is also aligned with the data provided by the Ministry of Environment of Peru</p>	<p>Meets</p>

	under the Nationally Determined Contributions (NDCs) and the National Adaptation Strategy.	
	<p><u>Section 2:</u> BAM has developed a plan to mitigate and adapt to the climate risks and vulnerabilities identified and to improve the resilience of the assets. This plan includes capacity building within the team to deal with the impacts of exceptional events such as droughts, floods, wildfires, among others.</p> <p>Part of the mitigation plan also includes the conservation of native species that are resilient to the climate, as well as the collaboration with surrounding population that are also employed by BAM and are also aware of climate risks.</p> <p>Other mitigation strategy for identified climate risk is related to the nursery that will be financed by the bond and will contribute with the forestry conservation program.</p>	Meets
	<p><u>Section 3:</u> BAM re-evaluate these risks annually as part of its strategic planning process. Indeed, climate risks are so seriously taken that are included in the business risk matrix as a good monitoring system that derives in the reporting and mitigation actions, as well as risk scenarios.</p>	Meets

Eligible activity type	3: FPIC	
Forest Conservation and Restoration	Free Prior and Informed Consent – FPIC must be sought when property rights are potentially affected.	Meets
	The property of BAM is private and complies with FPIC requirements.	

Disclosure Component		Findings	Disclosure
1	GHG emission footprint	BAM will measure its GHG footprint, as well the avoided and captured emissions over the lifetime of the bond due to the company’s restoration and conservation efforts.	Meets
2	Species planted and used	BAM included a detailed list of the forestry native species managed under the bond in the Sustainable Issuance Framework.	Meets
3	Genetically Modified (GM) plants	BAM do not use Genetically Modified (GM) plants, neither has plans to do so in the future.	Meets
4	Percentage of unconverted or conserved land	100% of the land covered by the bond will be destined to forestry restoration and conservation.	Meets
5	Supply chain assets	BAM develops training sessions for neighboring communities to guarantee the prevention of risks such as forest fires. This enables the surrounding communities to be incorporated as allies in the protection of the forest. The company is also implementing a digital monitoring system for higher control over possible external risks.	Meets
6	Impact assessments, external audits and ESG safeguards	BAM holds VCS certification which is periodically assessed by external audits. In addition, BAM has strengthened its corporate governance by producing an annual report, audited financial statements, and publishing the risk assessment.	Meets
7	Broader benefits of the project for the surrounding ecosystems and unconverted and conserved land	This is a bond aimed at restoration and conservation, which will have effects on the Amazon ecosystem, especially under the protection of peatlands and their capacity to capture GHG. It also generates a positive impact on water sources and provides valuable information for scientific knowledge about Amazonian biodiversity.	Meets
8	Medium to long-term investment plans	BAM has a sustainable emissions pipeline that aims to scale the restoration and conservation model in Ucayali and Madre de Dios. Future issues will be mainly focused on scaling up the conservation program in Madre de Dios, since in this bond there is a greater focus on Ucayali.	Meets
9	Past or pending litigation concerning land rights, livelihood or health issues related to stakeholders, and any remedial action	Do not applies. BAM works in a private property. Concerning health issues, BAM has incorporated covid-19 sanitation protocols and security and health management and will be applied for the bond deployment.	Meets



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The client is fully accountable for certifying and safeguarding its commitments' fulfillment, execution, and monitoring.

About Pacific Corporate Sustainability (PCS)

PCS has the objective of integrating sustainability standards into business strategies, based on global trends with potential investors and society. PCS belongs to Pacific Credit Rating Group (PCR), the only rating group with a real and direct international presence in Latin America, with 27 years of experience providing quality service in the region.

The PCR Group is a signatory member of the Principles of Responsible Investment promoted by the United Nations, being the only Latin American rating group that is part of the Financial Rating Agencies Initiative at a global level. It has also been recognized as a supporting institution for the Financial Initiative of the United Nations Environment Program (UNEP FI) to promote sustainable finance.

PCR Group has been certified by the Climate Bonds Standard Board as an approved verifier organization since March 2020. This accreditation has reinforced its commitment to promote sustainable finance in the region, highlighting the generation of awareness and benchmarking of good practices.

