

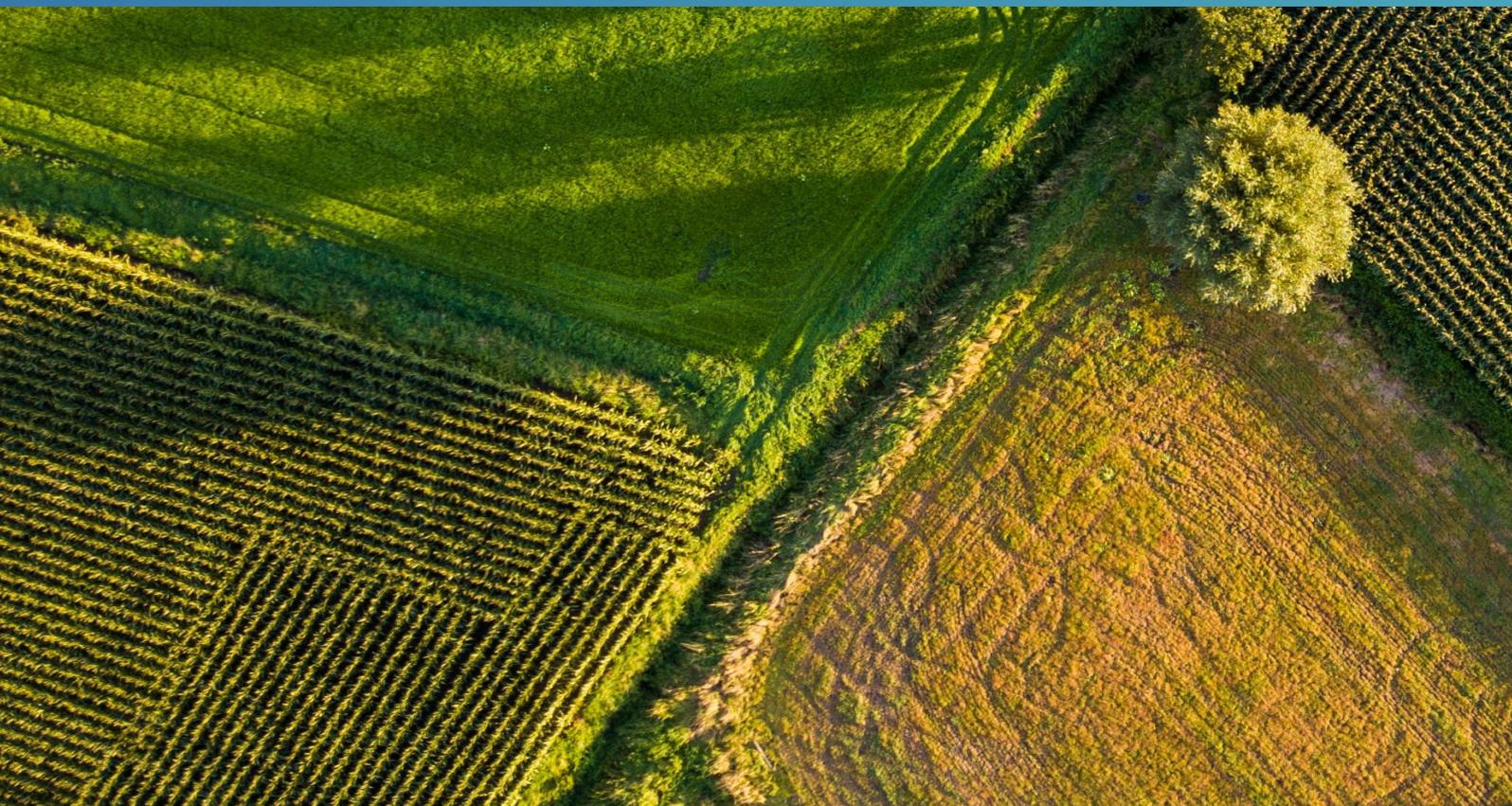


# Climate <sup>INITIATIVE</sup> Bonds

## Agriculture

BEST PRACTICE FOR ISSUING GREEN BONDS

**SPOTLIGHT ON BRAZIL**



# Our Standard

Gold-standard labelling that aims to drive the global financial markets towards investments that are consistent with the goal of limiting global temperature rise to 1.5°C above pre-industrial levels.



