SDG INVESTMENT FORUM

United Nations Global Compact | PRI Principles for Responsible Investment | Pacto Global Rede Brasil

Sao Paulo, Brazil, March 20, 2019

Meeting Summary

Table of Contents

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Introduction and Video Highlights

The goal of the **SDG Investment Forum Brazil** was to create a dialogue on increasing private investments in Sustainable Development Goal (SDG) priority areas, focusing on the unique opportunities, needs and challenges in Brazil. The Forum is part of a series of regional SDG Investment Forums that will take place in 2019 to enhance dialogue at the local level between investors, companies, the UN and Governments on investments to advance the SDGs.

The SDG Investment Forum program is organized by the United Nations Global Compact and the Principles for Responsible Investment (PRI), in partnership with their respective Local Networks and the Sustainable Stock Exchanges initiative.

The Forum featured discussions across several sectors and asset classes, including local companies, foreign direct investment, debt instruments and development finance. Building on the work of the Action Platform **Financial Innovation for the SDGs**, the Forum explored how investors, financial institutions and companies are looking at SDG investments and what they see as the unique challenges and opportunities in Brazil. The Forum also highlighted the roles of stock exchanges, development finance institutions and other local enablers in facilitating SDG investments for private investors in the local context.

Watch Highlights from the SDG Investment Forum Brazil 2019:

Summary and Key Takeaways

The inaugural SDG investment Forum took place in the context of our severe social and environmental crisis, and the urgent need to find financial solutions to meet the SDGs.

In the face of these huge challenges, the Forum conveyed a quasi-unanimous certainty among companies and investors that well-functioning societies and good financial results are inextricably linked. The Forum was also an opportunity to witness the profound impact of innovation driven by new actors, including a new generation of investors and businesses disrupting the establishment.

Ultimately, it conveyed a great sense of optimism, carried by the collective momentum of individual achievements, that the private sector and capital markets are developing solutions that are commensurate to the size of the challenge.

While the following pages provide a more detailed report of the discussions and presentations, below are some of the key takeaways from the Forum:

SDG Investments Pipeline: While many point to the lack of SDG investment opportunities, there is *huge pipeline of companies*, both incumbents changing their business and new sustainability-focused companies coming to market. What is needed is to encourage them to tap into the forming pool capital that is targeting SDG impact.

Measurement: SDG impact should be *proactive, intended* and *direct*. Quantitative measurement is important but only if it is tied to strategy. The risk is to just answer questions from investors, or "*checking the box*".

Strategic Integration: We have heard from investors and companies large and small that the SDGs must be a core part of the business. Otherwise, it is hard to measure, and harder to sustain. Also, as some pointed out, if it is part of business strategy, investors will understand it.

Many participants referenced the importance of sustainability for the essence and viability of business, consistent with a recent quote from Larry Fink, the CEO of BlackRock in his 2019 letter to CEOs: "To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society".

- This is part of strategy. For water to be available to us it must be available for all (Ambev).
- Without looking at the SDGs, you don't have a sustainable asset allocation method (Hermes).
- The core of our business is the forest. For business to exist, there needs to be a forest (Klabin).
- Investing in SDGs is not a social cost … it is an investment for better business (Natura).

Fixed Income: Whereas responsible investment started with a focus on equities, fixed income provides investors with more leverage to drive change in companies, as they need to re-finance debt on an on-going basis.

Blended finance: Only needed in areas that are not investible commercially or where the returns are too long-term. Many areas are commercially viable and therefore can be financed by the private capital markets without concessionary or philanthropic capital.

Quotes from Keynotes and Introductory Remarks

"We have a big challenge to make the 2030 agenda concrete. B3 has a fundamental role to play in Brazil's development."

Gilson Finkelsztain, Chief Executive Officer, B3

"We no longer talk about businesses but about sustainable businesses. We want to unite all participants in a dialogue to improve sustainability in Brazil."

Denise Hills, Head of Sustainability and Inclusive Business, Banco Itaú

"Agenda 2030 implementation allows us to get closer to the Declaration of Human Rights and Article 50 of the Brazilian Constitution."

Niky Fabiancic, UN Resident Coordinator, Brazil

"The SDGs are an opportunity for more competitive economies but also for more social, human and sustainable societies."

Patricia Ellen da Silva, Secretary for Economic Development, State of Sao Paulo

"Many Brazilian companies are benchmarks in their industries because they can apply the SDGs as metric system for impact and incorporate them into business."

Denise Hills, Head of Sustainability and Inclusive Business, Banco Itaú

Panels

The SDG Investment Forum Brazil featured panels of Brazilian and international experts that brought diverse perspectives on key aspects of SDG investments.

Panel 1: Exploring the Impact of the SDGs on Corporate Business Models

What are the real-world impacts of current business models on the SDGs? How are companies integrating the SDGs into business operations? What changes, internal and external, are needed to support businesses in creating positive impacts?

Panel 2: SDG Opportunities and Challenges for Institutional Investors

What are institutional investors looking for in regards to SDG investments? What are the key barriers they face and what is needed from issuers and policymakers?

Panel 3: Role of Financial Intermediation

What is the optimal role of financial institutions (private and public), stock exchanges and security market regulators in creating a market for mainstream SDG investments?

Panel 4: Integrating Impact: Mainstreaming SDG Investments in Brazil

What frameworks, metrics and business cases exist for aligning investments with the SDGs? How can embedding the SDGs into business and investment strategies help drive new opportunities? This panel will explore the opportunities and challenges to mainstreaming SDG investments in Brazil.

The following pages will provide a summary of the discussions.

Panel 1: Exploring the Impact of SDGs on Corporate Business Models

From left to right: Jerome Lavigne-Delville (UN Global Compact, Moderator), Roberta Simonetti (WWF-Brasil), Maria Luiza Paiva (Suzano S/A), Gustavo Pimentel (Sitawi).

What are the real-world impacts of current business models on the SDGs? How are companies integrating the SDGs into business operations?

Jerome Lavigne-Delville from The UN Global Compact introduced the session by suggesting that companies could offer a meaningful pathway for private capital markets to finance the SDGs. Corporate Equity and Bonds total trillions of dollars and are familiar investment products for institutional investors, often representing 30-40% of each portfolios.

In order for this capital to flow, companies must take the first step and communicate proactively with investors on their impact theory and strategy for the SDGs.

They must also communicate how SDG contribution is monitored as part of corporate governance and contribution, and how it is financed as part of corporate finance activities.

