

Neo
20 years

**RESPONSIBLE
INVESTMENT**

REPORT

2023



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Message from the CEO

In 2023, we marked our two-decade anniversary, cementing our position as one of the country's longest-running management firms, with assets under management totaling more than R\$6.5 billion.

Over the past several years, we have consistently pursued a course of restructuring and strategic modifications in order to position the company to realize our goal of becoming an increasingly resilient and innovative company.

With the outbreak of the pandemic and the intensification of climate change, we are entering an era in which social and

environmental impacts can no longer be ignored. It is essential to integrate them into our analysis so that we can identify companies with successful business models and protect the capital we invest.

We are confident that fostering positive change is achievable through active engagement with companies. By facilitating a two-way dialogue, we aim to explore alternative avenues that generate value, not only in financial terms but also for society and the environment.

ONE OF NEO'S PRIMARY PILLARS OF VALUE CREATION IS OUR SUSTAINABILITY STRATEGY, WHICH FOCUSES ON DEVELOPING THE SKILLS NECESSARY TO METHODICALLY INCORPORATE SOCIAL, ENVIRONMENTAL, AND GOVERNANCE CONSIDERATIONS INTO OUR INTERNAL OPERATIONS AND INVESTMENT DECISION-MAKING PROCESSES.



MARCELO CABRAL - CEO



All of our stock analysts received training from us throughout 2023 on how to diagnose a company’s ESG maturity and create an engagement strategy with goals that are pertinent to the company’s operations. These exchanges provide us with more information about the quality of companies and their dedication to the sustainability of their operations, even if the outcomes may be delayed.

We address the risks related to climate change in all our engagements. The pressure to transition to a low-carbon economy will rise and companies that do not adapt will become less competitive. In our communications with institutions, we emphasize the importance of incorporating climate risks into strategic planning to mitigate losses, identify innovative opportunities and forge a path of positive impact on the world.

Another frequently addressed topic in our dialogues with organizations is the adoption of policies and processes aimed at guaranteeing respect for human rights throughout the value chain. Companies are increasingly being held responsible for the direct and indirect socio-environmental impacts of the products or services they offer. The emergence of conscious consumption has made the quality of supply chain management increasingly linked to the value of brands.

LOOKING TO THE YEARS AHEAD, WE WILL REMAIN COMMITTED TO OUR PHILOSOPHY OF INVESTING IN WHAT WE BELIEVE IN, TO POSITIVELY IMPACT THE FUTURE AND AT THE SAME TIME DELIVER THE BEST RISK-RETURN RATIO FOR OUR CLIENTS.

We invite you to find out more about the progress of our responsible investment strategy in 2023 in the following pages.

I am very grateful for the trust of our clients who believe in our way of investing and contributing to the future. I also thank our team for their partnership and dedication in 2023. Here’s to the next 20 years!

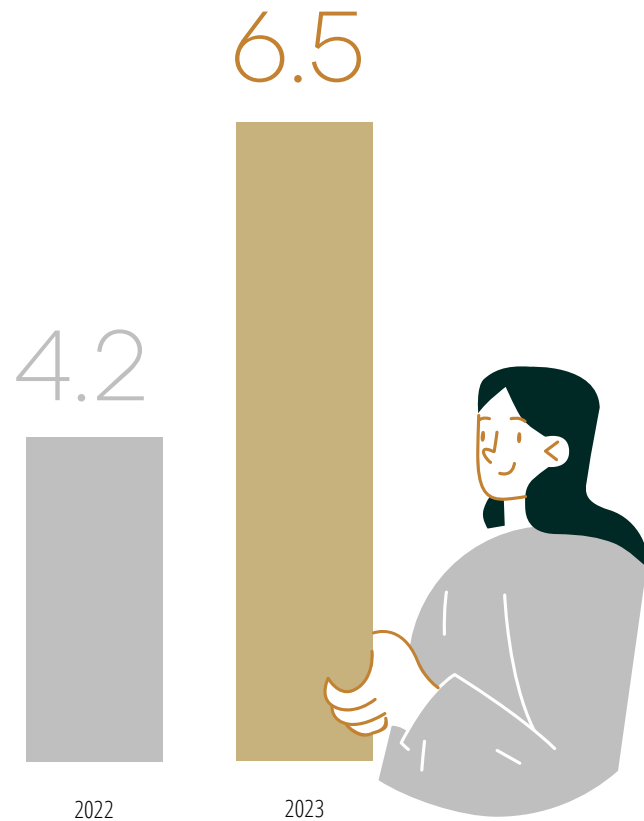
Enjoy the reading!





2023 Highlights

ASSETS UNDER MANAGEMENT
R\$ BILLION



ESG INTEGRATION
IN ALL OUR
STRATEGIES



CLIMATE RISK ANALYSIS OF OUR
MAIN INVESTED COMPANIES



ESG ENGAGEMENT WITH
90% OF THE COMPANIES IN OUR
LONG-TERM PORTFOLIOS



ADOPTION OF
TCFD STANDARD



ESG ANALYSIS CONDUCTED
BY ANALYSTS WITH THE
SUPPORT OF OUR ESG LEADER



SECOND YEAR **MEASURING** AND
MONITORING OUR FINANCED
EMISSIONS



CONTINUOUS IMPROVEMENT OF OUR
PROPRIETARY SCORECARD AND ESG
INTEGRATION PROCESS



INCREASING THE **POSITIVE IMPACT**
ON SOCIETY THROUGH OUR SOCIAL
INVESTMENTS



INCLUSION OF CLIMATE CHANGE AND
HUMAN RIGHTS IN OUR **RESPONSIBLE
INVESTMENT POLICY**



CHAPTER
ABOUT NEO

01

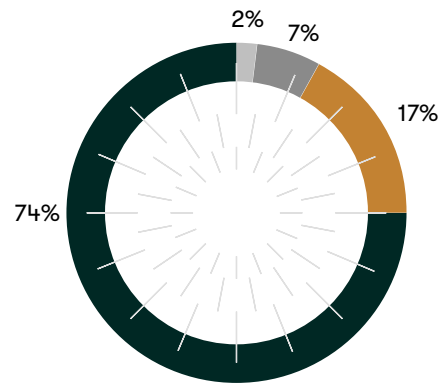


Overview

20 YEARS IN BUSINESS (FOUNDED IN AUGUST 2003)

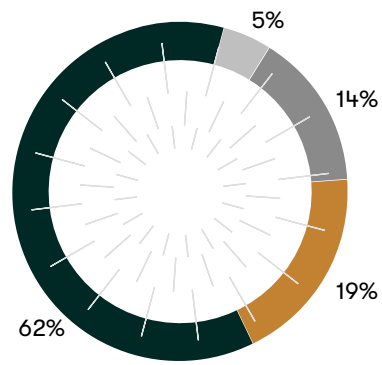
Experienced team (58 professionals in total/32 in investment management roles)
Full-partnership model