## Ambitious

Ambition is defined from a sectoral perspective by the Climate Bonds Eligibility criteria. Performance should be 1.5 degree aligned, or on a pathway to alignment.



## Science-based

Future targets are benchmarked against science-based, technologically feasible pathways, and not against peers.



## Assured

External verification before Certification and annually during period of Certification.



## Transparent

Requirements on disclosure of Certified instruments/entities.

# Show your Credibility

**The Climate Bonds Standard and Certification Scheme is a voluntary labelling scheme for debt instruments, investments and entities that address the challenge of climate change, and are aligned with the goals of the Paris Climate Agreement, limiting global warming to 1.5 degrees celsius.**

Launched in 2012, our Certification Scheme has been applied to hundreds of debt instruments, amounting to USD 260 billion equivalent as of January 2023.

Globally recognised as best practice, we are now expanding our Certification coverage to general purpose instruments, such as Sustainability-Linked Bonds, as well as Entities and Assets.

## Benefits of Certification

1

**Our Certified brand increases visibility to investors.**

4

**An endorsement of the green credentials of the assets/projects.**

2

**A globally recognised symbol of best practice in green finance.**

5

**A demonstration to the market that Certified instruments meet highest standards for climate.**

3

**Higher demand for Certified issuances compared to similar issuances.**

6

**Enhanced reputational benefits for issuers, companies, or asset owners.**

# Ensuring best practice for green bond issuance



**The increased global focus on labelled debt has highlighted the need for definitions, guidelines, taxonomies, and scientific criteria to establish standards and give investors greater confidence in the integrity of their investments.**

The Brazilian green bond market is expanding and the application of international best practices in the issuance of green and thematic bonds is critical to further grow the market. The Climate Bonds Standard and Certification Scheme, launched in 2012, pioneered the world's first quantitative and qualitative scientific standards for the selection of projects and assets financed by green deals. [The Climate Bonds Sector Criteria](#) are applied worldwide, and provide the market, especially investors, greater transparency and comparability.

## Potential for Agriculture Bonds

**Brazil is one of the largest agricultural producers globally and, therefore, one of the largest holders of assets that might be financed by sustainable finance.**

Although the land use sector is the second largest category financed through green bonds in Brazil, the issuance of green bonds to finance crops is still growing. The country has three issuances from the agriculture sector certified by the Climate Bonds Initiative.

The world's first Certified Climate Bond under the Agriculture Criteria occurred in August 2020 when Rizoma Agro, an organic grain producer, issued a green CRA (agribusiness receivables certificate, i.e., agri-based securitisation used in Brazil). Since then, another two Green CRA deals have been Certified by Climate Bonds, issued by Solinftec and Produzindo Certo.

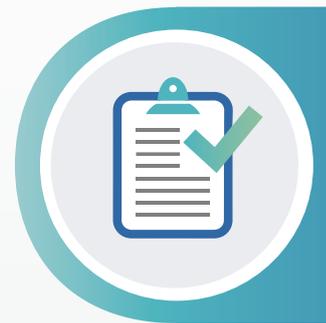
# Issuance process for Certified Agriculture Bonds

For Certification, the issuer must follow the requirements included in the Climate Bonds Standards, which are as follows:

## Step 1: Pre-Issuance

### Prepare the Certification documents

- A.** Identify eligible uses of proceeds against the [Agriculture Criteria](#) and prepare the debt.
- B.** Create a green bond framework.
- C.** Engage an approved verifier to write a verification report.



## Step 2: Issuance

- A.** Obtain verification report.
- B.** Work with underwriter and/or advisor to engage green + thematic bond investors.
- C.** Engage media.
- D.** List bonds on green bonds platforms (IADB, Nasdaq).
- E.** Issue debt.



## Step 3: Post-Issuance

### Follow-up with post-issuance reporting

- A.** Submit a post-issuance verification report from an approved verifier within 12-24 months following the issuance.
- B.** Submit an update report 12 months following the post-issuance verification report, and annually thereafter during the term of the debt. Note that the update report does not require an approved verifier.





# Identifying Eligible Agriculture Project and Assets

## PRODUCTION UNIT

Establishment, expansion, or ongoing operation of the production unit as a whole.

