

Suzano Papel e Celulose

Type of Engagement: Annual Review

Date: April 5, 2018

Engagement Leader: Ankita Shukla, ankita.shukla@sustainalytics.com, +1-607-613-3329

Introduction

In November 2016, Suzano Papel e Celulose (Suzano) raised funds through the first issuance of green bonds on the Brazilian market. This operation involved agribusiness receivables certificates (CRA) issued by Eco Securitizadora de Direitos Creditórios do Agronegócio S.A. in the amount of R\$1 billion issued exclusively for the sustainable management of certified forests or preparing for the certification. In January 2018, Suzano engaged Sustainalytics to review the projects funded through the issued green bonds, and provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the Suzano Green CRA Framework.

Evaluation Criteria

Sustainalytics evaluated the projects funded in 2015, 2016 and 2017 based on whether:

1. Proceeds were allocated to projects that met the Use of Proceeds and Eligibility Criteria outlined in the Suzano Green CRA Framework; and
2. Projects financed reported on the Key Performance Indicators (KPIs) for the Use of Proceeds criteria outlined in the Green CRA Framework.

The table below lists the framework's Use of Proceed and Key Performance Indicators.

Table 1: Use of Proceeds and KPIs

Theme	Use of Proceed Criteria	KPI
Sustainable Forestry	Capital expenditure on sustainable forest management, both (i) for the upkeep of certified areas and (ii) for the expansion of the certified forest base (areas not yet certified, but being prepared for certification) that meet national and international standards such as the FSC® (Forest Stewardship Council), and Cerflor (PEFC) or equivalent certification.	Volume from own and third-party forests (m ³)
		% of total volume of timber supplied to the plant (m ³)
		Current own and third-party certified area (thousand ha and % of total area)
		Area certified in the period (thousand ha and % of total area)
		Area being prepared for certification during the year (thousand ha and % of total area)

Issuing Entity's Responsibility

Suzano is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of Suzano's Green CRA Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from Suzano employees and review of documentation to confirm the conformance with the Suzano Green CRA Framework.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the review.

Conclusion

Based on the limited assurance procedures conducted¹, nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the allocation of 987,500,000 BRL from Suzano's Green CRA proceeds, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Suzano Green CRA Framework. Suzano has disclosed to Sustainalytics that the proceeds of the Green CRA were fully allocated as of December 31st, 2017.

Detailed Findings

Table 2: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded by the Green bond in 2015, 2016, and 2017 to determine if projects aligned with the Use of Proceeds Criteria outlined in the Green CRA Framework and above in Table 1.	The projects financed complied with the Use of Proceeds criteria.	None
Reporting Criteria	Verification of the project funded by the Green CRA in 2015, 2016, and 2017 to determine if impact of projects was reported in line with the KPIs outlined in the Green CRA Framework and above in Table 1.	The projects reviewed reported on all applicable KPIs.	None

¹ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Disclaimer

© Sustainalytics 2018. All rights reserved. No part of this second party opinion (the “Opinion”) may be reproduced, transmitted or published in any form or by any means without the prior written permission of Sustainalytics.

The Opinion was drawn up with the aim to explain why the analyzed bond is considered sustainable and responsible. Consequently, this Opinion is for information purposes only and Sustainalytics will not accept any form of liability for the substance of the opinion and/or any liability for damage arising from the use of this Opinion and/or the information provided in it.

As the Opinion is based on information made available by the client, Sustainalytics does not warrant that the information presented in this Opinion is complete, accurate or up to date.

Nothing contained in this Opinion shall be construed as to make a representation or warranty, express or implied, regarding the advisability to invest in or include companies in investable universes and/or portfolios. Furthermore, this Opinion shall in no event be interpreted and construed as an assessment of the economic performance and credit worthiness of the bond, nor to have focused on the effective allocation of the funds’ use of proceeds.

The client is fully responsible for certifying and ensuring its commitments` compliance, implementation and monitoring.

Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that support investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world's leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization, and supports various stakeholders in the development and verification of their frameworks. Global Capital named Sustainalytics the "Most Impressive Second Party Opinion Provider in 2017". In 2018, the firm was recognized as the "Largest External Reviewer" by the Climate Bonds Initiative as well as Environmental Finance. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan for its contribution to the growth of the Japanese Green Bond Market.

For more information, visit www.sustainalytics.com

Or contact us info@sustainalytics.com

