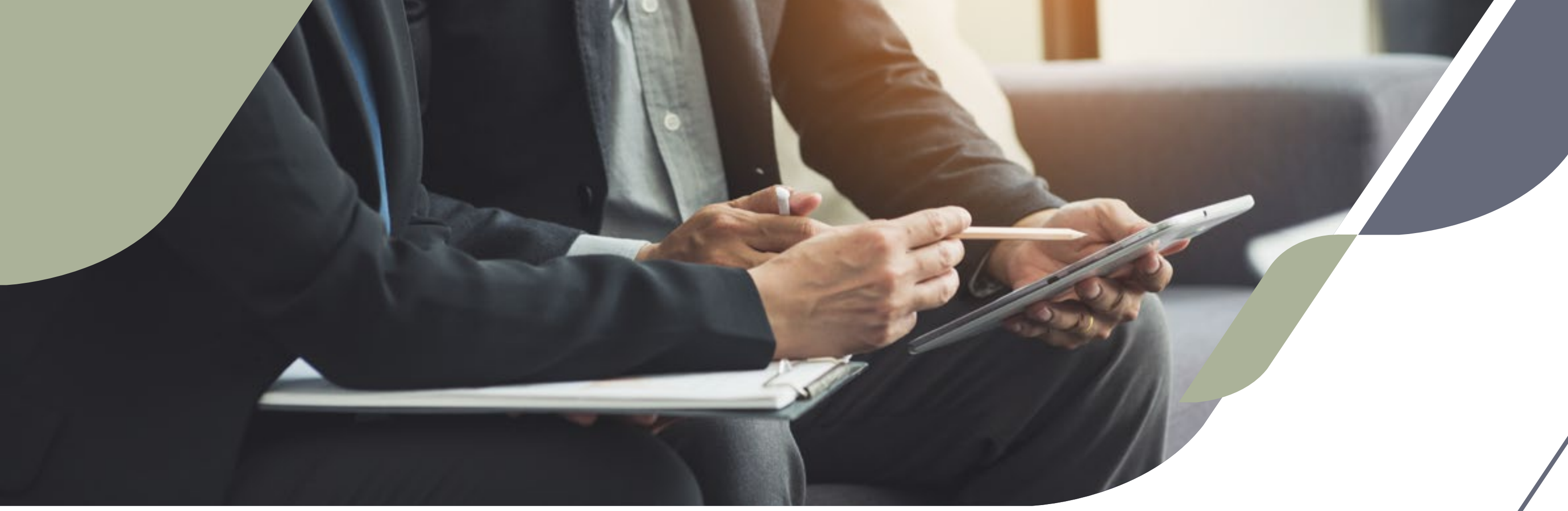
GUIDE ON SUSTAINABLE BONDS' OFFERING

Best Practices for the Issuance and Public Offering of Fixed Income Securities Related to Sustainable Finance

ANBIMA

INDEX



EXECUTIVE SUMMARY

This Guide on Sustainable Bonds' offering presents best practices for public offerings of fixed income securities related to sustainable finance, providing guidelines for the issuance of bonds that receive this Sustainable classification for meeting environmental and/or social purposes that are clear and measurable, including the adoption of governance practices (Sustainable Bonds).

The guidelines described herein are in line with the principles and recommendations of the International Capital Market Association (ICMA), as detailed in Section 2.3 below (ICMA Principles), which were translated and consolidated into a single document in order to describe the guidelines applicable to the different formats and modalities of Sustainable bonds.

In addition to reflecting the ICMA Principles, particularities of the Brazilian market were also considered, aiming to better contextualize the application of international guidelines to the domestic scenario, including the definition of minimum content in the Issuance Documents and the mandatory disclosure of additional information and periodic reports, in addition to the verification of certain sustainability characteristics by External Reviewers (Complementary Guidelines).

Serving as a recommendation for the market, this Guide will not be part of ANBIMA's self-regulation and, therefore, will not be supervised. However, repeatedly throughout this document it will be possible to verify that the guidelines are placed as mandatory. This indication aims to guide the institutions towards the best practices which were defined after the studies and discussions that motivated the elaboration of this Guide as the minimum necessary to classify securities offerings as Sustainable.

For this initiative, ANBIMA, through its Sustainability Advisory Group and the Capital Market Structuring Forum, created a Working Group (WG), composed of representatives of financial institutions that work in the structuring of Sustainable Bonds' offerings, with the purpose of identifying best practices adopted in said offerings and developing the consolidated content of this Guide. As such, this Guide brings together guidance intended for coordinators of Sustainable Bonds Offerings, also including relevant information for issuers, investors, consulting companies, External Reviewers, trustees, custodians and other agents involved in the process of issuing and public distribution of Sustainable bonds.

Aiming to facilitate the reading and standardization of the concepts used herein, throughout the document some terms are defined in parentheses, being further consolidated in the Glossary in Annex I.

The guidelines of this document are presented in an educational manner, initially considering a brief context on the scope of its content and the benchmarks adopted in its construction (Chapter 2), going through the general aspects common to all Sustainable bonds covered herein (Chapter 3), to then describe the particularities of each of the two Sustainable Bond formats: Use of Proceeds (UoP) Bonds (Chapter 4) and Sustainability-Linked Bonds (SLB) (Chapter 5). Finally, the Complementary Guidelines (Chapter 6) are presented, which must be followed in Sustainable bond Offerings that are aligned with this Guide.

01. DISCLAIMERS

This Guide does not overlap with the regulations and legislation in force, but rather provides additional guidance to institutions; such guidance should be assessed according to their own specificities, size, and scope of activity.

The content of this Guide does not constitute an offer to buy or sell securities or any specific advisory (tax, legal, environmental, social, accounting and/or regulatory). Under no circumstances should the guidelines mentioned herein be considered as an investment recommendation.

As mentioned above, the purpose of this Guide is educational. ANBIMA is not responsible for the classification of the public offerings of securities as Sustainable by using this document as parameter. The responsibility for the sustainable classification is that of the institution itself, and ANBIMA has no part in the classification, nor its self-regulation and supervision.

02. INTRODUCTION

2.1 | Scope of the guide

Sustainable bonds are defined in this Guide as **funding formats**, issued as debt securities, which receive the Sustainable classification for serving purposes related to generating a positive impact on the environment and/or society, also following high governance standards, according to the selected format. There are two main formats of Sustainable Bonds: Use of Proceeds Bonds and Sustainability-Linked Bonds.

Sustainable Bonds issued in the use of proceeds format are intended to enable the financing of green and/or social projects (Use of Proceeds Bonds). Bonds issued in this format can take three different modalities: green, social or sustainability, with the third modality being a combination of green and social characteristics.

On the other hand, the Sustainable Bonds issued in the format linked to targets are based on the commitment, assumed by the Issuer, to achieve certain targets related to the improvement of its Sustainable Indicators and, if not achieved, will trigger changes in the bond's structural and/or financial characteristics (Sustainability-Linked Bonds). In this case there are no modalities related to the positive impacts generated and the funds raised in the issuance can be freely allocated.

Sustainable BONDS	
Use of Proceeds Bonds:	Sustainability-Linked Bonds
Green Bonds	
Social Bonds	
Sustainability Bonds	
ASSETS: Receivables Certificates, Debentures, Promissory Notes and Commercial Notes, among other Fixed Income Securities.	

This Guide applies to public issuances of Use of Proceeds Bonds and Sustainability-Linked Bonds (collectively referred to as Sustainable Bonds), covering a wide range of fixed income financial instruments that include, without limitation, Debentures, Incentivized Debentures, Commercial Notes, Promissory Notes and Receivables Certificates, including Real Estate Receivables Certificates (CRI), Agribusiness Receivables Certificates (CRA) or other certificates permitted by the applicable legislation and regulations.

2.2 | RELEVANCE OF THE GUIDE TO THE BRAZILIAN MARKET

The Sustainable Bond market started with the so-called Climate Awareness Bonds and the Green Bonds, which are related to the Use of Proceeds Bonds format, in the Green Bond modality, and which, therefore, direct funds to Projects that present environmental benefits, such as the reduction of greenhouse gas emissions. In recent years, this market has matured and has had an exponential growth in the volume of issuances, unfolding in new modalities, such as Social Bonds and Sustainability Bonds, which combine green and social components. These are the three main modalities of Use of Proceeds (UoP) Bonds used in the market.

In addition to the formats and types covered by this Guide, there are other existing market classifications that are not specified herein, such as Blue Bonds, which are consistent with Green Bonds, but with project categories specifically related to water management and ocean protection, according to the guideline published by the International Finance Corporation (IFC) called "Guidelines for Blue Finance" and the Transition Bonds, which can take any of the two formats of Sustainable Bonds, and, in this specific modality, the bonds are included within the climate agenda and are related to the issuer's decarbonization strategy (**Transition Bonds**). Regarding this topic, it is worth highlighting that ICMA developed the document Climate Transition Finance Handbook, based on the recommendations of the Climate Transition Finance Working Group.

