

Second-Party Opinion

Mercado Libre Sustainability Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the Mercado Libre Sustainability Bond Framework (the "Framework") is credible and impactful and aligns with the Green Bond Principles 2018 (GBP), Social Bond Principles 2020 (SBP) and Sustainability Bond Guidelines 2018 (SBG). This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Clean Transportation, Access to Finance, Land Conservation and Preservation, Renewable Energy, Eco-efficient sustainable materials and circular economy processes, Green Buildings, Energy Efficiency, and Socioeconomic Advancement and Empowerment – are aligned with those recognized by both the GBP and SBP. Sustainalytics considers that the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDG (list goal(s) numbers).



PROJECT EVALUATION / SELECTION Mercado Libre Inc's (the "Company" or "Mercado Libre") intends on setting up a Sustainability Finance Committee to evaluate and select projects that are aligned with criteria set forth in the Framework. Sustainalytics considers the project selection process in line with market practice



MANAGEMENT OF PROCEEDS Mercado Libre intends on entrusting the Sustainability Finance Committee to manage proceeds raised from issuances under the Framework. Proceeds are intended to be allocated within the first 36 months from issue towards new or existing projects undertaken in the 2 years preceding date of issue. Pending allocations, funds are intended to be managed in alignment with a defined internal policy. Sustainalytics considers this to be in line with market practice.



REPORTING Mercado Libre intends to report allocation proceeds on its website on an annual basis until full allocation. Report may include details about allocations made from the Framework and a brief description of key projects. In addition, Mercado Libre is committed to reporting on relevant impact metrics. Sustainalytics views Mercado Libre's allocation and impact reporting as aligned with market practice.

Evaluation date	November 18, 2020
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Issuer Location	Buenos Aires, Argentina
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For inquiries, contact the Sustainable Finance Solutions project team:

Jhankrut Shah (Toronto)
Project Manager
jhankrut.shah@sustainalytics.com
(+1) 647 264 6641

Ijeoma Madueke, CFA (Toronto)
Project Support
ijeoma.madueke@sustainalytics.com
(+1) 647 317 3631

Paramjot Kaur (New York)
Client Relations
susfinance.americas@sustainalytics.com
(+1) 646 518 9623

Introduction

Mercado Libre Inc (“Mercado Libre”, or the “Company”) is an e-commerce company based out of Buenos Aires, Argentina with operations in 18 countries. The Company operates the largest online marketplace in Latin America with a gross merchandise volume of US\$3.9 billion and employs approximately 14,000 people across eight countries in the region.

Mercado Libre has developed the Framework under which it intends to issue sustainability bonds and use the proceeds to finance or refinance, in whole or in part, existing or future projects that are intended to reduce the environmental impact from logistics and improve access to finance for Micro, Small and Medium Enterprises (MSMEs) amongst other projects with expected positive environmental and social impact. The Framework defines eligibility criteria in nine areas:

1. Clean Transportation
2. Access to Finance
3. Land Conservation and Preservation
4. Renewable Energy
5. Eco-efficient sustainable materials and circular economy processes
6. Green Buildings
7. Energy Efficiency & Smart metering
8. Waste Reduction Strategies
9. Socioeconomic Advancement and Empowerment through education

Mercado Libre engaged Sustainalytics to review the Mercado Libre Sustainability Bond Framework, dated November 2020, and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the GBP, SBP and SBG.¹ This Framework will be made available in a separate document.²

Scope of work and limitations of Sustainalytics Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent³ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2018, Social Bond Principles 2020, and Sustainability Bond Guidelines 2018, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.6, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Mercado Libre’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Mercado Libre representatives have confirmed (1) they understand it is the sole responsibility of Mercado Libre to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

¹ The Sustainability Bond Guidelines are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

² The Mercado Libre Sustainability Bond Framework will be made available on Mercado Libre Inc’s website at: <https://mercadolibre.gcs-web.com/>

³ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Mercado Libre.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the intended allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Mercado Libre has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Mercado Libre Sustainability Bond Framework

Sustainalytics is of the opinion that the Framework is credible, impactful and aligns with the four core components of the GBP and SBP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The eligible categories – Clean Transportation, Access to Finance, Land Conservation and Preservation, Eco-efficient materials and circular economy products, Renewable Energy, Green Buildings, Energy Efficiency, Socioeconomic Advancement and Empowerment – are aligned with those recognized by the GBP and SBP.
 - Within Clean Transportation, Mercado Libre contemplates investments in or extending credit for investments in electric trucks and utility vehicles or in clean transport infrastructure such as charging stations.
 - Mercado Crédito – the financing arm of Mercado Libre – intends on extending such lines of credit to third-party logistics providers of Mercado Libre as part of its Logística Sustentable program aimed at reducing the carbon footprint of the Company's operations by progressively converting logistics fleet to electric vehicles.
 - Sustainalytics considers these to be aligned with market practice.
 - Within Access to Finance, Mercado Crédito intends on extending credit to MSMEs⁴ in Brazil, Argentina, and Mexico. Financing mainly includes short-term lines of credit to merchants operating on Mercado Libre's e-commerce platform. Sustainalytics notes the positive social impact associated with extending access to finance to MSMEs in these countries (please refer to Section 3 for more details) and considers these investments to be aligned with market practice.
 - Within Land Conservation and Preservation, Mercado Libre intends on financing programs for regeneration projects targeted at preserving local biodiversity.
 - These projects are intended to focus on key biomes in Latin America such as Amazonia, Mata Atlántica, Gran Chaco, Patagonia, etc. to be developed in partnership with conservation organizations.⁵