R\$6.5 BILLION IN ASSETS UNDER MANAGEMENT



By Class

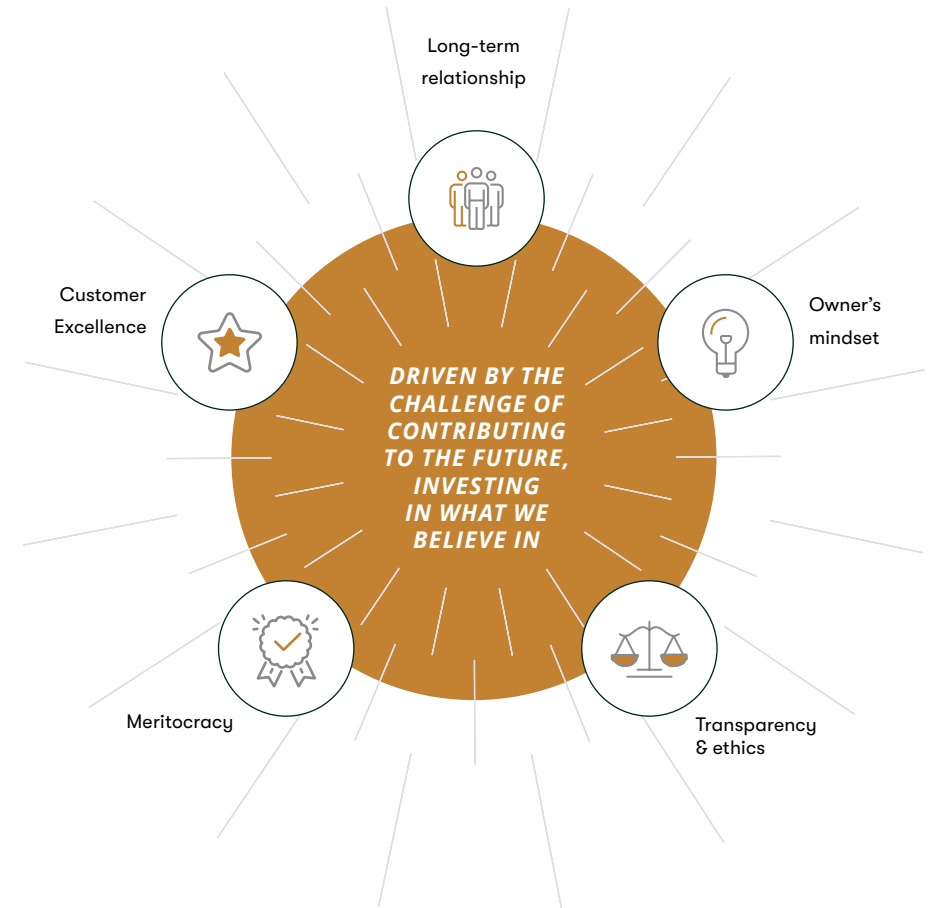
- Long & Short
- Equity
- Multistrategy
- Private Equity



By Segment

- Retail
- Family Offices
- FOF and Bank's Wealth Management
- Foundations

OUR PURPOSE & VALUES



* All our strategies integrate ESG factors and use negative filters.



Our team

Our team has extensive expertise in the financial industry, and the founding partners have worked together for over 20 years.

To bring the expectations of business growth in line with the professional development and evolution of our team, we have structured Career Plan paths suited to our reality and which follows a compensation model based on meritocracy.

By doing so, we foster improved performance and professional recognition, instilling a sense of responsibility and providing challenges aligned with each career stage. This approach prepares our employees to thrive and advance in their careers.

Focused on understanding the impact and improving the People & Management department’s initiatives, every year Neo carries out a satisfaction survey with its employees. The findings are discussed with the leaders of the areas and then published internally, ensuring transparency.

In 2023, we had 82% respondents to this survey, which ensured that the topics covered were representative and that solutions were developed in line with employee perceptions.

Among the positive reactions, we had good scores for “feeling free to express your opinions” (7.5), as well as the alignment of a large part of the company in “knowing where we want to go” (8.2).

In addition to our Career and Compensation Plan, we continually seek to take actions that improve our team’s quality of life and productivity through practices such as adopting a mixed work model and organizing employee integration events.





Diversity & inclusion

We think a diverse workforce can provide unique, more valuable, and competitive ideas and goods. With the help of its People and Diversity Committee, Neo aspires to advance projects pertaining to diversity and inclusion.

We understand that, first of all, we must be clear about our figures and developments.

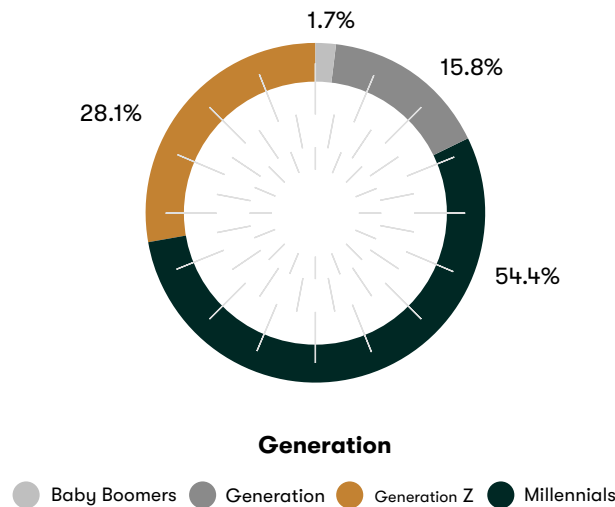
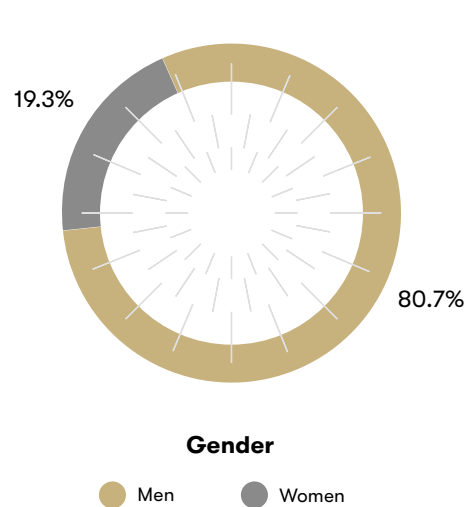
Neo has 58 employees, 32 of whom are directly involved in investment management activities.

While we have sustained gender representation figures comparable to those of 2022, we have witnessed a notable 19 percentage point increase in the younger workforce. This trend indicates our commitment to inclusivity and openness toward integrating this demographic group. At the same time, there was no drop in the representation of older generations, resulting in an environment with generational diversity.

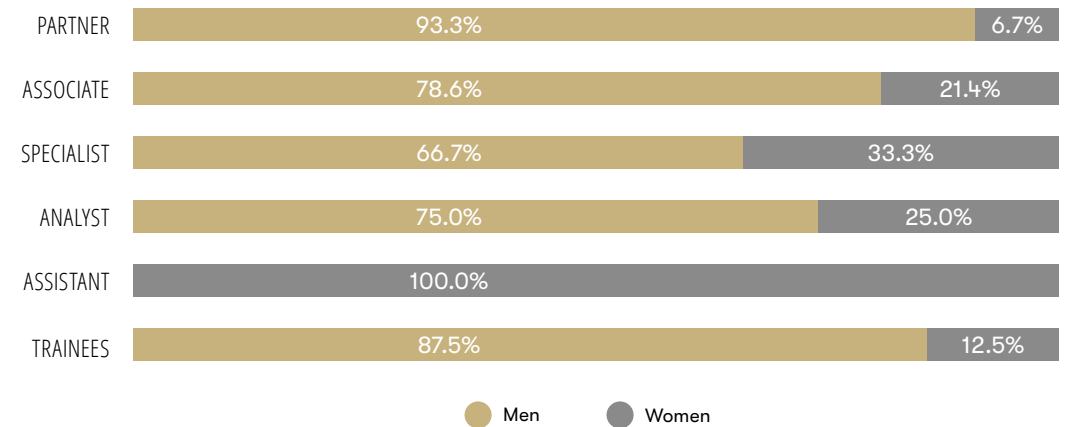
To keep evolving our diversity agenda, in addition to understanding our current scenario, we launched a reflection process on our corporate guidelines on the subject.