- Land acquisition and/or conversion costs;
- Acquisition of inputs;
- Planting and management costs;
- Acquisition or operation of facilities;
- Acquisition or operation of machinery on the production unit;
- Training on climate-friendly practices;
- Costs of advisory services;
- and Performance monitoring costs, such as those related to monitoring GHG emissions or developing farm management plans.

## INTERVENTION IN THE PRODUCTION UNIT

Specific interventions to implement GHG emissions reductions or carbon storage activities.

### MITIGATION

- Agroforestry practices;
- New fertilizer application systems;
- New low-till agricultural systems;
- Land acquisition and/or conversion costs;
- Acquisition of inputs;
- Planting and management costs;
- Acquisition or operation of facilities;
- Acquisition or operation of machinery on the production unit;
- Training on climate-friendly practices;
- Costs of advisory services;
- Performance monitoring costs, such as those related to monitoring GHG emissions or developing farm management plans.

## INTERVENTION IN THE PRODUCTION UNIT

Specific interventions to enhance adaptation or resilience.

### ADAPTATION

- Use of microorganisms to substitute for or to reduce use of mineral N fertilizers or pesticides;
- Precision Agriculture (PA);
- Satellite Farming or Site-Specific Crop Management (SSCM),
- Use of species and breeds adapted to changes in CO<sub>2</sub> and climate, e.g. temperature, water regimes, extreme events;
- Ecological buffering of climate impacts, such as water or microclimate management, and increased soil water holding capacity;
- Agroforestry to buffer extreme temperatures or increase soil organic carbon;
- Ecological diversification, riparian buffer strips;
- Soil and water conservation;
- Mangrove management;
- Habitat restoration;
- Physical relocation of vulnerable assets or activities.

## SUPPORTING ACTIVITIES

### MITIGATION AND ADAPTATION

- Activities to measure, monitor, report and verify emissions reductions and activities that enable adaptation and build resilience.
- Research and development of ruminant feed that reduce methane emissions;
- Research into alternative meat and dairy products that can replace meat consumption;
- Provision of capacity building or education services related to low carbon agricultural practices;
- Training on any of the approved best practices for GHG reduction.
- Development and distribution of public-release seeds for crops more resilient to the impacts of climate change, using conventional or CRISPR breeding technologies;
- Information technologies and services, e.g. climate information services, monitoring and evaluation (M&E) imaging systems, soil analysis tools and weather monitoring services;
- Training in climate adaptive and resilient agricultural techniques.

# Agriculture Criteria **Screening Indicators**

Check the definition of projects and assets under the **Agricultural Criteria** to determine eligibility (Use of Proceeds).

Check the Agricultural Criteria screening indicators for agriculture production (mitigation and adaptation and resilience checklist).

## ROUTE 1: WHOLE PRODUCTION UNIT & ROUTE 2: INTERVENTIONS IN THE UNIT

## ROUTE 3: ACTIVITIES OUTSIDE THE FARM

**M1: No land conversion (10/01/2010)**  
**M2: No clearing of woody vegetation over 3 metres in height after 2020**

### How to evidence it:

Submission of maps (see Global Forest Watch maps), georeferenced images or satellite imagery of land use change and burning, for example: Forest inventory surveys or other formal government data may also be used.

**M3: Low-emission crop**  
**Option 3.1: GHG Reduction**  
**Option M3.2: Best Practices for animal production**

### How to evidence it:

Demonstrate the existence of a GHG inventory with independent verification (audit) by a qualified entity; or Low carbon agricultural practices to i) fertiliser use, ii) soil management, iii) biomass management, iv) energy and fuel management, v) residue management, vi) food loss, vii) flooded rice and viii) peatlands.

While there is no mitigation criteria, activities are limited to:

Development and distribution of public-release seeds for more climate resistant crops; information technology and services; & training in climate-adapted and resilient agricultural techniques

Compliance with the adaptation & resilience checklist:

Identifying clear limits of the Production unit; identifying climate risk and mitigation measures for these risks and continuous monitoring and assessment of these measures.

