

The background image shows a coastal scene with several fishing boats docked at a pier. In the foreground, numerous large, round, woven baskets are filled with dark, round oysters. The boats are white with blue and red accents. One boat has the name 'Deus' on its side. Another boat has 'IATE CLAYVE' on its side. The sky is overcast, and the water is calm.

Sovereign Sustainable Bond

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Pre-Issuance Report

Indicative Allocation

Sovereign Sustainable Finance
Committee (CFSS)
Brazilian National Treasury
Ministry of Finance
(committee chair)

1 Introduction

In 2025, Brazil is experiencing a period of both challenges and opportunities in the social and environmental arenas, with notable progress in reducing deforestation in the Legal Amazon and in expanding social transfer programs. The sustainability agenda remains a cross-cutting pillar of the country's growth strategy, in line with the New Brazil - Ecological Transformation Plan¹.

Since the issuance of its first sustainable sovereign bond in November 2023, Brazil has stood out in the global market for its innovative approach and commitment to sustainable practices. That inaugural issuance was guided by Brazil's Sovereign Sustainable Bond Framework² ("Framework"), also published in 2023, which sets the guidelines for issuing sovereign debt instruments aligned with sustainable development.

Under the Framework, the publication of an Annual Allocation and Impact Report ("RAI") is required for all sustainable sovereign bond issuances, subject to external verification. The first Allocation and Impact Report for Sustainable Sovereign Bonds was published in November 2024. In cases involving multiple bonds with proceeds reporting, the Allocation and Impact Report provides a bond-by-bond breakdown of allocated amounts, in accordance with the reporting schedule defined in the Framework.

In addition to the publication of the RAI, the initial issuances were supported by a Pre-Issuance Report, a document outlining the eligible expenditure categories under the Framework for each particular transaction, thereby enhancing transparency in the allocation of proceeds.

To consolidate this practice, the purpose of this new Pre-Issuance Report is to indicate the expenditure categories that may be considered as eligible for the third issuance of sustainable sovereign bonds by the Federative Republic of Brazil.

¹ [Novo Brasil – Ecological Transformation Plan](#)

² The development of the Framework was a joint effort led by the Sovereign Sustainable Finance Committee (CFSS) of the Federal Government, with the collaboration of multiple government agencies. The initiative also benefited from the support of the Inter-American Development Bank (IDB) and the World Bank, highlighting the importance of coordinated efforts to advance sustainable finance in the country. For more information, see: https://www.gov.br/tesouronacional/en/federal-public-debt/sustainable-bonds-files/FW-EN?set_language=en

As in previous issuances, the eligible expenditures will follow the use-of-proceeds approach, whereby an amount equivalent to the net proceeds from the transaction will be allocated to budgetary expenditures that deliver environmental and/or social benefits.

Accordingly, this document outlines:

- The indicative allocation of proceeds from the sustainable sovereign bond issuance; and
- an indicative list of eligible allocation categories for environmental and social expenditures, based on the guidelines and criteria defined in the Framework.

It is important to note that the final composition of allocations may vary, depending on the actual amount raised in the issuance. This report is therefore preparatory and indicative in nature, aiming to align expectations with investors and reaffirm Brazil's commitment to transparency and sustainability.



2 Indicative Allocation

To prepare the projected allocation of proceeds in this Report, the Sovereign Sustainable Finance Committee³ (CFSS) considers budgetary programs deemed eligible under the criteria of the Framework, as indicated by sectoral ministries, based on the 2025 Federal Budget and outlook for the coming years.

Accordingly, the allocation of proceeds for the upcoming issuance will follow the indicative percentages below:

Table 1. Indicative Range for the Allocation of Proceeds after the Issuance

Expense Type	Minimum	Maximum
Environmental	50%	60%
Social	40%	50%

With regard to the time frame, the expected composition is that no more than 25% of the proceeds will be allocated to the refinancing of previously executed expenditures.⁴

The overall allocation presented in Table 1 will also observe the indicative allocation ranges by category for environmental and social expenditures, as shown in Table 2 below:






³ The Sovereign Sustainable Finance Committee (CFSS), established by Decree No. 11,532 of May 16, 2023, is composed of representatives from ten ministries. Its mission is to monitor the implementation of the Framework and to prepare documents related to the issuance of thematic sovereign bonds. For more information, see: https://www.gov.br/tesouronacional/en/federal-public-debt/sustainable-bonds-files/sovereign-sustainable-finance-committee-cfss-in-portuguese?set_language=en.