IN 2023, WE KEPT ENHANCING OUR INTERNAL PROCEDURES AND ORGANIZATIONAL DESIGN IN AN EFFORT TO DRAW IN AND RETAIN A DIVERSE WORKFORCE THAT ALIGNS WITH OUR CORE BELIEFS.

We encourage our employees to report any complaints confidentially through our Whistleblowing Channel, available on our website. Additionally, we conduct annual training sessions to reinforce the key principles outlined in our code of ethics and conduct. This initiative is aimed at fostering a safer and more inclusive work environment.



GENDER BY JOB LEVEL





CHAPTER
**RESPONSIBLE
INVESTMENT
STRATEGY**

02



Our responsible investment philosophy



Integrating environmental, social and governance (ESG) factors into our resource allocation strategy is in line with our values and operating model. We conduct our business based on trust, transparency and responsibility to enable our clients to enjoy better returns adjusted to increasingly complex and interconnected risks.

Our responsible investment philosophy drives us to contribute to a more sustainable future, based on our investment decisions and collaborative engagement with a value creation agenda for companies.

GOVERNANCE AND STRUCTURE

Our ESG Committee was established in 2021 and is made up of representatives from each of the Neo group’s product strategies, as well as our CEO, COO and ESG leader.

With bimonthly meetings, this committee is responsible for: establishing the company’s ESG vision, goals and strategy, monitoring the implementation of the action plan in the business and in each management company, and reviewing policies and procedures related to sustainability.

The committee has the support of thematic Working Groups, which help to disseminate the actions defined within the ESG Committee, and are deployed in sectoral initiatives on different areas within Neo:

- **Equities research;**
- **Governance & Philanthropy;**
- **Culture & people;**
- **Communication.**

Our Responsible Investment Policy describes the main guidelines and principles that guide Neo’s activities in socio-environmental and governance matters. In 2023, the policy underwent updates, among the main ones: (i) the inclusion of a commitment to incorporate issues related to climate change and human rights in our investment analysis process and (ii) the inclusion of the responsible investment policy for our Private Equity strategy.





COMMITMENT TO HUMAN RIGHTS



Neo is committed to adopting the *UN Guiding Principles on Human Rights in Business* as a reference for incorporating social issues into its investment activities and processes.

Besides our policy of not investing in companies that are involved in cases of slavery or child labor, we analyze the companies' history of controversies related to the subject. Neo uses information provided by the press about possible human rights violation risks. Additionally, we check whether organizations have a human rights policy for suppliers, whether they make a public commitment to the issue and whether they have adopted auditing and remediation processes on the subject.

Among the indicators we use to monitor the progress of companies with greater exposure to risks related to the supply chain, we emphasize: (i) a reduction in supplier non-compliance, (ii) a reduction in the frequency of accidents at work, (iii) an increase in the percentage of suppliers audited and (iv) training and engagement with suppliers.



In order to solidify our commitment to the ESG agenda and engage the company in the main national and international forums for debate on climate change and responsible investment, we have joined a number of external initiatives.

COMMITMENTS TO RESPONSIBLE INVESTMENT							
2021			2022			2023	
Creation of the ESG Committee FEBRUARY	Membership: PRI (Principles for Responsible Investment) MARCH	Joined CDP (Carbon Disclosure Project) MARCH	Joined IPC (Investors for the Climate) JANUARY	Creation of Working Groups FEBRUARY	Joined PCAF (Partnership for Carbon Accounting Financials) JUNE	Formal support for the TCFD (Task Force on Climate-Related Financial Disclosures) SEPTEMBER	Joined Climate Action 100+ OCTOBER



ESG approach

HOW DO WE APPROACH ESG IN OUR STRATEGIES?

1

EXCLUSION FILTERS of sectors not aligned with our values, such as tobacco, weapons and gambling.

2

INTEGRATION of ESG factors in our investment processes based on the concept of materiality.

3

ENGAGEMENT with companies (direct and collective).

4

TRANSPARENCY through annual reporting on progress in our responsible investment agenda.





1. EXCLUSION FILTERS

This tool allows us to exclude companies that have been included on the Ministry of Labor’s Dirty List for failing to offer their employees decent working conditions, disrespecting their human rights and labor legislation.

Also prohibited are investments in companies in sectors that are not aligned with our values and principles, such as firearms, tobacco and gambling, as well as those on the OFAC (Office of Foreign Assets Control) Sanctioned Countries List.

2. ESG INTEGRATION AND ANALYSIS

Integrating ESG factors into our analysis in a structured way allows us to identify financial risks and opportunities that are often not captured in a traditional analysis.

Equity and Private Equity strategies, being oriented towards long-term value creation, tend to derive the greatest benefits from integrating socio-environmental and governance factors. Conversely, in the multimarket strategy, the nature of the asset classes and the shorter investment horizon often limit the scope for integrating ESG factors.

In 2023, we continued to improve our ESG integration processes in line with our product investment strategy.

EXAMPLE OF A DASHBOARD (FOOTWEAR COMPANY)

Material topics	Ratings																		
<ul style="list-style-type: none"> • Energy management • Water management • Customer privacy • Data security • Product quality • Product lifecycle management • Supply chain management • Resource efficiency and sourcing 	<p>Neo Scorecard</p> <table border="1"> <thead> <tr> <th>E</th> <th>S</th> <th>G</th> <th>ESG Score</th> </tr> </thead> <tbody> <tr> <td>3.6</td> <td>3.3</td> <td>3.4</td> <td>3.5</td> </tr> </tbody> </table> <p>Public ratings</p> <table border="1"> <tbody> <tr> <td>Bloomberg disclosure score</td> <td>43%</td> </tr> <tr> <td>MSCI</td> <td>N/A</td> </tr> <tr> <td>Sustainalytics</td> <td>Low risk (17)</td> </tr> <tr> <td>Relevant controversies</td> <td>1</td> </tr> <tr> <td>Carbon intensity (tCO₂e/R\$M revenue)</td> <td>8.3</td> </tr> </tbody> </table> <p>Engagement Goals Circular economy: adapting to changes in consumer behavior, increasing the relevance of the recycling program, operational efficiency and renewable raw materials. Supply chain management: Monitoring and independent audits focused on human rights.</p>	E	S	G	ESG Score	3.6	3.3	3.4	3.5	Bloomberg disclosure score	43%	MSCI	N/A	Sustainalytics	Low risk (17)	Relevant controversies	1	Carbon intensity (tCO ₂ e/R\$M revenue)	8.3
	E	S	G	ESG Score															
	3.6	3.3	3.4	3.5															
	Bloomberg disclosure score	43%																	
	MSCI	N/A																	
	Sustainalytics	Low risk (17)																	
	Relevant controversies	1																	
	Carbon intensity (tCO ₂ e/R\$M revenue)	8.3																	



ESG INTEGRATION STRATEGIES

	Equities	Private Equity
CONTROVERSY ANALYSIS	✓	✓
ASSIGNING A SCORE (SCORECARD)	✓	✓
SASB MATERIALITY ANALYSIS	✓	✓
HIRING A CONSULTANCY	✓	✓
CONTINUOUS MONITORING	✓	✓

Multimarket	
Currency and interest rate allocation strategy	The team of economists tracks several factors that affect GDP, inflation, exchange rates and interest rates. Examples of indicators: temperature variations, water conditions, the political and fiscal environment, geopolitical and health crises.
Stock allocation strategy (long-short)	Monitoring climate and governance-related risks. Two SASB-certified analysts support the team in analyzing material ESG factors according to the business sector.



