

Verification Report for Sustainability-linked bond issued by B3 in 2021

Issuance value: US\$ 700,000,000.00

Issuance Date: September 2021

Maturity date: September 2031

Alignment with SDGs



Key Performance Indicator

Creation and offer of a diversity index.

Sustainability Performance Target

Develop an index that encourages B3-listed companies to improve their diversity and inclusion practices. The companies' results on diversity indicators in leadership positions should be annual disclose. The index should be launched by December 31, 2024.

Result of achieving the target (SPT)

A diversity index was created, as proposed by B3. The index uses eligibility criteria regarding the composition of the companies' staff, taking into account aspects such as race/color, gender and the functional categories held by employees, based on information disclosed annually by the companies. The index has been available since August 2023.

Characteristics of the bond (SLBP 3)

Given that in August 2023 the company launched "IDIVERSA," a diversity index that encourages transparency regarding diversity aspects, we consider that B3 reached the target established for the KPI. Thus, the remuneration interest on the bonds should not be increased by 12.5 bps, remaining, therefore, at 4.125% per year¹

Report and Verification (SLBP 4 & 5)

- In the 2021 and 2022 annual reports, B3 disclosed the evolution in reaching the proposed target. The annual reports presented the steps taken, which involved organizing a working group, preparing studies, collecting data, defining indicators, carrying out backtests, and developing the methodology for building the index. The reports are publicly available on B3's website²;
- The 2021 and 2022 annual reports were audited by Ernst & Young Auditores Independentes, who did not mention material inconsistencies in the conclusion of their audit.
- The operation has not received an independent opinion; however, it was supported by the Sustainability- Linked Financing Framework prepared by B3 in September 2021, which was externally checked by a third-party. According to the assessment thus carried out, the Framework is aligned to the 2020 Sustainability- Linked Bond Principles and the 2021 Sustainability- Linked Loan Principles. The Framework and the Second-Party Opinion Report were not disclosed on B3's website, but they can be seen on the external verifier's website.
- This opinion, which verifies the achievement of the target regarding KPI #2, should be publicly disclosed on B3's website.

¹ This Verification Report is the first analysis after the issuance of the operation carried out by B3, and it has exclusively verified compliance with KPI #2. If KPI #1 is not met, a change in the yield rate may occur; however, this verification is beyond the scope of this report.

² [B3 Annual Report](#)

About ERM NINT

ERM NINT is a Latin American-based consultancy providing sustainable finance and ESG advisory services with a focus on financial institutions, corporations, and other key organizations in the financial sector ecosystem. ERM NINT has 12 years of experience, collaborating with more than 100 collaborators in Latin America and the Caribbean with projects located in over 20 countries. With a deep technical knowledge and delivery expertise for providing independent assessments, developing frameworks for sustainable financings, and structuring debt instruments with sustainability benefits, ERM NINT's team of experts bring a blend of business and technical skills at the intersection of strategy, finance, and sustainability advisory. In 2023, NINT became part of the ERM Group and began operating under the ERM NINT brand.

SUMMARY

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1. Scope

The objective of this Report is to verify the achievement of one of the targets proposed by B3 S.A. - Brasil, Bolsa, Balcão (“B3”), upon issuance of senior unsecured notes in September 2021 (“Notes”). The issuance amounted to US\$700 million at an annual rate of 4.125%, paid in semi-annual coupons and maturing in 2031.

The bonds were issued with sustainability goals, under the guidance of B3’s Sustainability-Linked Financing Framework, disclosed on September 2021. The Framework was assessed by an independent verifier. B3 issued a material fact communicating³ the conditions of the operation to the market and also published a news about it on its website⁴. Furthermore, information about the bonds can be found in the Company’s Annual Reports and Reference Forms.

The operation was labeled as a “Sustainability-Linked Note,” and the following KPIs were established:

1. Percentage of women in leadership position at B3;
2. Cration and offer of a diversity index by December 2024.

This Verifier Report is the first post-issuance analysis of the operation carried out by B3 and will exclusively check compliance with targets proposed to be reached for the KPI #2. External verification of compliance with the proposed targets was a commitment made in the Framework and in the issue instrument as a means to align to the best market practices.