⁴ MSMEs as defined by IFC includes those organizations with an employee base up to 300 people and total assets and revenues up to US\$15 million, IFC website: https://www.ifc.org/wps/wcm/connect/b8f8dde7-893b-4809-873c-0c825f0284ef/InterpretationNote_SME_2012.pdf?MOD=AJPERES&CVID=mUtZ1jJ

⁵ Mercadolibre has disclosed the type of organizations that it intends to work with for these projects and Sustainalytics considers them to be credible.

- The Company intends on measuring performance of these activities through carbon capture results obtained from third-party technology platforms.⁶
 - Sustainalytics notes the positive intent behind these investments and considers them to be aligned with market practice.
 - Within Renewable Energy, the Company contemplates investments in renewable energy projects such as on-site wind or solar as well as in long-term power purchase agreements to acquire power from solar, wind and hydro-electric sources.
 - Power purchase agreements are intended to be signed for a minimum period of five years and hydro-power projects are intended to be subject to a maximum size of 25 MWp and an emissions threshold of 100g CO₂e/kWh.
 - Sustainalytics considers these to be aligned with market practice.
 - Within Eco-efficient materials and circular economy products, the Company intends on financing the procurement and development of sustainable packaging materials. The proceeds could be utilized towards use of materials such as post-recycled content plastic, bio-based packaging or FSC-certified products at the Company's fulfilment centres where it processes e-commerce orders. Sustainalytics considers this to be aligned with market practice.
 - Within Green Buildings, the Company contemplates investments in green building projects or projects that improve environmental performance of buildings.
 - New buildings are intended to be certified by LEED (Gold or Platinum) or any other credible third-party certification scheme relevant in local context (please refer to Appendix 1 for more details).
 - Sustainalytics considers these investments to be aligned with market practice.
 - Other categories of the Framework included projects with positive environmental or social attributes and Sustainalytics considers them to be aligned with market practice.
- Project Evaluation and Selection:
 - Mercado Libre has appointed a Sustainable Finance Committee to evaluate alignment of potential projects with the criteria set forth in the Framework and select the ones for investment.
 - This committee includes representatives from various departments such as sustainability, treasury, Mercado Crédito, logistics and others and reports directly to the Chief Financial Officer of the Company.
 - Based on the presence of a well-defined process for project evaluation and selection, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - Mercado Libre intends on allocating proceeds from issuances under the Framework towards financing new projects within 36 months from date of issue or refinance existing projects undertaken in the period preceding 24 months from issue.
 - The Sustainable Finance Committee intends to track and maintain a record of all allocations made from issuances under the Framework.
 - Pending allocation, the Company intends on investing funds in cash, equivalents or other liquid market securities as per its liquidity management policy.
 - Based on well-defined processes for managing proceeds, timelines for allocation of funds, and disclosures on temporary allocation, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - Mercado Libre intends on reporting on allocations made towards eligible projects under the Framework at a category-level annually until full allocation.
 - The report may include details with respect to share of financing versus refinancing of projects and where feasible, brief descriptions of key projects undertaken.
 - The report may also furnish information on performance against key qualitative and quantitative indicators, where feasible to measure such impact.
 - Based on the Company's intention to report annually on allocation towards and impact of eligible projects, Sustainalytics considers this process to be in line with market practice.

⁶ Ibid

Alignment with Sustainability Bond Guidelines 2018

Sustainalytics has determined that the Framework aligns to the four core components of the GBP and SBP. For detailed information please refer to Appendix 2: Sustainability Bond/ Sustainability Bond Programme External Review Form.

Section 2: Sustainability Performance of Mercado Libre

Contribution of the Framework to Mercado Libre Inc's sustainability strategy

Sustainalytics is of the opinion that Mercado Libre demonstrates a strong commitment to sustainability and has a history of incorporating sustainability considerations into its business practices.

The Company states in its sustainability report that its central purpose is to “democratize ecommerce, payments and money in Latin America” and has undertaken several initiatives towards the same. In alignment with this strategy of financial inclusion, the Company launched Mercado Credito in 2016 that has originated over US\$500 million in loans to MSMEs in 2019 with over 46% of the credit extended to women-owned enterprises.⁷

Further, Mercado Libre runs training programs and mentoring sessions in Latin America to impart specific skills-training for target populations. This includes the *Emprender con Impacto* program- an online training program offered to entrepreneurs in the region with no cost to participants.