3. ENGAGEMENT WITH INVESTED COMPANIES

Just as important as investing in solid, robust companies with the capacity to deliver consistent returns over the long term is being able to monitor and influence their ESG performance after the initial investment.

We believe that by engaging corporations in the most relevant sustainability practices for their sector, besides ensuring the safety of our clients' capital, we also help invested companies to implement initiatives with a positive impact, generating value for the business, society and the environment.

Our approach to engagement with invested companies is shaped by a collaborative engagement model, free from impositions and interference, with a focus on working together to identify priorities and define goals to be monitored over the years.

For Private Equity and Long-only funds, the model is geared towards long-term returns, which allows for more in-depth discussion of the actions with the companies' management teams. In this case, the proposed objectives may vary according to the risks and opportunities identified in each organization during the analysis process, prioritizing those of greater materiality for business performance.

IN 2023, ALL OUR EQUITY ANALYSTS HAD ESG ANALYSIS AND ENGAGEMENT TARGETS





For the Multistrategy and Long & Short funds, which allocate in companies with a shorter-term investment horizon, conversations take place on a more occasional basis, with the aim of encouraging companies in the process of transitioning to a low-carbon economy. The analysts of this strategy also participate in the engagements carried out by the equity team whenever there is an overlap in the analysis of a sector or company in the portfolios (Neo collective engagement).

In 2023, we engaged over 90% of the companies in our stock portfolios and registered the socio-environmental and governance commitments made, which will be monitored over the coming months.

Examples of commitments made for 2024 by invested companies in our portfolio:

Cury



- Publication of the first carbon inventory;
- Publication of supplier policy focusing on human rights.

Grupo GPS



- Publication of human rights policy.

Vivara



- Filling in the CDP and ISE questionnaire;
- Hiring a consultancy to map climate risks;
- Mapping logistics suppliers committed to using renewable energy.

Equatorial



- Development of short, medium and long-term actions with the regulatory body to deal with climate emergencies;
- Council training on ESG;
- Expansion of actions focused on biodiversity with municipal and state bodies.

Localiza



- Construction of the physical and climate transition risk matrix;
- Getting the Council involved in defining the medium and long-term climate strategy.

Petz



- Development of the first climate risk matrix;
- Expansion of the plastic packaging reduction project.



4. TRANSPARENCY: COMPANIES' ESG MATURITY

The following are some ESG highlights of companies invested in by Neo Equities and Private Equity over the course of 2023:

	% Invested Companies Neo Equities (n=17)	% Invested Companies Private Equity (n=3)
Carries out a carbon inventory	88%	67%
Has a decarbonization target	41%	0%
Has an ESG committee or commission	88%	67%
At least one woman on the Board	88%	0%
At least one woman on the Executive Board	88%	100%
Has a supplier policy	69%	100%
Has ESG targets linked to the bonus	53%	0%
Does GRI reporting	94%	33%
Does SASB reporting	63%	0%
Does TCFD reporting	44%	0%

NEW ESG REPORTING STANDARD WILL ENCOURAGE COMPANIES TO DISCLOSE TOPICS RELEVANT TO THEIR FINANCIAL PERFORMANCE



The new global standard for sustainability financial disclosures was announced by the International Sustainability Standards Board (ISSB) in June 2023, a body linked to the IFRS Foundation, the organization responsible for the accounting rules used by companies globally.

In October 2023, Brazil became the first country to adopt this reporting standard with the publication of CVM resolution 193. As a result, from 2024 onwards companies will be able to voluntarily adopt the IFRS S1 and S2 reporting standard and from 2027 onwards it will be mandatory (for the 2026 financial year).

This is an important endeavor to expand the financial market's access to standardized ESG indicators that are relevant to financial performance, i.e. the social, environmental, and governance risks and opportunities that might impact company value.

PRIORITY
SDG
IMPACTED



CHAPTER
**CLIMATE RISKS AND
OPPORTUNITIES**

03



Climate risk management

According to the World Meteorological Organization (WMO), 2023 recorded the hottest year in history, as a result of ongoing greenhouse gas (GHG) emissions, combined with the El Niño phenomenon, which warms surface waters in the eastern Pacific Ocean.¹

As climate patterns change and extreme events become more frequent, risks associated with these transformations will be increasingly reflected in the pricing of various assets. On the other hand,

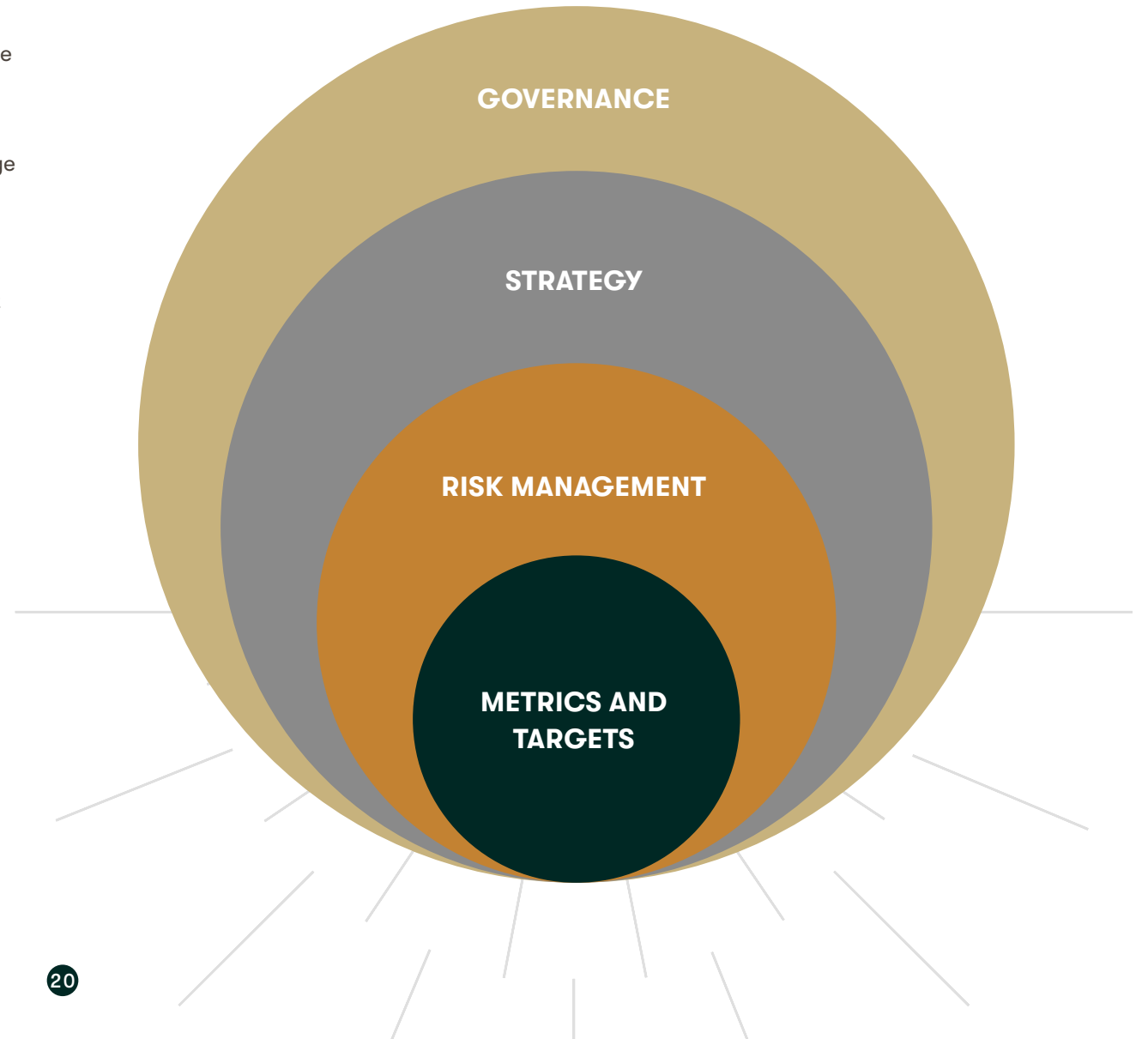
the transition to a low-carbon economy brings significant opportunities to create value for companies aligned with this movement.

