

Sovereign Sustainable Bond

2026

Published in
Jun/2026

Pre-Issuance Report

Indicative Allocation

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

1 Introduction

In 2026, Brazil recorded significant progress in its environmental agenda. Following extensive public consultation, the Brazilian Sustainable Taxonomy (TSB) was approved, a system that classifies which economic activities are sustainable by establishing criteria and indicators to assess whether an economic activity is sustainable¹. In addition, the Climate Plan 2024-2035 was approved, setting short, medium and long-term targets and guidelines aimed at transitioning to a net-zero greenhouse gas emissions economy by 2050 and adapting human and natural systems to climate change².

Furthermore, Brazil had the honor of hosting the first multilateral climate meeting in the Amazon, COP30, during which a transition was formalized from three decades marked by complex negotiations to a phase focused on effective implementation and structural transformation of economies and societies. For 2026, Brazil, now holding the COP presidency, continues to act as a global leader on this agenda. Domestically, a key priority is the regulation of the carbon market, formally established in 2024 as the Brazilian Emissions Trading System³.

In this context, Brazil has maintained a consistent presence in the sustainable sovereign bond market since the publication, in 2023, of the Brazil's Sovereign Sustainable Bond Framework⁴ ("Framework"), which sets forth the guidelines for issuing sovereign debt instruments aligned with sustainable development. Since then, three sustainable bond issuances have been carried out, totaling USD 5.5 billion. Regarding the first two issuances, of which 100% of the equivalent amount has already been reported for the first issuance and 62.5% for the second, expenditures stand out in environmental categories, such as renewable energy and biodiversity, as well as in social categories, such as poverty alleviation and food security.

¹ For more information, see: [Sustainable Taxonomy of Brazil](#).

² For more information, see: [Climate Plan](#).

³ For more information, see: [Carbon Market](#).

⁴ The development of the Framework was a collaborative effort led by the Federal Government's Sovereign Sustainable Finance Committee (CFSS), involving joint contributions from several 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: [Brazil's Sovereign Sustainable Bond Framework](#)

Under the Framework, the annual publication of an Allocation and Impact Report (“RAI”) is required for sustainable sovereign bond issuances, subject to external verification. 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 timelines established in the Framework.

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

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

As in previous issuances, the allocation will follow the use-of-proceeds approach, whereby an amount equivalent to the net proceeds raised in 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 Committee⁵ (CFSS) considers budgetary programs deemed eligible under the criteria of the Framework, as indicated by sectoral ministries, considering the Federal Budget and expected disbursements from the Climate Fund for 2026 and the coming years.

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

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

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



With regard to the time frame, the expected composition is that no more than 25% of proceeds will be allocated to the refinancing of previously executed expenditures⁶.

The overall allocation will also observe the indicative allocation ranges by category for environmental and social expenditures.




⁵ The Sovereign Sustainable Finance Committee (CFSS), established by Decree No. 11,532 of May 16, 2023, is composed of representatives from ten ministries and is tasked with monitoring the implementation of the Framework and preparing the documents related to the issuance of thematic sovereign public bonds. For more information, see: [Sovereign Sustainable Finance Committee \(CFSS\)](#)

⁶ According to the Framework (page 21), recent expenditures (refinancing) are those carried out under the Annual Budget Law (LOA) up to 12 months prior to the issuance date; current expenditures are those under the respective LOA in force at the time of issuance; and future expenditures are those to be executed within up to 24 months after issuance.

Tabela 2. Indicative Ranges by Expenditure Categories

Expenditure Category	Minimum	Maximum	Impacted SGDs
Green*	50%	60%	
2. Renewable energy	10%	15%	 
5. Sustainable management of living and natural resources and land use	22%	29%	  
6. Terrestrial and aquatic biodiversity	12%	16%	  
7. Sustainable management of water and effluents	1%	2%	  
8. Adaptation to climate change	2%	6%	 

*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 SGDs
Social**	40%	50%	
1.1. Combating poverty	25%	35%	 
2. Food security and sustainable food systems	15%	20%	

**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 predictability regarding the types of expenditures that will be prioritized with the funds raised, while ensuring flexibility for the issuer to adjust the use of proceeds in line with budgetary dynamics.