As it is a relatively new market, there are some initiatives in several countries related to the disclosure of guidelines that aim to establish best practices for the issuance and offering of Sustainable Bonds. In Brazil, although there is also an accelerated growth of this market, until the date of preparation of this Guide, there was no normative or set of guidelines that would serve as a reference for the participants of the domestic market in a widely consolidated manner, leading to some institutions adopting only international benchmarks.

Thus, this Guide's main objective is to expand knowledge about the Sustainable Bonds market and disseminate recommendations to players who participate in the structuring process of said Offerings. To achieve this objective, the development of the Guide involved the systematization of the main voluntary guidelines adopted by the global Sustainable Bonds market.

2.3 | INTERNATIONAL REFERENCE

The strategic importance of the sustainability agenda and the commitments made by each country regarding sustainable finance has driven the proliferation of investment products on capital markets that consider or impact ESG issues.

Currently, the ICMA Principles are widely adopted, in Brazil and abroad, as the main reference of best practices for the Sustainable Bonds market.

ICMA is a not-for-profit member association that promotes well-functioning cross-border capital markets, which are essential to fund sustainable economic growth. Among its global members are private and official sector issuers, banks, broker-dealers, asset managers, pension funds, insurance companies, market infrastructure providers, central banks and law firms. Since 2014, ICMA has been providing the standards that underpin the global sustainable bonds market in form of the Green and Social Bond Principles, the Sustainability Bond Guidelines and the Sustainability-linked Bond Principles, together referred to as "the Principles".

In this context, this Guide was prepared based on the content in the ICMA Principles and related guidance, using the documents indicated below as a reference:

- **Green Bond Principles (2021)** (with Annex I of June 2022)
- **Pre-issuance Checklist for Green Bonds/Green Bond Programs** (2022)
- **Social Bond Principles** (2021)
- **Sustainability Bond Guidelines** (2021)
- **Sustainability-Linked Bond Principles** (2020)

The information contained in these five documents has been consolidated and structured to provide a single document that can be used as a reference for the Brazilian market.

In addition to the references to the ICMA Principles, this Guide can be considered along with other orientations produced by associations and representative entities of the national market, when in line with ICMA's international guidelines.

Finally, it is worth highlighting that, by describing the best practices for issuing and offering Sustainable Bonds, this Guide is part of an initiative aimed at the sell side segment, in addition to other ANBIMA initiatives focused on sustainability. In this sense, it is important to point out another ANBIMA publication that addresses the ESG topic, the ESG Guide II, with content aimed at the buy side segment, which aims to help managers understand the rules for identifying sustainable funds.

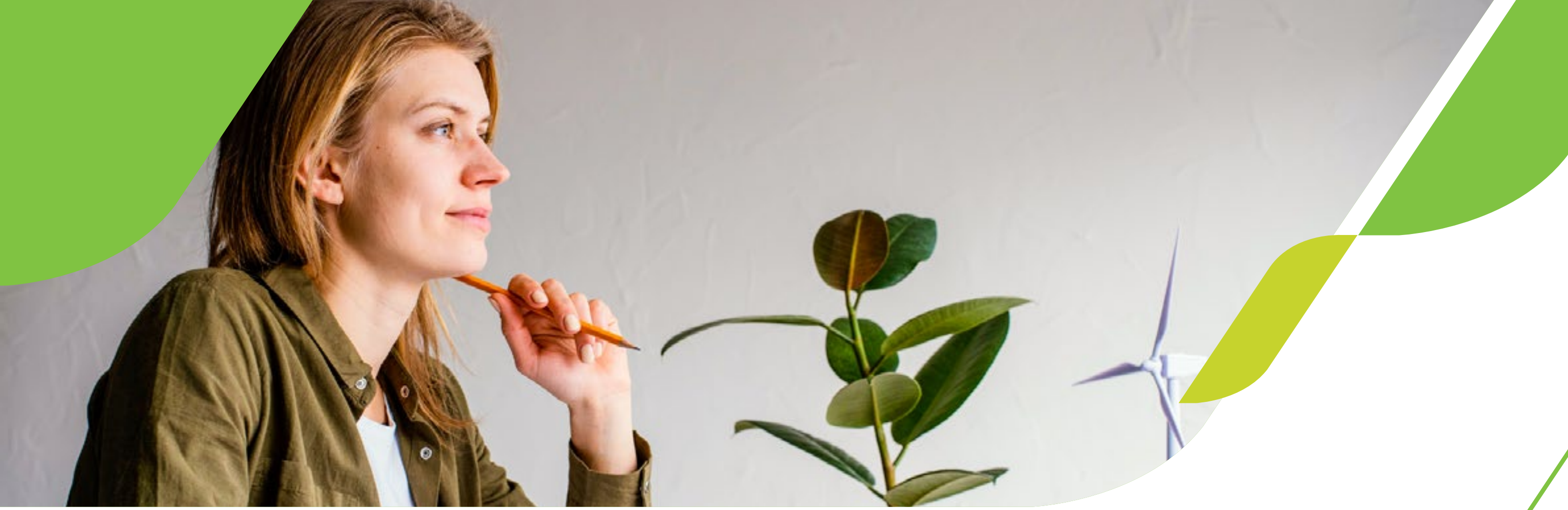
2.4 | GREENWASHING

According to ESMA[1] (European Securities and Market Association), greenwashing refers to the misrepresentation of an issuer's publicly disclosed sustainability profile, or the characteristics or objectives of a product or financial instrument that do not adequately reflect the underlying ESG risks and impacts associated with its issuer, instrument or financial product. This practice may or may not be intentional, and may occur through action or omission.

Thus, greenwashing normally generates potential losses for investors who wish to allocate funds in sustainable finance investments and can be identified as misrepresentation, mislabeling, mis-selling and/or mis-pricing phenomenon. However, the greenwashing causes can be related to multiple aspects of the value chain operation and that impact the presentation of a financial product to the final investor.

Considering the ESMA definition above, the guidelines provided herein can serve as a way to mitigate, albeit indirectly and in a non-exhaustive manner, the risk of greenwashing, by adopting international best practice benchmarks for the Sustainable Bonds market and defining a series of obligations related to the disclosure of information on the Sustainable characteristics of the transaction, in addition to providing for the mandatory verification of such characteristics by External Reviewers and the disclosure of periodic reports to be made available after the offering closing.

1 – Available at – esma.europa.eu



03. SUSTAINABLE BONDS: GENERAL ASPECTS

3.1 | FORMATS AND MODALITIES OF SUSTAINABLE BONDS

The market of Sustainable Bonds can be classified into two main funding formats, namely:

- **Use of Proceeds Bonds:** The funds raised in these instruments, or an equivalent amount, are used to finance and/or refinance projects, assets and/or investments that generate positive social and/or environmental impacts (Projects). In other words, the proceeds raised in the offer, or an equivalent amount, are "earmarked" for a specific allocation that must be related to one of the following funding modalities: green, social or sustainability. In this format, the positive impact occurs due to the obligation to allocate funds to the selected Project(s).

Sustainability-Linked Bonds: The funds raised in these issues are freely allocated. However, the issuer assumes an obligation to meet certain Sustainability targets that are defined in advance. Non-achievement of the Sustainability Targets, as defined in each issue, will trigger changes in the bond's structural and/or financial characteristics, such as a variation of the coupon. In this format, the positive impact occurs through the achievement of the Sustainability Targets.

The table below compares the main differences between Use of Proceeds Bonds and Sustainability-Linked Bonds.

Formats	**Use of Proceeds Bonds**	**Sustainability-Linked Bonds**
Use of proceeds	(Categories of) Predefined projects that have social and/or environmental impacts	**Free, according to the issuer's need**
Sustainability targets	None	Defined according to selected indicators
Changes in the bond's characteristics	There is no change	Conditions vary depending on ESG performance

Table 01 – Comparison of Sustainable Bond formats

As presented in the table above, the evaluation of certain aspects, such as the commitments established by the Issuer or the definition of Projects that will be financed with the proceeds raised in the Offering, can help to determine the most appropriate Sustainable Bond funding format for each operation.

Notwithstanding the classifications above, it is possible to carry out an issuance that meets the requirements of the two funding formats in a single Sustainable Bond, considering that their characteristics are not exclusive. In this case, the Sustainable Bond could either have a specific use of proceeds as well as be linked to the achievement of certain Sustainability Targets.

More detailed information about each format and the description of each of the Pillars that must be followed in the structuring of these Sustainable Bonds are provided in Section 4 – Use of Proceeds Bonds and Section 5 – Sustainability-Linked Bonds of this Guide.

3.2 | ISSUER FRAMEWORK

When it comes to Sustainable Bonds, it is important to emphasize transparency and the details about the ESG characteristics of the operation. To better describe such characteristics, the Sustainable Finance Framework is a document that offers a brief description of the Issuer's business strategy and specifications on the characteristics of the Sustainable Bond format, as applicable, with a description of the eligible Projects, in the case of Use of Proceeds Bonds, and/or the selected Sustainability Targets and the Performance Indicators chosen to measure such Sustainability Targets, in the case of issuance of Sustainability-Linked Bonds **(Framework)**.