In 2023, we kept advancing our knowledge of the effects of climate change, fortifying our governance of this matter, and instituting procedures meant to continuously enhance the caliber of our assessments and our capacity to support the sustainability of our investments.

The following is a brief summary of our climate risk management strategy in accordance with the TCFD's recommended reporting standard.



¹World Metereological Organization. *Provisional State of the Global Climate 2023.*





GOVERNANCE

In 2023, we incorporated climate risk analysis into our responsible investment policy.

The ESG Committee is informed of the ESG and climate risk analyses of the companies in our equity and Private Equity portfolios, prepared by our analysts under the supervision of our ESG specialist. Based on this information, the Committee monitors our products' climate risks and opportunities, as well as the results of engagement interactions with companies. Early in the year, we invited a climate change expert to present a lecture to the entire Neo team. Moreover, the team of equity analysts began to integrate potential climate risks into the evaluation process of invested companies.

STRATEGY

In our investment process, we analyze the company's exposure to physical and transition climate risks and how the organization is preparing to address these risks.

Physical climate risks

Acute risks:

extreme weather events such as droughts, freezing temperatures and floods.

Chronic risks:

changes in weather conditions.

Transitional climate risks

Threats to the company's business model due to regulatory changes, the emergence of disruptive technologies and loss of market share due to public perception issues.

WEG: ENERGY TRANSITION IS A BUSINESS OPPORTUNITY, BUT THE VALUE CHAIN REMAINS A CHALLENGE



Over the last few decades, WEG has positioned itself not only as a global manufacturer of industrial equipment, but also as a solutions provider for energy efficiency and increased productivity. In the last five years, approximately 60% of the company's revenue has come from launching more efficient and sustainable products in various sectors, such as industry, infrastructure, electric mobility and energy.

On the other hand, the company's main challenge is to produce more using fewer natural resources. WEG's ability to innovate and identify partners aligned with a philosophy of energy efficiency and circularity in its value chain will be critical to maintaining its competitiveness in the long term.





We assess the opportunities for gaining market share and increasing the resilience and operational efficiency of the companies that are best positioned in the process of transitioning to a low-carbon economy. We also monitor regulatory developments aimed at supporting the transition to a low-carbon economy and their possible impacts on companies in the short and long term.

RATHER THAN SIMPLY EXCLUDING COMPANIES WITH GREATER EXPOSURE TO CLIMATE RISKS FROM OUR PORTFOLIOS, WE PREFER TO TALK ABOUT THE IMPORTANCE OF MAPPING POTENTIAL RISKS AND ADOPTING A TRANSITION PLAN TO A MORE SUSTAINABLE AND COMPETITIVE BUSINESS MODEL IN THE LONG TERM. WHEN THE COMPANY SHOWS NO INTEREST IN ADAPTING, POSING A RISK TO THE PORTFOLIO'S FUTURE PERFORMANCE, WE DIVEST.

RISK ANALYSIS

Projecting the financial impact of non-linear and complex events, such as climatic events, continues to pose a challenge for the financial market.² In 2023, we have continued to map the most carbon-intensive companies in our portfolios and those most exposed to climate risks according to their sector and region of operation.

To achieve greater visibility of companies' climate risk mitigation strategies, we used information available in their sustainability reports and in the CDP questionnaire. We have also used public tools, such as the Transition Pathway Initiative, to make sector comparisons, and the World Resources Institute, to identify the company's exposure in terms of its actions in water-stressed regions.

For carbon-intensive sectors, we conduct a financial sensitivity analysis to the various carbon price levels, under the assumption that the company has to offset its excess emissions in a regulated carbon market scenario.

REGULATED CARBON MARKET



In 2023, the House of Representatives approved a bill to create a regulated carbon market in Brazil. The bill represents an important move for the country to move forward with its green transition plan, although it excludes the agricultural sector. It still needs to be approved by the Federal Senate. According to the proposed model, the government will have to set a cap on the amount of greenhouse gases that certain economic sectors can emit. This limit is divided into so-called "Brazilian Emissions Quotas" (CBEs). The system will establish the quantity of CBEs that each emission source will have for a given period. Companies will be able to trade these CBEs among themselves with the intention of staying below the stipulated limit.

Sectors that emit over 25,000 tons of CO₂ equivalent per year will be regulated by the Brazilian Emissions Trading System (SBCE), which mainly covers industrial sectors such as steel, chemicals, aluminum and fertilizers. Companies that emit more than 10,000 tons of CO₂ will also be monitored by the SBCE.

² Sustainable Fitch, *Increasing Reliance on Climate Scenarios Come with Challenges for Investors*, 2023.



Carbon pricing aims to assign companies the social and environmental cost of their carbon emissions. By mapping the companies that are committed to the decarbonization agenda, we can identify the businesses that will be most challenged by this market regulation and those that will have opportunities to remain competitive through investments with sustainable returns in the long term.

We also monitor international regulatory risks that could impact our invested companies.



IN EUROPE A LAW WAS PASSED BANNING THE IMPORT OF PRODUCTS LINKED TO DEFORESTATION, A MEASURE THAT WILL AFFECT COMMODITIES EXPORTED TO THE EUROPEAN UNION (EU).