Acceptable calculators for estimating emissions include the Carbon Benefits Tool, Ex-Act Tool, the Cool Farm Tool and the GHG Protocol Agricultural Guidance Tools. For supply chains, the AtSource Eco-Calculator is also acceptable.

Standard accounting methodologies such as the Sustainable Agriculture and Land Management methodology of Verra may also be used. This is not an exhaustive list. Country-level or regional calculators can be better calibrated to conditions and values for that region.

# Create a Green Bond Framework

1

Introduction to Issuer, Strategy and Target

4

Management of Proceeds

2

Use of Proceeds

5

Annual Report

3

Project Evaluation & Selection

6

External Review

The development of a Green Bond Framework is mandatory for the Climate Bonds Certification. It is a public document, produced by the issuer, that aims to inform the market and investors about the key environmental credentials of the Green Bond.

## Engage an approved verifier

The issuer should engage with an approved verifier to verify compliance with the Climate Bonds Criteria and prepare the report, which will be submitted to the Climate Bonds Initiative. In Brazil, these are:



## Agriculture Bond Issuance

### The process of taking the bond to the capital market

Structuring the security, preparing the offering document, and registering the offering. The issuer must use the Climate Bonds Certified logo until the maturity of the bond.

## Post Issuance Reporting

**Annual reporting:** once the post-issuance requirements are met, the issuer shall prepare an update report at least annually during the life of the bond. The annual report must confirm that the resources are being allocated to the appropriate projects/assets and that they continue to meet the eligibility criteria.

### Examples of impact reporting metrics for agriculture:

- Reduction of fertilizer use.
- Conservation of biodiversity and ecosystems.
- Reduction of degraded and deforested areas.
- Soil and biomass conservation.
- Reduction of GHG emissions.

# Certified Bond Case Studies

## First Certified Bond – Organic Production

1



<b>Issuer:</b> Ecoagro – Rizoma	<b>Size/Year:</b> BRL 25m/ 2020	<b>Instrument Type:</b> CRA	<b>Scope and Activity:</b> Regenerative organic production, silos and storage, modern equipment, no-till systems, crop-livestock integration, and low carbon agricultural practices.
<b>Use of Proceeds:</b> Agriculture	<b>Framework:</b> Climate Bonds Standard 3.0	<b>Approved verifier:</b> Bureau Veritas	

**Requirements to be met by the project and asset:**

Mitigation Criteria: M1/M2/M3.2 (low emission agricultural best practices) and Adaptation and Resilience Criteria.

## Dispersed Bonds for Agriculture Production

2



<b>Issuer:</b> Gaia Securitizadora – Produzindo Certo	<b>Framework:</b> Climate Bonds Standard 3.0	<b>Scope and Activity:</b> Backed by producers who issued 17 CPRs (Rural Product Bills), in which a series of social and environmental performance targets are linked to their properties, in addition to production and financial commitments.
<b>Use of Proceeds:</b> Agriculture	<b>Instrument Type:</b> CRA	
<b>Size/Year:</b> BRL 63m/ 2021	<b>Approved verifier:</b> Bureau Veritas	

**Requirements to be met by the project and asset:**

Producers are committed to preserving 24,000 ha of native vegetation.

## AgriTech – Services for Agriculture Producers

3



<b>Issuer:</b> Gaia Securitizadora – Solinftec	<b>Framework:</b> Climate Bonds Standard 3.0	<b>Scope and Activity:</b> Costs and investment associated with Solinftec’s digital agriculture solutions
<b>Use of Proceeds:</b> Agriculture	<b>Instrument Type:</b> CRA	
<b>Size/Year:</b> BRL 140m/ 2021	<b>Approved verifier:</b> Sitawi	

**Requirements to be met by the project and asset:**

The product(s) or service(s) substantially reduce important physical weather hazards when applied to the farm and the product(s) or service(s) do not/will cause significant damage to the ecosystem.

# Interested in the Climate Bonds Standard & Certification Scheme? Get in touch!



## Begin the Certification process

[Fast-track Certification](#)  
[Certification how-to videos](#)  
[List of Approved verifiers](#)



## Online resources

[Agriculture criteria overview](#)  
[Agriculture Criteria](#)  
[Certified Bond Database](#)

Contact: Latin America Team: [latam.team@climatebonds.net](mailto:latam.team@climatebonds.net)

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