The Framework content must also include the description of the Pillars related to the selected funding format, as indicated in this Guide, in the following sections: 4.3 – Pillars for Use of Proceeds Bonds and 5.2 – Pillars for Sustainability-Linked Bonds.

The Framework can be developed for single use (that is, it is linked only to a single Offering) or in the "umbrella" model, which is the name used to refer to documents that can be used for more than one Offering, operation and/or other forms of funding defined by the Issuer, provided that the necessary information for each type of operation is described in the Framework.

The preparation of the Framework is extremely important to provide the necessary transparency and publicity about the characteristics of the Sustainable Bonds, considering that this information often ends up not being included in the transaction documents, as they are outside the common scope of the standard models used in the preparation of: (i) documents of a fixed income security issue, such as Debentures indentures, Receivables Certificate Securitization Terms, Commercial Note Issuance Term, Promissory Note Deed and other documents appropriate to each security, as applicable **(Issuance Document)**; and (ii) documents relevant to public offerings, such as the prospectus, opening and closing announcements and other documents provided for in the regulations on securities distribution offers, as applicable **(Offering Documents)**.

It is worth highlighting that the Framework preparation is the responsibility of the Issuer, so this document is not part of the Offering Documents.

For purposes of compliance with the Complementary Guidelines of this document, as described in Chapter 6 herein, the development of a Framework is mandatory for all Sustainability-Linked Bond Offerings. For Use of Proceeds Bonds, the Framework preparation is not mandatory, but recommended. When the Issuer chooses not to comply with this recommendation, the information related to the Pillars applicable to the Use of Proceeds Bonds must be described in the Issuance Document (or in its annex) and/or in another public document, which must be informed, in the Offering Documents, the place where such information will be available for consultation by investors.

3.3 | EXATERNAL ADVISORS AND INDEPENDENT EXTERNAL REVIEWERS

3.3.1 | EXTERNAL ADVISORS

During the process of structuring an Sustainable Bond, in addition to the support provided by the Offering coordinators, Issuers may choose to engage an external advisor specializing in the ESG topic to assist them in the process of elaborating the Framework or even in the construction and implementation of any internal policies adopted by the Issuer related to its internal governance structure of ESG practices, among other possible actions (External Advisor).

The involvement of the External Advisor is fully voluntary, so that the Issuers can act independently, without the presence of this service provider.

Considering the best market practices, aiming to avoid a potential conflict of interest in Sustainable Bond Offerings, it is recommended that the company engaged to provide External Advisor services for a given Offering is not also hired as an Independent External Reviewer to act in the same Offer. For the purposes of this Guide, if this recommendation is not followed, the Second Party Opinion must include a description of the services provided by the same company (or companies of the same economic group) and the internal governance mechanisms adopted to ensure independence in the valuation.

3.3.2 | INDEPENDENT EXTERNAL REVIEWERS

Independent External Reviewers are specialized institutions, with specific credentials, to specially validate alignment of the issuance characteristics with the Pillars applicable to the Sustainable Bond format (Independent External Reviewers).

Aiming to comply with the Complementary Guidelines of this document, during the issuance process of an Sustainable Bond, Issuers must mandatorily involve Independent External Reviewers, following the requirements applicable to the format of the Sustainable Bond and the scope of the applicable independent appraisal. For example, Second Party Opinion Providers are mandatory in any Sustainable Bond Offer, whether in the form of a Use of Proceeds Bond or a Sustainability-Linked Bond.

Finally, it is worth mentioning that, although the ICMA Principles indicate the engagement of Independent External Reviewers as a recommended practice, the Chapter 6 of this Guide foresees some situations in which the engagement of External Reviewer is mandatory in order for the issuance of Sustainable Bond to be compliant with the Complementary Guidelines established herein.

According to ICMA, Independent External Reviewers can be classified into four main categories: Second Party Opinion (SPO) Providers, External Auditors, Rating Agencies, and Certifying Entities.

All companies that provide Independent Reviews services must act in accordance with the fundamental principles of integrity, objectivity, professional competence, due care, confidentiality and professional behavior[2].

2 – Available at – icmagroup.org

The table below contains a description of each type of External Review

SERVICE	SERVICE PROVIDER	DOCUMENT ISSUED	SCOPE
Second Party Opinion	Company acting as a Second Party Opinion Provider (SPO Provider)	Second Party Opinion (SPO)	Description of Framework and/or issuance compliance with Pillars applicable to the selected Sustainable Bond format.
External Review	Auditing companies or specialized institutions (External Auditor)	External Review Report (External Review Report)	**For Use of Proceeds Bonds:** Monitoring the use of proceeds raised and maintenance of the bond's compliance with the Pillars in the Annual or Final Report. **For Sustainability-Linked Bonds:** Audit of the KPI baseline (Pre-Issuance) and verification of compliance with the Sustainability Targets by the Issuer within the agreed deadlines (Annual or Final Report).
Sustainable Rating	Rating agencies or ESG research institutions (Rating Agency)	Sustainable Rating	Evaluation resulting in the assignment of a specific rating for the Issuer and/or Sustainable Bond.
Certification	Institutions accredited by the certification body (Certifying Entity)	Certifying Entity	Performed based on criteria defined by the certification body (certification standard). Not applicable for Sustainability-Linked Bonds, as there is currently no defined standard for this Sustainable Bond format.

Regarding the Certification, the Climate Bonds Initiative (CBI) is currently one of the main certifying entities available, and such certification is limited only to climate issuances, and the requirements provided for obtaining this certification must be observed, which may include the submission of a Second Party Opinion and valuations after the issuance, in accordance with requirements defined by the CBI.

04. USE OF PROCEEDS BONDS

4.1 | INTRODUCTION TO USE OF PROCEEDS BONDS

Use of Proceeds Bonds are any financial debt instruments, issued in the form of fixed-income securities, in which the funds raised through the issuance or equivalent amount are intended exclusively for financing or refinancing projects , investments and/or assets with social and/or environmental impact (Projects). Additionally, to be recognized as a Use of Proceeds Bond, the characteristics of the bond should be aligned with the four (4) Pillars described in the section 4.3 below.

3 – Aiming to avoid repetitions throughout this Guide, all references to the term 'project financing' should be read considering that they also refer to the refinancing of eligible Projects. In the same sense, the term 'Projects', as defined in the Glossary, also covers investments or assets, in accordance with practices already adopted by the Sustainable Bonds market.

Use of Proceeds Bonds can be classified in the following types:

- Green Bonds – Are those where selected Projects contribute positive impacts to the environment. Section 4.2.1 of this Guide lists several categories of Projects that can be used in the issuance of a Green Bond.

- Social Bonds – Those in which the selected Projects contribute with positive social impacts and are directed to a specific target population. Section 4.2.2 of this Guide lists several categories of Projects that can be used in the issuance of a Social Bond.

- Sustainability Bonds – This is for a combination of Projects applicable to Green and Social Bonds. Such combination can occur in the same Project (which generates social and environmental benefits) or in different Projects (being at least one green and one social) financed by the proceeds of a single Sustainable Bond Offering.

The definition of the classification of the Sustainable Bond modality as a Green Bond or Social Bond can sometimes generate some confusion, considering the possibility of primary and secondary benefits of the selected Projects that can generate positive impacts both in the social and environmental areas. In these cases, to settle doubts, the classification of the bond must be determined based on the main objectives of the selected Projects, considering the materiality of the most relevant impacts generated from a social or environmental perspective.

However, when the Sustainable Bond intentionally combines Projects that generate environmental and social benefits with the same level of positive impact, the Issuance can be classified as a Sustainability Bond.

There are no restrictions on the number of Projects selected for a given Offering or on the stage of development in which the selected Project is, so that the funds raised in the Issuance can be used both to finance new projects and to refinance old projects, regardless of their stage of development. In Section 4.3.2 below, the guidelines on the process of evaluating and selecting projects that make up Pillar 2 of the Use of Proceeds Bonds are described.

Funds raised in an Offering of Use of Proceeds Bonds must always be used as a way of financing previously defined Projects and, for this reason, the proceeds are called "earmarked", since their destination must be clearly determined in the Issuance Documents. In the case of fungible resources, the use of the expression "earmarked" refers to the requirement that the amount equivalent to the funds raised with the Offering be fully allocated to the selected Projects or used in other operations, avoiding double counting.

In cases where the operation does not have sufficient volume to justify the total amount of the Issuance and, therefore, presents a classifiable portion and another non-classifiable as Sustainable, the operation must adopt a structure that allows to identify the portion of funds related to sustainable criteria in a clear and verifiable manner. An example of a structure that makes such identification possible is the separation of the Issuance by series, aiming to segregate the use of proceeds from each series and facilitate the control and fulfillment of obligations for a given series.

The following are some categories of Eligible Projects for Use of Proceeds Bonds.

4.2 | CATEGORIES OF ELIGIBLE PROJECTS

According to ICMA[4], a taxonomy – in the context of sustainable finance – is a classification system that identifies activities, assets or project categories that deliver on key environmental or social objectives.

