



**Report of Factual Findings to: Faro Energy Ltd. (on behalf
of Faro Energy Holdings UK Ltd)
Climate Bonds Verification for Solar Power projects**

June 2018

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Document Control Sheet

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Action	Name	Role
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1. Introduction

Faro Energy Holdings UK Ltd. (“the Issuer”) or a subsidiary of Faro Energy Ltd (“Faro Energy”) is considering the issuance of their first green bond (“Brazilian Solar Bond I” or “the Bond”) and intends to use the proceeds to finance the construction of distributed solar energy production facilities in Brazil. The total value of the proposed Bond is expected to be 10 million USD initially (with potential to expand up to \$100m).

Faro Energy Ltd. is a distributed solar company, acting as a strategic player to build and operate solar systems in Latin America and other emerging markets. In line with Brazil’s recent policy changes which support the growth of distributed renewable energy, Faro Energy has set the objective of accelerating the transition to Solar in Brazil.

Within this context, Faro Energy has commissioned Bureau Veritas UK Ltd. (“the Verifier”) to perform pre-issuance Verification of the Brazilian Solar Bond I as an independent third party, which is part of Bureau Veritas Certification Holdings Ltd. approved by the Climate Bond Standards Board.

This report summarizes the findings of the verification, performed on the basis of the Climate Bond Standard and Sector-specific criteria for Solar.

2. Methodology

The verification engagement was performed to a limited level of assurance in accordance with International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements Other than Audits or Reviews of Historical Financial Information (effective for assurance reports dated on or after December 15, 2015), issued by the International Auditing and Assurance Standards Board.

In order to ensure transparency, a verification protocol was customized for the project, according to the Climate Bond Standard version 2.1 and Sector-specific criteria for Solar version 2.1. The protocol shows, in a transparent manner, criteria (requirements), means of verification and the results from verifying against the identified criteria.

The verification protocol serves the following purposes:

- It organizes, details and clarifies the requirements a Climate Bond is expected to meet;
- It ensures a transparent process where the Verification Team will document how a particular requirement has been addressed and the result of the verification.

The completed verification protocol is enclosed in Appendix A to this report.

2.1. Review of Documents

The Bond and its associated project documentation as submitted by Faro Energy and additional background documents related to the project design were reviewed in full. A list of documents provided to the Verifier is included within section 5.

2.2. Resolution of Clarification and Corrective Action Requests

The objective of this phase of the verification is to resolve issues that require further elaboration, research or expansion prior to Bureau Veritas' stated conclusion on the Climate Bond.

- A **Corrective Action Request (CAR)** is raised if applicable Climate Bond Standard requirements have not been met.
- A **Clarification Request (CL)** is raised, if information is insufficient or not clear enough to determine whether the applicable Climate Bond Standard requirements have been met.

To guarantee the transparency of the verification process, the issues raised, the responses provided by the Bond issuer, the means of verification of such responses and references to any resulting changes in the Bond documentation, are documented in the Verification Protocol in Appendix A.

2.3. Internal Technical Review

The verification report underwent an Internal Technical Review (ITR).

The ITR is an independent process performed to examine thoroughly that the process of verification has been carried out in conformance with the requirements of the Climate Bond Standard as well as ISAE 3000.

The Team Leader provides a copy of the verification report to the reviewer, including any necessary verification documentation. The reviewer reviews the submitted documentation for conformance with the verification scheme. This will be a comprehensive review of all documentation generated during the verification process.

When performing an ITR, the reviewer ensures that:

- The verification activity has been performed by the Verification Team by exercising utmost diligence and complete adherence to the Climate Bond Standard requirements.

The review encompasses all aspects related to the Bond, closure of CARs and CLs during the verification exercise, and review of sample documents.

The reviewer may raise Clarification Requests to the verification team and will discuss these matters with the Team Leader.

3. Verification Conclusions

In the following section, the conclusions of the verification are stated.

The findings from the desk review of the original Bond documents and the findings from the on-site inspection are described in the Verification Protocol in Appendix A.

The Clarification and Corrective Action Requests are stated, where applicable, in the following sections and are further documented in the Verification Protocol in Appendix A.

The CARs and CLs were closed out based on adequate responses from the Issuer and which meet the applicable requirements. They have been reassessed before formal acceptance and closure.

3.1. Climate Bonds Standard Requirements for Pre-Issuance Verification

The following criteria have been included within the assessment

- Selection of the “Nominated Projects and Assets”
- Use of Proceeds
- Internal processes and controls
- Reporting
- Technical Criteria (Sector-specific Criteria for Solar)

The full results and findings of the assessment have been detailed within the Verification Protocol in Appendix A.