⁴ According to the Framework (page 21), recent expenditures (refinancing) are those executed under the Annual Budget Law (LOA) up to 12 months prior to the issuance date; current expenditures are those foreseen in the LOA in force at the time of issuance; and future expenditures are those to be executed within up to 24 months after the issuance.

Tabela 2. Indicative Ranges by Expenditure Categories

Expenditure Category	Minimum	Maximum	Impacted SGDs		
Green*	50,0%	60,0%			
Renewable energy	12,0%	16,0%			
Sustainable management of living and natural resources and land use	10,0%	14,0%			
Terrestrial and aquatic biodiversity	15,0%	19,0%			
Sustainable management of water and effluents	11,0%	15,0%			
Adaptation to climate change	2,0%	6,0%			

*Although the individual values of each category may vary within the presented range, the sum of the categories must always be at least 50% and at most 60%.

Expenditure Category	Minimum	Maximum	Impacted SGDss	
Social**	40%	50%		
Combating poverty	20,0%	25,0%		
Food security and sustainable food systems	10,0%	15,0%		
Access to basic infrastructure	10,0%	15,0%		

**Although the individual values of each category may vary within the presented range, the sum of the categories must always be at least 40% and at most 50%..

The use of indicative ranges for the allocation of proceeds provides investors with a degree of predictability regarding the types of expenditures that will be prioritized with the funds raised, while ensuring flexibility for the issuer to adapt the use of proceeds in line with budgetary dynamics.

This approach also provides flexibility for the allocation across eligible expenditures within each category. These eligible expenditures are listed in Figure 1 below, although no specific percentage of proceeds is assigned to each one.

Figure 1. Indicative Selection of Eligible Expenditure ategories for the Third Issuance of Sustainable Sovereign Bonds



- Development, construction, installation, expansion, operation, maintenance, refurbishment, and land related to electricity production and energy storage for the following sources of energy. To be eligible, activities' emissions level must be <100gCO₂e/kWh, unless otherwise stated; Solar energy (Photovoltaic);
- Hydroelectric power from run-of-the-river plants without artificial reservoir or low storage capacity or plants with a carbon footprint below 50g CO₂e/ kWh or power density above 10 W/m² for projects starting operations in 2020onwards or plants with a carbon footprint below 100g CO₂e/kWh or power density above 5 W/m² for projects in operation before 2020
- Power from biomass, and municipal solid waste or industrial waste
- Production of biofuels with Efficient Biofuel Production Certificate, in line with ANP Resolution No. 758/2018 issued by the National Agency of Oil, Natural Gas and Biofuels
- Production of biomethane: Development, construction, installation and expansion of the production of waste-derived fuel
- Development and industrial capacity to produce equipment, component, technologies and materials needed for the energy transition, more directly to wind power, solar energy, storage, electric vehicles, vehicles powered by biofuel, and low carbon hydrogen

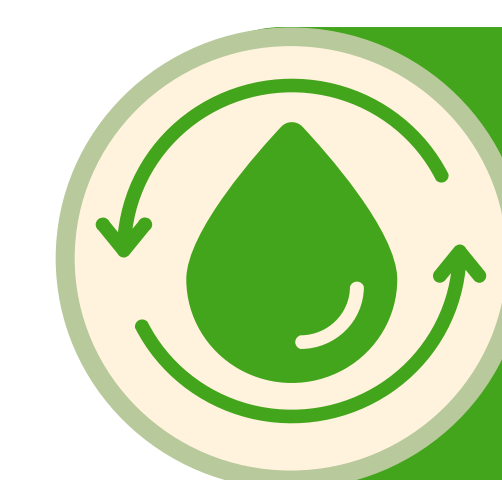


- Conservation of natural resources, maintenance of permanent soil cover, and improvement of its chemical, physical, and biological quality
- Implementation of the Agricultural Zoning for Climate Risk (ZARC)
- Projects that enable family farming to participate in renewable energy value chains
- Promotion of rural communities and their products, services, and processes related to social-biodiversity: registration, management, and dissemination of traditional and scientific knowledge, techniques, and practices
- Adaptation and regularization of rural properties in compliance with the Forest Code
- Expenditures related to social-biodiversity: conservation of biodiversity in value chains that use natural resources
- Sustainable agricultural practices and climate-smart agriculture that prevent or minimize soil degradation, ecosystem damage, or habitat loss, or that promote soil carbon sequestration
- Projects for areas belonging to Indigenous and/or traditional communities, including land demarcation and restoration
- Watershed revitalization - Concessions and Public-Private Partnerships focused on sustainable development
- Sustainable use of natural resources in biodiversity-based value chains
- Promotion of rural communities and their products, services, and processes related to social-biodiversity: enhancing the identity and visibility of products and rural communities