ANOTHER MEASURE PUBLISHED BY THE EU IN 2023 IS THE CARBON BORDER ADJUSTMENT MECHANISM (CBAM). THE REGULATION REQUIRES THE PAYMENT OF A TAX TO PRICE THE EMISSIONS OF IMPORTED PRODUCTS AND SHOULD MAINLY IMPACT THE CEMENT, STEEL AND IRON, FERTILIZER AND ELECTRICITY SECTORS.

Several companies in our portfolio have already hired or intend to hire consultants to estimate the impact of climate change on their business. The disclosure of climate

risks, as well as the estimation of their financial impacts, are crucial to assist the financial market in its analyses.

A lack of strategic vision and governance to map and address the climate change risks could result in companies losing their

competitiveness and becoming obsolete. On the other hand, we see very positive opportunities for companies that are willing to commit to an agenda of transition to a low-carbon economy.

ELETROBRAS – MEASURING CLIMATE RISKS



Eletrabras is one of the largest hydroelectric power generators in the world, as well as playing an important role in promoting the socio-economic development of various regions by providing access to energy.

Among the main climate risks pointed out by the company in its TCFD report, we highlight the risk of changes in hydrological conditions that could compromise the contracted energy volumes and the risk of extreme events that could affect its assets.

Eletrabras is carrying out scenario studies on the physical and regulatory impacts of climate change with the help of experts. The company's assessments estimate financial impacts of around R\$2.6 billion for the medium-term risk of drought (up to 2050), equivalent to around 3% of the company's market value in 2023.





METRICS AND TARGETS

As of 2022, we began measuring portfolio emissions with an investment strategy focused on long-term results: Equity Funds and Private Equity Funds. We follow the methodology and metrics recommended by the Partnership for Carbon Accounting Financials (PCAF) and the TCFD, which include total financed emissions, carbon intensity and weighted average carbon intensity.

Our goal is to engage with all our companies in the equity and Private Equity portfolio so that they embrace decarbonization initiatives, preferably in line with science.

For our multistrategy strategies, which invest in various asset classes such as shares, currencies, derivatives and interest rates, we monitor the evolution of absolute and relative emissions of the companies in the portfolio (long and short positions) and check whether the company has a decarbonization plan and whether it is aligned with science (SBTi standard) in order to identify the companies most exposed to climate risks in critical sectors.





Analysis of portfolio emissions

Below are the main metrics used to analyze the carbon emissions of our equity and Private Equity Funds. We would point out that most companies disclose their carbon inventory after reporting their annual financial results, which explains the delay between the companies' emissions data and the time period of this report.

COMPANIES COMMITTED TO DECARBONIZATION

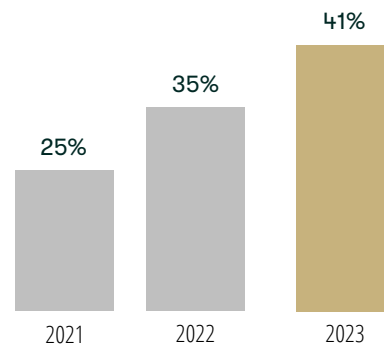
Over the last year, we have noticed an evolution in the commitment of our invested companies to transparency in reporting their carbon emissions. We have shared with all our companies how important it is to carry out carbon inventories in scopes 1, 2 and 3, following the GHG Protocol methodology, as a first step in identifying climate risks and establishing decarbonization plans. For the emission reduction targets of carbon-intensive

³ CDP Technical Note: Relevance of Scope 3 categories by sector, 2023.

companies, we recommend adopting the SBTi methodology as the standard for science alignment.

Although 88% of the invested companies in equity strategies carried out carbon inventories in 2023, only 41% disclosed short or long-term decarbonization targets in their most recent reports. The percentage of companies with decarbonization plans that stated they were committed to science following the SBTi methodology totaled 24%.

PERCENTAGE OF COMPANIES WITH DECARBONIZATION TARGETS NEO EQUITIES



FINANCED EMISSIONS

Neo Future and Neo Private Equity strategies have lower total emissions than Neo Navitas, as they are smaller funds with more relevant allocations in less carbon-intensive sectors.

To find out the intensity of a company's emissions, we divide the amount emitted over the year by its annual revenue. This allows us to analyze how organizations operate regardless of their size or position within portfolios, as well as identifying the companies most exposed to climate transition risks.

Apart from analyzing scope 1 and 2 emissions, we also monitor the evolution of scope 3 emissions, most of which are still incompletely reported. According to the CDP, although scope 3 represents approximately 75% of companies' carbon footprint, the reporting of this data is of poor quality due to the lack of access to data from companies that are part of the supply chain.³

As regulatory pressure increases and large companies become more committed to seeking decarbonization solutions with their partners and suppliers, we believe that the quality of reporting on indirect emissions should improve in years to come.

FINANCED EMISSIONS (tCO ₂ e)		
	2021	2022
Neo Future	1,250	443
Neo Navitas	7,048	6,163
Neo Private Equity	1,289	626

Note 1: Gross emissions consider Scope 1 and 2 (see Attachment 1 for more information on the calculation methodology).

⁴ Missing the mark, CDP, 2022.



NEO OPERATIONAL EMISSIONS

Since 2021, we have measured and neutralized with certified carbon credits all our operational emissions and those related to travel and business trips, as shown in the table below.

TOTAL FINANCED EMISSIONS (tCO ₂ e)				
	Scope 1	Scope 2	Scope 3 (travel, deliveries and waste)	Total
2021	6.3	5.2	16.2	27.7
2022	6.3	5.0	17.2	28.5
2023	6.3	5.8	19.4	31.5

PORTFOLIO EMISSIONS INTENSITY

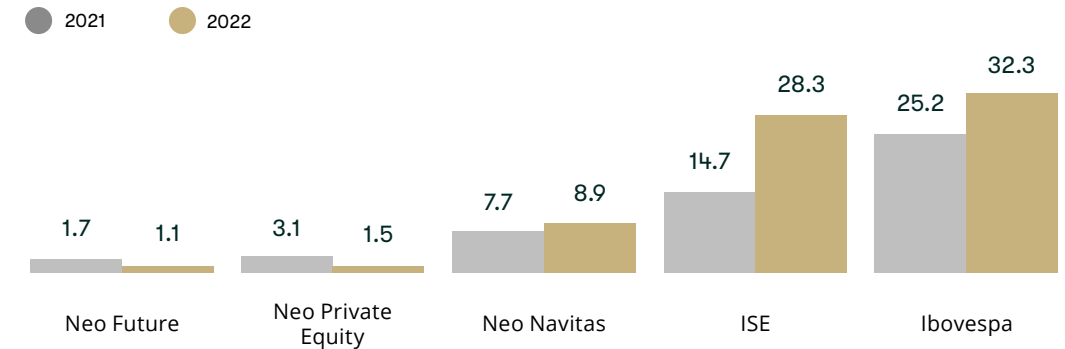
Normalizing the companies' total emissions by their market value, we concluded that our funds' carbon intensity is significantly lower than the Corporate Sustainability Index (ISE), an indicator of Brazilian companies recognized for their commitment to sustainability.

Compared to the Ibovespa index, this difference is even more pronounced, mainly due to the low exposure to carbon-intensive sectors in our long-only and Private Equity portfolios.