Details of the projects Nominated by the Issuer to receive funding from the Faro Energy Brazilian Solar Bond I have been included within the table in Appendix B. The proceeds from the Bond would be used to fund these assets partly or wholly. Additionally, the Issuer may nominate more solar based projects under the Bond. These projects would also comply with the assessment criteria established under the issuer’s Green Bond Framework, and would form part of the Verifier’s future verifications.

For confidentiality reasons, details identifying the names, customers and CapEx values associated with the Nominated Projects have been excluded from this report. Throughout the engagement Bureau Veritas was provided with access to project documents, and was able to assess their conformance with the Climate Bonds Standard.

3.2. Climate Bond Certification and Limits of Use

Faro Energy may register its Bond with the Climate Bond Standards Board, and therefore has the right to use the Climate Bond Certification Mark in association with the relevant Bond (but no others) for the duration of the Bond term, provided that the Bond remains Climate Bond Standard compliant.

The Verification Team therefore recommends that the Bond's compliance with the Climate Bond Standard is periodically verified.

3.3. Non-Compliance

If a Climate Bond is no longer compliant with the Climate Bond Standard, then the Issuer is required to disclose that fact to the Climate Bond Standards Board, the bondholders and the relevant exchanges.

The Verification Team therefore recommends that the Bond's compliance with the Climate Bond Standard is periodically verified.

4. Verification Opinion

Bureau Veritas has performed a verification of the Brazilian Solar Bond I to be issued by Faro Energy Ltd., for the construction of distributed solar facilities in Brazil. The verification was performed on the basis of the Climate Bonds Standard version 2.1 criteria for Pre-issuance and Sector-specific criteria for Solar version 2.1, as defined on the Climate Bonds Initiative's website.

The verification consisted of the following three phases:

- i) desk review of the Bond and its associated projects documentation and additional background documents;
- ii) interviews with key Faro Energy personnel;
- iii) issuance of CARs and CLs and requesting additional evidences; and
- iv) resolution of outstanding issues and the issuance of the final verification report and opinion.

The review of the Bond and its associated project documentation has provided Bureau Veritas with sufficient evidence to determine the fulfillment of stated criteria.

In our opinion, the Issuer's Bond meets all relevant Climate Bond Standard requirements.

5. References

Document date	Document description
2018	Technical Design Document – Projects 2 and 3
16 th May 2018	Faro Energy Green Bond Structure Chart
16 th May 2018	Faro Energy Loan Note Term Sheet
17 th May 2018	Faro Energy Green Bond Framework
17 th May 2018	Undertaking for Faro Energy Brazilian Solar Bond I – Assessment of Nominated Projects
17 th May 2018	Signed contract between Verifier and Issuer
18 th May 2018	Asset Management Document for AquaRio
18 th May 2018	Faro Energy Nominated Project Summaries
21 st May 2018	Faro Energy Q1 2018 Operations Report
29 th May 2018	Undertaking for Faro Energy Brazilian Solar Bond I – Project Nomination
29 th May 2018	Undertaking for Faro Energy Brazilian Solar Bond I – Sub-account creation for Faro Energy Holdings UK Ltd
4 th June 2018	Undertaking for Faro Energy Brazilian Solar Bond I – Earmarking and Tracking of Proceeds Use for Financing / Re-financing of Projects

6. Appendix A: Verification Protocol

Table 1 Audit requirements based on the Climate Bond Standard (Version 2.1)

No.	Pre-Issuance Requirement as per Climate Bonds Standard Version 2.1	Verifier's Assessment	Supporting Documents	Draft Concl.	Final Concl.
1. Selection of Nominated Projects and Assets					
1.1	The Issuer shall establish, document and maintain a decision-making process which it uses to determine the eligibility of the Nominated Projects & Assets. This includes, without limitation:	<p>The Issuer has defined the eligibility criteria for Nominated Projects and Assets within the section 'Selection and Evaluation of Eligible Green Projects' within the Faro Energy Brazilian Solar Green Bond Framework (dated May 2018). Part B Eligibility Requirements for Solar (version 2.1) have been addressed within the framework as follows:</p> <ul style="list-style-type: none"> - The Issuer affirms that to be considered an Eligible Green Project, all projects must meet the Climate Bonds Standard and Certification Scheme's Sector-specific Criteria for Solar - Onshore solar electricity generation projects are considered under the framework to constitute Eligible Green Projects - Faro Energy have an Investment Committee who have been assigned responsibility for the review and approval of Eligible Green Projects. 	Faro Energy Green Bond Framework	CAR 1	OK
1.1.1	A statement on the environmental objectives of the bond	The Issuer is primarily engaged within the business of identifying, developing and raising capital for distributed Solar in Brazil.	Faro Energy Green Bond Framework	CL 2	OK

