

# Assessment Report

Pre-Issuance Reasonable Assessment Engagement

First Climate Loan of BANCO COOPERATIVO SICREDI S.A.  
in 2021

*Climate Bond Standard version 3.0 and CBI Solar Energy  
Criteria (Version 2.1)*

April 05<sup>th</sup>, 2021

## About SITAWI

SITAWI Finance for Good is a Brazil-based organization whose mission is to mobilize capital for positive environmental and social impact. We develop financial solutions for social impact and advise the financial sector on how to incorporate environmental and social issues into strategy, risk management and investment analysis. We are one of the 5 best ESG research houses for investors according to Extel Independent Research in Responsible Investment - IRRRI 2019 – and a pioneer in the green bond market in Brazil.

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# 1. Engagement Summary

This Report aims to provide a Pre-Issuance Verification for the loan of Banco Cooperativo Sicredi S.A. (“Borrower”), part of the holding Sicredi Participações S.A. (“Sicredi”), as a Certified Climate Loan (“Loan”). Banco Cooperativo Sicredi S.A. will receive a loan from the International Finance Corporation (IFC) and subsequently allocate the loan proceeds to its cooperatives for Sicredi’s solar credit line. This credit line aims to fund solar panels in small and medium-sized companies. The assessment was conducted by SITAWI Finance for Good (“Verifier”), as an independent third-party provider accredited by the Climate Bonds Standards Board.

The proceeds obtained from the loan will be used for funding small solar energy projects (up to 2MW) throughout Brazil, and targeted clients are individuals and small and medium-sized enterprises (SME) (“Nominated Projects & Assets”). The investment will be directed from Banco Cooperativo Sicredi S.A. to its clients through credit cooperatives, exclusively, in Brazil.

SITAWI’s assessment method follows the Climate Bonds Standards, Version 3.0<sup>1</sup>. The assessment followed Climate Bond Initiative (CBI)’s general requirements (applicable to all bonds) and the Solar Sector Eligibility Criteria of the Climate Bonds Standard Version 1.2 under the Climate Bonds Standard (Version September 2020).

The assessment process consisted of:

- Planning the assessment;
- Risk Assessment;
- Performing the assessment, including client preparation, obtaining evidences and practitioner assessment;
- Forming the assessment conclusion;
- Preparing the assessment report;
- Submission for CBI certification.

The assessment relied on both confidential and public information and documents provided by Sicredi, desk research and remote interviews conducted with the sustainability and finance areas. This process was carried out between March 03<sup>rd</sup> and April 05<sup>th</sup>, 2021.

The assessment process was performed in accordance with relevant general principles & professional standards of independent auditing, and in line with the International Standard on Assessment Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000), International Standard in Quality Control (ISQC 1, 2009) and Code of Ethics for Professional Accountants of International Ethic Standards Board for Accountants (IESBA, 2019).

The professionals that performed this assessment have previous knowledge and experience on applying Climate Bonds Standard version 3.0 and Climate Bond Sector Criteria and are familiar with the sector’s main ESG risks and opportunities.

SITAWI had access to all documents and professionals requested, thus being able to provide an opinion with a reasonable<sup>2</sup> level of assurance regarding completeness,

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<sup>1</sup> <https://www.climatebonds.net/files/files/climate-bonds-standard-v3-20191210.pdf>

<sup>2</sup> “In a reasonable assurance engagement, the practitioner reduces assurance engagement risk to an acceptably low level in the circumstances of the engagement to obtain reasonable assurance as the basis for a positive form of expression of the practitioner’s conclusion. The level of assurance engagement risk is higher in a limited assurance engagement than in a reasonable assurance engagement because of the different nature, timing or extent of evidence-gathering procedures” (ISAE 3000, 2013).

accuracy, and reliability. The Borrower displayed a high level of transparency during the execution of this process.

SITAWI is not a shareholder, subsidiary, supplier or client of Banco Cooperativo Sicredi S.A, nor of its cooperatives. SITAWI declares to have no conflict of interest to provide an independent assessment regarding the current credit instrument.