Maria Luiza Paiva from Suzano provided perspective from the world's largest paper and pulp producer, a result of Suzano's recent acquisition of Fibria. Ms. Paiva explained that the company is currently developing a new SDG strategy based on the prior sustainability activities of the two merged companies. The goal is to integrate the SDGs in their corporate strategy and to provide input for various industry verticals and day-to-day operations and products.

> My request is that more investors ask us—the companies—about our sustainability strategy and the SDGs.

Suzano is working to develop an internal SDG strategy with clear directives, with the goal of creating and sharing positive values for the company and for the world.

Ms. Paiva said the company is working on various areas where the future is already happening, and stated that it is not possible to create a corporate strategy that is not aligned with the SDGs. According to her, the private sector can play a crucial role in speeding up development and contributing to the realization of the SDGs.

Ms. Paiva concluded by suggesting that people should open up the conversation on sustainability within their organizations, creating impact maps (showing where the company can contribute most) and improving internal knowledge about the SDGs. She also suggested that HR departments should be involved in the conversation.

Roberta Simonetti at WWF provided the perspective of a non-profit organization with a lot of experience engaging with business in Brazil and with deep knowledge of the SDGs.

> What makes a company trustworthy is consistency. It cannot be a separate extra activity— companies need to consider how the SDGs affect each and every line of their business.

The companies must have a coherent story, aligning their communication with reality on the ground.

The big challenge for companies tackling the SDGs is to understand the impact in different parts of the company and making sure that positive impact in one area is not overshadowed by negative impact in another.

Ms. Simonetti reminded the audience of the necessity of understanding global ecological and social processes to make the right decisions at the company level.

She made reference to WWF's new report: **The Living Planet Report 2018: Aiming higher**, which presents a clear and sobering picture of how human activity is changing the face of our planet, its wildlife, forests, rivers and oceans. In his foreword, WWF's Director General states that "there cannot be a healthy, happy and prosperous future for people on a planet with a destabilized climate, depleted oceans and rivers, degraded land and empty forests, all stripped of biodiversity, the web of life that sustains us all."

Ms. Simonetti also suggested that collaboration is needed across the entire business value chain to support the transition that the world is going through, targeting the same problems and building the solutions together.

Gustavo Pimentel at SITAWI provided the perspective of a pioneer in the development of financial solutions for social impact, and the mobilization of capital for positive social and environmental impact.

> Companies have to consider materiality. SDGs have to be used as an assessment. It is one of the best ways to communicate positive impact and create this mindset among investors.

Pimentel sees many different opportunities to invest in the SDGs in the Brazilian economy, including energy, transportation and health.

He said institutional investors are realizing the importance of the SDGs but they also need to understand the interconnection between various SDGs. For example, many investors know SDG 13 on climate action, but they also need to understand its connection to other SDGs, for example SDG 14, life below water.

This requires a new mindset for investors and ultimately, it will allow for the creation of bigger positive impact.

From an issuer perspective, it is important to address the different ways companies can impact the SDGs through various activities. In his view, using the right metrics and being transparent can reduce companies' credit risk and will help the overall market to move forward.

Ultimately, the SDGs provide a common narrative to create better investment opportunities.

Panel 2: Opportunities and Challenges for Institutional Investors

From Left to right: Gavin Power (PIMCO), Maria Tinelli (PRI) (Moderator), Andrew Parry (Hermes Investment), Eduardo Grytz (Performa Investimentos), Renato Eid Tucci (Itaú Asset Management).

What are institutional investors looking for in regards to SDG investments? What are the key barriers? What is needed from issuers and policymakers?

Gavin Power at PIMCO provided the perspective of a global leader in the bond market (with AUM of US$1.7T) leading a movement of mainstream investors towards the SDGs.

Power said PIMCO is bullish on creating a mainstream market for SDG Bonds, referencing a recent publication on **SDG Bonds and Corporate Finance** by the UN Global Compact.

> Sustainable investment is moving to mainstream, from niche to norm, as evidence through the growth of PRI. We are moving into a new era of impact investing—from ESG risk management to front foot on impact without sacrificing return.

He reiterated the importance of using the SDGs as *the* impact investing framework and leveraging the interest of millennials.

Eduardo Grytz at Performa Investimentos provided the perspective of a private equity investor in Brazil and focused on the relevance of the SDGs for emerging market investments.

He described the challenge of going from global-to-country, and then company-level, and how to translate the SDGs into a company framework. What's needed is a coordination of agendas—going global and deep.

Performa's approach starts with showing that business already creates a lot of impact in of itself.

> SDGs are a common language. The challenge is to translate them into business outcomes and corporate KPIs. If companies align their businesses to the SDGs, they will attract investments.

Alignment with the SDGs then helps create a strong impact thesis which is at the core of SDG private equity funds.

Andrew Parry at Hermes Investment Management provided the perspective of a global asset manager focused on public capital markets and emerging markets, with a strong impact lens. Hermes sees the SDGs as a fantastic innovation opportunity for companies.

The asset manager developed its own **mapping/taxonomy** to understand the SDGs as a set of opportunities for companies tackling underserved needs, what he dubbed as "...the new exciting companies of tomorrow."

In this mapping, Hermes looked at the SDGs as **direct and intended outcome.** The key words were "*authenticity*" and "*goals*", based on something companies would try to achieve in the future. It also examines outcomes and the theory of change, the size and nature of addressable markets, as well as products, services and business models.

From the exercise, Hermes found that 25% of the SDG targets were directly investible through public equities, along 9 investable themes.

Renato Eid Tucci at Itaú Asset Management suggested that the theme of SDGs is not as mature in Brazil. The key, in his mind, is to focus on risk, return and impact.

Itaú has developed a framework for SDG impact analysis along 4 dimensions. The goal today is to engage companies and people in these questions.

> We observe increased demand on understanding what is being done—not only on the risks or negative—but also the opportunity from companies changing their business model to become sustainable.

The asset manager also reiterated the importance of having a common language for the creation of indices around sustainability and the SDGs: "It ties with the definition of sustainability. When it comes together, indices will become more important."

Are you finding enough pipeline of investment opportunity in your asset class? If not, do we need blended finance?

PIMCO The market is at the cusp of a revolution in new instruments. However, pipeline is an issue and we need to stimulate a market at scale that aligns to the SDGs. To that end, PIMCO is actively conducting *reverse inquiries* to invest in companies that align their strategies to the SDGs.

Mr. Power also pointed to a new focus on fixed income for the ESG agenda. While PRI was founded on equity, the focus is now shifting to fixed income. One key advantage is that bond investors have a special opportunity to engage with investors as companies regularly re-issue bonds. This allows them to be more assertive on ESG policies and the SDGs.