No.	Pre-Issuance Requirement as per Climate Bonds Standard Version 2.1	Verifier's Assessment	Supporting Documents	Draft Concl.	Final Concl.
		<p>Faro Energy's Brazilian Solar Green Bond Framework (dated May 2018) presented a statement of the environmental objective of the bond, and was as follows:</p> <ul style="list-style-type: none"> - Brazil has historically relied on large-scale hydro power energy, however there is limited capacity for new hydro infrastructure. Concurrently, Brazil has recently introduced regulations to support the growth of distributed renewable energy generation. Faro Energy has the objective to accelerate this transition in Brazil through the identification, development and funding of distributed solar projects - Faro Energy aims to reduce greenhouse gas emissions through the generation of clean energy and accelerate the transition to a cleaner energy market in Brazil - As the greatest barrier to uptake of solar renewable energy projects that Faro Energy has identified is access to capital, Faro Energy has the intention to issue their first Green Bond for distributed solar in Brazil 			
1.1.2	A process to determine whether the Nominated Projects & Assets meet the eligibility requirements specified in Part B of the Climate Bonds Standard.	<p>The Issuer has defined within the Faro Energy Brazilian Solar Green Bond Framework (dated May 2018) that the proceeds of the Green Bond will be used exclusively to finance and refinance projects that meet the Climate Bonds Eligible Projects for solar.</p> <p>Therefore, the Nominated Projects & Assets conform to the eligibility requirements set under Part B of the Climate Bonds Standard, version 2.1:</p> <ul style="list-style-type: none"> • Clause 9: 'Solar' classification under 'Energy' head of Climate Bonds Taxonomy 	Issuer's Green Bond Framework	CL 1	OK

No.	Pre-Issuance Requirement as per Climate Bonds Standard Version 2.1	Verifier's Assessment	Supporting Documents	Draft Concl.	Final Concl.
		<ul style="list-style-type: none"> Clause 10: Criteria for solar energy under sector-specific standards. 			
1.2	The Issuer shall assess that all proposed Nominated Projects & Assets to be associated with the bond meet the bond's documented objectives as stated under Clause 1.1 and are likely to conform to the relevant eligibility requirements under Part B of the Climate Bonds Standard.	<p>The Issuer's Undertaking (dated 17th May 2018) commits that Faro Energy will assess all candidate projects against the Climate Bonds Standard and Certification Scheme's Sector Specific Criteria for Solar and those requirements contained within the Faro Energy Brazilian Solar Green Bond Framework (dated May 2018). The Issuer's Undertaking confirmed that this will be inclusive of future Nominated Projects and Assets that are currently under development.</p> <p>The Issuer's Green Bond Framework detailed the anticipated type of projects to be Nominated, which is as follows:</p> <ul style="list-style-type: none"> - Solar photovoltaic technology with an installation capacity of 100kWp to 5MWp within Brazil, to be located either onsite at a corporate client, or remotely located on land owner or leads by an affiliate of Faro Energy. Energy agreement to be with one or more Brazilian companies, indexed to local inflation <p>Same criteria would be used for the projects which are not currently identified and listed above but would be added to the Nominated list in the future.</p>	<p>Faro Energy Green Bond Framework</p> <p>Undertaking for Faro Energy Brazilian Solar Bond I – Assessment of Nominated Projects</p>	CL 4	OK