The assessment contained in this Report is based on both public and confidential documents provided by Sicredi. We cannot attest the completeness, preciseness, or reliability of these sources. Therefore, SITAWI will not be held responsible for any decisions based upon information contained in this report.

SITAWI is responsible to provide an external and independent assessment on the conformance of the Loan with the Climate Bonds Standard version 3.0 requirements and associated sector-specific technical criteria. We reinforce that the analysis and opinion in this report shall not be taken as an investment recommendation or a proxy for liquidity or returns.

## 2. Assessment Statement


The proceeds from the Climate Loan will be allocated to Sicredi's solar credit portfolio in aggregate amount of one hundred and twenty million dollars (US\$120,000,000).

Based on the reasonable assessment procedures conducted and evidence obtained, in our opinion, the Climate Loan of Banco Cooperativo Sicredi S.A. is in conformance, in all material respects, with the Solar Sector Eligibility Criteria of the Climate Bonds Standard Version 3.0 of Climate Bonds Taxonomy and applicable sector-specific technical criteria (Version 2.1). The Borrower is committed to reviewing the Loan up to 24 months to confirm compliance with the Climate Bonds Standard.

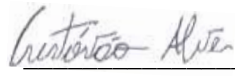
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Rio de Janeiro, April 5<sup>th</sup>, 2021

### 3. Summary of Findings

Upon guidance from the Climate Bond Standards, Version 3.0, SITAWI assessed the Loan and the Nominated Projects & Assets, with the following subdivisions:

1. Pre-Issuance Certification Checklist Assessment
2. Solar Energy Eligibility Criteria of the Climate Bonds Standard Version 2.1<sup>3</sup> Assessment

#### 3.1. Pre-Issuance Certification Checklist Assessment

The following assessment is based on the Part A of the Climate Bonds Standards Version 3.0, namely the Pre-Issuance Requirements. It is organized according to the items listed in the Pre-Issuance Certification Checklist<sup>4</sup> provided by CBI. Climate Bonds Standard Requirements are listed, followed by each requirement's factual findings. Each of the four sections (1. Use of Proceeds; 2. Process for Evaluation and Selection of Projects and Assets; 3. Management of Proceeds; 4. Reporting Prior To Issuance) is concluded with SITAWI's assessment conclusion.

##### 1. Use of Proceeds

- 1.1 The Issuer shall document the Nominated Projects & Assets which are proposed to be associated with the Bond and which have been assessed as likely to be Eligible Projects & Assets. The Issuer shall establish a list of Nominated Projects & Assets which can be kept up to date during the term of the Bond.**

According to Sicredi's Green Loan Framework and Loan Agreement's Section 1.01, the loan proceeds will be directed to (i) outstanding credit operations active in Sicredi's solar credit portfolio, originated up to 6 months before the conclusion of the agreement with IFC and (ii) on new loans that are adherent to the product of Financing for Solar Energy (640C). The Eligible Projects and Assets to be financed by Sicredi's Solar Credit Line (640C) are small solar energy projects (up to 2MW) for individuals and small and medium-sized enterprises (SMEs) throughout Brazil.

- 1.2 The expected Net Proceeds of the Bond shall be no greater than the Issuer's total investment exposure to the proposed Nominated Projects & Assets, or the relevant proportion of the total Market Value of the proposed Nominated Projects & Assets which are owned or funded by the Issuer.**

The Loan is a joint operation with International Finance Corporation (IFC), that will lend an aggregate amount of up to one hundred and twenty million dollars (US\$120,000,000) to be borrowed by Sicredi and its cooperatives (sub-borrowers), as stated in Section 2.0. of the Loan Agreement.

According to the Loan Agreement Section 1.01, the loan proceeds will fund future capital expenses related to the Nominated Projects & Assets and outstanding operations that began up to 6 (six) months before the Loan Agreement's signature.

