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Second Party Opinion

re.green's Sustainable And Biodiversity Bonds Framework

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Location: Brazil	**Sector:** Environmental services

Alignment Summary

Aligned = ✓   Conceptually aligned = O   Not aligned = ✗

- ✓ Social Bond Principles, ICMA, 2023
- ✓ Social Loan Principles, LMA/LSTA/APLMA, 2023
- ✓ Green Bond Principles, ICMA, 2021 (with June 2022 Appendix 1)
- ✓ Green Loan Principles, LMA/LSTA/APLMA, 2023
- ✓ Sustainability Bond Guidelines ICMA, 2021

See Alignment Assessment for more detail.

Strengths

re.green's Framework adheres to the IFC's Biodiversity Finance Reference Guidelines. The use of the guidelines reinforces market transparency for the use of proceeds toward biodiversity financing.

Strong selection process for biodiversity restoration. re.green's proprietary model involves spatial analysis to identify degraded lands and artificial intelligence to select projects based on their regeneration potential.

The biodiversity restoration conducted by re.green has climate, nature, and social benefits. The company aims to restore 1 million hectares of degraded land, while conserving biodiversity and empowering local communities.

Eligible social projects are tailored to address the needs of communities near the restoration projects. Through a structured and active stakeholder engagement approach, re.green identifies local socioeconomic nuances and incorporates them into the design of social projects, aligning with local development, community empowerment, and forest resilience.

Weaknesses

Eligible green projects could include expenditures that can depend on fossil-fuel powered transportation or equipment. This includes spending related to the transportation native trees produced at re.green's nursery to the project location. Also, fossil-fueled machinery necessary for transforming the degraded land into restored areas.

Areas to watch

The use of restored areas for agriculture. The Dark green shade assigned to re.green's projects is based on the assumption that there is no cultivation done in restored areas. In our view, the commercial agricultural use of restored areas limits the overall biodiversity benefits of the restoration.

Regulated carbon markets in Brazil. re.green currently registers the carbon dioxide removals from its biodiversity restoration projects in the voluntary carbon market through Verra. re.green could register projects under the country's regulated market once it starts operating.

Shades of Green Projects Assessment Summary

During the three years following the issuance of the financing, re.green expects to allocate 83% of the proceeds to the environmentally sustainable management of living natural resources and land use category, and the remaining 17% to socioeconomic advancement and empowerment.

The issuer expects that all proceeds will be directed to finance actual and expected projects. No refinancing.

Environmentally sustainable management of living natural resources and land use	■ Dark green
Investments related to the acquisition, lease or agricultural partnership of degraded lands, aiming at their forest restoration (reforestation) with native species.	
Investments related to the conservation and production of seeds and seedlings of native plants.	
Investments in the implementation of forest restoration in the field.	
Investment in certification and monitoring of the environmental aspects of the projects.	
Investment in research and development of restoration techniques, analysis software, and monitoring methods.	

See Analysis Of Eligible Projects for more detail.

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Issuer Sustainability Context

This section provides an analysis of the issuer's sustainability management and the embeddedness of the financing framework within its overall strategy.

Company Description

Brazil-based re.green Participações S.A. (re.green), founded in 2022, is an environmental services company committed to large-scale tropical forest restoration, with a focus on Brazil's Amazon and Atlantic forests. The company aims to restore 1 million hectares of degraded land and capture 15 million tons of carbon annually, while conserving biodiversity and empowering local communities.

Material Sustainability Factors

Biodiversity And Resource Use

Forests provide a wide range of benefits, including carbon sequestration, water filtration and storage, pollution capture, soil quality, and habitat for biodiversity. Various stakeholders are engaged in ensuring land, water, and wildlife conservation and several regulatory bodies have mandated the setting aside of land to protect biodiversity. Sustainable practices appear to be followed in most developed markets and by large industry players even in emerging markets. As a result of deforestation and climate change, the southeastern part of the Amazon rainforest is approaching an earth system tipping point (Gatti et al., 2021)—maximum level up to which the rainforest can still self-repair and continue serving its climate (carbon sink), water and overall ecological functions. Once degradation goes beyond its tipping point, the system may never be able to recover, and the biosphere is permanently destroyed. In the Atlantic Forest, 24% of the originally existing forest remains, with only 12.4% being mature and well-preserved forests (SOS Mata Atlântica). The Atlantic Forest, especially in the southern part of the state of Bahia, is considered a region of extreme biological importance (designated as a megadiverse region, according to Magioli et al., 2021 and other scholars). The degradation of the biome is mainly due to its conversion for agriculture and the establishment of urban centers, as 72% of the Brazilian population now lives in urban centers located within the biome (SOS Mata Atlântica).

