

BDO Zone Community Quick Start Guide

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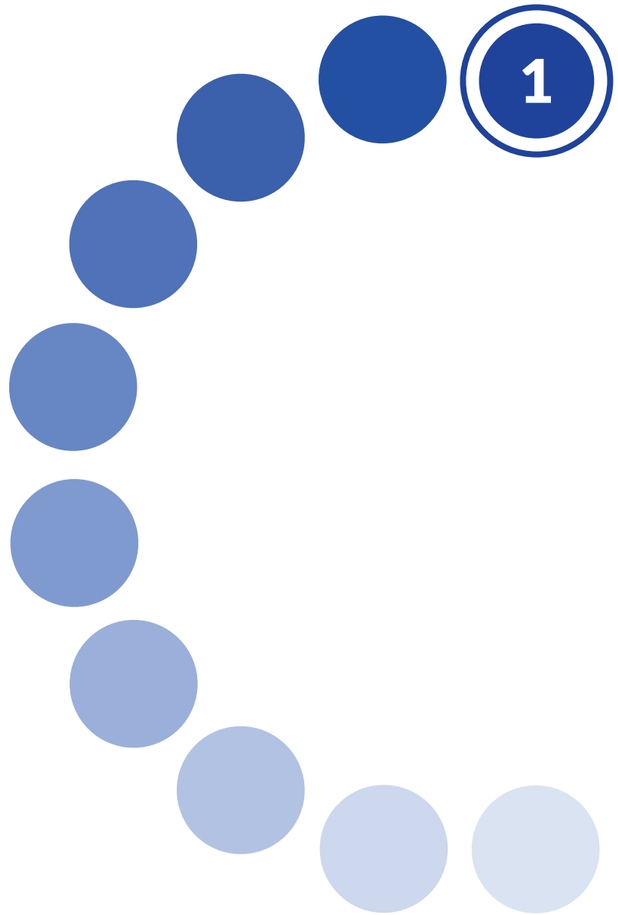
What is the BDO Zone Rating process, and how does it work?

Overview: The rating process consists of two phases: Analysis and Promotion.

The **Rating Analysis Phase** typically takes four to sixteen weeks, but it may vary based on the level of complexity. It includes risk analysis of up to 100 biomass supply chain and infrastructure risk indicators in the zone based on internationally recognized national standards. The rating score is assigned, issued, and published as part of this phase.

The Ratings Analysis work is followed by a 12-36 month **Ratings Promotion Phase** to support and promote the BDO Zone rating worldwide and drive new bio-based development to the issuer.

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Step 1:

Initiating the BDO Zone Ratings Process

The process for obtaining a BDO Zone rating typically starts when an economic development body, community leader, or local government reaches out to the *BDO Zone Initiative* or an accredited BDO Zone rating agency like *Ecostrat Inc.* to request a BDO Zone rating.

To initiate the ratings process, your organization **signs an engagement letter** which includes confidentiality provisions.

We then **assign a ratings director and primary and secondary analysts** based on the biomass category you are getting rated for and your geographic area. Our analysts have a wide range of backgrounds and extensive experience in understanding and quantifying biomass supply chain and infrastructure risk.

- All discussions regarding rating fees and commercial matters will be handled exclusively by the BDO Zone Initiative Business Development team.
- Any reference to the commercial aspect of the BDO Zone rating is not permitted during any analytical discussion with issuers.

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Step 2:

Forming the Independent Ratings Review Committee (IRC)

We will collaborate with you to form an **Independent Rating Review Committee (IRC)** comprised of 10 to 15 local stakeholders. This committee provides governance and support for the rating issuance. To issue a BDO Zone rating, it requires a vote of 2/3 of the IRC members.

IRC participants act as either "**mechanics**" or "**megaphones**". IRC mechanics typically have a broad range of subject matter expertise, including agriculture, forestry, economic development, and government. They can also be industry leaders who can assist in getting new plants built. IRC megaphones are selected for their ability to promote and provide recognition of the rating after issuance. IRC Participants do not need to have any expertise in biomass supply chain risk but often several do.

The ratings issuer typically suggests potential IRC members, and your rating team will reach out to solicit their participation. Participation in the IRC is not time-consuming and typically involves two to three one-hour meetings during the rating analysis phase.