Hermes According to Mr. Parry, the issue with listed equity is that it already exists and there is limited opportunity to add capital (additionality). The only way is from new companies going public.

Credit (or fixed income) is the opportunity because companies come back to market more regularly. While bond investors don't have a vote, they control a greater volume of financing. Withholding credit could bring change faster that equity votes.

Parry explained that in public markets, Hermes tries to change the debate in order "to put responsibility back in capitalism".

> Companies who do not manage ESG and SDGs will not have good results...if you are not looking at the SDGs, you don't have a sustainable asset allocation method.

He also pointed to the obsession with data and the fact that *"data is not strategy"*. Therefore, a lot of Hermes' work is about engagement and strategy, to encourage a change in business models.

Finally, on the need for blended finance, Mr. Parry explained that some kinds of returns are too long-term, and some SDG issues are outside investible range. Development Finance Institutions can create products to make these issues investible, working together with philanthropy, and to some extent, capital markets.

> What we found is relevant not only for direct investment strategy, but also for advocacy—it can be a framework for corporate engagement. How can we target specific SDG-related outcomes in engagement with companies?

Performa While there are not many SDG investment opportunities right now, the **pipeline is huge**, according to Mr. Grytz. He points out that there are a lot of new companies (3 million in Brazil alone) that impact the SDGs. There are many examples of companies in Brazil doing great things for the achievement of the SDGs (e.g. in affordable housing or healthcare, giving rebates on non-peak times in hospitals).

Performa predicts an inflection point for institutional investors in the next 2-3 years, where capital markets will organize capital and create funds, and companies will understand that they can tap into that capital if they align with the SDGs. This can become an important pipeline if SDGs are well translated.

What is needed is collective outreach, and to publish more reports illustrating that the SDGs are becoming mainstream. Mr. Grytz also suggested that the Silicon Valley should be involved in bringing new companies to market.

ITAU Itaú sees transformation in capital markets. The asset manager tries to find new issuance to add to their funds. This exercise is leading them to invest in smaller companies than they are accustomed to. However, the advantage of this is that the engagement concerning sustainability and the SDGs is very positive, and much easier than with larger peers.

Panel 3: Role of financial intermediation

Panelists: Denise Hills (Itaú Unibanco), Flavia Mouta (B3), Jose Alexandre Vasco (CVM), Luiz Noronha (BRDE).
Moderator: Jerome Tagger (UNEP FI)

What is the optimal role of financial institutions (private and public), stock exchanges and security market regulators in creating a market for mainstream SDG investments?

Jerome Tagger from UNEP FI, who moderated the conversation, introduced the topic with a series of challenges for financial intermediaries, which are addressed as part of UNEPFI's Positive Impact Principles:

- Classifying impact
- Switching from negative to positive contribution
- Focusing not only on output but also on outcomes
- Difficulty de-mobilizing capital allocated to unsustainable activities

Flavia Mouta at B3 described three major areas where the stock exchange can act as a financial intermediary for the SDGs:

Product: The goal is to enable a segment of the market where investors can be certain that bonds are 'green'. Indexes also have a role to play. The Bovespa Corporate Sustainability Index (ISE) is the most common in Brazil. However, there are others (including on corporate governance), and altogether they address many of the issues relevant to the SDGs.

Development: B3 also run a mentoring program for companies, including listed and non-listed companies.

Engagement: B3 works with companies in partnership with CVM (Brazil's securities regulator) to require corporate sustainability disclosure on a 'report or explain' (RoE) basis. Annually, a questionnaire is sent to companies, who can then either answer or explain.

The challenge is to transition **from green bonds to SDG bonds**. A working group has been formed to discuss the issue, led by the minister of economy. One specific opportunity to scale this market is in infrastructure investments. A good start is to issue green bonds focused on infrastructure and connecting those to the SDGs to build familiarity in the market.

Jose Alexandre Vasco at CVM spoke about an initiative with 120 capital market organizations.

As many people have no access to water and sanitation, CVM's role (aside from market regulation and fraud prevention), is to foster investment in Brazilian capital markets. As part of this directive, the organization is promoting infrastructure investment, including sanitation.

In partnership with the Ministry of Economy, CVM is promoting several topics relevant to SDG financing, including developing market infrastructure and raising the bar on corporate disclosure.

CVM is also working with ABDE (the Association of Brazilian Development Banks) on a Financial Innovation Lab with 4 working groups on:

- Green bonds
- Impact investments
- Fintech
- Green finance

Among other things, the Lab is analyzing barriers for green bonds and creating an enabling regulatory environment. For the purpose of knowledge dissemination, an information campaign will be rolled out to ensure more people know about green bonds.

Luiz Noronha at BRDE described the 20-year experience and leadership of the Brazilian government in promoting sustainable finance. BRDE is one of three development banks in Brazil, focusing on the three southern states.

Recently, the bank was asked to transform activities towards the SDGs. In this field, Mr. Noronha believes that the private sector learns from the public sector.

As early as 1995, the Ministry of the Environment facilitated and supported the commitment of five state-owned banks to voluntary guidelines entitled Protocolo Verde (Green Protocol). The Brazilian Federation of Banks (FEBRABAN), representing both state-owned and commercial banks joined the initiative in 2009.

In 2014, the Central Bank of Brazil launched the Resolution N°4,327/2014 on Social and Environmental Responsibility (the Resolution), which applies to all financial institutions. FEBRABAN, the Federation of Brazilian Banks, also released a protocol on Social and Environmental Responsibility (SARB14) in2014.

Source: IFC Sustainable Banking Network

Following this trend, BRDE launched the Sustainable Production and Consumption (PCS) Program to provide credit lines and channel resources for entrepreneurs in agribusiness, industry, commerce and services. It includes five subprograms, including Clean and Renewable Energies, Rational and Efficient Use of Water Waste Management as well as Recycling.

Panel 4: Integrating Impact: Mainstreaming SDG Investments in Brazil

From left to right: Luciana Trinidad de Aguiar (UNDP Brazil, Moderator), Jessica Rios (Vox Capital), Igor Nazareth (Government of Brazil), Vinicius Lages (SEBRAE)

What frameworks, metrics and business cases exist for aligning investments with the SDGs?