Physical Climate Risk

Physical climate risks such as wildfires and droughts, as well as greater prevalence of pests and diseases associated with a warming world, are highly relevant to forestry companies. These will continue to affect stakeholders as climate change results in more extreme, and often unpredictable, weather patterns. Forest companies around the world contend with wildfires every year.

Climate Transition Risk

Forested areas could be increasingly protected in the future, as a major store of carbon, potentially restricting areas that can be used for forest products. The forest sector can provide a range of climate mitigation options, including carbon storage in forests and soils, harvested wood products, and wood-based products replacing fossil-based ones, particularly biofuels.

Impact on Communities

Companies engaged in forestry activities are often a large employer in local communities and support local economies and tax base. At the same time, the proximity of their assets to usually small or rural communities can have adversely effects. Concerns include air and water pollution, as well as odor and noise. Therefore, these entities can face opposition from local communities. In particular, land-use disagreements with local and indigenous populations can delay production, disrupt operations, or cause reputational issues. The restoration activity of re.green is different from commercial forestry activities. Therefore, the frequency and magnitude of potential impacts on communities from re.green's activities may be much more subtle.

Workforce health and safety

Workers in both timber harvesting and processing of forest products face potential for significant bodily injury and exposure to hazardous materials. The agriculture, forestry, and fishing sector, for instance, had the fourth highest rate of fatal incidents at work in 2020, according to Eurostat. Companies in most developed markets have adopted low- to zero-tolerance for failing to abide by safety requirements, which can limit both litigation and operating disruption risks. In markets with less stringent legal requirements or enforcement capacities and with growing scrutiny of safety practices by stakeholders, legal and reputational risks may increase over time.

Issuer And Context Analysis

The Framework's project categories--sustainable management of living natural resources and land use category and socioeconomic advancement and empowerment—aim to address re.green's most material sustainability factors. The company aims to issue sustainable or biodiversity focused debt or financing instruments, such as guarantee lines (contingent lines of credit granted by a bank originated under lending policies; see more details under the Alignment Assessment). The instruments will finance the expansion of the company's biodiversity restoration business (fully covered by the Framework). In our view, the biodiversity restoration conducted by re.green has climate, nature, and social benefits. The company expects to borrow from the Brazilian National Development Bank's (BNDES) Fundo Clima to finance green projects listed in the Framework.

re.green follows a scientific approach to its forestry and biodiversity restoration core business. The identification and selection of potential areas for the allocation of restoration projects are carried out by an automated analytical model that combines a series of environmental, climatic, and economic variables. The model was developed by researchers from re.green, based on scientific research such as Strassburg et al., 2020. The model involves spatial analysis to identify degraded lands and collect data on ecological aspects including forest phytophysiognomy, presence and proximity to forest patches, soil type, water conditions, and climate risks. The model then uses artificial intelligence to rank these variables and select land patches with the highest natural regeneration potential (and therefore highest biodiversity benefits). The company then uses the same model to monitor biodiversity improvements of the selected projects.

re.green's biodiversity restoration model considers the physical climate risk. Furthermore, the seedlings selected by re.green for restoration incorporate the project location's exposure to physical climate risks. For example, in Eunápolis, Bahia, where the company operates 344 hectares, with 100% of the area already in restoration process, the selection of seedlings was made in accordance with local climate conditions. The local restoration technical team of re.green conducts systematic inspections of the survival rate of seedlings in all projects to assess the need for corrective interventions that ensure the success of the restoration. That said, the company has yet to integrate an ongoing physical climate risk scenario analysis into its project monitoring.

re.green currently registers the carbon dioxide removals from its restoration projects in voluntary carbon market through Verra (the global carbon credit certifier). The first carbon credit commercialization is expected for 2026, although the crediting period (carbon removal) began in 2022. The estimated sequestration totals 1.5 million tons of CO_2. The methodology used by the issuer for the verification is "Afforestation and reforestation of lands except wetlands" (AR-ACM0003 under the UNFCCC Clean Development Mechanism registry). re.green could negotiate its credits in the voluntary maket, in line with current market practices or opt to enter the regulated carbon market through the Brazilian Greenhouse Gas Emissions Trading System (SBCE; the cap-and-trade model), once the latter starts operating.