ERM NINT applied its proprietary method of analysis, which is in line with the Sustainability-Linked Bond Principles (SLBP)⁵, the United Nations (UN)⁶ Sustainable Development Goals (SDGs), and other internationally recognized sustainability standards.

The Verification Report is based on:

- i. Verifying of achievement of the sustainability performance target (SPT) established in the Framework;
- ii. Assessment of communication about the performance of indicators and external verification;
- iii. Analysis of B3, including a survey on ESG controversies desk research.

Assessment procedure

The analysis was based on information and documents provided by B3, some of which were confidential; desk research; and other elements obtained in interviews with the teams responsible for issuing financing and for business management, which were

³ [Material Fact - Issue of Debt Securities \(15/09/2021\) - Available only in Portuguese.](#)

⁴ [News: B3 launches sustainable bond \(16/09/2021\) - Available only in Portuguese.](#)

⁵ [Sustainability-Linked Bond Principles \(June 2020\)](#)

⁶ [United Nations - Agenda 2030 in Brazil - Available only in Portuguese](#)

carried out through videoconferences. This process was performed between October and December 2023.

The assessment process consisted of:

- Assessment planning;
- Performance of the assessment, including customer preparation, obtainment of evidence and assessment;
- Preparation of the conclusion of the assessment;
- Preparation of the assessment report.

The assessment process was carried out in accordance with material general principles and professional standards of independent auditing, and in line with the International Standard on Assessment Commitments, other than audits or reviews of historical financial information (ISAE 3000), the International Standard on Quality Control Quality (ISQC 1, 2009) and the Code of Ethics for Professional Accountants of the International Ethic Standards Board for Accountants (IESBA, 2019).

ERM NINT had access to all documents and people requested, thus being able to provide an opinion with a reasonable level of assurance regarding their completeness, accuracy and reliability.

Declaration of responsibility

ERM NINT is not a stockholder, investee, client, or supplier of City Energy. ERM NINT declares that it does not have a conflict of interest and is able to provide an independent verification of this transaction.

THIS IS NOT A RECOMMENDATION

ERM NINT reinforce that all assessments and conclusions from this report do not constitute an investment recommendation and shall not be considered to attest profitability or liquidity of the securities.

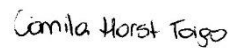
2. Verification

ERM NINT verified that the target relating to KPI #2 proposed by B3 in the Sustainability-Linked Financing Framework of September 2021, and established in the instrument of issuance, was achieved. So far, the Company has complied with the reporting and checking commitments mentioned in the Framework and assessed through a Second-Party Opinion Report, and with the commitments contained in the instrument of issuance. This analysis is detailed below.

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3. Targets Verification

Description and Context of KPI (SLBP 1)

The choice for the KPI to create a diversity index to be part of the issuance was a way for B3 to reinforce its strategy as a company that induces good ESG practices, encouraging listed companies to evolve in terms of diversity and representation. Specifically, in the Framework, B3 has committed to consider in the index, data on women occupying leadership positions, taking into account Brazil's demographic characteristics.

The choice for this KPI was analyzed in the context of the independent assessment of B3's Sustainability-Linked Financing Framework. Some minimum criteria to be used in the index and aspects of its operation were defined in the Framework. At that time, there were no details about the methodology to be followed, which was later defined by B3 and is explained in a separate document⁷.

As disclosed by B3⁸, IDIVERSA was the tenth index related to ESG indicators made available by the Company. Among others, the company discloses the ISE B3, which is the main corporate sustainability index in the Brazilian market, as well as the IGPTW B3, which brings together the best companies to work for, and IC BIO, which tracks the prices of decarbonization credits.

B3 stated that the development of IDIVERSA's methodology took into account the availability of quality information about the profile of companies' employees, and about the demographic aspects of the Brazilian population. The data that were used to assess companies against the eligibility criteria established by B3, presented below, were extracted from items 7.1, line "d", and item 10.1, and line "a" of the Reference Forms (FRE) completed by the companies, as defined in CVM Resolution No. 80 of 03/29/2022⁹.

Sustainability Performance Targets (SLBP 2)

The target established in the Framework relating to KPI #2 was:

To create an index that incentivizes companies listed in B3's to improve their diversity and inclusion practices by formally disclosing, on an annual basis, the diversity of leadership positions.