No.	Pre-Issuance Requirement as per Climate Bonds Standard Version 2.1	Verifier's Assessment	Supporting Documents	Draft Concl.	Final Concl.
1.3	The Issuer shall document the Nominated Projects & Assets which are proposed to be associated with the bond and which have been assessed as likely to be Eligible Projects & Assets. The Issuer shall establish a list of Nominated Projects & Assets which can be kept up-to-date during the term of the bond.	<p>The Issuer's Project Summary for Green Bonds (dated May 2018) provides the candidate nominated projects for the Brazilian Solar Bond I so far. The issuer may identify more projects to be nominated, which would also be in line with the Climate bonds standard. The already identified projects are summarised as follows:</p> <ol style="list-style-type: none"> 1. 540kWp solar installation in Rio de Janeiro, which commenced operation in May 2017 2. 468 kWp solar installation in Pernambuco 3. 2.6 MWp solar installation in Minas Gerais 4. 10.3 MWp solar installation in Minas Gerais 5. 4.5 MWp solar installation in Tocantins and Paraiba <p>The Issuer's Undertaking (dated 29th May 2018) confirms that all Eligible projects for Green Bond proceeds will be assessed against the Climate Bonds Standard & Certification Scheme's Sector-Specific Criteria for Solar1 and those within its Green Bond Framework for 'Faro Energy Brazilian Solar Bond I'.</p>	<p>Faro Energy Nominated Project Summaries</p> <p>Faro Energy Green Bond Framework</p> <p>Undertaking for Faro Energy Brazilian Solar Bond I – Assessment of Nominated Projects</p>	CL 3 CL 4	OK
1.4	Nominated Projects & Assets shall not be nominated to other Certified Climate Bonds unless it is demonstrated by the Issuer that distinct portions of the Nominated Projects & Assets are being funded by different Certified Climate Bonds or that the existing Certified Climate Bond is being refinanced via another Certified Climate Bond.	The Issuer's Undertaking (dated 29 th May 2018) confirms that all projects considered as Nominated Projects for the Brazilian Solar Bond I have not been nominated for any other Climate Bond issued by Faro Energy. The issuer has stated that to their knowledge no candidate projects have been nominated to Climate Bonds by any other party.	<p>Faro Energy Nominated Project Summaries</p> <p>Undertaking for Faro Energy Brazilian Solar Bond I – Project Nomination</p>	CL 5	OK

No.	Pre-Issuance Requirement as per Climate Bonds Standard Version 2.1	Verifier's Assessment	Supporting Documents	Draft Concl.	Final Concl.
		The Verifier has consulted the list of bonds published on the Climate Bonds website, the candidate projects do not align with any such projects which have been funded by certified Climate Bonds.			
1.5	The expected Net Proceeds of the bond shall be no greater than the Issuer's debt obligation to the proposed Nominated Projects & Assets, or the Fair Market Value of the proposed Nominated Projects & Assets which are owned by the Issuer.	<p>The expected Net Proceeds of the Bond were disclosed to be USD 10 million to be issued in two parts. The first issuance is planned to be USD \$6 million, as disclosed within the Issuer's Loan Note Termsheet (dated May 2018). This is to be divided into tranches of no lower than USD \$500,000, divided pro rata per investor. The coupon is 11 per cent per annum, compounding annually from date of series issue in USD.</p> <p>The Issuer's Project Summary for Green Bonds (dated May 2018) states that the total CapEx for the five Nominated Projects (so far) is estimated to be USD \$25 million. The Capex for each A detailed breakdown of the value of each Nominated Project was provided to Bureau Veritas.</p> <p>In order to confirm the validity of the figures proposed, the Capex value for Project 1 (currently in operation) was checked against the Issuer's internal Asset Management tool (dated 18th May 2018), and was found to be in alignment. Details on sources of funding to the project supplementary to the bond, such as investor funding, were detailed within the Asset Management Tool.</p>	<p>Faro Energy Nominated Project Summaries</p> <p>Faro Energy Loan Note Term Sheet</p> <p>Asset Management Document for AquaRio</p>	CL 3	OK

No.	Pre-Issuance Requirement as per Climate Bonds Standard Version 2.1	Verifier's Assessment	Supporting Documents	Draft Concl.	Final Concl.
		The value of the Brazilian Solar Bond I to be issued is proposed to be USD \$ 10 million. Therefore, the Verifier has determined that the value of the bond is not anticipated to be greater than the value of the Nominated Projects.			
2. Internal Processes and Controls					
2.1	The systems, policies and processes to be used for management of bond funds and investments made shall be documented by the Issuer and disclosed to the Verifier, and shall include arrangements for the following activities:	The systems, policies and procedures used to manage the bond fund have been documented within the Issuer's Green Bond Framework (dated May 2018) and Asset Management document and disclosed to the Verifier.	Asset Management Document for AquaRio Faro Energy Green Bond Framework	CL 1 CL 7	OK
2.1.1	Tracking of proceeds: The Net Proceeds of the bond can be credited to a sub-account, moved to a sub-portfolio, or otherwise tracked by the Issuer in an appropriate manner and documented.	Under the Faro Energy Green Bond Framework (dated May 2018), all projects will be owned or controlled by a wholly owned subsidiary of the Issuer, namely Faro Energy Holdings UK Ltd. The Issuer commits to the following controls for the management of proceeds within the Framework: - Maintain a set of internal procedures for the management of proceeds including but not limited to the monitoring of the systems of all Eligible Green Projects on a monthly basis at the minimum - Evaluating all Eligible Green Projects against Faro Energy's Investment Committee-approved budgets and forecasts on a quarterly basis	Faro Energy Green Bond Framework Undertaking for Faro Energy Brazilian Solar Bond I – Sub-account creation for Faro Energy Holdings UK Ltd	CAR 3	OK