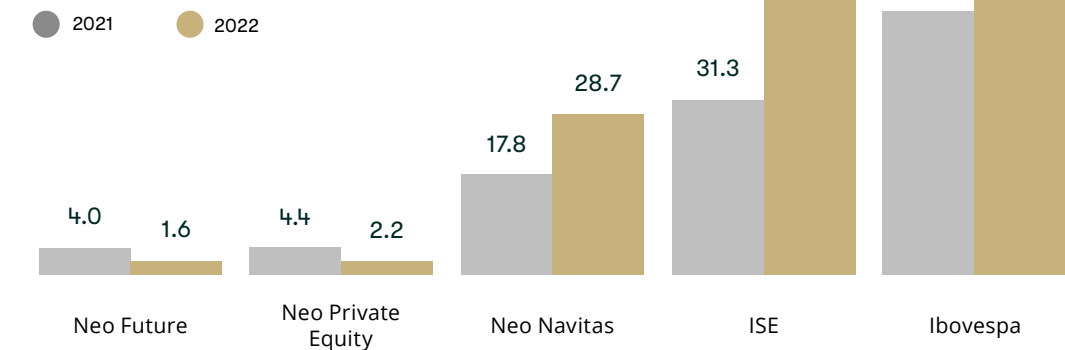
The increase in emissions intensity observed for the ISE and Ibovespa indices is mainly due to the increase in the number of shares in the ISE (from 47 in 2021 to 77 in December 2022) and the change in asset weights in the Ibovespa composition.

Considering the portfolio's exposure to carbon-intensive assets, based on each company's revenue and weighted by its allocation in the portfolio, we saw the same trend of low exposure of our portfolios when compared to the benchmark indices.

INTENSITY OF FINANCED EMISSIONS (tCO₂e/R\$ 1M invested)



WEIGHTED AVERAGE CARBON INTENSITY (WACI) (tCO₂e/R\$ 1M revenue)





Next steps in climate strategy

Incorporating information on company emissions and our portfolios into our investment process gives us a broader view of risks and opportunities, contributing to our ability to create financial and non-financial value.

Being conscious of the pressing need to address climate change and our position as a catalyst for change, we will keep collaborating with our invested companies—particularly the carbon-intensive ones—to accomplish the following goals⁵:

1. GOVERNANCE:
Implement a governance structure in which the Board is responsible for overseeing climate change risk.

2. ACTION:
Implement transition plans to achieve solid targets. Take measures to reduce greenhouse gas emissions across the entire value chain.

3. DISCLOSURE:
Provide corporate disclosures in line with the TCFD/ISSB.

Over the course of 2024, we will continue to improve our knowledge about tackling climate change, continually striving to improve the quality of our analyses on the subject and our ability to contribute to companies and therefore to the decarbonization of our portfolios.

Simultaneously, we will continue to advance our collaborative agenda, working with other managers and with initiatives such as PRI, CDP, TCFD, Climate Action 100+ and IPC (Investors for Climate), with the intention of contributing to the fight against climate change and preserving and generating value in the long term.



⁵ Aligned with the goals recommended by Climate Action 100+.

PRIORITY
SDG
IMPACTED



CHAPTER
**SOCIAL
RESPONSIBILITY**

04



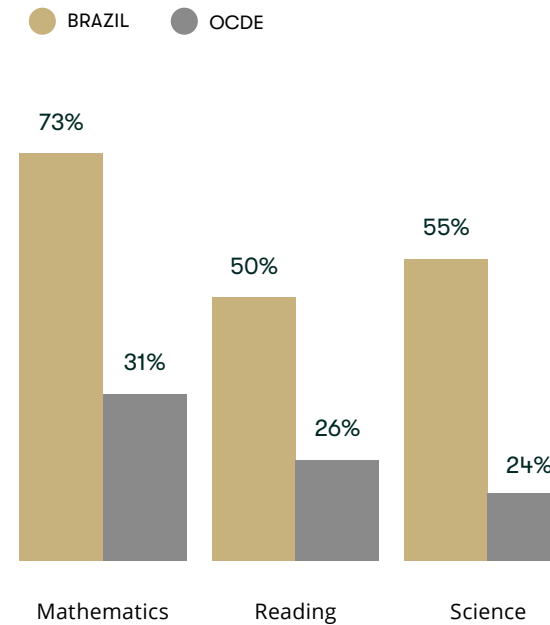
At Neo, we believe that contributing to the future also involves engaging in social responsibility agendas that reinforce our values and generate value for society.

Since 2020, we have chosen to centralize social investment actions, which until then had been carried out individually by the partners. This decision was made to join forces and maximize Neo's positive impact, in addition to aligning actions with our values and mission.

As part of this alignment, we have chosen to prioritize initiatives focused on education, as we recognize that investment in quality and access to education is an essential step towards building a more prosperous future for the country. The importance of prioritizing education is confirmed by the 2022 results of the Programme for International Student Assessment (PISA), which show that Brazil was below the average for OECD countries, considering students' ability to solve problems related to reading, mathematics and science.



PERCENTAGE OF LOW-PERFORMING STUDENTS (score below 2)



Source: OECD, PISA 2022 results.



Passos Mágicos (magical steps)

Since 2020, we have supported the NGO Passos Mágicos with monthly and annual donations, which has a history spanning over three decades transforming the lives of children and young people in vulnerable situations through empowerment, motivation and inspiration.

Operating mainly in the region of Embu-Guaçu (SP), the initiative supports children's development by offering classes in Portuguese, mathematics and English, psychological and psycho-pedagogical care, preparatory courses and certifications. The organization also runs extracurricular activities, carried out in a playful and educational way, to inspire participating children and young people to become interested and directly involved in cultural and artistic activities.



Apart from regular donations, we also run an annual campaign matching the donations made by employees. So if an employee donates R\$100.00 to the organization, Neo doubles the amount donated by making an additional donation of the same amount.

PER CAPITA INCOME EVOLUTION



* Data PSE 2021.

** University Questionnaire Sep/2023.

In 2023, Passos Mágicos expanded its capacity to produce a positive impact, having received 23% more donations than the previous year, totaling R\$3.1 million for the year and benefiting 1,051 students.



149%

INCREASE IN PER CAPITA INCOME OF UNIVERSITY STUDENTS' FAMILIES IN THE LABOR MARKET

Year	Students	Students in the literacy phase	Young people in universities
2020	701	82	23
2021	683	120	49
2022	860	190	59
2023 (October)	1,011	242	71

78%

OF GRADUATES IN THE JOB MARKET

62

YOUNG PEOPLE IN HIGHER EDUCATION

41

COMPLETED HIGHER EDUCATION



Ambikira Institute

In 2023, we continued to support the Ambikira Institute network, which seeks to strengthen nonprofit organizations by mobilizing people and resources for a social change agenda. The Institute follows an operating model based on selecting organizations, investing in projects, and monitoring results and impact to benefit children, youth, and families in socially vulnerable situations.

This was a year of outstanding results. The 25% increase in investment directed directly to social projects, totaling R\$9.7 million in the year, directly benefited over 7,000 people who participated in 24 social projects in the portfolio in the areas of education (segments such as early childhood, employability, and after-school care) and social assistance. The relationship with Ambikira's partner companies and the support for directing



its tax incentive funds have injected over R\$10 million reais into the third sector for projects to support the elderly, people with cancer, children's and adolescents' funds, culture and sport, demonstrating the financial market's ability to mobilize in favour of social transformation. Together we can do more.