The index should be launched up to December 31, 2024, with the trigger for achieving the target being the offer and promotion of the index on B3's website, which occurred

⁷ [B3 Diversity Index Methodology](#)

⁸ [IDIVERSA launch announcement \(15/08/2023\) - Available only in Portuguese](#)

⁹ [CVM 80/22 Resolution - Available only in Portuguese](#)

in August 2023. The creation process and aspects of the index are explained below, considering the terms established in the Framework.

Initially, B3 would actively search for information through diversity questionnaires that would be sent to companies that wished to participate in the index. This active search was not necessary, considering that, on December 22, 2021, the Brazilian Securities and Exchange Commission (“CVM”) published Resolution No. 59/21¹⁰ (later amended by CVM Resolution No. 80/22), which provides, among other matters, for the new regime for disclosure of information by public companies in their reference forms, including information on employee and management diversity.

Thus, based on the diversity data collected and eligibility criteria, B3 would evaluate the information received to select the companies that could be part of the index. Among the eligible companies, only those with the “best performances” in relation to diversity would be included in the index.

The information would be compared with demographic data of the Brazilian population, and then used for calculating “diversity scores” that would generate a ranking, allowing a comparison among the companies. The Framework established that, at the very least, information on gender should be used, specifically the percentage of women in leadership positions, to compose the index. Furthermore, the methodology and composition of the index should be public and available on B3’s website.

In line with the Framework, information about IDIVERSA, including a presentation page with the objectives of the index, historical statistics, its profile and methodology, in addition to the portfolio composition, is public on the website¹¹ of the Company.

The methodology establishes some inclusion criteria that must be met by companies to be eligible to be part of IDIVERSA. In addition to liquidity criteria, assets must, cumulatively:

- 1) Present a B3 Diversity Score greater than or equal to the average subtracted from the standard deviation of the B3 Economic Sector¹²;
- 2) Have at least one representative of underrepresented groups in the Board of Directors, as a permanent member;
- 3) Have at least one representative of underrepresented groups in the Statutory Executive Board.

According to the methodology, the definition of underrepresented groups considered two major criteria: (i) gender, analyzing the female gender; and (ii) race, considering black and indigenous people. Therefore, to be eligible to be part of the index, companies must have at least one woman, one black or indigenous person on their Board of Directors, and one woman, one black or indigenous person in the Statutory Executive Board.

¹⁰ [CVM 59/21 Resolution](#)

¹¹ [B3 Diversity Index \(IDIVERSA B3\)](#)

¹² [BR Setorial Classification - Available only in Portuguese](#)

If these criteria and the liquidity criteria are met, the “B3 Diversity Score,” which compares the company’s workforce with national demographic data from the Brazilian Institute of Geography and Statistics (IBGE), is calculated. The less diverse and more distant from populational distribution regarding women, black and indigenous people is the company’s workforce, the lower the score.

The current index portfolio uses demographic data from the 2010 Census, as B3 assessed that this is the official statistic that best captures all groups included in the diversity index. Although “PNAD Contínua” provides more updated statistics, it is based on samples, which may result in less accurate data, especially for groups that are numerically less representative, such as indigenous people, who may be more susceptible to distortions due to the sample’s error margin. B3 stated that it will adopt information from the 2022 Census as from the 2024/2025 portfolios, when the data is consolidated.

The B3 Diversity Score of each company considers the participation of women, black people, and indigenous people across the company’s staff - non-leader employees and leaders, management, and board of directors - assigning a weight of 50% to the topic “Race/Color,” and 50% to “Gender,” and greater weight for the highest hierarchical positions, as shown in the table below:

Table 1 - B3 Diversity Score Weights (Functional category)

| | | | Permanent Members of the Board of Directors (35%) | Statutory Executive Board (35%) | Leadership (20%) | Non-Leadership (10%) |
|------------------------|------------------|--------------------|---|---------------------------------|------------------|----------------------|
| Underrepresented Group | Gender (50%) | Women (50%) | 17.5% | 17.5% | 10% | 5% |
| | Race/Color (50%) | Black (49.58%) | 17.35% | 17.35% | 9.92% | 4.96% |
| | | Indigenous (0.42%) | 0.15% | 0.15% | 0.08% | 0.04% |