No.	Pre-Issuance Requirement as per Climate Bonds Standard Version 2.1	Verifier's Assessment	Supporting Documents	Draft Concl.	Final Concl.
		<p>An Undertaking from the Issuer (dated 29th May 2018) confirms that the Issuer has internally submitted a request for a sub-account to be created within the Faro Energy Holdings UK Ltd bank account to be created for the exclusive management and separation of proceeds and repayments related to the Brazilian Solar Bond I. The Issuer has also submitted an internal request for the account to be named 'Brazilian Solar Bond I' accordingly. Asset management tracking documents provided by the Issuer for existing asset (Project 1) showed that clear processes are in place for the tracking of funds.</p> <p>It is noted that at the time of verification, the sub-account had not yet been created.</p>			
2.1.2	<p>Managing unallocated proceeds: The balance of unallocated Net Proceeds can be managed as per the requirements in Clause 6.2, chiefly:</p> <p>6.2.1. Held in temporary investment instruments that are cash, or cash equivalent instruments, within a Treasury function; or</p> <p>6.2.2. Held in temporary investment instruments that do not include greenhouse gas intensive projects which are inconsistent with the delivery of a low carbon and climate resilient economy; or</p>	<p>As per the Issuer's Green Bond Framework (dated May 2018) the Bond funds are to be held and not drawn down on, except in the instance where they are to be transferred directly for the costs of an assessed and approved Nominated Project. As per section 2.1.1, the Issuer had evidenced their intention to maintain a sub-account for the holding of funds once allocated.</p> <p>The Issuer confirmed via email (dated 22nd May and 29th May) that the value of the bond remains with the investor in cash equivalent prior to being drawn down.</p>	Faro Energy Green Bond Framework	CL 6	OK

No.	Pre-Issuance Requirement as per Climate Bonds Standard Version 2.1	Verifier's Assessment	Supporting Documents	Draft Concl.	Final Concl.
	6.2.3. Applied to temporarily reduce indebtedness of a revolving nature before being redrawn for investments or disbursements to Nominated Projects & Assets.				
2.1.3	Earmarking funds to Nominated Projects & Assets: An earmarking process that can be used to manage and account for funding to the Nominated Projects & Assets and enables estimation of the share of the Net Proceeds being used for financing and refinancing	<p>The Issuer provided the Verifier with an Undertaking (dated 4th June 2018), confirming that a clear process of tracking and managing the sources and uses of all funds from the bond processes will be undertaken. The Issuer has asserted that this will include:</p> <ul style="list-style-type: none"> - Clear earmarking of green bond proceeds from the Bond - Use of nominated project asset models which clearly show the amounts and sources of funds - Use of nominated project asset models which show how funds are managed and repaid over time - Where relevant, track the apportionment and percentage split of all capital sources and proceeds to financing and refinancing projects <p>To confirm the above, the Verifier reviewed the Issuer's Asset Management model utilised for AquaRio. The model was found to include the tracking of Capex, delineating funds from bonds and other sources, in alignment with the Issuer's assertions in the Undertaking.</p>	<p>Asset Management Document for AquaRio</p> <p>Undertaking for Faro Energy Brazilian Solar Bond I – Earmarking and Tracking of Proceeds Use for Financing / Re-financing of Projects</p>	CAR 2	OK
3. Reporting Prior to Issuance					