Igor Nazareth from the Ministry of Economy presented the National Strategy for Impact Investments and Businesses (ENIMPACTO), adopted by Decree (No. 9244) in December 2017. The goal of ENIMPACTO is to create an ecosystem of impact enterprise in Brazil, around five strategic axes:

1. The expansion of capital offer for impact businesses
2. An increase the number of impact businesses
3. The strengthening of intermediary organizations
4. The promotion of an institutional and normative environment favourable to investments and impact businesses
5. The strengthening of data generation providing greater visibility to investments and impact businesses

One of the ministry's initiatives is to launch a fund to stimulate the growth of impact investing, in consultation with the government of Portugal. Mr. Nazareth pointed to the necessity of coming up with new structures for blending public and private funds, and attracting international investors for national investments.

Another initative is the creation of a map of impactful businesses—differentiating companies with high impact from those with more limited impact. The first mapping included 169 companies, and the second one included more than 1,000.

The goal is to create a data bank for investors looking for impact and the Ministry is in dialogue with institutional investors to promote the initiative.

Vinicius Lages of **SABRAE**, provided the perspective of a non-profit organization that provides support services to small and medium-size businesses (SMBs). Within its agenda of promoting innovation and competitiveness, the organization promotes and funds social innovation among SMBs. According to Mr. Lages, often, when the government is not there, companies show the way forward.

However, in order to maximize the contribution of SMBs to sustainable development, Mr. Lages argues that we need better support for startups in Brazil, including:

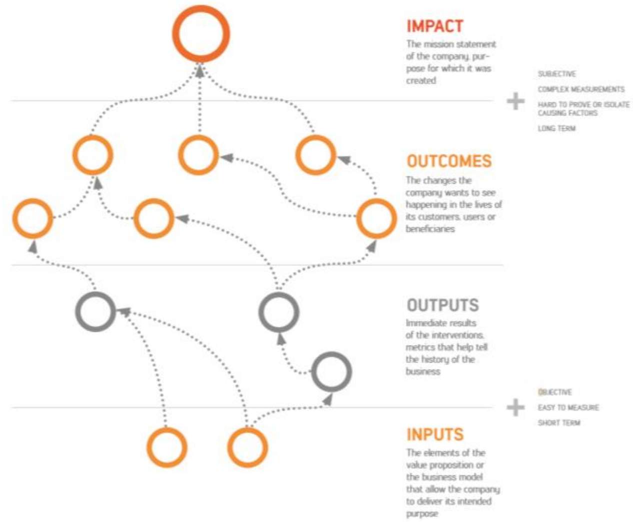
- Providing capital
- Strengthening intermediation
- Improving the regulatory environment
- Creating incentives for impact (e.g. including impact in supply chain contracts)

Another issue, according to Mr. Lages, is that while Sabrae has a lot of companies, we don't know their impact.

One way forward is to understand that all companies can qualify as impact companies. It is about **self-determination**, speaking about impact in the mission and strategy of the company. They would then report on impact. This is a way to signal to investors, as well as build the supply side of SDG investments.

Jessica Rios explained that **Vox Capital** looks for companies that act directly or indirectly in the education, health and financial services sectors, with innovative solutions that proactively contribute to the reduction of social inequalities.

The key, according to Ms. Rios, is to monitor and manage impact in the portfolio. Vox's approach consists of 1) defining an impact thesis, 2) investment evaluation and 3) portfolio management.



Portfolio management includes the monitoring of impact post-investment. This is facilitated by taking a seat at the board of the companies they invest in. It also includes providing connections with the government or other companies.

Once Vox finds entrepreneurs with solutions capable of responding to the impact challenges highlighted in our thesis, they begin the Investment Evaluation process. Starting from a macro impact vision, Vox

> Mapping the SDGs to the companies we invest in is a fundamental part of our due diligence process.

moves into the micro vision by identifying the Specific Impact Hypotheses related to the business being analyzed.

> When we talk about measurement of impact, it is very difficult when impact is not core to the business.

Impact is measured according to a Theory of Change that maps the value proposition (input) to the ultimate purpose (impact) of the company.

What tools and standards are needed to measure impact?

SABRAE What is needed is to translate the impact measurement frameworks for smaller companies. Another challenge for small and medium businesses is the digital transformation. Impact measurement is data driven.

VOX One main challenge is integrating impact analysis in entrepreneurs' day-to-day business. Currently entrepreneurs do not use the tools and information available on the societal impact of their business. Yet, there is an opportunity to get very good information and data to make better strategic decisions. There is great value in connecting impact with performance—and it needs a new mindset.

Ministry of Economy The challenge going forward is understanding how much money is needed, including how much from abroad. We also need to monitor entrepreneurs—but it is challenging with new businesses. Lastly, we need to generate more intelligence on the impact of these efforts.

SDG Investment Presentations

The concept of SDG Investment Presentation was developed by the UN Global Compact's **Action Platform on Financial Innovation for the SDGs** to assist with company presentations during **SDG Investment Forums.**

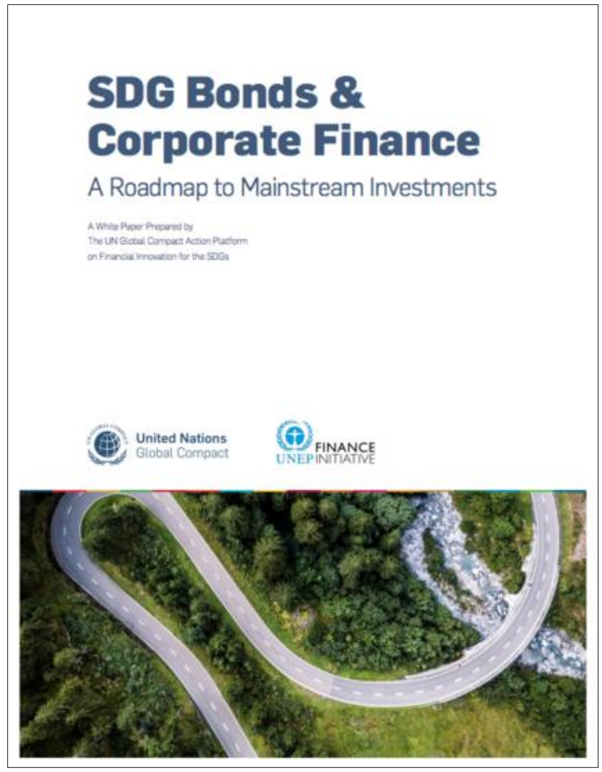
A template was developed to help guide companies on their SDG Investor Presentations with structure and content, as well as reference documents, where relevant.

Template for Corporate SDG Investor Presentation

The template will be refined over time based on experience and feedback from companies. The latest version of the template is available online here.

The template built on key findings from **SDG Bonds and Corporate Finance—A Roadmap for Mainstream Investments**, a recent publication of the Action Platform.