Source: B3 Diversity Index Methodology

The score calculation compares the company’s staff with Brazil’s demographic distribution, applying the weights presented in Table 1, following the following formula:

$$ScoreDiversidade_i = \sum_{j, k}^{J, K} (Peso_{j,k} * \frac{(n_{j,k} / N_k)}{\%BR_j}) * 100$$

Whereas:

- *ScoreDiversidade_i* is the Diversity Score of company i.
- *Peso_{j,k}* is the weight of the underrepresented group j and functional category k, mentioned in the table above (diversity score weight).

- $n_{j,k}$ is the number of employees of the underrepresented group j in functional category k .
- N_k is the number of employees in functional category k .
- $\%BR_j$ is the proportion of the underrepresented group j in Brazil, according to data released by IBGE [Brazilian Institute of Geography and Statistics].

Note: for cases where the proportion $\frac{(n_{j,k}/N_k)*100}{\%BR_j}$ is greater than 100, the value 100 is applied.

Thus, companies in which the percentages of underrepresented groups are closer to the Census estimates for Brazilian demographics, especially in leadership positions, will have higher scores. In the index portfolio, assets are weighted by the B3 Diversity Score, which is considered a ‘proxy’ for the “diversity performance” of companies. Like this, those that have the best performances have more weight in the index.

In order to check whether the companies that disclose IDIVERSA actually have a more diverse functional staff, a comparative analysis of the portfolios of IDIVERSA, IBrA and Ibovespa was carried out. We found that the average of B3 Diversity Scores is 16.9% higher than the average of IBrA, and 15.4% higher than Ibovespa. In other words, the companies that disclose IDIVERSA have a functional staff that is more similar to the racial and gender composition of the Brazilian population.

The chosen criteria seek to recognize companies that have the “best performances” in relation to diversity and, at the same time, fulfill one of the main objectives of the SLB: to be a mechanism that induces good practices in the market, encouraging listed companies to give more transparency to the topic.

It is important to note that the creation of the index was only possible due to the structuring of diversity indicators in the Empresas.net system, which was carried out through a partnership between B3 and CVM. The system is used by listed companies that disclose Reference Form, so that diversity issues have formally become part of the completion of one of the main documents used in the communication of listed companies with the market.

In order to guide companies on the topic, B3 created a glossary to define the indicators that are used in IDIVERSA, and which is available on Empresas.net. According to the definition included in the document, employees holding leadership positions are those who “are responsible for one or more subordinate teams. They lead technical teams and usually occupy the following positions: supervisor, manager, leader, coordinator, superintendent, officer, vice-president, president and the like.”

Therefore, we verified that the key points listed in the Framework for building the index were met. They are: (i) the inclusion of metrics relating to gender, specifically women in leadership positions; (ii) the comparison of the diversity profile of companies

with national demographics; (iii) carrying out the ranking of companies; and (iv) the selection of the best companies compared to others operating in the same sector. We also verified that, as established in the Framework, the index is available to market participants, encouraging the transparency of companies in relation to the topic.

4. Characteristics of the Bonds (SLBP 3)

The bonds maturity date (commercial notes) is 10 (ten) years after issuance, therefore expiring on September 20, 2031.

The non-achievement of each of the proposed targets will increase the yield of commercial notes by 12.5 basis points, as from the dates defined in the instrument of issue. The target date for creation of the diversity index is September 20, 2025. Given the diversity index was achieved, the yield until September 20, 2027 will remain the same, or 4.125% per year¹³.

As defined in the indenture, to avoid a step-up of the rate, B3 must notify the target compliance to the fiduciary. For that, the company needs to send an External Verification Report confirming the target achievement no later than 30 days before December 31, 2024.

The target relating to the percentage of women in leadership positions (other KPI) is not within the scope of this Verification Report, and it will be analyzed by a third-party on a future date, before the date established for the step-up application, in case of non-compliance.

5. Report and verification (SLBP 4 & SLBP 5)

As established in the Framework, the measurement of indicators (KPIs) must be carried out annually by B3. Updated information, as well as the performance against the established targets, including baselines (when applicable), must be reported annually.