No.	Pre-Issuance Requirement as per Climate Bonds Standard Version 2.1	Verifier's Assessment	Supporting Documents	Draft Concl.	Final Concl.
3.1 3.1.1	<p>The Issuer shall disclose in the Bond Disclosure Documentation:</p> <p>The investment areas, as provided in Clause 9.1, into which the Nominated Projects & Assets fall.</p>	<p>The Bond Term Sheet (dated May 2018) has specific ring-fencing clauses to ensure that the proceeds of the bond are only allocated to renewable energy projects in Brazil.</p> <p>The Issuer's Green Bond Framework further contained clauses to restrict the allocation of the funds to solar energy generation projects.</p> <p>The five nominated projects, as solar PV projects, fall within the 'Solar' classification under the 'Energy' head of the Climate Bonds Taxonomy.</p> <p>The Verifier reviewed project technical and planning documentation for the Nominated Projects and Asset, and confirmed that they are related to solar electricity distribution.</p>	<p>Faro Energy Green Bond Framework</p> <p>Faro Energy Nominated Project Summaries</p> <p>Faro Energy Loan Note Term Sheet</p>	OK	OK
3.1.2	<p>The intended types of temporary investment instruments for the management of unallocated proceeds in accordance with Clause 2.1.2</p>	<p>The Issuer does not intend to use temporary investment instruments to manage Net Proceeds of the bond. As per the Issuer's Green Bond Framework (dated May 2018), funds are to be drawn down exclusively for the allocation to Nominated Projects. The funds will be held in cash equivalent by the Investor prior to being drawn down.</p> <p>As per the Issuer's Undertaking (dated 29th May), once the funds have been drawn down for direct allocation, they will be held within the Faro Energy Ltd bank account, in a sub-account names 'Brazilian Solar Bond I'.</p>	<p>Undertaking for Faro Energy Brazilian Solar Bond I – Earmarking and Tracking of Proceeds Use for Financing / Re-financing of Projects</p> <p>Faro Energy Green Bond Framework</p>	CAR 2	OK

No.	Pre-Issuance Requirement as per Climate Bonds Standard Version 2.1	Verifier's Assessment	Supporting Documents	Draft Concl.	Final Concl.
3.1.3	The Verifier selected by the Issuer for the pre-issuance and the post-issuance engagements.	According to the contract signed between Bureau Veritas (dated May 2018) and the Issuer's Green Bond Framework (dated May 2018), the Issuer has engaged Bureau Veritas to undertake limited verification for pre-issuance and post-issuance.	Signed contract between Verifier and Issuer	OK	OK
3.1.4	Whether periodic Assurance Engagements will be undertaken during the term of the bond to reaffirm conformance with the Climate Bonds Standard, and the expected frequency of any periodic Assurance Engagements	According to the Issuer's Green Bond Framework (dated May 2018) Faro Energy commits to engage Bureau Veritas to perform post-issuance verification on an annual basis.	Faro Energy Green Bond Framework	OK	OK
4. Part B: Eligible Projects and Assets					
9.1	Nominated Projects & Assets, as identified by the Issuer under Clauses 1.3 and 4.2, shall fall into one or more of the investment areas contained in the latest version of the Climate Bonds Taxonomy (see Annex A)	<p>The five projects for which the issuer has Nominated to the Bond are exclusively for on-shore solar electricity generation, falling under the 'Solar' sector of the 'Energy' heading of CBI's Climate Bond Taxonomy.</p> <p>The Nominated Projects are as follows:</p> <ol style="list-style-type: none"> 1. 540kWp solar installation in Rio de Janeiro, which commenced operation in May 2017 2. 468 kWp solar installation in Paernambuco 3. 2.6 MWp solar installation in Minas Gerais 4. 10.3 MWp solar installation in Minas Gerais 5. 4.5 MWp solar installation in Toantins and Paraiba 	Faro Energy Nominated Project Summaries	CL 3	OK

No.	Pre-Issuance Requirement as per Climate Bonds Standard Version 2.1	Verifier's Assessment	Supporting Documents	Draft Concl.	Final Concl.
10.1	Nominated Projects & Assets shall meet the specific eligibility criteria provided in the latest version of the relevant Sector-Specific Criteria document	Within an Undertaking (dated 29th May 2018), the Issuer has committed that all Nominated Projects will comply with the Climate Bonds Standard 2.1 and Sector-Specific Criteria for Solar. The Issuer has committed to assess all Nominated Projects for conformance, and to apply this assessment retrospectively for all projects currently under development.	Undertaking for Faro Energy Brazilian Solar Bond I – Project Nomination	OK	OK
10.2	Where the proceeds of a bond are allocated to Nominated Projects & Assets that are covered by more than one Sector-Specific Criteria (e.g. solar and wind investments in a portfolio), then each of the Nominated Projects Assets shall meet the specific eligibility criteria provided in the Sector-Specific Criteria relevant to that Nominated Project & Asset.	The five projects for which the issuer has Nominated to the Bond are exclusively for on-shore solar electricity generation, falling under the 'Solar' sector of the 'Energy' heading of CBI's Climate Bond Taxonomy. The Issuer's Green Bond Framework (dated May 2018) includes eligibility criteria exclusively for solar assets, and is aligned with the requirements set forth in the Sector Criteria for Solar v2.1	Faro Energy Green Bond Framework Faro Energy Nominated Project Summaries	OK	OK
4. Sector Criteria for Solar					
4.1	Eligible Project & Assets relating to solar energy generation shall be projects or assets that operate or are under construction to operate in one or more of the following activities: - Onshore solar electricity generation facilities	Faro Energy has committed to use the proceeds of the bond to finance Projects, which are onshore solar energy production facilities. They have identified 5 projects so far which are provided in Appendix B. The Nominated Projects fall within the 'Solar' sector of the 'Energy' heading of CBI's Climate Bond Taxonomy	Faro Energy Nominated Project Summaries Faro Energy Green Bond Framework	OK	OK