In this sense, considering that there are currently several initiatives aimed at developing taxonomies and detailed nomenclatures, as well as providing roadmaps that allow comparability between these taxonomies, this Guide will not include its own taxonomy, being limited to replicating the same non-exhaustive list of project categories eligible for Use of Proceeds Bonds listed in the ICMA Principles, being divided into the categories of Green Projects and Social Projects. The definitions of Eligible Projects may also vary depending on the Issuer's sector of activity and its geographic location.

4.2.1 | Green Projects

Green Projects are defined herein as those which are linked to one or more environmental objectives, as listed below.

The eligible Green Projects categories include, but are not limited to:

- **Renewable energy:** including production, transmission, distribution, appliances and products related to renewable energy projects;
- **Energy efficiency:** such as in new and refurbished buildings that meet recognized energy efficiency standards, energy storage, smart grids, and efficient equipment;

4 – Available at – icmagroup.org

- **Pollution prevention and control:** including reduction of air emissions, greenhouse gas (GHG) control, soil remediation, waste prevention or reduction, waste recycling, and energy generation through waste with efficiency in GHG emissions.

- **Environmentally sustainable management of living natural resources and land use;** including environmentally sustainable agriculture; environmentally sustainable animal husbandry; climate smart farm inputs such as biological crop protection or drip irrigation; environmentally sustainable fishery and aquaculture; environmentally sustainable forestry, including afforestation or reforestation; and preservation or restoration of natural landscapes;.

- **Terrestrial and aquatic biodiversity conservation:** including the protection of coastal, marine and watershed environments;

- **Clean transportation:** such as electric, hybrid, public, rail, non-motorized, multi-modal transportation, infrastructure for clean energy vehicles and reducing emissions of pollutants and GHG;

- **Sustainable water and wastewater management:** including sustainable infrastructure for clean and/or drinking water, wastewater treatment, sustainable urban drainage systems and other forms of flooding mitigation;

- **Climate change adaptation:** including efforts to make infrastructure more resilient to impacts of climate change, as well as information support systems, such as climate observation and early warning systems;

- **Circular economy adapted products, production technologies and processes:** such as the design and introduction of reusable, recyclable and refurbished materials, components and products; circular tools and services; and/or certified eco-efficient products;

- **Green buildings:** buildings that meet regional, national or internationally recognized standards or certifications for environmental performance, including issues such as energy, water, use of construction materials, and waste management.

In addition to the categories listed above, issuers can also use other references on the theme, such as the UN Sustainable Development Goals (SDGs), the sectoral standards of the Climate Bonds Initiative (CBI) designed specifically for green projects that have a climate-related contribution – Climate Bonds Standards –, or the EU Taxonomy for sustainable activities.

4.2.2 | Social Projects

Social Projects are defined herein as those which are related to one or more social objectives for a defined target audience, as described below.

This means that Social Bonds, unlike Green Bonds, have an additional requirement, since in addition to indicating the types of eligible projects, they must also highlight the target populations benefited, requiring an additional layer of analysis.

The definition of the target population directly benefited by the Social Project may vary depending on the local context and, in some cases, the target population may refer to the general public, and may even specify social vulnerability issues. In other words, this target population can be defined by a geographic or income cohort or other aspects, without having to follow any of these specific cohorts to demonstrate its vulnerability. For example, a Social Bond that finances a subway or railway line does not specifically benefit a group with a specific income, but the general public that lives or frequents the region around the stations on this line.

The vulnerability of this target population can be identified by the lack of adequate transport options in the region.

The eligible Social Projects categories include, but are not limited to:

- **Affordable basic infrastructure:** clean drinking water, sewers, sanitation, transport, energy;

- **Access to essential services:** health, education and vocational training, financing and financial services;

- **Affordable housing;**

- **Employment generation:** programs designed to generate new jobs and prevent and/or alleviate unemployment stemming from socioeconomic crises, including through the potential effect of micro, small and medium enterprises (MSMEs) financing;

- **Food security and sustainable food systems:** physical, social, and economic access to safe, nutritious, and sufficient food that meets dietary needs and requirements; agricultural practice incentive; reduction of food loss and waste; and improving the productivity of small agricultural producers.

- **Socioeconomic advancement and empowerment:** equitable access to and control over assets, services, resources, and opportunities, equitable participation and integration into the market and society, including reduction of income inequality.

Regarding the target population, the categories of eligible Social Projects may also specify social vulnerability issues, as shown in the examples listed below:

- **Living below the poverty line;**
- **Excluded or marginalized communities;**
- **People with disabilities;**
- **Migrants and/or refugees;**
- **Illiterates and other disadvantaged groups in terms of access to education;**
- **Other underserved populations, owing to a lack of quality access to essential goods and services;**
- **Unemployed;**
- **Women;**
- **People who identify as LGBTQIA+;**
- **Black population or other ethnic-racial representatio;**
- **Senior citizens;**
- **Vulnerable youths (who cannot afford school expenses);**
- **Other vulnerable groups, including as a result of health emergencies and natural disasters.**

Issuers and other parties involved in structuring the Offering may also consult other examples of references for the selected projects and target population, even considering the particularities related to the issuer's sector of activity and its geographic positioning.

4.3 | PILLARS FOR USE OF PROCEEDS BONDS

The Pillars defined in the ICMA Principles for Use of Proceeds Bonds are reflected in this Guide, with occasional adaptations required to adapt to the Brazilian market. The pillars include guidelines that ensure a basic structure to promote the integrity of the Sustainable Bonds' market, allowing access and transparency on the information needed by investors and the market regarding the Sustainable characteristics of these securities. In certain cases, the guidelines are presented as "recommended", and in others, as "mandatory".

The ICMA Principles for Use of Proceeds Bonds consist of four pillars: (1) Use of Proceeds; (2) Process for Project Evaluation and Selection; (3) Management of Proceeds; and (4) Reporting.

4.3.1 | Pillar 1: Use of Proceeds

The cornerstone that characterizes an Sustainable Bond as Use of Proceeds is the utilization of the proceeds raised in the Offer, or equivalent amount, to finance and/or refinance a Project, or portfolio of Projects, that generates positive social and/or environmental impacts. In this regard, the Issuance or Framework Documentation should contain a detailed description of the eligible projects and the respective environmental and/or social benefits promoted by these projects, including, wherever possible, a description of the impacts in a quantifiable way.

In the event that all or a proportion of the proceeds are or may be used for refinancing Projects, it is recommended to provide an estimate of the share of financing and re-financing, and where appropriate, also clarify which investments or projects portfolios may be refinanced and, to the extent relevant, the expected look-back period for refinanced eligible Projects. Finally, it is important that there is an express statement that the proceeds of a given operation are not used more than once, avoiding double counting.

4.3.2 | Pillar 2: Process for Project Evaluation and Selection

Information on the selected Projects must be included in the Framework (or other public document released by the Issuer) and in the Second Party Opinion, and must explain:

I – the Issuer's expectations regarding the social and/or environmental impacts generated by the selected Projects;

II – he process by which the issuer determines the selected Projects, including an indication of which category, among those listed in the section 3.2 above the Project fits, as applicable, and if any other taxonomies are adopted; and

III – complementary information on processes by which the issuer identifies and manages perceived social and environmental risks associated with the selected Projects.

Furthermore, it is also recommended to include the following information:

- Position the information communicated Projects within the context of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability;

- Provide information, if relevant, on the alignment of Projects with official or market-based taxonomies, related eligibility criteria, including if applicable, exclusion criteria; and also disclose any green standards or certifications referenced in project selection;

- Have a process in place to identify mitigants to known material risks of negative climate, social and/or environmental impacts from the Projects. Such mitigants may include clear and relevant trade-off analysis undertaken and monitoring required where the issuer assesses the potential risks to be meaningful.

- If the Issuer develops activities that may be considered controversial from a social or environmental perspective, it is recommended to evaluate the relevance of disclosing additional Information about the Issuer for purposes of transparency, especially regarding the strategic importance of sustainability for its business, demonstration of the transition and/or sustainability benefits of the Projects. This topic of adverse impacts/externalities must be addressed both by the Issuer and by the External Reviewer who prepares the Second Party Opinion.

4.3.3 | Pillar 3: Management of Proceeds

It is recommended that the net proceeds, or an amount equal to these net proceeds, raised in the Offering be credited to a sub-account, moved to a sub-portfolio or otherwise tracked by the issuer in an appropriate manner (e.g., in a dedicated Special Purpose Entity), in such a way that funds can be segregated (whenever possible) and offering appropriate traceability through a formal internal process, which demonstrates that the proceeds are being used to the objectives previously defined in the Issuance Documents.

So long as the Use of Proceeds Bond is outstanding, (i.e., from the settlement of the offering until its maturity or use of all resources), the balance of the tracked net proceeds should be periodically adjusted to match allocations to eligible Projects made during that period.

The Issuer should make known to investors the intended types of temporary placement for the balance of unallocated net proceeds. The Issuer is also responsible for indicating the maximum period for allocating proceeds to the Projects indicated in Pillar 1 above.