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re.green's stakeholder engagement approach generates significant positive social impacts for neighboring communities. Grounded in the Theory of Change, re.green's strategy focuses on understanding the local context and specific needs through active listening, and socioeconomic research of key stakeholders, including indigenous and traditional communities when applicable. These initial efforts establish open, ongoing dialogue with communities and support the development of initiatives that integrate them into bioeconomy value chains, fostering knowledge exchange and opportunities for income generation and diversification. Moreover, re.green has digital systems, independent assessments, and dedicated governance structures to monitor the impacts on local communities, enhancing the company's social license to operate.

re.green's restoration activities utilize both direct staff and an outsourced workforce. The company has established safeguards to ensure compliance with labor regulations and health and safety practices, such as regular training and structured oversight. For outsourced activities, re.green conducts thorough due diligence to verify suppliers' compliance with regulations and their history of work-related incidents. Additionally, a dedicated department frequently monitors outsourced activities, establishing action plans and assessing potential risks associated with contracts.

Alignment Assessment

This section provides an analysis of the framework's alignment to the Social and Green Bond/Loan principles and the Sustainability Bond Guidelines.

Alignment Summary

Aligned = ✔   Conceptually aligned = O   Not aligned = ✘

✔ Social Bond Principles, ICMA, 2023

✔ Social Loan Principles, LMA/LSTA/APLMA, 2023

✔ Green Bond Principles, ICMA, 2021 (with June 2022 Appendix 1)

✔ Green Loan Principles, LMA/LSTA/APLMA, 2023

✔ Sustainability Bond Guidelines ICMA, 2021

✔ Use of proceeds

We assess the Framework's green project category as having a green shade and consider the social project category to be aligned with the Principles. Furthermore, we view the Framework adhering to the IFC Biodiversity Guidelines, 2023. The issuer commits to allocate the net proceeds issued under the Framework exclusively to eligible green and social projects. If there is a guarantee or collateral characterized as a sustainable and biodiversity financing instrument, the loan or financing for the same Eligible Project cannot be characterized as a sustainable and biodiversity financing instrument unless the Eligible Project requires investments in an amount greater than the resources mobilized by each of the instruments. Please refer to the Analysis of Eligible Projects section for more information on our analysis of the environmental and social benefits of the expected use of proceeds. The company will disclose the proportion of financing versus refinancing in its allocation reporting. The look-back period is 24 months. Full allocation must occur within 36 months from issuances made under the framework.

✔ Process for project evaluation and selection

re.green's financial director and sustainability teams will be responsible for the projects' evaluation before their approval by the board of directors. The company has processes to identify and manage environmental and social risks related to eligible projects. In practice, it has socio-environmental compliance policies, according to the characteristics and applicability of each

project. The Framework excludes projects that interfere with conservation units or archaeological sites located on indigenous lands.

✓ Management of proceeds

The Framework outlines that the net proceeds will be monitored by the company's Finance Department, which will keep a record of assigned eligible assets. All bond proceeds will be allocated within a three-year period from the issuance date. The company commits to replacing projects, which cease to comply with the Framework's eligibility criteria as soon as practicable. Pending allocation, the net proceeds will be held in cash or other highly liquid and low-risk instruments like time deposit and treasury bonds, in accordance with the company's Treasury policy.

✓ Reporting

re.green commits to report annually on the allocation of the net proceeds and on the financed project's impact, until full allocation of the net proceeds and in case of material developments. Reporting will be available on the company's website. Allocation reporting will include the total amount of instruments outstanding, a brief description of the projects and the breakdown of allocation of net proceeds by eligible category. The company will also report on the actual impact of the financed projects and will use the International Capital Markets Association's (ICMA's) Harmonized Framework for Impact Reporting. It is favorable that the company commits to receiving an external limited assurance verification on the allocation and impact reporting until full allocation.

Analysis Of Eligible Projects

This section provides details of our analysis of eligible projects, based on their environmental benefits and risks, using the "Analytical Approach: Shades Of Green Assessments," as well as our analysis of eligible projects considered to have clear social benefits and to address or mitigate a key social issue.