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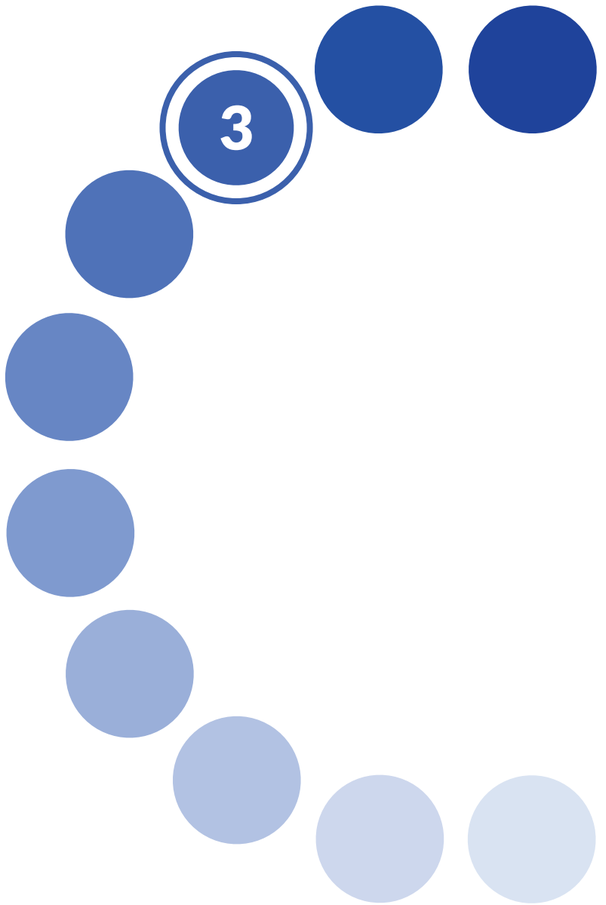
Step 3:

Collecting Information

Information relevant to the BDO Zone's biomass supply chain and infrastructure is collected based on both quantitative and qualitative publicly available information and point-in-time, granular, on-the-ground feedback from stakeholders such as farmers, foresters, factories, equipment suppliers, feedstock processors, logistics companies, and competitors. Your rating team will also consider any other information deemed relevant for the rating analysis.

The rating analysis will be based on a thorough review of information that is known to be relevant to the analysis and the rating decision in accordance with the applicable criteria.

During the typical 1 to 2-month rating period, several teleconference meetings will be held to discuss matters and provide you with updates as the rating progresses.



Step 4:

In-Depth Analysis

Your rating team will then perform an in-depth analysis of the BDO Zone's infrastructure assets and supply chain attributes, culminating in an internal ratings committee meeting where they will decide on the appropriate rating to be assigned.

- The BDO Zone ratings scale ranges from the strongest indication of "AAA" indicating very strong capacity of supply chain infrastructure to support biobased development, to the weakest indication of "CC" indicating a very strong likelihood of biomass feedstock supply chain or infrastructure ("FS&I") failure.
- The **modifiers** "pluses" or "minuses" may be appended to a rating to denote relative status within major rating categories.
- "**Outlooks**" are assigned to ratings indicating the potential for change in the rating over a 5-year period, and can be stable, positive or negative.

Step 4:

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The analysis will be carried out within the framework of US and Canadian accredited *National Standards for Biomass Supply Chain Risk*. The analysis required includes a complete application of rating criteria and methodologies, including but not limited to:

- Quantitative and qualitative analysis performed in line with criteria
- Calculation of Biomass Availability Multiple (BAM) against rated feedstock quantity
- Placement of rated feedstock cost on cost curve (quantity over delivered price)
- Assessment of current and prospective competition for feedstock
- Sensitivity to binary or “existential” risk factors
- Assessment of key rating drivers according to applicable criteria.

Your rating team will consider relevant quantitative and qualitative factors, carefully score specific risk factors and indicators, and aggregate those scores into a composite rating for each risk category. Scoring is based upon assessed likelihood and impact for each risk indicator.

Analysts may then notch specific risk indicators within acceptable ranges **to arrive at the BDO Zone rating** that most appropriately reflects both the current and prospective ability of your BDO Zone to support and optimize new biobased plant development.