The publication introduces a roadmap for mainstream SDG bonds and corporate SDG finance to tap into the largest assets classes and respond to the specific financing challenges in emerging markets.



Roadmap is available online here.

The following pages provide a summary and excerpts from the SDG Investment Presentation of three Brazilian companies:

- Natura Cosmeticos SA
- Ambev Brewery
- Klabin

A full copy of the presentation is available online here.

Natura Cosmeticos SA: Joao Paulo Ferreira, Chief Executive Officer

Company Description: Natura Cosmeticos SA develops, produces and distributes cosmetics, fragrances and personal hygiene products through direct sale by Natura Beauty Consultants. Products include deodorants, makeup accessories, sunscreens, shaving creams, shampoos, soaps, lotions, creams, lipsticks and perfumes.

The company operates under various brands including Aesop, Amo, Ekos, Tododia, Aguas, Chronos, Erva Doce, Homem, Horus, Seve and Luna. The company is headquartered in Brazil with presence in the Americas, Europe, Southeast Asia and Australia.

Summary of Key Points:

Natura's SDG strategy revolves around a triple bottom line:

- *Strong business and financial results*: leaders in Brazil and Latin America with 100 million consumers; recent acquisitions in the US and Australia
- *Decent work and education* for a network of 2 million consultants involved in relationship selling and paying a fair price for commodities in the supply chain
- *Responsible production and consumption*, focusing on forest management that includes community development and women's empowerment

> Investing in the SDGs is not a social cost or some type of charge. It is an investment for better business.

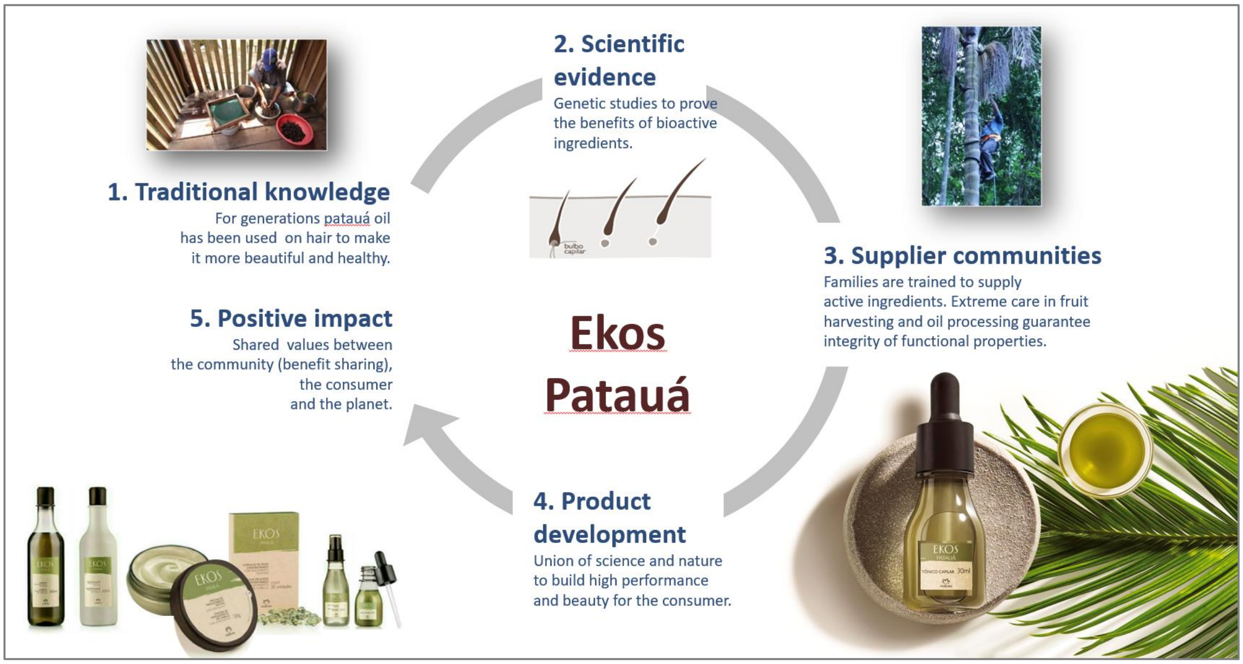
Mr. Ferreira, Natura's CEO, attributed the success of the company to the collective power of its network and expanding by acquiring similar companies who developed their own supply chain.

The company experiences genuine and growing interest in sustainability from from investors and tries to educate them in all forums with investors.

> Our biggest legacy is creation of a network of love, affection…through good relations you can also take care of community and the world.

> We have a lot of long-term investors and we need to educate them on our strategy.

Excerpts from Investor Presentations



Ambev Brewery: Fernando Tennenbaum, Chief Financial Officer

Company Description: Ambev SA (or Companhia de Bebidas das Américas) is a Brazilian brewing company that was recently acquired by Anheuser-Busch InBev. The company engages in the production, distribution and sale of beverages. It offers beer under the brand names Skol, Brahma, Antarctica, Bohemia, Original, Quilmes, Paceña, Pilsen, Labatt Blue, Alexander Keith's, Kokanee and Guaraná Antarctica, as well as other non-alcoholic, carbonated and non-carbonated products such as Pepsi, H2OH!, Lipton Ice Tea and Gatorade.

Summary of Key Points:

Materiality The most material sustainability issues are those that are truly imbedded with business.

> SDGs are not an option. They are a core part of our strategy. The company does not exist without it.

For Ambev, this includes:

- The supply chain for the main ingredient – barley
- Water is the other critical ingredient. For water to be available to us, it must be available for all. For this reason, the company invests in water access.
- Reducing emissions and waste
- Responsible drinking

> If the SDG is strategy credible, it creates value, and then it is very easy to explain to investors.

Investor Relations It is important to match long-term strategy with finance. If the SDGs are part of the strategy, it creates value. It is important to be real.

> The onus is on companies to establish that their SDG strategy is credible and connected to the business.

Strategy It is fundamental to understand if company initiatives are consistent with its culture and whether they are fully integrated.