According to Sicredi's administrative data, the proceeds will be incorporated into Sicredi's Solar Credit Line (640C), which composes Sicredi's Solar Portfolio. The outstanding balance as of 02/26/2021, considering eligible loans originated up to 6

<sup>3</sup> [https://www.climatebonds.net/files/files/standards/Solar/Sector%20Criteria%20-%20Solar%20v2\\_1.pdf](https://www.climatebonds.net/files/files/standards/Solar/Sector%20Criteria%20-%20Solar%20v2_1.pdf)

<sup>4</sup> <https://www.climatebonds.net/files/files/pre-issuance-certification-checklist-CBS-v3.docx>

months before, is 1,058,528,239.25 BRL or US\$ 191,311,809.01<sup>5</sup>. Thus, the issuance is equal to 62.72% of the Borrower's exposure to the Nominated Projects & Assets. Table 1 summarizes this information.

*Table 1 – Loan proceeds as a share of Sicredi's Solar credit Line's balance<sup>6</sup>*

Product	US\$	%
IFC Loan	120,000,000.00	62.72%
Outstanding balance	191,311,809.01	100.00%

**1.3 Nominated Projects & Assets shall not be nominated to other Certified Climate Bonds, Certified Climate Loans, Certified Climate Debt Instruments, green bonds, green loans, or other labelled instruments (such as social bonds or SDG bonds) unless it is demonstrated by the Issuer that:**

**1.3.1 Distinct portions of the Nominated Projects & Assets are being funded by different Certified Climate Bonds, Certified Climate Loans, Certified Climate Debt Instruments, green bond, green loans or other labelled instruments or;**

**1.3.2 The existing Certified Climate Bond, Certified Climate Loan or Certified Climate Debt Instrument is being refinanced via another Certified Climate Bond, Certified Climate Loan or Certified Climate Debt Instrument.**

According to the Issuer, the Nominated Projects & Assets have never been nominated for any other green/climate or analogous certification, nor Sicredi has issued other labelled instruments.

In our opinion, the Bond is in conformance, in all material respects, with the 'Use of Proceeds' portion of the Pre-Issuance Certification Checklist.

**2. Process for Evaluation and Selection of Projects and Assets**

**2.1 The Issuer shall establish, document and maintain a decision-making process which it uses to determine the eligibility of the Nominated Projects & Assets. The decision-making process shall include, without limitation:**

**2.1.1 A statement on the climate-related objectives of the Bond.**

According to the Sicredi, Eligible Projects & Assets to Sicredi's Solar Line 640C have the following climate-related objectives: energy efficiency gains, renewable energy generation, increased installed capacity, the reduction of greenhouse gas (GHG) emissions, through the increase of renewable energy.

**2.1.2 How the climate-related objectives of the Bond are positioned within the context of the Issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability.**

Sicredi Participações S.A. a holding company whose shares are held by Banco Cooperativo Sicredi S.A, Singular Cooperatives and Central Cooperatives<sup>7</sup>. Founded in 1902, Sicredi has its administrative headquarters in the Sicredi Administrative Center (CAS) in Porto Alegre (Rio Grande do Sul - Brazil), but a broad national presence with branches across 1,300 municipalities in 22 States of Brazil.

<sup>5</sup> The conversion was done considering the Brazilian Central Bank exchange rate on March 24th, 5.533 BRL/US\$. Available at: <https://www.bcb.gov.br/en/currencyconversion>

<sup>6</sup> This Table considers the outstanding balance as of 02/26/2021, considering eligible loans originated up to 6 months before.

<sup>7</sup> The central cooperative system is composed by: Cooperativa Central de Crédito, Poupança e Investimento do Sul e Sudeste – Central Sicredi Sul/Sudeste; Cooperativa Central de Crédito, Poupança e Investimento dos Estados do Paraná, São Paulo e Rio de Janeiro - Central Sicredi PR/SP/RJ; Cooperativa Central de Crédito, Poupança e Investimento do Centro Norte do Brasil - Central Sicredi Centro Norte; Cooperativa Central de Crédito, Poupança e Investimento de Mato Grosso do Sul, Goiás, Distrito Federal e Tocantins - Central Sicredi Brasil Central; Cooperativa Central de Crédito, Poupança e Investimento do Norte/Nordeste – Central Sicredi Norte/Nordeste.