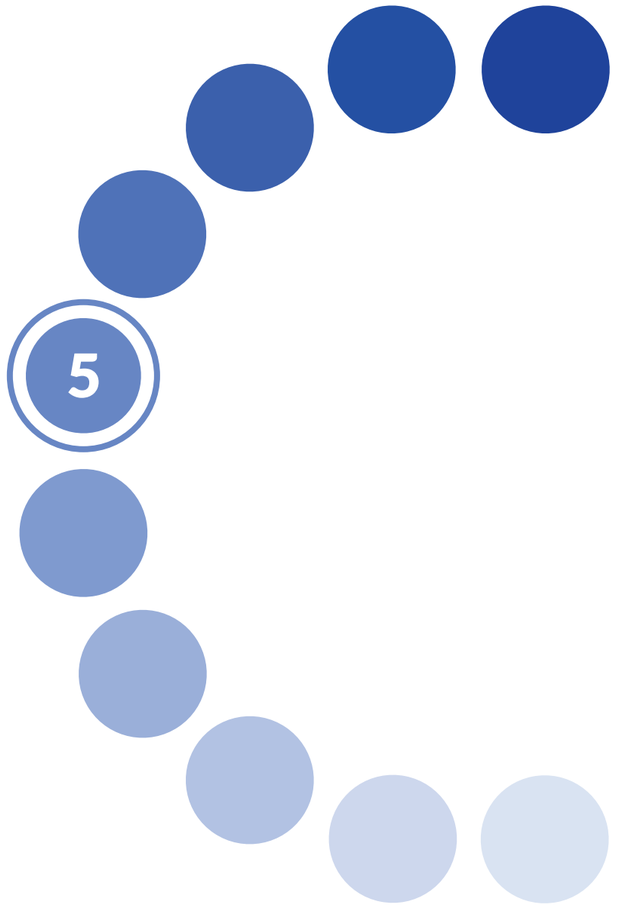
Step 5:

Draft BDO Zone Rating Report

Once the information has been collected and the analysis and scoring are complete, your ratings team will form a rating recommendation and document their analysis and rationale in a draft BDO Zone rating report.

The BDO Zone rating report must contain sufficient content, consistent with the methodology and criteria that apply to the analysis to provide a solid basis for the recommended rating. The package must include a summary of key rating drivers, a discussion of criteria variations (if any), and details of reasonable investigation, among other minimum content.

Your ratings team will discuss the rating outcome with you before presenting it to the IRC for approval and public issue.



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Step 6:

Issue BDO Zone Rating

BDO Zone ratings are reviewed by the IRC before approval and issue.

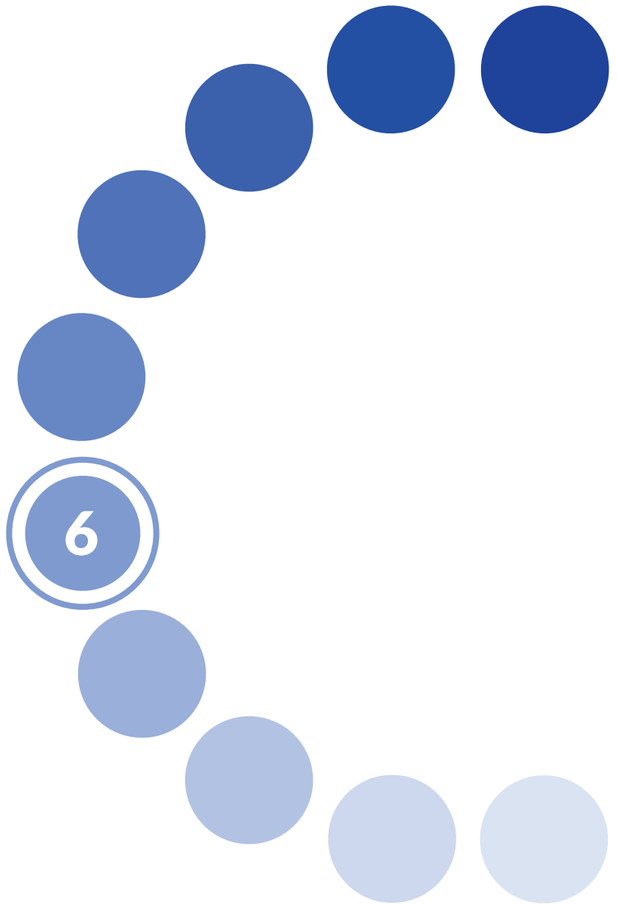
- When communicating the rating to the IRC, the rating action and the principal grounds on which the rating is based must be explained. This is usually done by teleconference.
- Your rating director will provide the IRC with the opportunity to review the draft rating and all scoring to allow IRC members to check for factual accuracy. Your rating team will evaluate and incorporate IRC feedback while retaining full editorial control over rating scoring and commentary.

After review, the IRC votes to approve the issue of the rating, with a 2/3 majority required.

- Members of the IRC may challenge or request clarification on the underpinning analysis or scoring of any risk factor or risk indicator.

Immediately upon issue, your BDO Zone rating will be published on *www.bdozone.org*.

This marks the end of the Analysis Phase of the ratings process.