Terrestrial and aquatic biodiversity

- Implementation of the “Bolsa Verde” program
- Research and development of conservation technologies and strategies
- Protection, conservation, recovery, restoration, and sustainable management of biodiversity in terrestrial and marine ecosystems
- Monitoring and recording of fauna in Brazilian biomes
- Improvement of environmental enforcement processes, including remote monitoring technologies
- Deforestation control
- Deforestation control through environmental monitoring and enforcement
- Establishment, operation, and maintenance of terrestrial and marine Protected Areas
- Prevention and control of wildfires



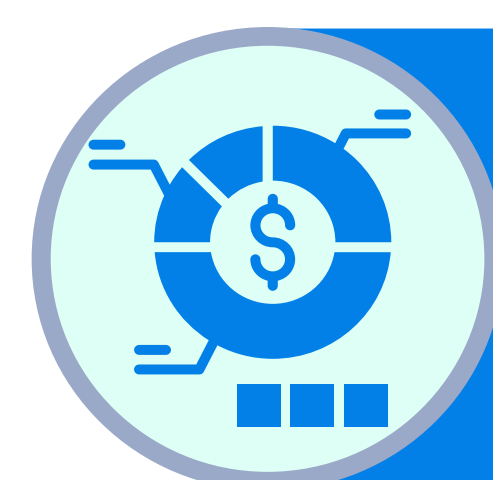
Sustainable water and wastewater management

- Implementation of monitoring mechanisms and water use permitting controls
- Conservation of water resources, protection of watersheds, and prevention of pollution affecting water supply
- Implementation and improvement of management instruments provided for in the National Water Resources Policy (Law No. 9,433/97)
- Design, construction, operation, maintenance, upgrading, expansion, and adaptation for efficient and sustainable water and sewage management
- Watershed revitalization



Adaptation to climate change

- Surveys, studies, and mechanisms for prevention and alerts of extreme weather events, focusing on the construction of the adaptive capacity of vulnerable communities
- Development and improvement of methods for assessing the efficiency of resilience, adaptive capacity and productivity of sustainable systems, practices, products and production processes
- Reduction of erosion (including reduced loss of soil, water and nutrients) and increase in the adaptive capacity to droughts
- Adaptation, reducing vulnerability and increasing resilience of urban infrastructure.



Socioeconomic development and empowerment: Poverty alleviation

- Financial assistance through direct cash transfers to families living in poverty or extreme poverty, registered in the Federal Government's Single Registry (Cadastro Único), as defined in the section on the target population
- Financial assistance to elderly individuals (65 years or older) and to persons with disabilities
- Basic Social Protection actions under the Unified Social Assistance System (SUAS)



Food security and food systems

- Programs providing healthy and nutritious food services, including the purchase and distribution of food, as well as food subsidies for the target population:
 - People experiencing food or nutritional insecurity;
 - Public school students;
 - Traditional communities, including quilombola, extractivist, and Indigenous peoples



Access to basic infrastructure: Universalization of basic sanitation

- Expansion of access to and effectiveness of water supply, sanitation, urban cleaning, and solid waste management services for families living in poverty or extreme poverty, informal settlements, or households not yet connected to service networks
- Support for the implementation, expansion, or improvement of water supply systems in municipalities located in the semi-arid region
- Slope containment in urban areas
- Projects/interventions aimed at ensuring water supply in sufficient quality and quantity for human consumption and multiple uses
- Promotion of access to water for human consumption and food production through the implementation of simple, low-cost social technologies (such as cisterns) for low-income rural families affected by drought or irregular water supply, with priority given to traditional peoples and communities
- Sustainable urban drainage systems and rainwater management in high-risk municipalities subject to recurring events of floods, flash floods, and inundation

2.1 Environmental Expenditures

Regarding environmental expenditures, it is worth noting the planned allocation of resources to projects focused on indigenous peoples and communities, especially those related to health. Studies show that, on average, forests within demarcated Indigenous lands are better preserved⁵, which is why the budgetary resources allocated to these initiatives—despite also generating social benefits—are primarily categorized as environmental expenditures. Within the Ministry of Health, the Special Secretariat for Indigenous Health (SESAI) is responsible for coordinating and implementing the National Policy for Indigenous Peoples’ Health Care and managing the Indigenous Health Care Subsystem (SasiSUS).