Green project categories

Environmentally Sustainable Management Of Living Natural Resources And Land Use

Assessment

■ Dark green

Description

- Investments related to the acquisition, lease or agricultural partnership of degraded lands aiming at their forest restoration (reforestation) with native species.
- Investments related to the conservation and production of seeds and seedlings of native plants.
- Investments in the implementation of forest restoration in the field.
- Investment in certification and monitoring of the environmental aspects of the projects.
- Investment in research and development of restoration techniques, analysis software and monitoring methods

Analytical considerations

- Healthy ecosystems and biodiversity are an important part of a low-carbon, climate-resilient future, providing natural resources, water and soil management, and pollination services. Protecting or restoring biodiversity also often creates climate co-benefits, such as carbon sequestration or adaptation solutions. Well-designed projects can reduce threats such as unsustainable resource extraction, climate change risks, land use change, pollution, and invasive species.

- We assign a Dark green for re.green's biodiversity restoration category. The company expects to finance capital expenditures related to the implementation of its projects – from research and development to the acquisition of farms and seedlings, to operational expenditures with technical teams conducting the restoration. The overall Dark green shade reflects our view that financed projects have (or will have) robust project design considerations to support the restoration of existing species and ecosystems and verified carbon sequestration co-benefits. In addition, almost all restored land will be, or is, dedicated for biodiversity conservation.

- Using a proprietary model based on scientific research, re.green has a strong project selection process of eligible restoration areas. The company uses a systemic conservation planning (SCP) approach. The SCP approach selects degraded land areas that maximize biodiversity gains through the enhancement of habitats for species and functional connectivity of the landscape. It considers multiple criteria—the needs of different plants and animals, their habitats, and how they connect with each other in the landscape. re.green uses or will exclusively use native tree species to implement the restoration.

- The CO_2 removal occurs via plant photosynthesis: re.green has different restoration strategies, which include planting in total area, partial area planting, species enrichment, assisted restoration, among other that support biological sequestration. In the absence of the project, the areas where re.green's projects are located would likely remain dominated by low-carbon stock land uses. They could also continue to be occupied by non-native species from traditional monocrop agriculture or cattle farming. The issuer does not expect that financed projects will be used for commercial agriculture activities over the next couple of years, until the full restoration and carbon sequestration is complete.

- re.green shows robust stakeholder (social impacts) management governance in all its restoration projects.

- re.green considers physical climate risks in the selection of its projects. The resilience of the project is supported by the seedling selection and water use practices. This is relevant, as certain projects could be subject to extended drought periods. That said, the company has yet to integrate the ongoing physical climate risk scenario analysis into its project monitoring.

- The project category can depend on fossil-fuel powered transportation or equipment. This includes spending related to the transportation native trees produced at re.green's nursery to the project location. Also, fossil fueled machinery necessary for transforming the degraded land into restored areas.

S&P Global Ratings' Shades of Green

Assessments

Dark green	Medium green	Light green	Yellow	Orange	Red

Description

| Activities that correspond to the long-term vision of an LCCR future. | Activities that represent significant steps toward an LCCR future but will require further improvements to be long-term LCCR solutions. | Activities representing transition steps in the near-term that avoid emissions lock-in but do not represent long-term LCCR solutions. | Activities that do not have a material impact on the transition to an LCCR future, or, Activities that have some potential inconsistency with the transition to an LCCR future, albeit tempered by existing transition measures. | Activities that are not currently consistent with the transition to an LCCR future. These include activities with moderate potential for emissions lock-in and risk of stranded assets. | Activities that are inconsistent with, and likely to impede, the transition required to achieve the long-term LCCR future. These activities have the highest emissions intensity, with the most potential for emissions lock-in and risk of stranded assets. |

Example projects

Solar power plants	Energy efficient buildings	Hybrid road vehicles	Health care services	Conventional steel production	New oil exploration

Note: For us to consider use of proceeds aligned with ICMA Principles for a green project, we require project categories directly funded by the financing to be assigned one of the three green Shades. LCCR--Low-carbon climate resilient. An LCCR future is a future aligned with the Paris Agreement; where the global average temperature increase is held below 2 degrees Celsius (2 C), with efforts to limit it to 1.5 C, above pre-industrial levels, while building resilience to the adverse impact of climate change and achieving sustainable outcomes across both climate and non-climate environmental objectives. Long term and near term--For the purpose of this analysis, we consider the long term to be beyond the middle of the 21st century and the near term to be within the next decade. Emissions lock-in--Where an activity delays or prevents the transition to low-carbon alternatives by perpetuating assets or processes (often fossil fuel use and its corresponding greenhouse gas emissions) that are not aligned with, or cannot adapt to, an LCCR future. Stranded assets--Assets that have suffered from unanticipated or premature write-downs, devaluations, or conversion to liabilities (as defined by the University of Oxford).