Sicredi already has an environmental management system and an Environmental and Social Risk Management Policy. According to its Green Loan Framework, Sicredi is a signatory to the Global Compact Principles and participates in the 2030 agenda. Its environmental and social performance is reported annually in Sicredi's Sustainability Report 2019<sup>8</sup> under the Global Report Initiative (GRI) standard. The Sustainability Report has a section dedicated to positive impact indicators, such as the amount invested in the green economy (e.g. low carbon emission farming and microcredit), the amount paid to local suppliers, and funding for solar energy. Its carbon emissions are monitored on the Public Emissions Registry of the Brazilian GHG Protocol Program and neutralized with carbon credits from forest conservation programs.

In 2020, Sicredi received technical assistance from IDB Invest, in order to set a strategy to position Sicredi in the sustainable finance market. IDB Invest's participation also includes advisory services, which will help identify green assets in Sicredi's portfolio, train employees and clients on sustainability, and create a green bond framework to prepare for future bond issuances.

Considering the aforementioned points, the climate-related objectives of the loan are aligned with the organization's strategy of diversifying funding sources and with the strategy to position Sicredi in the green/sustainable finance market.

### **2.1.3 Issuer's rationale for issuing the Bond.**

Sicredi's rationale for this Loan is to sustain continuous growth in the solar energy portfolio, whose growth in the last 12 months was over 100%, and to pursue the organization's strategic plan regarding the diversification of funding sources.

### **2.1.4 A process to determine whether the Nominated Projects & Assets meet the eligibility requirements specified in Part C (Clauses 9 and 10) of the Climate Bonds Standard.**

Section 1.01 of Loan Agreement defines Eligible Projects as a project involving installation or construction measures implemented by an Eligible Sub-borrower via investing in fixed assets that are designed to produce electricity by utilizing solar resources only. Therefore, all Nominated Projects meet the CBI eligibility criteria and fall into the investment areas below.

9. Climate Bonds Taxonomy: The Nominated Projects & Assets fall into the "Solar" under "Energy" investment area as included in the Climate Bonds Taxonomy.

10. Sector Eligibility Criteria: The Nominated Projects & Assets meet the specific eligibility requirements provided in the Solar Sector Eligibility Criteria document (see section 3.2).

## **2.2 Issuer should include under Clause 2.1 further aspects of the decision-making process, including:**

### **2.2.1 Related eligibility criteria, including, if applicable, exclusion criteria or any other process, applied to identify and manage potentially material environmental, social or governance risks associated with the Nominated Projects & Assets.**

Sicredi's Environmental and Social Risk Management Policy determines several processes to mitigate the existing environmental and social risks, as depicted on Table 2.

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<sup>8</sup> Available at: <https://www.sicredi.com.br/html/conheca-o-sicredi/relatorios/arquivos/sustainability-report-2019.pdf>



Table 2 – Mechanisms to manage social and environmental risks

Procedure	Description
Environmental and Social risk questionnaires	Gathering of data on (i) environmental licensing, (ii) land regularization, (iii) occupational health and safety, (iv) waste disposal, (v) disposal/handling of material of a hospital nature and (vi) good environmental and social practices.  These data are analyzed by a specific committee (“Comitê Regional de Crédito da Cooperativa Singular”).
Environmental and Social compliance evaluation (“Triagem”)	Specialized evaluation of controversies and environmental and social compliance. It uses official black lists published by the Brazilian Institute for the Environment (IBAMA) and by the Chico Mendes Institute for Biodiversity Preservation (ICMbio), among other sources.  Sicredi has a dedicated team for social and environmental risk management analysis.
Geoprocessing	Collection of coordinates of areas benefited by operations, ensuring the exclusion of environmental protection areas, conservation units, indigenous lands, etc
Quantitative assessments	Monitoring key performance indicators stated in Sicredi’s Risk Appetite Statement (RAS).