In cases where the issuer has more than one Use of Proceeds Bond, the proceeds from Use of Proceeds Bonds can be managed per bond (bond-by-bond approach) or on an aggregated basis for multiple bonds (portfolio approach). It is recommended, for transparency purposes, that the Issuer has an external auditor or other third party to verify the internal tracking method and the allocation of funds from the Bonds' proceeds on an annual basis.

4.3.4 | Pillar 4: Reporting

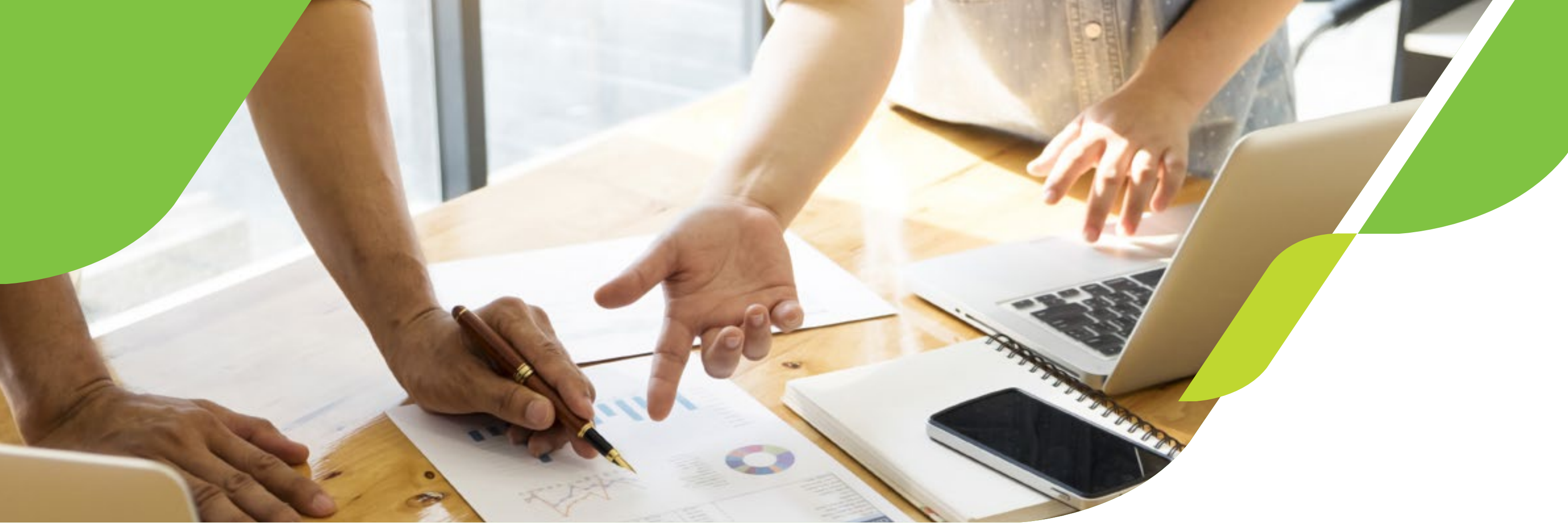
This pillar refers to the periodical post-issuance reports that must be prepared by the Issuer annually, until the maturity of the transaction or until the total allocation of funds from the bond proceeds, and made publicly available by the Issuer on its website or other place of public access **(Annual Report for Use of Proceeds Bonds)**.

The Annual Report for Use of Proceeds Bonds must include at least the list of Projects to which the proceeds have been allocated, as well as a brief description of the Projects, the amounts allocated and their expected impact, including, whenever possible, indicators that reflect the social and/or environmental performance of the financed Projects. It is recommended that this Annual Report be verified by an external accounting auditor or External Reviewer.

Where confidentiality agreements, competitive considerations, or a large number of underlying projects limit the amount of detail that can be made available, it is recommended that such information is presented in generic terms or on an aggregated portfolio basis, using, e.g. percentage allocated to certain project categories.

Transparency is of particular value in communicating the expected and/or achieved impact of the Projects. Therefore, it is recommended to use qualitative performance indicators, and where feasible, quantitative performance measures and disclosure of the key underlying methodology and/or assumptions used in the quantitative determination. Furthermore, it is recommended to refer to and adopt, where possible, the guidance and impact templates provided by third parties, such as the Harmonized Frameworks for Impact Reporting published by ICMA (for green and social bonds), the Inter-American Development Bank (IDB) Green Bond Transparency Platform, or another internationally accepted standards for disclosing ESG information such as the Global Reporting Initiative (GRI).

Considering the information described above, Chapter 5 of this Guide contains the necessary requirements related to the minimum mandatory content for the Annual Report for Use of Proceeds Bonds and other Mandatory Documents, in addition to indicating the situations in which the Mandatory Documents must be prepared by External Reviewers



05. SUSTAINABILITY-LINKED BONDS

5.1 | INTRODUCTION TO SUSTAINABILITY-LINKED BONDS

The Sustainability-Linked Bonds market in Brazil has evolved rapidly since its first issuance in 2020. This growth is related to the specific characteristics of this format, allowing greater flexibility in the allocation of funds from the bond proceeds and strengthening the role that debt markets can play in encouraging the implementation of corporate ESG strategies.

Sustainability-Linked Bonds are transactions in which the Issuer undertakes to meet one or more Sustainability Targets, which are measured by Performance Indicators, aiming to improve the Sustainable performance of the Issuer and its businesses. The selected Sustainable indicators and targets should be mentioned at the time of issuance in the Sustainable Bond.

Setting sustainability targets serves as an incentive for the Issuer to achieve objectives related to ESG aspects that are material, relevant, quantitative, predetermined, ambitious, that can be verified regularly by a qualified external reviewer with relevant expertise, such as an auditor, which must indicate, on the defined dates, whether the Sustainability Targets have been achieved or not, as measured by the selected Performance Indicators. Depending on the Issuer's performance against the Sustainability Targets set, the structural or financial characteristics of the Sustainable Bond may vary. An example widely adopted by the market, until the date of publication of this Guide, is the increase in the rate of remuneration of the bond or interest of the operation due to non-compliance with the Sustainability Target. However, there is no specific or mandatory model on the characteristic that will be changed, being at the discretion of the Issuer, coordinators and other agents involved in the transaction to define the structure that best suits the conditions of the Offering and the alignment with the Pillars described in item 4.2 below.

5.2 | PILLARS OF SUSTAINABILITY-LINKED BONDS

The Pillars defined in the ICMA Principles for Sustainability-Linked Bonds are reflected in this Guide, with occasional adaptations necessary to suit the Brazilian market. The core components include guidelines that ensure a basic structure to promote the integrity of the Sustainable Bonds market, allowing access and transparency on the information needed by investors and the market regarding the characteristics of these bonds. In certain cases, the guidelines are presented as "recommended", and in others, as "mandatory".

Because of fundamental differences with respect to Use of Proceeds type of bonds, the guidelines are organized differently for Sustainability-Linked Bonds (SLB). There are five core components: (1) Selection of Sustainable Targets and Performance Indicators; (2) Calibration of Sustainability Targets and Performance Indicators; (3) Bond Characteristics; (4) Reporting; and (5) Verification

5.2.1 | Pillar 1: Selection Key Performance Indicators (KPIs)

Considering the particularities of this Sustainable Bond format, the Issuer must select Sustainability Targets to be achieved, within a pre-defined schedule and measured through Performance Indicators. In this sense, it is extremely important that the selected Sustainability Targets and Performance Indicators meet four main aspects, namely:

I – Relevant, core, and material: that is, they must be related to the Issuer's overall business, represent a significant portion of its activities and be strategic for its current and future operations;

II – (ii) Measurable or quantifiable on a consistent methodological basis: i.e., they should be subject to monitoring and quantitative assessment. This can be demonstrated using metrics and methodologies already widely adopted to measure the selected KPIs;

III – Externally verifiable: that is, its measurement must be verifiable by External Reviewers;

IV – Able to be benchmarked: i.e., they need to be compared against external benchmarks of good sustainable performance to facilitate the assessment of the ambition of the targets. This can be demonstrated by the possibility of comparison with peers, references with scientific bases or other thematic or sectorial standards, whether national or international.

Issuers are encouraged, when possible, to select Sustainability Targets and Performance Indicators that they have already included in their previous annual reports, sustainability reports or other non-financial reporting disclosures allowing investors to assess historical performance of the selected Sustainability Targets and Performance Indicators. In situations where the Sustainability Targets and Performance Indicators have not been previously disclosed, Issuers must provide historical values of targets and externally verified Performance Indicators referring to, at least, the last year (used as a Baseline) and it is recommended to include the last three years whenever possible.

The Issuer may choose to link the transaction to one or more Sustainable Targets, which may be measured by one or more Performance indicators. For all Targets and Performance Indicators selected for the operation, Issuers must clearly communicate the rationale and process conducted for choosing the Performance Indicators, as well as their delimitation, to investors. Each Target and Indicator must have a clear definition, a well-defined scope and detailed calculation methodology.

In addition to the guidelines for Sustainable Bonds of this format, ICMA provides an Illustrative Record of Indicators to support Issuers in the selection of Key Performance Indicators (KPIs).

