

## INDEPENDENT LIMITED ASSURANCE REPORT

To: The Climate Bonds Standards Board ("CBSB") and the Management of Faro Energy Holdings UK Ltd.



### Introduction and Objectives

Bureau Veritas UK Limited (Bureau Veritas) has been engaged by Faro Energy Holdings UK Ltd. (the Issuer) to carry out pre-issuance verification of its Brazilian Solar Bond I to be issued in 2018 ("the Green Bond") in accordance with the pre-issuance requirements of "Limited Assurance" under the Climate Bonds Standard 2.1. The verification has been carried out prior to the issuance of the Green Bond.

### Assurance Scope

The scope of work performed includes verification of information on the material aspects of the Green Bond in accordance with the pre-issuance criteria of the Climate Bonds Standard 2.1, including General and Technical Eligibility requirements inclusive of the Sector Criteria for Solar version 2.1, as defined on the Climate Bonds Initiative's website.

The following areas have been included within the assessment, undertaken between 17<sup>th</sup> May and 20<sup>th</sup> June 2018:

- Selection of the "Nominated Projects and Assets"
- Internal Processes and Controls
- Reporting Prior to Issuance
- Eligible Projects and Assets

### Reporting Criteria

The Verification Criteria and Testing Procedures used were in alignment with the Climate Bonds Standard 2.1 criteria for Pre-issuance Verification and Sector Criteria for Solar version 2.1.

### Limitations and Exclusions

Excluded from the scope of our work is:

- Verification of any statements by the prospective Issuer that relate to opinions, beliefs, expectations, aims or intentions;
- Verification of the financial standing, economic performance or creditworthiness of the potential Issuer;
- Any assessment of the environmental, social or governance impact of the Nominated Projects and Assets, except to the extent required for compliance with the Climate Bonds Standard version 2.1;
- Verification or assessment of the data and information provided beyond the defined reporting boundary and period; and
- Provision of advisory services and assistance in implementing recommendations, including but not limited to development of the Issuer's Green Bond Framework.

This independent statement should not be relied upon to detect all errors, omissions or misstatements that may exist.

### Responsibility of the Issuer

It is the responsibility of the Issuer to ensure that the proceeds from the Green Bond are used solely for the purpose of implementing Eligible Projects and Assets meeting the criteria of eligibility under the Climate Bonds Standard 2.1, as per the scope of work of the Verification Engagement.

The Issuer is fully responsible for attesting the compliance with its commitments as defined in its policies and processes, for their implementation and monitoring, and for the information provided.

### **Responsibility of the Verifier**

The responsibility of Bureau Veritas is to provide external and independent assurance on the compliance of the Issuer's 2018 first Green Bond with the Climate Bonds Standard version 2.1 requirements and Sector Criteria for Solar version 2.1

The intent of this report is to inform the Issuer of the compliance of the Green Bond in accordance with the Pre-issuance criteria of the Climate Bonds Standard 2.1.

### **Assurance Approach**

We performed our work 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.

### **Summary of activities**

The activities undertaken by Bureau Veritas as part of the independent assurance included:

- Planning and management of the verification
- Creation and execution of a Climate Bond Standard Protocol, adapted to include the Sector-specific Technical Criteria for the bond Nominated Projects and Assets
- Remote interviews with the Issuer on 17<sup>th</sup> May 2018 and 1<sup>st</sup> June 2018
- Desk-based research of the Bond and associated documentation provided by the Issuer
- Assessment of evidence provided by the Issuer against the requirements of the Climate Bonds Standard version 2.1 and Sector-specific Criteria for Solar version 2.1
- Closure of clarification and corrective action requests arising throughout the course of the verification
- Internal quality control of the assurance report and conclusions
- Provision of detailed findings to the Issuer's management
- Provision of Bureau Veritas' assurance report

### **Conclusion**

On the basis of our methodology and the activities described above, nothing has come to our attention that causes us to believe that, in all material respects, that the Issuer's bond issuance process in relation to its 2018 Green Bond is not in conformance with the Climate Bonds Standard Pre-issuance Requirements.

### **Statement of Independence, Integrity and Competence**

Bureau Veritas is an independent professional services company that specialises in quality, environmental, health, safety and social accountability with over 185 years history. Its assurance team has extensive experience in conducting verification over environmental, social, ethical and health and safety information, systems and processes.

Bureau Veritas operates a certified<sup>1</sup> Quality Management System which complies with the requirements of ISO 9001:2008, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with

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<sup>1</sup> Certificate of Registration FS 34143 issued by BSI Assurance UK Limited

ethical requirements, professional standards and applicable legal and regulatory requirements.

Bureau Veritas has implemented and applies a Code of Ethics, which meets the requirements of the International Federation of Inspections Agencies (IFIA)<sup>2</sup> across the business to ensure that its employees maintain integrity, objectivity, professional competence and due care, confidentiality, professional behaviour and high ethical standards in their day-to-day business activities.

To the best of our knowledge, neither Bureau Veritas nor any member of the Verification Team is involved to any extent in the issuance or management this or any other Green Bond. The Verification Team have applied internal procedures to confirm that no conflicts of interest exist for this assurance engagement.



**Lina Hilwani**

**Sustainability Services Manager**

**London**

**20/06/2018**



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<sup>2</sup> International Federation of Inspection Agencies – Compliance Code – Third Edition

## Appendix A: List of bond disclosure documentation provided to the Verifier

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

## Appendix B: List of Nominated Projects and Assets

The below table details the Nominated Projects for the Faro Energy Brazilian Solar Bond I at this time of issuance of this Statement. It is noted that the Issuer may identify additional solar projects to be funded by the proposed bond.

PROJECT	LOCATION	SIZE	PRODUCTION
1	Rio de Janiero	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 Paraiba and	4.5 MWp	2,170 kWh/kWp/year