This approach also allows flexibility in allocating proceeds across eligible expenditures within each category. These expenditures are listed below, although no specific percentage is assigned to each one.

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



2. Renewable Energy

- Development, construction, installation, expansion, operation, maintenance, refurbishment, and land related to electricity production and energy storage, provided emissions are below 100gCO₂e/kWh, unless otherwise specified; solar (photovoltaic);
- Hydropower from run-of-the-river plants without artificial reservoirs or with low storage capacity, or meeting defined carbon footprint and power density thresholds;
- Energy from biomass and waste;
- Production of biofuels certified under ANP Resolution No. 758/2018;
- Production of biomethane;
- Industrial capacity and development for technologies supporting the energy transition (wind, solar, storage, EVs, biofuel vehicles, low-carbon hydrogen)



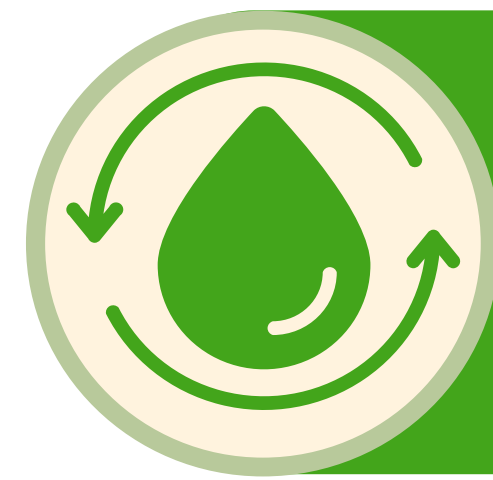
5. Sustainable management of living and natural resources and land use

- Conservation of natural resources and soil quality;
- Implementation of the Agricultural Zoning for Climate Risk (ZARC);
- Support for family farming participation in renewable energy value chains;
- Promotion of rural communities and social-biodiversity;
- Compliance with the Forest Code;
- Sustainable agriculture and climate-smart practices;
- Projects for Indigenous and traditional communities;
- Watershed revitalization and sustainable resource use.



6. Terrestrial and aquatic biodiversity

- Implementation of the “Bolsa Verde” program;
- Research and development on conservation;
- Protection, restoration, and sustainable management of ecosystems;
- Biodiversity monitoring and fauna tracking.



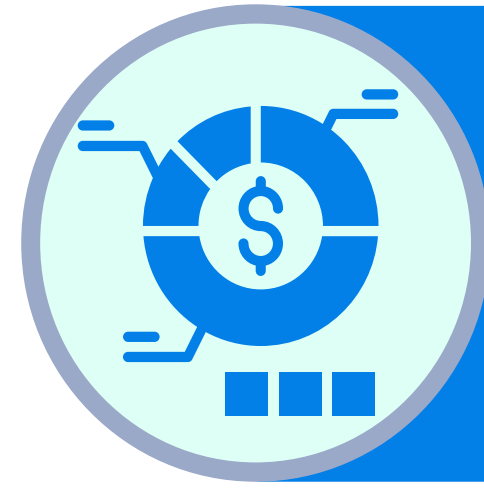
7. Sustainable water and wastewater management

- Monitoring mechanisms and water use permitting;
- Protection of water resources and pollution prevention;
- Implementation of instruments under the National Water Resources Policy;
- Water and sewage infrastructure projects.



8. Adaptation to climate change

- Early warning systems and climate studies;
- Development of resilience and adaptive capacity;
- Erosion control and drought resilience;
- Adaptation of urban infrastructure.



1.1. 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 people with disabilities
- Basic Social Protection actions under the Unified Social Assistance System (SUAS)



2. 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



3 Final Considerations



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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 fourth issuance of sustainable sovereign bonds in the international market by the Federative Republic of Brazil.

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 up to 24 months after issuance, as defined in the Framework.

We emphasize that, in accordance with the Framework, an annual Allocation and Impact Report will be published for all sustainable sovereign bond issuances. These reports will be subject to external review by an independent institution, such as a Second Party Opinion (SPO) provider. The third Allocation and Impact Report is expected to be published in the second half of 2026.

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

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