

## ESG | Practice Area

Staying attentive to the needs of the market, and with a commitment to anticipating trends and presenting our clients with customized legal solutions, Mattos Filho has instituted a new practice area:

### ESG - Environmental, Social and Governance.

The firm's ESG practice area is a pioneering initiative in the Brazilian legal sector. It brings together specialists from different areas of the firm to provide comprehensive and coordinated services to all industrial sectors and associated investors and financiers. By integrating environmental, social and governance issues into business indicators, the area seeks to optimize and improve the results of economic activity.

The ESG practice area incorporates five main pillars: the environment, climate change, human and corporate rights, sustainable finance and risk management and governance.

With regard to **sustainable finance**, we assist issuers, investors and sponsors in structuring and negotiating transactions to raise funds via thematic bonds.

## Thematic bonds

### What are thematic bonds?



**Green bonds:** bonds to raise funds for projects or assets providing environmental benefits



**Social bonds:** bonds to raise funds for social projects and/or those generating certain social benefits



**Sustainability-linked bonds:** bonds to raise funds for a combination of projects that generate environmental as well as social benefits

### Which types of securities can be classified as thematic bonds?



Any debt security or credit instrument that raises funds for the purposes indicated above may be classified as a thematic bond, including:

- Debentures
- Real Estate Receivables Certificates (CRIs)
- Agribusiness Receivables Certificates (CRAs)
- Bank Credit Instruments (CCBs, NPs, etc.)
- Real Estate Credit Bills (LCIs)
- Agribusiness Credit Bills (LCAs)
- Securities issued abroad (bonds or notes)

### Examples of eligible purposes:



#### Green bonds

- Renewable energy and transmission
- Energy efficiency (including street lighting)
- Pollution prevention or control
- Sustainable land use
- Preservation of aquatic and land-based biodiversity
- Low-carbon transport (including infrastructure for reducing emissions)
- Sanitation
- Solid waste treatment for power generation
- Buildings with low greenhouse gas emissions



#### Social bonds

- Basic accessible infrastructure (potable water, sanitation, transportation, energy)
- Access to essential services (potable water, sanitation, transportation, energy)
- Job creation schemes and unemployment prevention programs due to socio-economic crises
- Sustainable food production systems
- Socio-economic development and empowerment (equitable participation in both the market and society, including the reduction of income inequality)

### Who qualifies thematic bonds?



Project qualification for financing via thematic bonds is carried out by independent third parties, either by way of a second opinion, certification or rating assessment



There are international standards outlining objective criteria (taxonomy) to qualify assets and projects as eligible for financing via thematic bonds



There is still no market consensus as to the definition of taxonomies, which can vary depending on the relevant sector or jurisdiction of a given project



Nevertheless, the most credible international standards for taxonomy criteria today are those established by the International Capital Markets Association or the Climate Bonds Initiative (CBI)

## How can Mattos Filho help?



Identifying eligible projects for raising funds



Structuring of documents governing the issuance of bonds



Assistance in adapting issuers' profiles to meet ESG criteria



### Our recent experience

Assistance in structuring the issuance of green bonds abroad, for a company in the agroforestry sector

Assistance in structuring the issuance of green infrastructure debentures in the renewable energy sector

Assistance in structuring the issuance of green infrastructure debentures in the sanitation sector

Assisting financial institutions with structuring the issuance of social financial bills

Assistance in structuring second opinions for the issuance of social debentures