

ESG Resilience 2025 – Structuring of FIDC Estímulo, Brazil

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The structuring of an ESG fund – FIDC Estímulo – to support micro and small companies (MPEs) in the wake of extreme rainfall and flooding in Brazil was described by one of the judges as forming a “direct response to support those impacted by a climate event”.

Another of the judges said: “ESG investment fund FIDC Estímulo’s impact in supporting MPEs affected by southern Brazil’s worst flood is innovative in combating climate adversities compounded by irregular urbanisation and inadequate infrastructure.

“The fund’s impact is measurable in providing MPEs access to credit under preferential terms, enhancing short-term liquidity for operations and recovery.”

Extreme rainfall caused the worst flood in southern Brazil, affecting 2.3 million people.

The perfect storm of climate change, irregular urbanisation, and inadequate infrastructure meant the 2024 floods put into sharp relief the need for action.

The rains started in late April 2024 and escalated within days into the state’s worst recorded weather disaster.

According to the submission: “After 8 days of storms, the devastation was staggering: entire towns submerged, roads transformed into rivers, communities isolated, and a rising death toll with each update from the Armed Forces and Civil Defence (Forças Armadas e Defesa Civil).”

Pinheiro Neto acted as deal counsel for Associação Estímulo, Itaú BBA, Galapagos, BMP, Open Co, and Singulare in structuring the ESG investment fund – FIDC Estímulo IS – to support MPEs in the region.

According to an OECD report, MPEs are essential for sustainable economic growth, job generation, innovation, environmental sustainability and social inclusion.

However, they face challenges including restricted access to financing and barriers to international trade and digital transformation.

With the fund structuring, many of those companies were assisted and continued to operate.

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