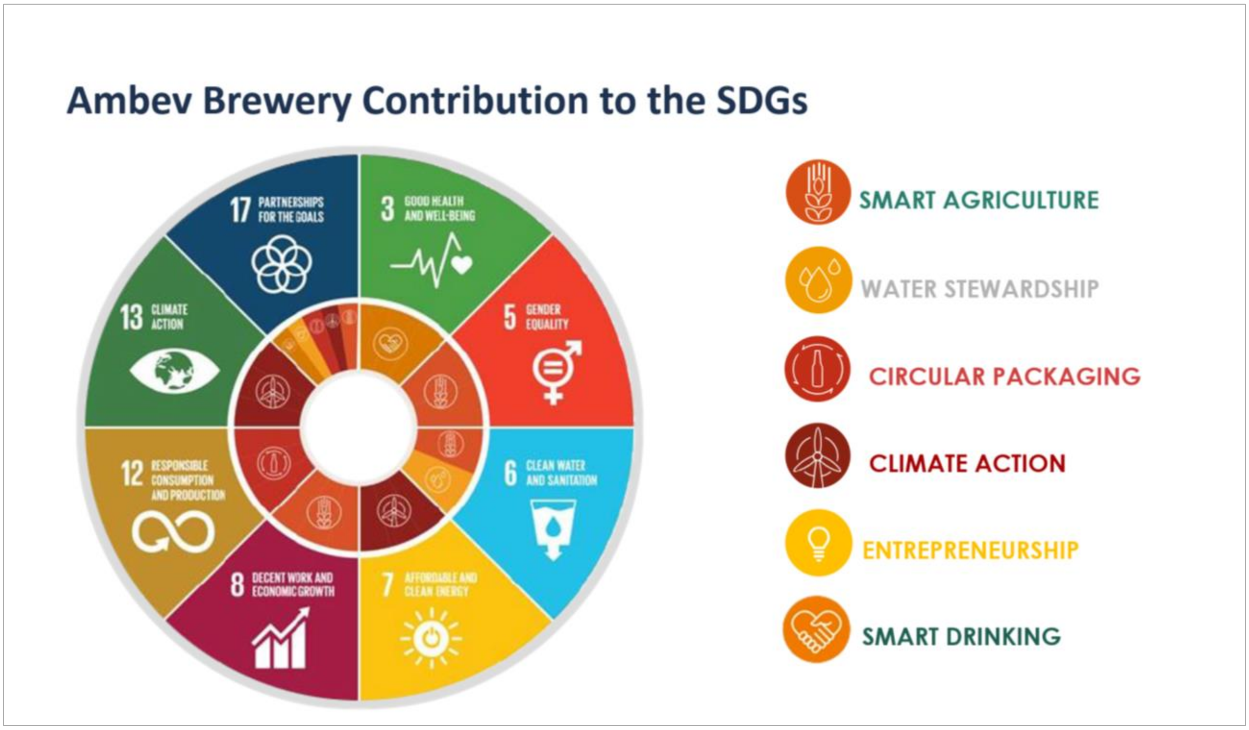
Manioc beer is an example of an initiative that contributes to the SDGs but also fits within the company strategy. It is produced in a specific state in Brazil and sold in that same state. It is affordable, consumers like it and communities like it.

Innovation challenge The challenge is to innovate inside large companies. The DNA of a large company makes it hard to innovate, until the business is disrupted. So Ambev has created a new unit inside the company to disrupt existing businesses. They have a budget to invest in companies, just like a private equity fund.

How costly are these SDG initiatives? This question presumes that we have an option. But Ambev sees these investments as part of a coherent strategy. The mistake is to assume that implementing an SDG strategy is a cost. In the case of Ambev, the company does not exist without it. We use WACC (weighted average cost of capital) like any other project. But it is part of the overall company.

What about results? Measurement and monitoring are important but first it has to be linked to strategy.

Excerpts from Investor Presentation



Klabin: Sérgio Piza – Director of People and Corporate Affairs

Company Description: Klabin S.A. is a paper and pulp company founded in 1899 and headquartered in São Paulo, Brazil. The company operates in four segments:

- **Forestry:** plants and grows pine and eucalyptus trees; sells timber to third parties.
- **Paper**: produces and sells cardboard, kraftliner and recycled paper rolls.
- **Conversion**: produces and sells corrugated cardboard boxes, corrugated cardboards and industrial sacks.
- **Pulp:** produces and sells short fiber bleached pulp, long fiber bleached pulp and fluff pulp.

Summary of Key Points:

Business Model The real business of Klabin is Biosolutions—producing pulp as a renewable resource and transferring it to all aspects of the economy. And then we turn back through recycling.

Sustainability as a Key to Success The core of Klabin's business is the forest. For business, there needs to be a forest. So, it is of the essence of Klabin to make sure we manage the forest.

> We are a client of the forest. The sustainability of the forests gives stability to our company.

Accordingly, we make a strict commitment to not expand to pristine forest.

The same is true with the **community**. First, we build factories, then cities. If there are no relations with the city and the community, there is no talent to draw from.

Capital Raising The company has issued Green Bonds because it follows the logic of ESG and SDGs, and ultimately the same logic as Klabin.

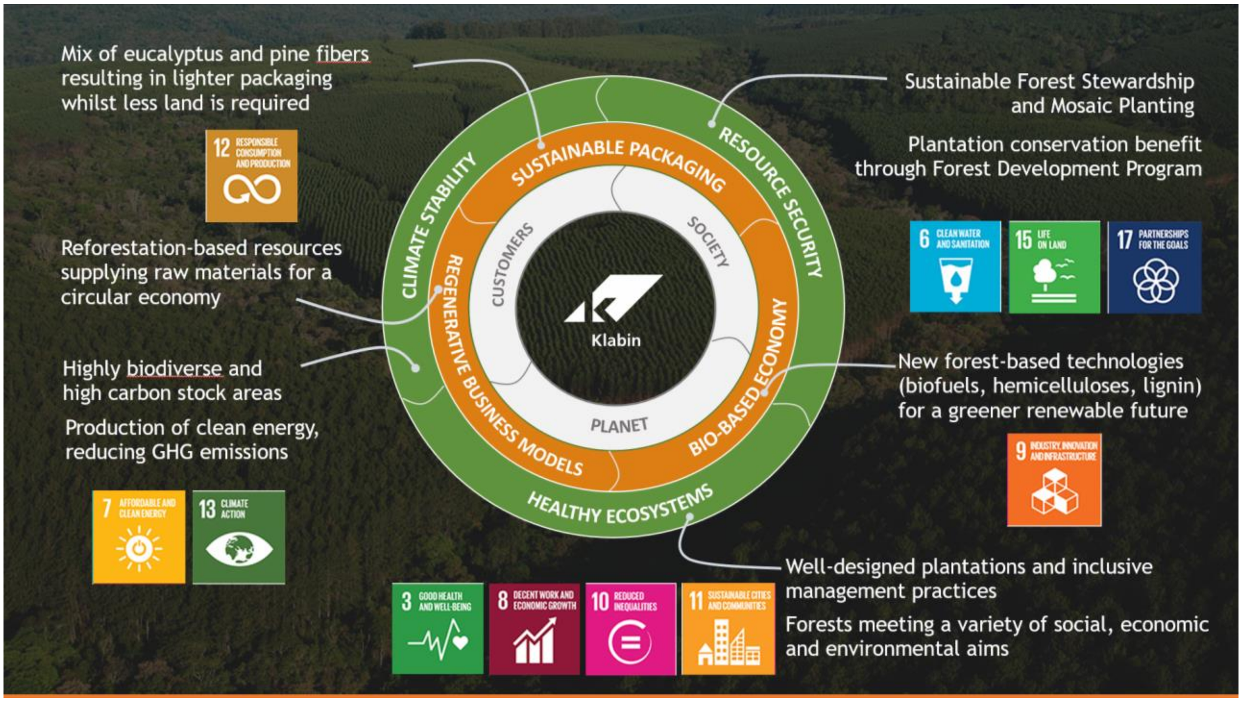
> For us to continue with these trends of entrepreneurial vigor, we need to have an eye to all stakeholders. Planet, community and people.