Social project categories

Socioeconomic Advancement And Empowerment

Financing and/or refinancing of costs and investments related to:

- Investment in the development of local nurseries.

- Investment in operational processes to reduce risk.

- Support for social projects in the surrounding areas of restoration projects

- Investment in the training of local labor.

- Investments in actions for the economic and social development of surrounding communities.
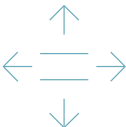
Analytical considerations

- In Brazil, areas most in need of forest restoration solutions also face significant socioeconomic vulnerability. Active forest restoration can create 0.42 jobs per hectare, potentially generating 1 to 2.5 million direct jobs to support the country's Paris Agreement commitments, primarily in rural regions, according to The Nature Conservancy. Additionally, restoration efforts offer co-benefits like income diversification and technological advancement, while also helping mitigate climate change impacts on vulnerable populations. The projects focused on socioeconomic advancement and empowerment through restoration can bridge social gaps and transform affected communities into vital contributors to ongoing restoration efforts.

- re.green's business approach emphasizes continuous engagement with neighboring communities. Its Framework supports eligible social projects that leverage re.green's restoration activities to foster local socioeconomic development. The company aims to generate positive externalities by creating local jobs and purchasing seeds and seedlings from local suppliers, enhancing the economic wellbeing of communities, providing training to the local workforce, and strengthening socio-biodiversity value chains.

- In connection to its restoration initiatives, the company can implement social projects across diverse regions, each with unique characteristics. The definition of a 20-kilometer buffer zone enables the company to effectively map key stakeholders within its areas of influence, including rural settlements, indigenous lands, and archaeological sites. Moreover, both qualitative and quantitative local research are carried out to characterize the region's socioeconomic profile and ongoing institutional arrangements. Consequently, the selection of the target population is tailored to address local issues, while following a systematic and holistic approach.

- We view positively re.green's clear track record in implementing projects with measurable social outcomes. For example, it has supported the formalization and capacity building of women-led agroecological associations in the Amazon region, significantly improving their income levels. We believe that re.green's focus on generating lasting impact through long-term engagement with local communities and robust monitoring of local development plans enhances its implementation capacity and social license to operate. Additionally, the company has a well-structured stakeholder governance Framework that includes independent assessments of social impacts and a dedicated local dialogue and impact team.

- The establishment of communication channels to actively listen to local needs, as well as grievance mechanisms, supports the mitigation of potential negative impacts on neighboring communities. In addition, if a project is near traditional communities, re.green ensures Free, Prior, and Informed Consultation is held, which helps mitigate social risk, such as opposition or conflicts.

- Given that eligible social projects can include the establishment of direct and/or indirect labor relations, re.green has mechanisms in place to ensure compliance with labor conventions and regulations. For outsourced staff, although re.green does not directly manage workforce practices, it has implemented due diligence mechanisms to identify controversies and non-conformities, as well as training initiatives to prevent social risk. We believe these established safeguards are sufficiently robust to prevent key labor-related concerns, such as health and safety risks.

Mapping To The U.N.'s Sustainable Development Goals

Where the financing documentation references the Sustainable Development Goals (SDGs), we consider which SDGs it contributes to. We compare the activities funded by the financing to the ICMA SDG mapping and outline the intended linkages within our SPO analysis. Our assessment of SDG mapping does not affect our alignment opinion.

This framework intends to contribute to the following SDGs:

Use of proceeds	SDGs	
Environmentally sustainable management of living natural resources and land use	**13. Climate action**	**15. Life on land***
Socioeconomic Advancement and Empowerment	**8. Decent work and economic growth***	**10. Reduced inequalities***

*The eligible project categories link to these SDGs in the ICMA mapping.

Related Research

- [Analytical Approach: Second Party Opinions](#), March 6, 2025

- [FAQ: Applying Our Integrated Analytical Approach For Second Party Opinions](#), March 6, 2025

- [Analytical Approach: Shades Of Green Assessments](#), July 27, 2023

- [Analytical Approach: EU Taxonomy Assessment](#), Oct. 31, 2024

- [Analytical Approach: European Green Bond External Reviews](#), Oct. 31, 2024

- [FAQ: Applying Our Analytical Approach For European Green Bond External Reviews](#), Oct. 31, 2024

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