No.	Pre-Issuance Requirement as per Climate Bonds Standard Version 2.1	Verifier's Assessment	Supporting Documents	Draft Concl.	Final Concl.
	<p>-. Wholly dedicated transmission infrastructure and other supporting infrastructure for onshore solar electricity generation facilities including inverters, transformers, energy storage systems and control systems.</p> <p>-. Onshore solar thermal facilities such as solar hot water systems.</p>				
4.2	Eligible Project & Assets that have activities in solar electricity generation facilities or solar thermal facilities shall have a minimum of 85% of electricity generated from solar energy resources	Each of the five Nominated projects will have 100% of its electricity generated from solar energy resources, and will therefore go beyond the Sector Criteria for Solar's requirement of 85% of electricity to be produced from solar energy. Similarly, any new identified projects under this bond would fulfil the criteria as well.	Faro Energy Nominated Project Summaries	OK	OK

Table 2 List of Clarification and Corrective Action Requests

NUMBER	DESCRIPTION	CONCLUSION
CL 1	The Issuer was requested to provide further information on the processes for determining the use of proceeds.	An updated version of the Issuer's Green Bonds Framework was provided on 17th June 2018. The Verification team evaluated it and confirms that the issuer has in place a process to determine the use of proceeds from the Brazilian Solar Bond I, and this CL was closed.
CL 2	The environmental objective of the bond was not clearly presented within the initial (16th May 2018) green bond framework. The Issuer was requested to clarify their environmental objective.	The Issuer provided an updated version of their Green Bond Framework on 17th June 2018. The Issuer interrogated this document, and determined it to include the Issuer's environmental objective (outlined in Table 1, Appendix A). On this basis, the CL was closed.
CL 3	Within the phone interview conducted on 17th May 2018, and within an email received from the Issuer on 16th May 2018 five potential candidate Projects were mentioned. The Verifier requested documented evidence of the Nominated Projects.	<p>A list of five Nominated Projects was provided to the Verification team in the form of an internal Project Summary document on 22nd May 2018, which was evaluated by the verification team and determined to constitute the and this CL was closed.</p> <p>It is noted that at the time of pre-issuance verification, the Issuer had not determined the percentage share to which the candidate projects would receive bond funds.</p> <p>It is further noted that at the time of pre-issuance verification one (1) project was operational (Project 1) and one (1) project was under construction (Project 2).</p>
CL 4	During the verification it was unclear how Faro Energy assesses the projects to be eligible against their Green Bond Framework and the Climate Bonds Standard. The Issuer was requested to provide evidence that an assessment has been undertaken for all projects and assets, and confirm this will be the case in the future.	<p>The Issuer provided a signed Undertaking dated 17th May 2018, which detailed:</p> <ul style="list-style-type: none"> A commitment to assess all Nominated Projects against the Issuer's Green Bond Framework and Climate Bonds

NUMBER	DESCRIPTION	CONCLUSION
		<p>Standard & Certification Scheme's Sector-Specific Criteria for Solar;</p> <ul style="list-style-type: none"> • An assertion that the Issuer will only consider a project to be Eligible should it meet these criteria; • Confirmation that this approach has been applied retrospectively to those projects currently under development; and • A commitment of proceeds from the Bond shall only be allocated to projects deemed Eligible <p>Based on the above, the Verification Team deemed the CL to be closed.</p>
CL 5	Under the Climate Bonds Standard, projects nominated for the Brazilian Solar Bond I cannot have previously been nominated to any other Climate Bond. The Verifier requested that the Issuer provide evidence to confirm this for all Nominated Projects on 25th May 2018.	The Issuer provided a signed Undertaking dated 29th May 2018, stating that "all projects considered as candidate projects for Faro Energy Brazilian Solar Bond I have not been nominated for any other Climate Bond issued by Faro. Faro confirms that, to the best of its knowledge, no candidate project has been nominated for any Climate Bond issued by any other party." The Verification team determined this to be an acceptable response and the CL was closed.
CL 6	As per the Issuer's Green Bond Framework and interview on May 17th 2018, the bond is only to be drawn down on for funds to be directly allocated to Nominated Projects. The Issuer was requested to share the details of where the value of the bond will be held prior to being drawn down (i.e. the account or treasury etc. that the bond value will be kept within). Will the proceeds be held in cash/cash equivalent prior to being drawn down?	The Issuer clarified via email dated 23rd May 2018 that funds would be held with the investor in cash equivalent prior to being drawn down. This response was deemed to be sufficient by the Verification Team and the CL was closed.
CL 7	As one of the five Nominated Projects (AquaRio) is currently operational, the Issuer was requested to provide evidence of their processes for managing and tracking bond proceeds and other project funds, once allocated to a Project.	The Issuer provided their Asset Management document for AquaRio on 23rd May 2018. A follow-up phone interview was conducted by the Verification Team on 1st May to evaluate this document. The Issuer was determined to have a clearly documented process in place to track project funds, and the CL was closed.