Step 7:

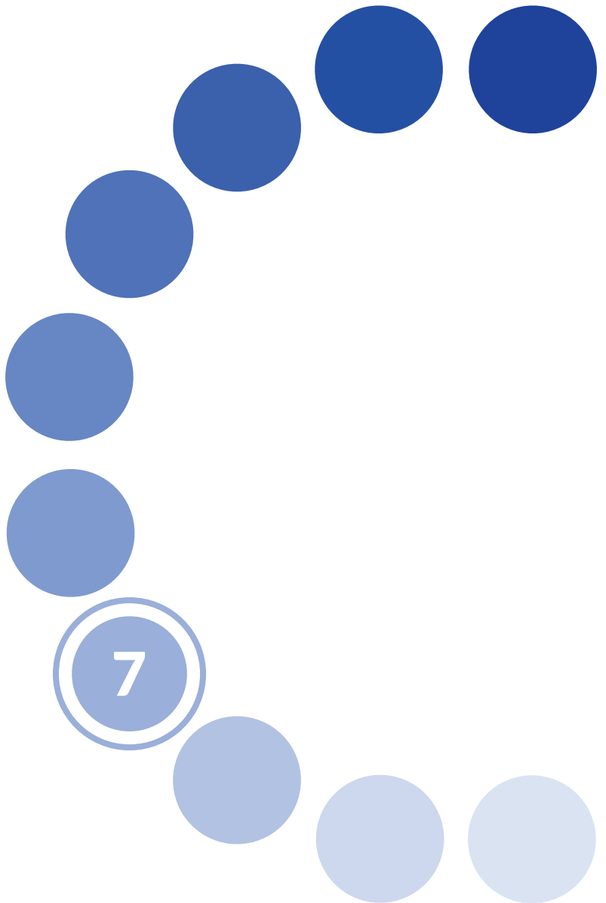
Appointment of BDO Zone Ratings Coordinator and Local Development Leader

We will assign a BDO Zone Ratings Coordinator (RC) to provide support and coordination during the Promotion Phase of the ratings process for the next one to three years.

- Your RC will work with you to promote and support your BDO Zone rating, assisting you to achieve **rapid scale up of your project lead pipeline and fast progression to substantive development discussions** with the right companies.

You will appoint a BDO Zone Local Development Leader (LDL) to serve as the point of contact for all inbound inquiries related to the rating.

- The LDL will actively quarterback and support project development resulting from the promotion of your rating.



Step 8:

Connect with BDO Zone Investment Coalition and Strategic Alliance Partners

Your RC will provide you with access to the members of the **BDO Zone Investment Coalition**.

- The *BDO Zone Investment Coalition* is a group of over 15 leading biobased investors, capital markets, and associations. In April 2021 they collectively announced $1 billion for deployment into biobased investment in BDO Zones to finance new plants that produce alternative ground and sustainable aviation fuels, renewable chemicals, bioenergy, and biogas.
- Members include Goldman ***Sachs, Citibank, Live Oak Bank, and MunichRE***.

Your RC will help you connect with BDO Zone Strategic Alliance Partners. Alliance partners have specific expertise that can help your LDL more effectively support bio-project deal flow.

There are three kinds of **BDO Zone Strategic Alliance Partners**:

- *Project Partners* – project developers, insurance, EPC contractors
- *Technology Partners* – provide best-of-kind technology and equipment
- *Supply Chain Partners* – de-risk and optimize supply of local feedstock

Step 9:

Post-Issue Ratings Promotion and Support

During the six-month period following the issue of your BDO Zone rating, your RC and LDL will work together to:

Draft and issue **press releases** about your rating to major industry and sector publications worldwide.

Promote your rating live on BDO ZoneCONNECT, in front of over 1000 bio project developers, investors, and industry stakeholders worldwide.

- BDO ZoneCONNECT is a public webinar for BDO Zones to promote directly to TheDigest's >5 million unique online bioeconomy sector readers, 140,000 streaming viewers, bio-industry stakeholders, and 45,000 daily newsletter subscriptions.

Organize **Rapid Accelerator Meetings**, which are privately hosted one-on-one discussions with pre-qualified project developers from around the world who have expressed interest in the specific qualification of your BDO Zone rating (feedstock category, quantity, and cost ranges).

Step 10:

Ongoing Ratings Promotion and Support

Economic development is not a point-in-time event, it is an ongoing process.

During the full one to three-year period following the issue, your RC will continue to keep your BDO Zone rating at the forefront of bio-project developers and investors' minds by **advertising and promoting your BDO Zone rating on LinkedIn, social media, and in major industry publications and journals worldwide**.



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If you'd like to learn more about our process, please contact us at www.bdozone.org

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