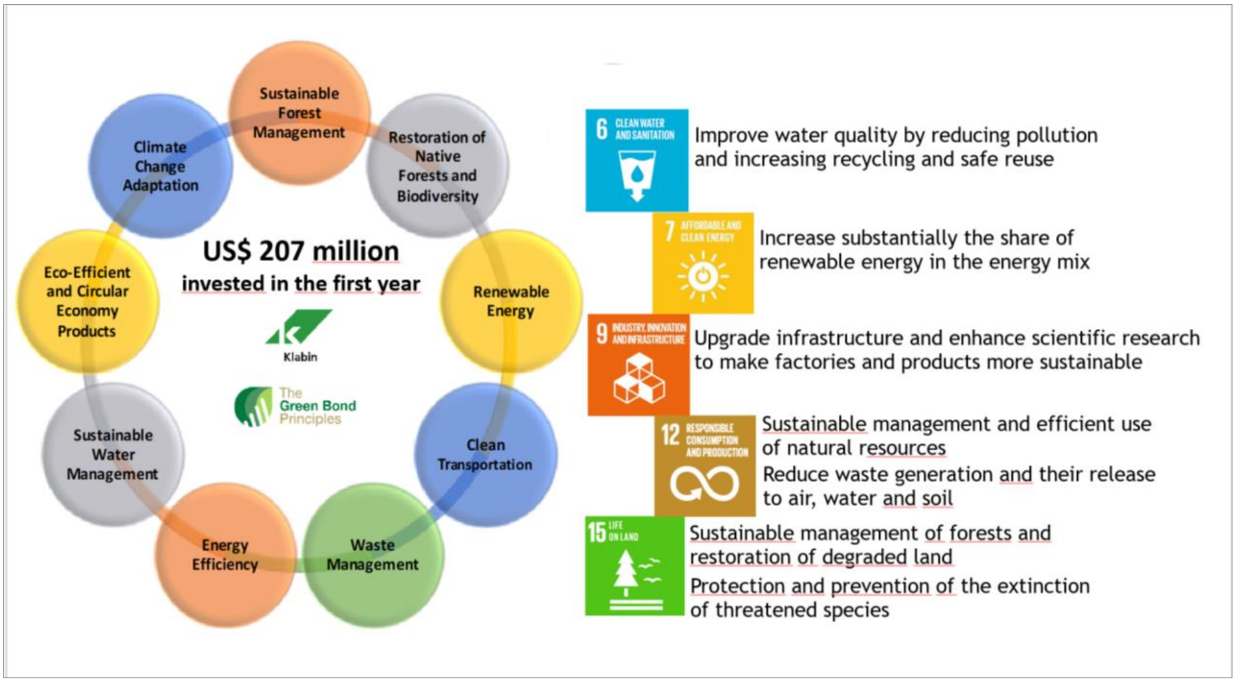
Investor Relations Klabin is a publicly listed company controlled by the Klabin family. While the company does not have too much communication with public shareholders on sustainability, the Klabin family understands the strategic importance of community building and forest management, which has been responsible for the longevity of the company over the years.

Measurement The question of measurement is very difficult. Do you measure only the negative or also positive contribution?

At Klabin, we try **not to intervene directly** anymore – now we think that the best initiative is **to understand and serve the needs of the community**.

Excerpts from Investor Presentation





Innovative Finance in Latin America and Brazil – Examples from IDB

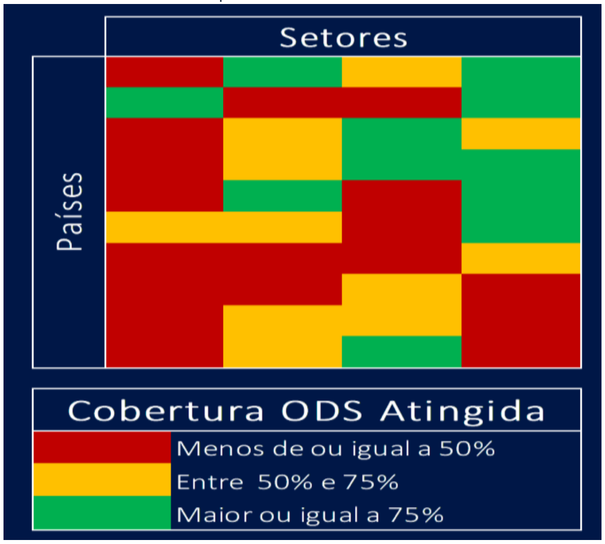
Bernardo Guillamon, Manager, Outreach and Partnerships, IDB

The Inter-American Development Bank (IDB) is a Latin American bank, majority-owned by countries in Latin America.

The priority areas related to the SDGs in Brazil are clean energy, forest, water and also export. Latin America is projected to grow 60% of the food globally as it is the only place where production can grow. Therefore, there is an opportunity to do it in sustainable way. However, there are also key social issues—mainly inequality and access.

There is also a huge infrastructure gap. 80 million people are without drainage or water and deficiencies in the electric network lead to substantial losses in the power generated.

IDB Heat Map for SDG Investments



Mr. Guillamon explained that IDB is developing a model to close this gap and gave three examples of what the bank does to increase finance and leverage partners for the SDGs.

Indexes IndexAmericas is a sustainability index that recognizes the 100 most sustainable publicly traded companies operating in Latin America and the Caribbean (LAC). Sub-indexes recognize the top 30 multilatinas (based in LAC) and the top 10 most committed to gender equality.