5.2.2 | Pillar 2: Calibration of Sustainability Performance Targets (SPTs)

For each Sustainability Target selected by the Issuer for the operation, there must be at least one associated Performance Indicator, which allows its proper measurement. The process for calibration of one or more Sustainability Targets is key to the structuring of Sustainability-Linked Bond (SLB), since it will be the expression of the level of Sustainability ambition the Issuer is ready to commit to.

The SPTs should be ambitious, fulfilling four aspects:

I – Represent a material improvement in the Issuer's KPI, considering its journey beyond the Business as Usual: this can be demonstrated by a quantitative improvement of the defined Target (as measured by the Performance Indicator) against the Issuer's recent performance;

II – Where possible, the Target must be compared to a benchmark or an external reference; this can be demonstrated by comparing the target with peers, science-based benchmarks, or other Brazilian or international thematic or sectoral standards, as indicated for the Performance Indicators;

III – Be consistent with the Issuers' overall Sustainability strategy; this can be demonstrated by the link between the Target and the strategic ESG goals of the Issuer;

IV – Be determined on a predefined timeline, set before (or concurrently with) the issuance of the bond: this can be demonstrated by indicating a clear timeframe for the achievement of the target; that is, the Targets must have a specific date for verification of their achievement.

For the first two aspects, a combination of benchmarks can be adopted:

- The Issuer's own performance over time, where feasible , and it is recommended to have at least three years of history of measuring the Sustainability Targets and selected Performance Indicators and, when possible, forward-looking guidance on Targets and Indicators;
- The Issuers' peers, i.e. the Target's relative positioning versus its peers', where available (average performance, best-in-class performance) and comparable, or versus current industry or sector standards;
- Reference to the science (i.e., using the Science Based Target Initiative or other projections based on scientific studies), references to official country/regional/international targets (e.g. Paris Agreement or UN Sustainable Development Goals) or to recognized Best-Available-Technologies or other proxies to determine relevant targets across environmental and social themes.

Regarding disclosures on setting the Targets, clear references must be included regarding:

- Timelines for the SPT achievement, including the target observation date(s)/period(s), the trigger event(s) and the frequency of Targets.
- Baseline selected to calculate the evolution of SustainabilityTargets and Performance Indicators, as well as the rationale for choosing that Baseline, including dates and periods;
- Where relevant, in what situations recalculations or pro-forma adjustments of baselines will take place;
- Whenever possible, respecting the issues inherent to competition and confidentiality strategies, how the Issuer intends to achieve the targets, including the Sustainability strategies to be used, the main actions and expected contributions, always in quantitative terms when possible;
- Whenever possible, respecting the issues inherent to competition and confidentiality strategies, how the Issuer intends to achieve the targets, including the Sustainability strategies to be used, the main actions and expected contributions, always in quantitative terms when possible;

5.2.3 | Pillar 3: Bond Characteristics

The cornerstone of Sustainability-Linked Bonds is that this bond's financial and/or structural characteristics can vary depending on whether the selected Performance Indicator(s) reached the predefined SPT(s). These variations and the events that trigger them must be informed at the time of the issuance.

The potential variation in the characteristics of the coupon is the most common example, which can be step-up (when the rate increases if one or more targets is not achieved) or step-down (when the rate decreases if one or more targets is achieved). However, it is also possible to define the variation of other characteristics, as follows:

(i) – financial, such as the assignment of a fine or adjustment in the frequency of interest payments, among other possibilities; and/or

(ii) – structural, such as the variation in the guarantees required, the possibility of changing the grace period, frequency of installment payments, alternation between the use of Price and SAC table, among other examples.

It is recommended that the variation of the bond financial and/or structural characteristics should be commensurate and meaningful relative to the issuer's original Sustainable Bond characteristics.

Any fallback mechanisms in case the SPT cannot be calculated or observed in a satisfactory manner, should be explained in the Second Party Opinion (SPO) or in the Framework, as well as the measures to be adopted in the event that these scenarios materialize.

Issuers must inform, where needed, language in the bond documentation to take into consideration potential exceptional events (such as significant change in perimeters through material organizational restructuring, merger or acquisition of companies or an IPO, for example) or extreme events, including drastic changes in the regulatory environment that could substantially impact the calculation of the Performance Indicator, the restatement of the Sustainability Targets and/or their proforma adjustments of baselines or Performance Indicator scope.

When these scenarios have already been foreseen by the Issuer, it is recommended that these potential events be described in the issuance Framework and/or in the Issuance Documents, except in cases where the information is confidential. Moreover, it is recommended that detailed information on the conditions for changing the SPT and/or KPI as well as any need to hold a bondholders' meeting to resolve on the changes, be provided in the Offering Documents.

5.2.4 | Pillar 4: Reporting

This pillar refers to the reports that must be periodically disclosed by the Issuers, at least annually **(Annual Report for Sustainability-Linked Bonds)**. These Reports must be reviewed by an External Auditor and must be delivered until the Sustainability Targets have been fully met and/or until the transaction expires and must be promptly updated in cases of extraordinary situations that require adjustments.

The Annual Reports for Sustainability-Linked Bonds must include a description of:

- Up-to-date information on the performance of the selected Performance Indicator(s), including baselines where relevant;
- Any information enabling investors to monitor the level of ambition of the Sustainability Targets (e.g., any update in the issuers sustainability strategy or on the related KPI/ESG governance, and more generally, any information relevant to the analysis of the Performance Indicators and Sustainability Targets);

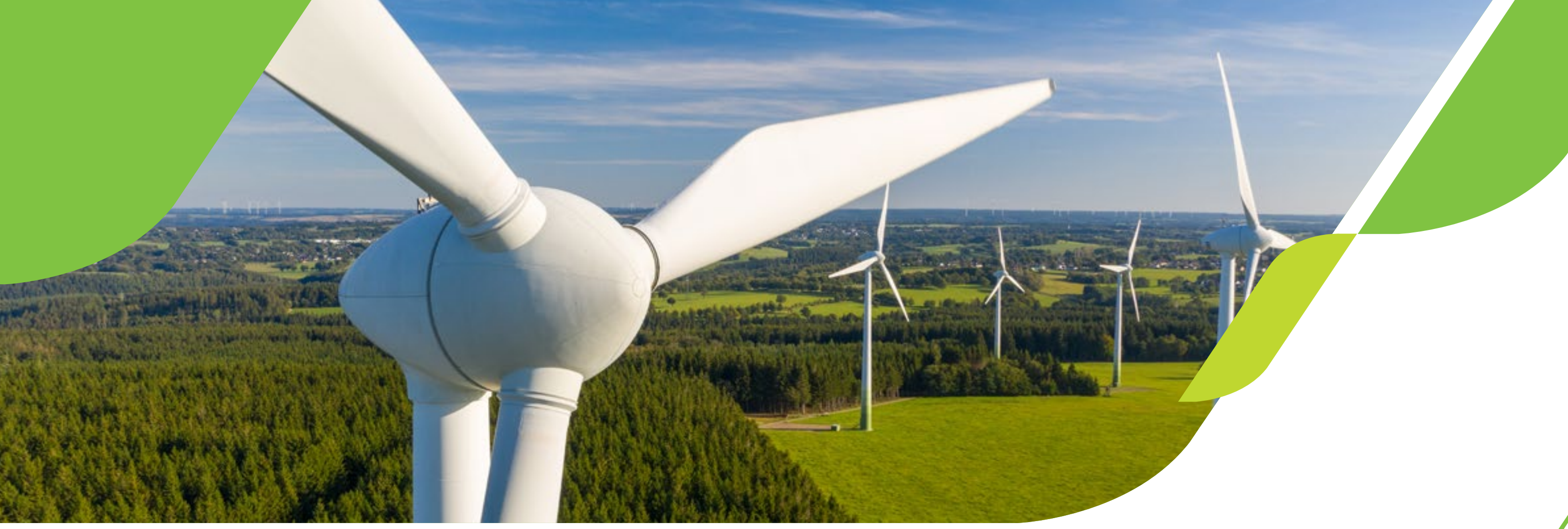
- A verification assurance report relative to the Sustainability Target outlining the performance against the Sustainability Target and the related impact, and timing of such impact, on the bond's financial and/or structural characteristics.

Considering the information described above, Chapter 5 of this Guide contains the necessary requirements related to the minimum mandatory content for the Annual Reports for Sustainability-Linked Bonds and other Mandatory Documents, in addition to indicating the situations in which the Mandatory Documents must be prepared by External Reviewers.

5.2.5 | Pillar 5: Verification

Upon issuance, a Second Party Opinion Provider must verify the compliance of the Offering features, the Issuance Document and the Framework, as applicable, with the five Pillars for Sustainability-Linked Bonds. Furthermore, the Second Party Opinion must include a description of the analysis of the relevance, materiality, robustness and reliability of the selected Performance Indicators, the logic and level of ambition of the Sustainability Targets, and the benchmarks selected for the construction of the Baseline. The External Reviewer may also evaluate the Issuer's Sustainability performance.