The main budgetary expenditure in this group relates to the promotion, protection, and recovery of Indigenous health. This initiative seeks to ensure differentiated, continuous, and high-quality access to the public health system for Indigenous peoples, while respecting their sociocultural and territorial specificities. The activities include preventive actions, primary care services delivered through base centers, epidemiological surveillance, and environmental monitoring in villages. The relevance of this action also stems from the strategic role that Indigenous territories play in environmental conservation, especially in the Legal Amazon, where there is significant overlap between protected areas and Indigenous lands.

Regarding other environmental expenditures, notable items include environmental monitoring and enforcement carried out by the Brazilian Institute of the Environment and Renewable Natural Resources (IBAMA), as well as expenditures related to Federal Protected Areas, under the responsibility of the Chico Mendes Institute for Biodiversity Conservation (ICMBio). Currently, Federal Protected Areas cover 9.35% of the continental territory and 25.33% of the marine territory. In the Amazon biome alone, there are 190 such areas, collectively protecting 15.20% of the biome.⁶ Also of note are expenditures related to natural disaster monitoring and early warning systems⁷, as well as projects aimed at flood mitigation and containment of river or coastal erosion.

There is also a significant volume of expenditures related to water infrastructure projects, such as the construction of water pipelines, restoration of reservoirs, dams, and the integration of the São Francisco River. These expenditures are linked to water security and the efficient and sustainable management of water resources. This category also includes expenditures related to the National Water Resources Policy (PNRH).

Finally, within the scope of the Climate Fund, disbursements related to renewable energy—such as wind and solar power—will be considered, in addition to incentives for the electrification of sectors with high emissions of greenhouse gases and other air pollutants.

2.2 Social Expenditures

Regarding social expenditures, in addition to the programs related to Bolsa Família and the Benefício de Prestação Continuada (BPC), there are relevant expenditures associated with the Food Acquisition Program (PAA). The PAA is a Federal Government initiative aimed at improving access to food—particularly for vulnerable populations—and supporting food production by family farmers. According to the Monitora MDS portal, this program benefited approximately 25,000 family farmers in March 2025.⁸

As for basic infrastructure, the eligible expenditures include the implementation of social technologies for water access, particularly in the Northeast region.⁹ Additionally, expenditures include management of basic sanitation systems in municipalities and Indigenous villages, sewage treatment systems, and general water infrastructure deployment. Lastly, the selection also highlights urban drainage projects and slope containment works.

⁵ FAO. FILAC. (2021). [Forest governance by indigenous and tribal peoples – An opportunity for climate action in Latin America and the Caribbean](#).

⁶ Ministry of the Environment and Climate Change, [National Register of Protected Areas Platform – CNUC](#).

⁷ [National Center for Monitoring and Alerting Natural Disasters- Cemaden](#)

⁸ [Monitora MDS](#).

⁹ [Monitora MDS](#).

3

Final Considerations

The purpose of this Pre-Issuance Report is to outline an indicative allocation of the activities to be financed in alignment with the Brazilian Government's sustainability policy, in the context of the third issuance of sustainable sovereign bonds in the international market by the Federative Republic of Brazil and in the year the country will host the United Nations Framework Convention on Climate Change (UNFCCC) Conference of the Parties (COP30) in Belém, Pará. This event is viewed as a strategic opportunity to attract green investments, strengthen innovative climate finance mechanisms, and promote the country's role as a reference in integrated sustainable development solutions.

Proceeds may be allocated to recent expenditures (refinancing), carried out under the Annual Budget Law (LOA) up to 12 months prior to the issuance date; to current expenditures included in the LOA in force at the time of issuance; and to future expenditures, to be executed within 24 months after the issuance, as defined in the Framework.

We emphasize that, according to the Framework, an annual Allocation and Impact Report is to be published for all sustainable sovereign bond issuances. These reports will be subject to external review by an independent agency or institution, such as a Second Party Opinion (SPO) provider. The second Allocation and Impact Report is expected to be published in the second half of 2025.

In cases involving multiple bonds with proceeds reporting, the Allocation and Impact Report will provide a bond-by-bond breakdown of the allocations, in accordance with the timelines established in the Framework.

Questions and suggestions are welcome via email: stndivida@tesouro.gov.br