Because the Loan is a joint operation with IFC, there are environmental and social (E&S) risk management policies and procedures<sup>9</sup> and an exclusion list<sup>10</sup> demanded to their investments. Sicredi must comply with its environmental and social requirements (Loan Agreement Section 3.01 i and j), eligibility criteria (Loan Agreement’s Section 5.06) and exclusion list (Loan Agreement’s Section 5.02). Loan Agreement’s Section 5.04 also requests periodic reporting of: quarterly and annual financial results, climate results, E&S Performance according to IFC PS<sup>11</sup>, Accidents, Client Default and Litigation.

## 2.2.2 Green standards or certifications referenced in the selection of Nominated Projects & Assets.

According to the Issuer, the Nominated Projects & Assets do not hold green certifications.

## 2.2.3 The issuer shall assess that all proposed Nominated Projects & Assets to be associated with the Bond meet the documented objectives as stated under Clause 2.1.1 and are likely to conform to the relevant eligibility requirements under Part C (Clauses 9 and 10) of the Climate Bonds Standard.

9. Climate Bonds Taxonomy: The Nominated Projects & Assets fall into the “Solar” under “Energy” investment area as included in the Climate Bonds Taxonomy.

10. Sector Eligibility Criteria: The Nominated Projects & Assets meet the specific eligibility requirements provided in the Solar Sector Eligibility Criteria document (see section 3.2).

<sup>9</sup> Available at: [https://www.ifc.org/wps/wcm/connect/Topics\\_Ext\\_Content/IFC\\_External\\_Corporate\\_Site/Sustainability-At-IFC](https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC)

<sup>10</sup> Available at: [https://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/sustainability-at-ifc/company-resources/ifcexclusionlist](https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/company-resources/ifcexclusionlist)

<sup>11</sup> The IFC Performance Standards set environmental and social minimum requirements to funded operations Available at: [https://www.ifc.org/wps/wcm/connect/Topics\\_Ext\\_Content/IFC\\_External\\_Corporate\\_Site/Sustainability-At-IFC/Policies-Standards/Performance-Standards/](https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC/Policies-Standards/Performance-Standards/)

Section 1.01 of the Loan Agreement states that the issuance's proceeds are exclusively for the Nominated Projects & Assets (see CBI clause 1.1), that comply with CBI's clauses 9 and 10.

In our opinion, the Issuance is in conformance, in all material respects, with the 'Process for Evaluation and Selection of Projects and Assets' portion of the Pre-Issuance Certification Checklist.

### 3. Management of Proceeds

#### 3.1 The systems, policies, and processes to be used for management of the Net Proceeds shall be documented by the Issuer and disclosed to the Verifier, and shall include arrangements for the following activities:

##### 3.1.1 The Net Proceeds of the Bond can be credited to a sub-account, moved to a sub-portfolio, or otherwise tracked by the Issuer in an appropriate manner and documented.

The Loan is a joint operation with International Finance Corporation (IFC). The proceeds lent by IFC will be used for Sicredi's Solar Credit Line, which is dedicated to supporting small Solar energy projects (up to 2MW) for individuals and small and medium-sized enterprises (SMEs) throughout Brazil.

Each Disbursement shall be made by IFC at a bank in New York to Banco Cooperativo Sicredi S.A.'s account in Brazil, previously specified in the Disbursement request (Loan Agreement, Section 2.02 a.).

Because Sicredi is a cooperative bank, once Banco Cooperativo Sicredi S.A. receives the proceeds from IFC's loan, the resources shall be transferred to the cooperatives' accounts. Each cooperative has its own legal entity and separated account. In order to access the proceeds, Sicredi's Solar Credit Line Manual states that the cooperatives shall issue a Brazilian Bank Credit Note (CCB<sup>12</sup>, in Portuguese acronym) as a guarantee to Banco Cooperativo Sicredi S.A. Once the sub-borrower (Sicredi's associated cooperatives) access the credit, the proceeds shall be used within 12 months after the borrowing, in line with Loan Agreement Section 5.01, s, ii. Banco Cooperativo Sicredi S.A. manages the cooperatives sub-accounts through its internal control procedures.