As mentioned in Pillar 4 above, the Issuer must engage an External Reviewer with relevant expertise, such as an auditor or an environmental consultant to verify compliance with Sustainability Targets, and this verification must be performed in the audit model. This audit must occur at least annually, throughout the life of the operation. When verification takes place in a year in which Sustainability Targets are expected to be verified, the External Auditor must certify, in the Annual Report, whether the Issuer has effectively met the Sustainability Targets, as measured by the Performance Indicators, until all targets are verified. The External Auditor must also validate any calibration or recalibration of the Sustainability Targets, as applicable.



06. COMPLEMENTARY GUIDELINES

In addition to reflecting, in a consolidated manner, the content of the ICMA Principles, this Guide also includes complementary guidelines to meet the particularities of the Brazilian market (Complementary Guidelines). The Complementary Guidelines described herein include:

- **Mandatory Documents:** Aiming to comply with the guidelines of this text, Issuers must disclose some mandatory documents that contain the information required for due transparency about the characteristics of the issuance that characterize it as an Sustainable Bond, in addition to periodic reports necessary for monitoring compliance with the commitments of the Issuer after the closing of the Offering.
- **Minimum Content in the Issuing Documents:** Information to be included in the Issuance Documents, considering the document templates already used by the market for the issuance of fixed income securities and the clauses that are common to this type of operation.

6.1 | MANDATORY DOCUMENTS

As described in this Guide, the guidelines described herein are in line with the best market practices and widely adopted international recommendations, which promote the transparency and integrity required for the development of the Sustainable Bonds market in Brazil.

Aiming to demonstrate its commitment to best market practices and comply with the requirements set out in this Guide, the Sustainable Bond Issuer must disclose the following mandatory documents (Mandatory Documents), which, in some cases, must be prepared by External Reviewers indicated in section 3.3.2 of this Guide:

6.1.1 | MANDATORY DOCUMENTS FOR USE OF PROCEEDS BONDS' OFFERINGS

Document	Responsible for Elaboration	Minimum content	Disclosure Timing
Issuer Framework or **other public document**	**Issuer**	Description of the guidelines contained in the 4 Pillars for Use of Proceeds Bonds.	Pre-Issuance
Second Party Opinion (SPO) or **Certification**	**SPO Provider**	Description of the 4 Pillars for Use of Proceeds Bonds and the SPO Provider's final opinion on the suitability of the Sustainable Bond's features to the mandatory requirements of this Guide.	Before the settlement date of the Offering, considering a reasonable period for analysis by the investor
	Certifying Entity	Certification on adequacy of the Use of Proceeds Bonds to the requirements of the certifying entity.	
Annual Report	**Issuer**[1]	• Indication of the percentage of proceeds raised in the Offering allocated to Eligible Projects. • Description of the projects that were financed with these proceeds; • Estimated impact with the use of these proceeds, using, whenever possible, indicators that reflect the social and/or environmental benefit of the financed Projects.	**Post-Issuance:** Annually
Final Report	**Issuer**[1]	• Same content of Annual Report; • Same content of Annual Report;	On the final maturity date or on the date of complete allocation of funds from the bond proceeds

1 – When the Annual and/or Final Reports are prepared by the Issuer itself, without hiring an External Appraiser, the Offering Documents must include a disclaimer stating that said reports will not be verified by an External Reviewer.

6.1.2 | MANDATORY DOCUMENTS FOR SUSTAINABILITY-LINKED BONDS' OFFERINGS

Document	Responsible for Elaboration	Minimum content	Disclosure Timing
Framework of the Issuer, including the Baseline Audit	**Issuer**	• Description of the guidelines contained in the 5 Pillars for Sustainability-Linked Bonds.	Pre-Issuance
	Baseline Audit: **External Auditor**	• Baseline Audit used to define the Sustainability Targets and calculate the selected Key Indicators (KPIs), as described in the Framework.	
Second Party Opinion (SPO)	**SPO Provider**	Description of the 5 Pillars for Sustainability-Linked Bonds and the SPO Provider's final opinion on the suitability of the Sustainable Bond's features to the mandatory requirements of this Guide.	Before the settlement date of the Offering, considering a reasonable period for analysis by the investor
Annual Report	**Issuer** with verification by and **External Auditor**	• Annual report on the evolution of the Issuer's performance in relation to the fulfillment of the Sustainability Targets, measured by the Key Performance Indicators (KPIs). • In the Reports that coincide with the Sustainability Target verification dates, the External Auditor must report on the evaluation of success in the fulfillment of the respective Target	**Post-Issuance:** Annually, with additional information at Target verification dates, or upon achievement of Sustainability Targets.

Baseline Audit

Validating the Key Performance Indicators Baseline is an important step in issuing Sustainability-Linked Bonds to ensure the Target is ambitious in relation to the Issuer's current performance.

The Baseline Audit Report must be prepared by an External Auditor, and it is recommended that it is not the same company (or company of the same economic group) as the SPO Provider hired to prepare the Second Party Opinion. The Baseline Audit minimum content includes: (i) Baseline validation; (ii) capabilities and experience of the External Auditor; and (iii) Disclaimer about potential conflicts of interest, in case the External Auditor is the same company (or company of the same economic group) as the SPO Provider hired to prepare the Second Party Opinion.

6.2 | MINIMUM CONTENT IN THE ISSUANCE DOCUMENT

The Issuance Document must include information related to the specific characteristics of the bond issued that enable it to be classified as an Sustainable Bond. In this sense, aiming to ensure transparency, security, veracity and standardization of information related to Sustainable Bonds, the Issuance Documents must contain the following minimum information:

6.2.1 "Bond Characteristics: Bond Identification"

I – Inform the classification of the Sustainable Bond, specifying, as applicable, its format, if "Sustainability-Linked Bonds" or "Use of Proceeds Bonds" and, in the latter case, also indicate its modality, if Green, Social, Sustainable and/or Transition;

II – Inform the compliance of the Offer's characteristics with this Guide, in the active version on the Offering settlement date through the statement "This Issuance Document was initially prepared in compliance with ANBIMA's Guide on Sustainable Bonds Offering, characterized as a green/social/sustainability bond/sustainability-linked, and is subject to modification by means of subsequent amendments and alterations as of this date";

III – Indication of the existence of an External Reviewer responsible for the Second Party Opinion (SPO) and, if applicable, information on the practical experience of the same company (or company of the economic group) as an External Advisor, as described in item 2.3.1 of this Guide;

IV – Publicizing documents: inform location (such as the website) to access the Mandatory Documents; and

V – Include a cross-reference to clauses with information on allocation of funds from the bond Proceeds (for Use of Proceeds Bonds) or Remuneration (for Sustainability-Linked Bonds) or another clause related to the change in the characteristic of the bond resulting from the fulfillment or non-compliance with the Sustainability Target, as applicable.

6.2.2 "Remuneration" clause or other clause affected by any change in the characteristics of the Offering (Applicable only to Sustainability-Linked Bonds)

Detailed description of any variations in the characteristics of the Sustainability-Linked Bond, whether in remuneration or other financial and/or structural characteristics, arising from the verification of compliance or noncompliance with the Sustainability Targets.

Additionally, it is recommended that the Offering Documents contain detailed information on the conditions for changing the Sustainability Targets and/or KPIs, as well as on the possible need to hold a bondholders' meeting to resolve on the changes.

6.2.3 Clause "Allocation of funds from the bond Proceeds" (Applicable only to Use of Proceeds Bonds)

I – Detailed description of the Projects or portfolio of Projects that will be the object of the allocation of funds from the proceeds of the Offering, or equivalent value, and the characteristics that typify these Projects as being green, social or sustainable, as applicable. If there are regulatory allocation requirements, they must be properly segregated from the ESG requirements (qualification of the bond required).

II – Issuer's commitment not to double-count; that is, not to use the Project selected for the Sustainable Bond in other operations, except in cases where the Project has an investment greater than the total volume of other funding.

III – Describe the information defined in Pillar 1 for Use of Proceeds Bonds, indicating, if applicable, a description of an estimate of the installments intended for financing and refinancing of Projects in percentage terms. Additionally, it is recommended to clarify which project portfolios may be refinanced, and, to the extent possible, the expected look-back period for refinancing these projects.

6.2.4 "Obligation of the Parties" Clause

Detailed description of the obligations of each signatory of the Issuance Documents, as applicable, that are related to the Sustainable characteristics of the transaction, especially regarding the Issuer's obligations in relation to the process of verifying the bond as Sustainable, its subsequent maintenance in this classification and the disclosure of Mandatory Documents. The responsibilities of the Fiduciary Agent of the transaction must also be included, including in relation to monitoring the disclosure of the Mandatory Documents, as applicable.

6.2.5 "Representations and Warranties" clause

I – Statements by the Issuer certifying the Sustainable Bond Format and Type as green/social/sustainable/transition or Sustainability-Linked Bond, as applicable.

II – Detailed description of the representations and warranties of each Issuance Document signatory, as applicable, that relate to the Sustainable characteristics of the transaction.

- "Representations and Warranties" clause

I – Statement on the non-existence of another issuance aimed at the same project (except in cases where the total value of emissions, emitted or to be emitted until the date of the statement in reference, is equal to or lower than the financial value allocated in the Project).