In the 2021 and 2022 annual reports, B3 disclosed the progress in meeting the proposed targets. The annual reports presented the steps taken to prepare IDIVERSA, which involved the organization of a working group, preparation of studies, data collection, definition of indicators, carrying out backtests, development and validation of the methodology with market players. The Company stated that it intends to continue reporting on the evolution of the indicators, and that they will continue to be publicly available on its website¹⁴. The Annual Reports present an overview of the Company's main events, indicators and targets, reporting the financial results and ESG aspects to stakeholders.

According to Ernst & Young, which was responsible for auditing the reports, “based on the procedures carried out, described in this report, and the evidence obtained, we believe that the indicators and commitments contained in B3’s Report for the year

¹³ In line with the Framework, the target is considered to have been achieved, since the index was created and is available. However, it was not defined what would happen if the index ceased to exist during the duration of the Bond, or upon occurrence of changes that could lead to the index not complying with the criteria defined in the Framework.

¹⁴ [B3 Annual Reports](#)

ended December 31, 2022 were prepared, in all material aspects, in accordance with the criteria and guidelines of GRI Standards, SASB.” In 2021 a similar conclusion was considered.

In relation to the external verification, the Framework and the bond indenture establish that, in case of changes regarding the assessment of SPTs that may impact the coupon to be paid, B3 must contract an independent external verification. In this sense, in compliance with the commitments assumed, B3 engaged ERM NINT to elaborate a Verification Report with the main results of the analysis carried out on SPT related to IDIVERSA. This Report should be publicly disclosed on B3’s website and sent to the fiduciary agent, to demonstrate the achievement of the target to investors and other stakeholders.

6. ESG controversies desk research

We carried out a ESG controversies desk research on news portals, labor and environmental inspection bodies. We identified that the Company was involved in 7 controversial cases since 2018, as presented below. The B3 team was questioned about the cases, and provided clarifications on the facts, as highlighted in the “Responsiveness” column.

Table 2 - ESG controversies involving B3

| Governance | | |
|--|---|--|
| ESG controversies | Severity level | Responsiveness |
| <p>Jun/2023: B3 should be the target of an investigation of anti-competitive activities involving the Market Arbitration Chamber (Câmara de Arbitragem do Mercado, or “CAM B3”) by the Administrative Council for Economic Defense (Conselho Administrativo de Defesa Econômica, or “CADE”).¹⁵</p> | <p>Low: According to the article, there is discomfort on the part of companies listed on the Novo Mercado segment of B3, as they are forced to define CAM B3 as a forum for resolving disputes. The obligation to give exclusivity to CAM B3 might be considered an anti-competitive practice, since it forces consumers of the upstream market (stock exchange operations) to also engage the downstream market (arbitration chamber services).</p> | <p>Defensive: B3 stated that it has investigated the case with CADE, and that there are no administrative proceedings regarding CAM’s activities.</p> |
| <p>Mar/2023: B3 is investigated by CADE for alleged exclusion of competitors from the financial assets and securities registration market.¹⁶</p> | <p>Low: CADE, which is responsible for protecting competition, investigates whether the stock exchange has used its market power to exclude competitors from the Over-the-Counter asset registration and insurance policy markets.</p> | <p>Defensive: B3 stated that the news refers to the administrative investigation filed with CADE, and that, therefore, there is no formal accusation against B3, being just a mere investigation on the conducts alleged by the competitor “CSD”. Furthermore, B3 stated that customer responses to market tests carried out by CADE show that, to date, B3’s conducts result from the efficiency of its business model, without any indication of abuse of market power.</p> |

¹⁵ [Veja Mercado](#) - Acesso em 27/11/23 - Available only in Portuguese.