Regarding the procedures to track the proceeds, the Loan Agreement's affirmative covenants 5.01 b, 5.01 c and 5.04 require the Borrower (Banco Cooperativo Sicredi S.A.) to demand each entity that is part of the System to maintain an accounting and control system, management information system and accounting books and other records, which together adequately give a fair and true view of the financial condition of the results of its operations in conformity with accepted Accounting Standards. Those results shall be audited by an internationally recognized third party and reported to IFC.

##### 3.1.2 The balance of unallocated Net Proceeds can be managed as per the requirements in Clause 7.3.

According to the Green Loan Framework, the temporarily unallocated net proceeds will be held in temporary investment instruments that are cash, cash equivalent, and temporary investment instruments that do not include greenhouse gas intensive

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<sup>12</sup> According to Brazilian Law No. 10,931/04, CCB is a " credit title issued, by an individual or legal entity, in favor of a financial institution or similar entity, representing a promise of payment in cash, resulting from a credit operation, of any type". It allows a borrower to determine conditions agreed with the lender and must be registered in Brazilian Central Bank.

projects, nor fall under exclusion list criteria. Those requirements apply both to Borrower and Sub-borrower.

Section 1.01 of Loan Agreement also defines that "Eligible Sub-borrower": (i) shall not be engaged in Coal Related Activities; (ii) shall not be engaged in Category A Activities<sup>13</sup>; (iii) the exposure of the Borrower to such entity does not exceed \$2,000,000; and (iv) is an individual or an SME.

**3.1.3 The earmarking process can be used to manage and account for funding to the Nominated Projects & Assets and enables estimation of the share of the Net Proceeds being used for financing and refinancing.**

According to Sicredi's Green Loan Framework and Loan Agreement's Section 1.01, the Eligible Projects & Assets to be financed are (i) credit operations present in the current solar credit portfolio originated up to 6 months before the conclusion of the agreement with IFC and (ii) new loans that are adherent to the product of Financing for Solar Energy (640C).

The proceeds from IFC are directed to an account at Banco Cooperativo Sicredi S.A. and after that to its cooperative's subaccounts. Banco Cooperativo Sicredi S.A. manages the cooperatives sub-accounts through its internal control procedures. Thereafter, Loan Agreement's Section 5.04 requests periodic reporting of: quarterly and annual financial results, climate results, E&S Performance according to IFC PS<sup>14</sup>, Accidents, Default and Litigation. According to the Borrower, about 80% of the Loan proceeds will be allocated to reimbursement.

In our opinion, the Bond is in conformance, in all material respects, with the 'Management of Proceeds' portion of the Pre-Issuance Certification Checklist.

**4. Reporting Prior To Issuance**

**4.1 The Issuer shall prepare a Green Bond Framework and make it publicly available prior to Issuance or at the time of Issuance. The Green Bond Framework shall include, without limitation:**

**4.1.1 Confirmation that the Bonds issued under the Green Bond Framework are aligned with the Climate Bonds Standard. This may include statements of alignment with other applicable standards, such as the EU Green Bond Standard, the ASEAN Green Bond Standard, Chinese domestic regulations, Japanese Green Bond Guidelines, etc.;**

The Green Loan Framework declares alignment with Climate Bond Standard version 3.0. and the Green Loan Principles, by the Loan Markets Association (LMA).

**4.1.2 A summary of the expected use of proceeds, as defined under Clause 1.1, and the expected contribution of the relevant sectors or sub-sectors to the rapid transition required to achieve the goals of the Paris Climate Agreement;**

According to the Framework, the Green loans will support small solar energy projects (up to 2MW) in Brazil to individuals and Small and Medium-sized Enterprise (SME). The Loan aims energy efficiency gains, renewable energy generation, increased installed capacity, the reduction of greenhouse gas (GHG) emissions, through the increase of renewable energy available.