II – Statements of adoption of best practices and compliance with environmental and social obligations.

6.2.6 "Early Maturity" Clause (non-automatic)

- (For Sustainability-Linked Bonds)

Considering that non-compliance with the Sustainability Target triggers a change in a financial and/or structural characteristic of the Sustainability-Linked Bond, it is common that non-compliance with the Sustainability Target is not a hypothesis of early maturity. Thus, if applicable, a wording must be included expressly providing for that non-compliance with the Sustainability Targets will not be considered a hypothesis for early maturity.

- (For Use of Proceeds Bonds)

I – Allocation of funds related to projects or assets other than those listed in the "Allocation of Funds" Clause.

6.2.7 6.2.7. "Risk factors" clause

Evaluate the inclusion, as applicable, of the following risk factors:

I – Lack of regulations applicable to the activity of External Reviewers.

II – Non-responsibility of the Offering coordinators for the content of the Second Party Opinion, Annual Reports and other Independent Valuations, as applicable.

III – Image risk arising from possible negative repercussions by the Issuer on events subsequent to the closing of the Offering, including the possibility of greenwashing or other situations related to non-compliance with the commitments assumed in the issuance of the Sustainable Bond, and consequences arising from said situations, including on the trading of the bond on the secondary market.

IV – Possibility of non-compliance by the Issuer with the obligations related to the ESG issues provided for in the Issuance Document, Framework and/or Second Party Opinion, including responsibilities specific to each Sustainable Bond format.

V – Possibility of non-compliance by the Issuer in the allocation of funds until the ordinary maturity date of the bond, in the event of early redemption, redemption offer and/or optional acquisition that has occurred without proof of full use of the Proceeds.

VI – Failure to achieve the Targets on the agreed dates, and/or non-delivery of the Annual Report, and consequences arising from said situations, including on the trading of the bond on the secondary market.

VII – Possibility of de-characterizing the bond as an Sustainable Bond, considering any changes subsequent to the closing of the Offering, and consequences arising from said situations, including on the trading of the bond on the secondary market.

6.2.8 Other applicable information

It is recommended that the Issuance Document provide for conditions that discourage the Issuer from early redemption of Sustainable Bonds prior to the Sustainability Target verification dates or full allocation of funds raised to selected Projects, as applicable for the Sustainable Bond format.

07. ANNEX I GLOSSARY

DEFINED TERM	DESCRIPTION
Rating agency	One of the categories of External Reviewers, a company specialized in appraisals that results in the assignment of a specific rating to the Issuer and/or the Sustainable Bond.
External reviewer	Specialized institution that has specific credentials to validate the characterization of a fixed income security as an Sustainable bond, which can be classified into four categories: SPO Provider, External Auditor, Rating Agency or Certifying Entity.
ESG	Acronym that stands for Environmental, Social and Governance. Term widely adopted by the market to refer to adherence to best environmental, social and corporate governance practices by a given organization.
Certifying entity	One of the categories of External Reviewers, being an institution accredited by the certifying body to verify compliance with the criteria defined by the certifying body (certification standard).
Climate Bonds Initiative (CBI)	Global non-profit organization whose mission is to mobilize capital markets in relation to climate issues.

Defined term	Description
Climate Bonds Standards	It is the first and currently leading international scheme that certifies Green Bonds, with a focus on climate objectives provided by the Climate Bonds Initiative (CBI).
External advisor	Companies that provide specialized consulting services on ESG matters and may be engaged to assist Issuers in the preparation of the Framework and other matters related to the issuance of the Sustainable bond.
Complementary Guidelines	Additional requirements included in Chapter 5 of this Guide, to complement the ICMA Principles, considering the particularities of the Brazilian market.
Sustainability bond guidelines	Document published by ICMA with guidelines for the issuance of Sustainable Bonds.
Issuance Document	Means the document that formalizes the issuance of a fixed income security, being considered in accordance with the security issued, including, but not limited to 1 (one) of the following documents: (i) Indenture, in the case of Debentures; (ii) Securitization Term, in the case of Certificate of Receivables issued by securitization companies; (iii) Issuance Instrument, in the case of a Commercial Note; (iv) Title, in the case of a Promissory Note; or (v) another equivalent document suitable for a particular fixed income security qualifying for classification as an Sustainable bond.
Offering Documents	Documents prepared by the Issuer or by the coordinators of an Offering, intended to provide information regarding the Issuer or the Offering, such as the prospectus, the offering sheet, the notice to the market, the announcement of the beginning of distribution and other documents containing information that may influence investment decision-making, as applicable.
Issuer	Issuer of fixed income securities that meets the requirements set forth in the applicable regulations.
Sustainability or Sustainable Finance Framework – SFF	Document prepared by the Issuer of the Sustainable bond, containing the description of the main information related to its operations and strategies related to ESG issues, as well as the description of the Pillars applicable to the Sustainable bond Format.

Defined term	Description
ICMA	International Capital Market Association, an entity that represents participants in the domestic and global capital markets in different regions, and whose objective is to promote internationally accepted best practice standards, through the development of appropriate and widely accepted guidelines, rules, recommendations and standard documentation, aiming to contribute to the development of sustainable finance through the capital market.
Key Performance Indicator – KPI	Refers to the Key Performance Indicators that are used to measure a given SPT and determine the consequent level of performance of an Issuer in relation to compliance or non-compliance with said SPT. KPIs are related to ESG metrics linked to the issuer's core business, and must be relevant, material, transparent, measurable and verifiable.
Baseline	The measured starting point for a given Performance Indicator. The indication of a baseline serves to assess the ambition of the proposed SPT and assist in measuring its evolution.
Sustainability Performance Targets (SPT) or Sustainability Target	Always related to an already-defined Performance Indicator, the target expresses the level of ambition to which the Issuer is willing to commit. Targets should be related to the issuer's ESG strategy, ambitious (clearly demonstrating that it goes beyond business-as-usual), transparent, externally verifiable and, if possible, comparable to a benchmark or other external references (such as peers).
Sustainable Development Goals (SDGs)	Global Action Plan defined by the UN and composed of 17 goals and 169 targets to be achieved by 2030.
Offering	Public offering for the distribution of securities carried out pursuant to the applicable regulations.

Defined term	Description
Second Party Opinion (SPO)	Independent opinion, prepared by the SPO Provider, which establishes whether the issuance is in line with the Pillars applicable to the Sustainable bond.
Target audience	The population group that will benefit from the implementation or realization of a particular Project.
ICMA Principles	Means, when referred together, to the following documents published by ICMA: Social Bond Principles, Green Bond Principles, Sustainability Bond Guidelines and Sustainability-Linked Bond Principles.
Social Bond Principles (SBP)	Document published by ICMA with guidelines for the issuance of Social Bonds.
Green Bond Principles (GBP)	Document published by ICMA with guidelines for issuing Green Bonds.
Sustainability-Linked Bond Principles	Document published by ICMA with guidelines for the issuance of Sustainability-Linked Bonds.
Projects / assets	Projects or assets to be financed and/or refinanced with the proceeds raised through the Use of Proceeds Bond Offering
SPO Provider	One of the categories of External Reviewers, a company specialized in ESG issues, hired by the Issuer for the Preparation of the Second Party Opinion (SPO).
Reports	Means the Annual Reports that must be released by the Issuer after the close of the Offering, being applicable for both formats of Sustainable bonds, as provided for in Pillar 4 for Use of Proceeds Security and in Pillar 4 for Securities Linked to sustainability Targets, provided that for the latter case, the document must be prepared by an External Auditor.

Defined term	Description
Sustainable Bond	Means, for purposes of this Guide, when referred together, Use of Proceeds Bonds and Sustainability-Linked Bonds. These are funding formats, issued as debt securities, which receive the ESG rating for serving purposes related to generating a positive impact on the environment and/or society, also following high governance standards, according to the selected format.
Use of Proceeds Bonds	Sustainable bond Format characterized by the allocation of funds raised from the bond proceeds, or an equivalent amount, to defined Projects that have a clear environmental and/or social additionality, and may assume the following modalities: Green Bond, Social Bond or Sustainable Bond.
Sustainability-Linked Bond (SLB)	Sustainable bond Format, in which the Issuer undertakes to achieve one or more Sustainability Target(s), previously defined and detailed upon the issuance of the Bond, which may have its financial and/or structural characteristics changed as a result of compliance or noncompliance of the Target(s).
Social Bond (SB)	Modality of Use of Proceeds Bond in which the funds raised with the Offering are intended for financing or refinancing Projects that generate a positive social impact.
Sustainability Bond	Modality of Use of Proceeds Bond in which the funds raised with the Offering are intended for financing or refinancing of Projects that generate positive sustainable impact, combining social and environmental benefits.
Green Bond (GB)	Modality of Use of Proceeds Bond in which the funds raised with the Offering are intended for financing or refinancing Projects that generate a positive environmental impact.
External Auditor	One of the categories of External Reviewers, which may be an advisory firm or specialized institution being responsible for the Reports, as applicable, with a specific scope of action for each of the Sustainable bonds formats.

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