¹⁶ [Valor](#) - Acesso em 27/11/23 - Available only in Portuguese.

| | | |
|--|--|---|
| <p>Oct/2021: B3 received a notice of violation through which the Federal Revenue Service questions the calculation of positive exchange rate variations on the investment in CME Group Inc, such as the acquisition cost, in the calculation of capital gains determined upon the sale of all shares in 2016, charging R\$1.2 billion in IRPJ tax, CSLL tax, fines and interest.¹⁷</p> | <p>Low: The Federal Revenue Service defends that the exchange rate variation on investments made abroad should not be added to the acquisition cost of the investment for purposes of calculating taxation, by IRPJ and CSLL, of capital gains on the sale of CME Group shares. In 2023, the Regional Judgment Office canceled most of the value of the case, leaving approximately R\$4.8 million, according to B3. The partial exemption is not definitive and will be analyzed by the Administrative Council for Tax Appeals (Conselho Administrativo de Recursos Fiscais, or “CARF”).</p> | <p>Defensive: According to communications to the market, B3 filed an objection to the aforementioned case and obtained a partially valid decision, canceling almost the entire case. This decision, however, is not definitive and will be analyzed by CARF. Furthermore, B3 reaffirmed its understanding that the capital gain obtained from the sale of CME Group Inc. shares taxed in strict compliance with the tax legislation.</p> |
| <p>Oct/2021: B3 received a notice of violation in which the Federal Revenue Service questions the amortization for tax purposes, in the year 2017, of the goodwill generated upon the combination with Bovespa Holding S.A., in 2008, charging a fine of R\$204 million.¹⁸</p> | <p>Low: The tax assessment only included the isolated fine on IRPJ and CSLL, as B3 presented tax loss balances in the year 2017. In 2023, the Regional Judgment Office considered the objection presented by B3 partially valid, and determined the partial exemption of R\$167 million, maintaining the value, updated in June 2023, of R\$79 million. The partial exemption is not definitive and will be analyzed by CARF.</p> | <p>Defensive: According to communications to the market, B3 filed an objection to the aforementioned case and obtained a partially valid decision, canceling a large part of the action. This decision, however, is not definitive and will be analyzed by CARF. Furthermore, B3 reaffirmed its understanding that the goodwill was set up regularly, in strict compliance with the tax legislation.</p> |
| <p>Sep/2020: B3 paid R\$7 million to end the process in which it was investigated for failing to curb concentration in the derivatives and loan markets.¹⁹</p> | <p>Low: The case was opened to determine the responsibility of B3 and its executives for failing to verify, between May 2013 and January 2019, “the concentration of the derivatives and asset lending market managed by it, and for failing to apply the deconcentration measures provided for in its regulations.” The case was closed upon the signing of an Instrument of Commitment without there being a negative conclusion or recognition of the conducts mentioned in the process.</p> | <p>Remedial: B3 stated that, according to the sole Paragraph of art. 14 of Law 13.506/2017, and article 81 of CVM Resolution No. 45/2021, signing an Instrument of Commitment does not imply a confession as to the matter of fact, nor recognition of the illegality of the conduct analyzed within the scope of the sanctioning processes.</p> |
| <p>Aug/2019: The Accounts Prosecution Office (Ministério Público de Contas, or “MPC”) of São Paulo forwarded to the State Prosecution Office and CADE a claim against B3 and Tecnobank for forming a cartel and monopolizing the activation of contract registration at Detran [Traffic Department] in São Paulo.²⁰</p> | <p>Low: According to the complaint, Tecnobank, which is responsible for registering contracts with Detran/SP, had almost 100% of the registrations made during the period analyzed by the MPC. This concentration would occur because B3, which provides services for registering vehicle financing contracts, would be directing the registrations exclusively to Tecnobank. The article mentions that the alleged scheme would exceed R\$500 million.</p> | <p>Defensive: B3 stated that there is no MPC investigation, nor any decision on the merit of TCE/SP on the case. Furthermore, it mentioned that the matter has already been submitted for consideration by numerous judicial and administrative bodies in Brazil (including CADE), always with the same conclusion vis-à-vis B3: the full validity of its operations in this segment and the absence of anti-competitive or illegal conduct. According to B3, the claim with the MPC and the case with CADE were definitively filed.</p> |

¹⁷ [Valor](#) - Acesso em 27/11/23 - Available only in Portuguese.

¹⁸ [Estadão](#) - Acesso em 27/11/23 - Available only in Portuguese.

¹⁹ [Forbes](#) - Acesso em 27/11/23 - Available only in Portuguese.