<sup>13</sup> IFC defines Category A Activities as: "Business activities with potential significant adverse environmental or social risks and/or impacts that are diverse, irreversible, or unprecedented". Available at: [https://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/sustainability-at-ifc/policies-standards/es-categorization#:~:text=Category%20A%3A%20Business%20activities%20with,diverse%2C%20irreversible%2C%20or%20unprecedented.](https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/es-categorization#:~:text=Category%20A%3A%20Business%20activities%20with,diverse%2C%20irreversible%2C%20or%20unprecedented.)

<sup>14</sup> The IFC Performance Standards set environmental and social minimum requirements to funded operations Available at: [https://www.ifc.org/wps/wcm/connect/Topics\\_Ext\\_Content/IFC\\_External\\_Corporate\\_Site/Sustainability-At-IFC/Policies-Standards/Performance-Standards/](https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC/Policies-Standards/Performance-Standards/)

**4.1.3 A description of the decision-making process, as defined under Clause 2.1, with particular reference to the requirements in Clause 2.1.2;**

The Framework discloses that Sicredi's Corporate Finance team, and the Environmental and Social Risk area, will be responsible for evaluating and selecting investments. Eligible Projects & Assets will participate in a pre-screening selection based on the IFC Performance Standards and Exclusion list. Sicredi's Framework also describes its internal processes to assess existing environmental and social risks (e.g. environmental and social risk questionnaires, environmental and social geoprocessing, etc).

**4.1.4 Information on the methodology and assumptions to be used for: confirming, where required by relevant Sector Eligibility Criteria, the characteristics or performance of Nominated Projects & Assets required to conform to the relevant eligibility requirements under Part C of the Climate Bonds Standard; and any other additional impact metrics that the issuer will define.**

The Framework declares that the projects fits into CBI Taxonomy because its Solar Credit Line funds solar energy which includes: generation facilities (power & heat) and dedicated supporting infrastructure (e.g. inverters, transformers, energy storage systems, and control systems). The Framework stresses that the proceeds, in any case, will not be used in investments that are not considered in line with the eligibility criteria presented.

**4.1.5 A summary of the approach to the management of unallocated Net Proceeds in accordance with Clause 3.1;**

As stated in the Framework, the net proceeds from the Loan will be placed in Sicredi's treasury and managed by the treasury department using existing internal tracking systems. Sicredi commits to invest the net proceeds temporarily non-allocated in cash or cash equivalents. The allocation of proceeds used will be reviewed annually by an external audit.

**4.1.6 The intended approach to providing Update Reports to reaffirm conformance with the Climate Bonds Standard while the Bond remains outstanding;**

Sicredi commits to provide information regarding the Climate Loan's allocation and impact, in a dedicated report to be publicly available in its website as long as the Loan is outstanding.

**4.1.7 The list of proposed Nominated Projects & Assets associated with the Bond and the investment areas, as provided in Clause 9.1, into which the Nominated Projects & Assets fall. Where there are limits on the amount of detail that can be made available about specific Nominated Projects & Assets, information shall be presented on the investment areas which the Nominated Projects & Assets fall into, as provided in Clause 9.1, and the Issuer shall provide an explanation of why detail on Nominated Projects & Assets is limited; 15 Climate Bonds Standard Version 3.0**

The Framework specifies that the Loan will support small solar energy projects (up to 2MW), throughout Brazil, and targeted subclients are individuals and SMEs.

**4.1.8 Where a proportion of the Net Proceeds are used for refinancing, an estimate of the share of the Net Proceeds used for financing and refinancing, and the relevant Nominated Projects & Assets or investment areas which may be refinanced. This may also include the expected look-back period for refinanced Nominated Projects & Assets.**

According to the Framework, the proceeds will be allocated for (i) reimbursement of solar energy loans originated up to 6 months before the Loan and (ii) new solar energy loans.