Blended finance According to IDB, "blended finance is the targeted use of concessional funding in high-impact projects in which actual or perceived risks are too high for commercial finance alone". IDB provides blended finance solutions by combining concessional resources with their own commercial funding through a wide array of financial instruments. The goal is to use financing to create pilot transactions and encourage replication in the private sector, leveraging capital from institutional investors.

Measurement and gap analysis IBD has developed sophisticated tools for impact measurement for their own investments. The tool is based on an SDG gap analysis of Latam countries (based on SDSN methodology), and is aligned with IDB's agenda and main investment sectors. The tool supports IDB co-investors in making informed investment decisions in key infrastructure sectors that contribute to closing the SDG gap, taking into account the level of investment and the gap by sector.

IDB Priority Sectors and Countries

Jozef Henriquez, Head of Resource Mobilization, IDB Invest

IDB Invest is the private sector arm of IDB. It focuses on private sector companies (and State-owned Enterprises or SOEs) and offers solutions up-and-down the right side of balance sheet (equity, debt, mezzanine), as well as blended finance tools. The goal of IDB Invest is to drive development through the private sector.

IDB Invest uses its own funds at market-based-levels and attracts capital from other investors to bring a complete solution, including concessionary capital for blended finance solutions.

Blended finance solutions In situations where an investment does not generate commercial-level returns, IDB Invest brings in concessionary capital from foundations and other sources by promising them a certain impact.

Impact Measurement IDB Invest uses an impact measurement tool (Portfolio 2.0) to score every project and transaction. The tool is a matrix that measures two dimensions:

1. Development impact for the whole country
2. Financial returns

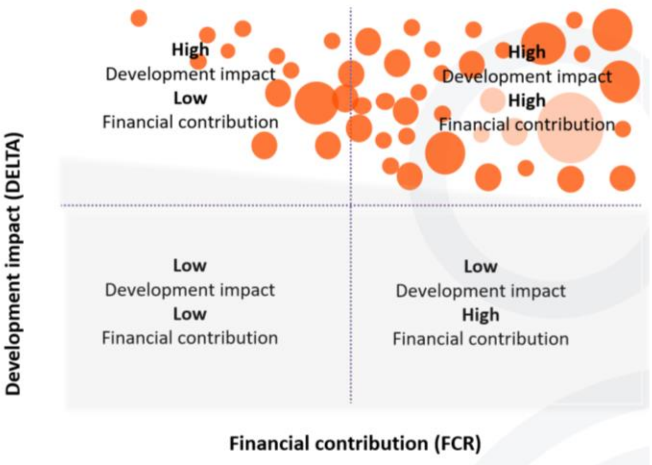
Based on this analysis, the bank can choose to invest either in high impact and low return, or lower impact with high returns (but not in low impacts with low returns).

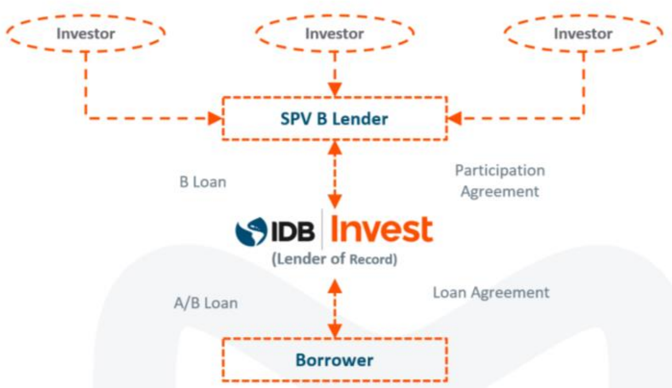
An important consideration is **additionality of financing**—we are not here to replace commercial finance.

Financial Innovation

A/B Loan IDB offers the A portion of the loan from its own resources. Other financial institutions provide the B loan. IDB Invest fully shares project risk with participants and the loans are not guaranteed by the IDB Invest. However, participants benefit from IDB Invest's preferred creditor status and exemption from withholding taxes.

B Bond The B bond structure is substantially the same as A/B Loans but here the B lender is a special purpose vehicle that funds itself by selling notes to institutional investors as a private placement. B bonds can achieve longer tenors and more competitive pricing than a typical A/B Loan by sharing IDB Invest's Preferred Creditor Status and reaching a broader investor base.





A copy of the full presentation can be found online here

SDG Impact: Investment Solutions for Global Impact

Elizabeth Boggs-Davidsen, Director for SDG Impact at UNDP, introduced the initiative as an integrated model for eliminating barriers for SDG-enabling investments.

She stated that what we are facing is not so much a financing gap, but rather a knowledge gap where both companies and investors need guidance.

Starting with private equity, the goal of SDG Impact is to empower investors with clarity, insights and tools to achieve the SDGs. It will advance a unified and global effort to authenticate SDG-enabling investment.

This agenda will be advanced through two complementary initiatives:

- **SDG Impact Standards**, principles and tools for investors and enterprises, developed by an active network of industry-leading partners, facilitated by the Impact Management Project.
- **SDG Impact Seal and Technical Assistance**, UNDP-managed certification for investors and enterprises to authenticate alignment with the SDG Impact standards

SDG Impact

Our product offering:

Impact Management	Impact Intelligence	Impact Facilitation
Online Training: *Online training series on impact measurement & management as it relates to achieving the SDGs* ***Immersion Training:*** *Capacity building at COs in impact management and measurement* ***SDG Impact Seal :*** *Verification of the processes needed to authenticate SDG-enabling investment, implemented by certified, local partners and supported by Country Office expertise*	***SDG Impact Country Mapping Reports:*** *Publications, developed UNDP Country Offices, that provide investors localized insight and investment opportunities into industries, businesses, products, and market conditions that advance the SDGs*	***SDG Impact Investor Convenings:*** *Events, hosted by UNDP Country Offices, that bring together SDG-aligned investors and enterprises to catalyze local investment and help UNDP Country Offices develop robust private sector networks* ***Policy Investor Roundtables***

In partnership with:

Annex I: Resources

Brazil Voluntary National Review: available here

Brazil INDC: available here

SDG Industry Matrix: available here

SDG Bonds & Corporate Finance: A Roadmap to Mainstream Investments: available here

Value Driver Model: available here

In Focus: Addressing Investor Needs in Business Reporting on the SDGs: here

Principles for Positive Impact Finance: available here

UNDP SDG Impact: available here

Impact Management Project Framework: available here

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or future SDG Investment Forums
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