²⁰ [O Globo](#) - Acesso em 27/11/23 - Available only in Portuguese.

Oct/2018: B3 signed an instrument of commitment with CADE and will pay R\$9.4 million to close an investigation relating to anti-competition practices.²¹

Low: The investigation of the case began in 2016, after a complaint that B3 was allegedly closing the market and preventing competitors from entering into securities clearing, settlement and deposit operations. The investigation ended with the signature of an instrument of commitment without there being a negative conclusion or acknowledgment of guilt on the part of B3.

Remedial: B3 stated that it has complied with the Cessation Commitment Instrument (TCC) signed with CADE, so that the obligations set out therein were being monitored by CADE and the Trustee appointed by it for such monitoring. The term of the commitments signed in the TCC ended in October 2023. Currently, the recomposition of the quorum of CADE Court is awaited for certification of compliance with the terms of said agreement.

²¹ [Istoé](#) - Acesso em 27/11/23 - Available only in Portuguese.

6. Method

The analysis of ERM NINT is based on a proprietary methodology, that relies on internationally recognized standards.

The verification process is based on the information and documents requested from the issuer's team and received by ERM NINT, and it aims at checking whether the targets and commitments relating to the five components of the Sustainability-Linked Bond Principles (SLBP) and the Sustainability-Linked Loan Principles (SLLP), established in the bond issuance process, were complied with. The annual targets verification is one of the components of the SLBP, and it aims to reduce the asymmetry of information between issuers and investors, providing more transparency and reliability to the sustainable bonds market.

The analysis consists of checking the achievement of the target and, consequently, how it impacts the financial incentive mechanisms linked to the debt (step-up and step-down, terms, early maturity) and, finally, checking the issuer/borrower's communication about the performance of the KPIs against the SPTs, considering the transparency, accessibility and regularity of reporting.

To assess how the issuer/borrower acts in accordance with best sustainability practices, we conducted a survey of ESG controversies desk research.

Subtitles

Assurance Level

| Assurance Level | |
|-------------------|---|
| Reasonable | An assessment in which the assurance risk is acceptably low under the circumstances of the engagement undertaken. The conclusion is expressed in a way that conveys the professional's opinion on the outcome of the assessment in relation to the criteria observed. |
| Limited | An assessment in which the engagement assurance risk is greater than a reasonable assurance level but still capable of supporting the main arguments used in the analysis. |

Controversies

Severity and Responsiveness Levels related to controversies

Severity Level

| | |
|---------------|--|
| Low | Breaches the law and/or negatively affects <i>stakeholders</i> , but causes no or minimal harm that does not require remediation. |
| Medium | It breaks the law and/or negatively affects <i>stakeholders</i> , and the level of difficulty and cost of remediation is average. |
| High | It breaks the law and negatively affects the <i>stakeholders</i> , and the damage is irremediable or difficult or costly to remediate. |

Responsiveness Levels

| | |
|-----------------------|---|
| Proactive | In addition to the company acting in a remedial manner when faced with a controversy, the company takes measures that go beyond its obligation. In addition, the company carries out systematic procedures to prevent the problem that occurred from recurring. |
| Remedial | The company takes the necessary actions to correct the damage and communicates appropriately with the impacted stakeholders. |
| Defensive | The company takes insufficient action to correct the damage or issues a statement without corrective action |
| Non-responsive | There is no action or communication from the company regarding the controversy. |

Annex I - ESG controversies desk research

CVM Resolution No. 59 came into force on January 2, 2023, and listed companies began to disclose information on the diversity of the companies' administrative staff and employees in their FREs.

In relation to administrative bodies, item 7.1, line “d” requires the description of the following information by body:

- i. total number of members, grouped by self-declared gender identity;
- ii. total number of members, grouped by self-declared color or race identity;
- iii. total number of members grouped by other diversity attributes that the issuer deems relevant.

Furthermore, the description of human resources, as per item 10.1 and line “a,” requires that the number of employees, total and by groups, be disclosed, based on the activity performed, geographic location and diversity indicators, within each hierarchical level of the issuer covering:

- iv. self-declared gender identity;
- v. self-declared color or race identity;
- vi. age group;
- vii. other diversity indicators that the issuer deems relevant.



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