NUMBER	DESCRIPTION	CONCLUSION
CL 8	The Issuer was requested to provide evidence of their processes for Impact Reporting, as this was not included within their initial (16th May 2018) or final (17th May 2018) Green Bond Framework.	The Issuer's Impact Management Framework and Impact Management Report were provided on 23rd May 2018. The Verification Team examined the above mentioned document and concluded that an appropriate process is in place for Impact Reporting, thus the CL was closed.
CAR 1	The initial version of the Issuer's Green Bond Framework provided to the Verification Team on 16th May 2018 did not include criteria for selection of eligible projects. The Issuer was requested within the phone interview on 17th May 2018 to amend the framework to include their process for determining Eligible Projects and assets, in alignment with the Climate Bonds Taxonomy.	The updated Green Bond Framework was provided on 17th May 2018, which included the Issuer's criteria for determining Eligible Projects. The Verification Team examined this criteria, and determined it to be in alignment with the Climate Bonds taxonomy
CAR 2	No evidence was provided on the Issuer's earmarking process. The Verification Team requested on 4th June that the Issuer provide evidence confirming that there is/will be a system in place for earmarking to Nominated Projects, and estimating percentage for financing + refinancing.	<p>The Issuer provided undertaking (dated 4th June 2018) stating that "the sources and uses of all funds and proceeds for all nominated projects will be clearly tracked and managed. This will include the clear earmarking of green bond proceeds from Faro Energy Brazilian Solar Bond. In addition, when relevant, Faro will track the apportionment and percentage split of all capital sources and proceeds to financing and refinancing of projects."</p> <p>As per the table in Appendix A, Verification Team reviewed the Issuer's Asset Management model utilised for Project 1. The model was found to include the tracking of Capex, delineating funds from bonds and other sources, in alignment with the Issuer's assertions in the Undertaking. Therefore the CAR was closed.</p>
CAR 3	It is noted that once drawn, funds would be moved to a bank account of Faro Energy Holdings UK Ltd to be distributed to the Nominated Projects and Assets. At this time, there has not been a sub-account or sub-portfolio established for the funds.	The Issuer provided the Verification team with an undertaking, outlining:

NUMBER	DESCRIPTION	CONCLUSION
	It is recommended that the Issuer create a separate sub-account for the specific purpose of tracking funds to be allocated to Nominated Projects to align with the requirements of the Climate Bonds Standard.	<ul style="list-style-type: none"> • That an internal request had been lodged on 29th May for the creation of a sub-account within the Faro Energy Holdings UK Ltd bank account • The account is to be for the exclusive management of proceeds from the Faro Energy Brazilian Solar Bond I • The sub-account is to be called 'Brazilian Solar Bond I' <p>Based on the above, the CAR was determined to be closed. The verification team note that at the time of pre-issuance verification, the sub-account had not yet been created.</p>

7. Appendix B – Nominated Projects and Assets

Table 3 below details the Nominated Projects for the Faro Energy Brazilian Solar Bond I. It is noted that the Issuer may identify additional solar projects to be funded by the proposed bond.

In order to maintain commercial confidentiality, the Issuer has requested that the names and CapEx values of all projects be excluded from this report.

PROJECT	LOCATION	SIZE	PRODUCTION
1	Rio de Janeiro	640 kWp	1,380 kWh/kWp/year
2	Pernambuco	469 kWp	2,090 kWh/kWp/year
3	Minas Gerais	2.6 MWp	2,150 kWh/kWp/year
4	Minas Gerais	10.3 MWp	2,115 kWh/kWp/year
5	Tocantins and Paraiba	4.5 MWp	2,170 kWh/kWp/year