#### **4.2 The Issuer shall include in the Disclosure Documentation:**

##### **4.2.1 The investment areas, as provided in Clause 9.1, into which the Nominated Projects & Assets fall.**

Sicredi's CCB (clause 10, b), an official contract between Banco Cooperativo Sicredi S.A. and its cooperatives, displays that the Nominated Projects & Assets fall into the 'Solar' classification under the 'Energy' head of the Climate Bonds Taxonomy.

##### **4.2.2 The intended types of temporary investment instruments for the management of unallocated Net Proceeds in accordance with Clause 7.3.**

According to the Loan Framework and Sicredi's CCB (clause 10, f), the unallocated net proceeds will be held in temporary investment instruments that are cash, cash equivalent, and temporary investment instruments that do not include greenhouse gas intensive projects, nor fall under IFC's exclusion list criteria displayed at the Loan Agreement's Annex C.

Moreover, Section 1.01 of Loan Agreement defines that "Eligible Sub-borrower": (i) shall not be engaged in Coal Related Activities; (ii) shall not be engaged in Category A Activities; (iii) the exposure of the Borrower to such entity does not exceed \$2,000,000; and (iv) is an individual or an SME.

##### **4.2.3 The Verifier engaged by the Issuer for the mandatory verification engagements.**

Sicredi's CCB (clause 10 d i) mentions 'SITAWI Finanças do Bem' as the Verifier engaged by the Borrower for the mandatory verification engagements.

##### **4.2.4 The intended approach to providing Update Reports to reaffirm conformance with the Climate Bonds Standard while the Bond remains outstanding, including the location of the published documents.**

Sicredi's CCB (clauses 10 g and 10 h) includes the intended approach to providing Update Reports to reaffirm conformance with the Climate Bonds Standard while the Loan remains outstanding. The Update Reports will be published on the Borrower's website.

##### **4.2.5 The CBI Disclaimer provided in the Certification Agreement.**

Sicredi's CCB (clauses 10 i, 10j, 10 k, 10l, 10 m and 10 n) includes the CBI Disclaimer provided in the Certification Agreement.

In our opinion, the Bond is in conformance, in all material respects, with the 'Reporting Prior to Issuance' portion of the Pre-Issuance Certification Checklist.

### **3.2. Climate Bonds Initiative's taxonomy and Solar Sector Eligibility Criteria of the Climate Bonds Standard Version 1.2 Assessment**

The following assessment is based on the Part C of the Climate Bonds Standards Version 3.0, namely the Eligibility of Projects & Assets. It is organized according to the items listed in the Solar Energy under the Climate Bonds Standard provided by CBI. The Sectoral Criteria Requirements are listed, followed by each requirement's factual findings. The section is concluded with SITAWI's assessment conclusion.

**Criteria 1 -Eligible Project & Assets relating to solar energy generation shall be projects or assets that operate or are under construction to operate in one or more of the following activities**

- 1) Onshore solar electricity generation facilities
- 2) Wholly dedicated transmission infrastructure and other supporting infrastructure for onshore solar electricity generation facilities including inverters, transformers, energy storage systems and control systems.

3) Onshore solar thermal facilities such as solar hot water systems.

As indicated in the Loan Framework, Sicredi's Solar Credit Line (640C) Manual and the Loan Agreement, the Eligible Projects & Assets that will receive the proceeds fall under the activity 1, 2 and 3 above: financing of solar panels, hardware (assembly systems, inverters, and capture boards, as well as additional equipment needed in the project), and software for the installation of solar energy projects for electric energy and hot water systems.

In our opinion, the bond is in conformance, in all material respects, with the Solar Energy Sectoral Criteria under the Climate Bonds Standard 3.0.

## 4. Supporting Documents

- Loan Agreement
- Interview with the Borrower
- Sicredi's institutional presentation
- Green Loan Framework
- Sicredi's Brazilian Bank Credit Note (CCB)
- Sicredi's Sustainability Report 2019
- Data on Solar Energy funding at Sicredi
- Sicredi's Solar Credit Line (640C) Manual
- Environmental and Social Risk Management Policy