CHAPTER
PERSPECTIVES AND COMMITMENTS

05



Perspectives

In the years to come, we will undergo a significant process of wealth transfer between generations, at the same time as the world undergoes profound structural changes caused by climate, health and geopolitical events⁶.

The great wealth transfer represents not only a financial movement, but also an opportunity to build a more sustainable and responsible economy, driven by the values and aspirations of the new generations.

We are presently at a point in time when we must shift our mindset to emphasize not just financial rewards, but also environmental and societal benefits.

This change requires a joint effort by the public and private sectors and society as a whole.

⁶ UBS. *Billionaire Ambitions Report 2023: The great wealth transfer. November 2023.*

THE GOVERNMENT'S ROLE IN ENABLING THE GREEN TRANSITION

To make the transition to a new economy possible, the implementation of policies, regulations and economic incentives that promote sustainability is becoming crucial.

In 2023, the Federal Government announced an "ecological transformation plan" and a number of initiatives in conjunction with the CVM aimed at creating a regulatory framework for sustainable finance.

The main initiatives announced for 2023 include:

- Approval of the bill regulating the creation of a regulated carbon market in Brazil by the House of Representatives ([more on page 22](#));
- The rule on the labeling of socio-environmental investment funds established by CVM Resolution 175 came into force in line with Anbima's requirements;

- The release of a sustainable finance action plan with the aim of creating an ESG regulatory and supervisory framework in the capital markets. The first action taken in 2023 was to adopt the international ESG reporting standard by the CVM. ([more on page 18](#));
- The development of a Brazilian environmental and social taxonomy. The taxonomy's objective is to create rules for defining sustainable economic activities in the country, based on international taxonomies, in order to encourage investment in green innovations and social impact initiatives;
- The launch of a Brazilian framework for sustainable sovereign bonds with the use of resources backed by expenses that contribute to promoting the country's sustainable development. Brazil's first sustainable bond issue took place in November 2023 and totaled US\$2.0 billion.

Brazil has an abundance of natural resources, a clean electricity grid and the largest tropical rainforest in the world, offering it undeniable competitive advantages to occupy a leading position in the development of solutions to reduce global emissions.

THE MODERNIZATION OF THE LEGAL AND REGULATORY FRAMEWORK OF THE FINANCIAL SECTOR AND OTHER SECTORS, IF WELL DESIGNED, MAY BE ONE OF THE MAIN CATALYST TOOLS FOR NEW INVESTMENTS FOCUSED ON THE ENERGY TRANSITION, THE FIGHT AGAINST CLIMATE CHANGE AND INEQUALITIES.

We believe that sustainability will increasingly become a source of economic growth, creating new markets and job opportunities in the country. We are attentive to these investment opportunities and remain committed to contributing to the development of a sustainable future.



Our commitments

With a governance structure in line with our constant growth and a strong sustainability plan that incorporates the ESG pillars into our investment choices, we closed the year ready to take on new challenges and seize opportunities.

We will continue to act as catalysts for transformation towards a just low-carbon economy with our stakeholders. In 2024, we aim to engage with all the companies in our equity and Private Equity portfolio and monitor progress on the objectives addressed in 2023.

Moreover, we will pursue the development of Neo's Diversity and Inclusion Program, driving innovation, the emergence of new products and strengthening customer relationships.

We would like to thank our clients, employees, partners and invested companies for their commitment to our sustainability agenda and we remain available to talk about the challenges and opportunities we envision ahead.



WE ARE AVAILABLE VIA E-MAIL

esg@neo.com.br

to talk about our responsible investment and ESG integration journey.





SASB index

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT	CODE	REFERENCE/DIRECT ANSWER
TRANSPARENT INFORMATION & FAIR ADVICE FOR CUSTOMERS	(1) Number and (2) percentage of covered employees with a record of investment related investigations, consumer-initiated complaints, private civil litigations, or other regulatory proceedings	Quantitative	Number and %	FN-AC-270a.1	There are no employees involved in investigations, customer complaints, litigation or other legal events related to financial or environmental crimes or penalties from capital market authorities.
	Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of financial product-related information to new and returning customers	Quantitative	Local currency	FN-AC-270a.2	There are no legal proceedings of the kind.
	Description of approach to informing customers about products and services	Discussion and analysis	N/A	FN-AC-270a.3	Communications to inform customers about products and services are in compliance with the rules applicable to legislation, regulation and selfregulation, especially CVM and ANBIMA.
DIVERSITY & INCLUSION (EMPLOYEE)	Percentage of gender and racial/ethnic group representation for (1) executive management, (2) non-executive management, (3) professionals, and (4) all other employees	%		FN-AC-330a.1	Page 9.
INCORPORATION OF ENVIRONMENTAL, SOCIAL, AND GOVERNANCE FACTORS IN INVESTMENT MANAGEMENT & ADVISORY	Amount of assets under management, by asset class, which employ (1) integration of environmental, social, and governance (ESG) issues, (2)sustainability themed investing, and (3) screening	Quantitative	Local currency	FN-AC-410a.1	Page 14 to 17.
	Description of approach to incorporation of environmental, social, and governance (ESG) factors in investment and/or wealth management processes and strategies	Discussion and analysis		FN-AC-410a.2	Page 13.
	Description of proxy voting and investee engagement policies and procedures	Discussion and analysis	%	FN-AC-410a.3	Information about Neo's proxy voting policy can be found on pages 8 and 9 of our Responsible Investment Policy . The voting decisions by asset management company are available on our website www.neo.com.br .



TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT	CODE	REFERENCE/DIRECT ANSWER
BUSINESS ETHICS	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behavior, market manipulation, malpractice, or other related financial industry laws or regulations	Quantitative	Local currency	FN-AC-510a.1	There are no legal proceedings of the kind.
	Description of whistleblower policies and procedures	Discussion and analysis	N/A	FN-AC-510a.2	Hotline: https://neo.com.br/denuncia To access our policies and processes visit https://neo.com.br/documentos-relevantes .

ACTIVITY METRIC	CATEGORY	UNIT	CODE	REFERENCE/DIRECT ANSWER
(1) TOTAL REGISTERED AND (2) TOTAL UNREGISTERED ASSETS UNDER MANAGEMENT	Quantitative	Local currency	FN-AC-000.A	Page 7.
TOTAL ASSETS UNDER CUSTODY AND SUPERVISION	Quantitative	Local currency	FN-AC-000.B	Page 7.



Miscellaneous attachments

ATTACHMENT 1

Each portfolio's total emissions in tons of carbon equivalent (tCO2e) are calculated using the following formula:

$$\text{Total Emissions (tCO2e)} = \sum_i^N [Emissions_i \times X \frac{Fund Allocation_i}{EVIC_i}], \text{ being}$$

$$EVIC = Equity + Gross debt$$

According to the PCAF methodology, using the EVIC (enterprise value including cash) metric in the denominator allows the company's emissions to be allocated to the different players that finance it, be they shareholders or creditors. Furthermore, by disregarding cash in the enterprise value, situations in which the enterprise value is negative and in which over 100% of a company's emissions are allocated to one lender are avoided.

Credits

Writing

Neo

Layout, design and illustrations

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Images

Archive Neo | Adobe Stock

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Neo
20 years

Contributing to the future,
Investing in what we believe in