Regarding environmental sustainability, Mercado Libre has committed to measuring and managing its carbon footprint across the entire supply chain. In 2018, the Company launched the *Logistics Sustentable* program as part of which it has initiated discussions with its logistics providers to include electric vehicles in their fleets. The goal of the program is to reduce the carbon footprint of Mercado Libre's operations by progressively replacing the current gas-powered logistics fleet with electric vehicles. As of 2020, the Company has 70 electric vehicles in its fleet and is looking at significantly expanding this in the medium term through green bond issuances under this Framework. Other key initiatives include programs for the recovery of electronic devices, introduction of bio-based packaging in Argentina and Brazil, and installation of solar roofs at its corporate offices in Colombia and Brazil.

Sustainalytics notes that these initiatives and programs demonstrate a sound commitment to sustainability and encourages Mercado Libre to supplement them with timebound quantitative targets that it can measure performance against. The projects highlighted in the Framework are aligned with some of the key initiatives that the Company has undertaken as well as with the overall sustainability strategy which the company refers to as the “Entrepreneurial Effect”. Accordingly, Sustainalytics is of the opinion that the Framework is expected to further Mercado Libre's action on its key environmental and social priorities.

Well-positioned to address common environmental and social risks associated with the projects

While Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards eligible projects that are recognized by the GBP and SBP to have positive environmental and social impact, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects could include lending to businesses in controversial sectors, occupational health and safety of workers on project sites, project-related emissions and waste generated from its activities.

Sustainalytics is of the opinion that Mercado Libre should be able to manage and mitigate potential risks through implementation of the following:

- Mercado Libre has set out exclusion criteria which outlines a list of prohibited activities and products to which net sustainability bond net will not be provided. The categories relate to controversial sectors like weapons and ammunition, production and trade of tobacco, forestry products not obtained from sustainably managed forests, etc.
- Mercado Libre has a detailed manual *Normas Basicas* where it outlines health and safety guidelines for staff to work responsibly across its facilities, safely manage heavy equipment and it includes a plan for managing health and safety incidents.
- Mercado Libre has developed and implemented the *Best practices islas ecologicas* manual that sets out the company's practices regarding recycling of materials to contribute to a circular economy.

⁷ Framework

- Mercado Libre has a policy in place with respect to reducing the environmental impact of its distribution centers. This policy effectively provides guidance for the operation of green facilities across various dimensions including renewable energy and waste management.
- The company also has a Sustainable Purchasing Policy which specifies its commitment to procuring from sustainable suppliers.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Mercado Libre has implemented adequate measures and is well-positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All nine use of proceeds categories are aligned with those recognized by GBP or SBP. Sustainalytics has focused below where the impact is specifically relevant in the local context.

Importance of supporting MSMEs in Latin America

MSMEs are a fundamental element of the economy, especially in developing countries, as they contribute to sustainable development by driving economic growth, creating decent jobs, as well as reducing inequalities.⁸ MSMEs are a key driver of the economy in Latin America representing 99.5% of companies in the region and employing 61% of the formal workforce.⁹ In Argentina and Brazil, which are two of the Company's main markets, MSMEs account for 97%¹⁰ and 98.5%¹¹ of businesses, respectively.

Despite the proportion of MSMEs across Latin America, growth of this segment is limited by lack of access to finance. According to the Organization for Economic Co-operation and Development (OECD), 34% of small businesses in Latin America consider access to financing to be a serious constraint.¹² The World Bank estimates that there is a potential MSME financing demand of \$8.9 trillion in developing countries with a substantial funding gap amounting to \$5.2 trillion.¹³ The Latin America and the Caribbean (LAC) region has the second largest gap estimated at \$1 trillion, primarily driven by Brazil's \$600 billion funding deficit. Even when financing is available it is prohibitive as MSMEs are typically charged as high as twice the interest rates than larger firms.¹²

Solutions to the MSME finance gap in Latin America have come in various forms across private and public institutions. In 2018, the International Finance Corporation (IFC) provided \$748 million in long-term finance through financial institutions (FIs) to support MSMEs in LAC.¹³ Governments across Latin America are also creating incentives to unlock financing to MSMEs. The Central Bank of Argentina released a policy reducing the minimum reserve requirements for FIs who lend to MSMEs,¹⁴ and also launched a special credit line of approximately \$280 million in local currency so that MSMEs can borrow their first loan.¹⁵

Sustainalytics views the Mercado Libre's financing options for MSMEs favorably as it is likely to be impactful for the region's economy and generate positive social impact.

Impact of Clean Transportation in mitigating climate change

⁸ United Nations, "The Role of Micro-Small and Medium Enterprises in Achieving SDGs", at:

https://sustainabledevelopment.un.org/content/documents/18349policy_brief_27_04_final.pdf

⁹ United Nations ECLAC, "Investing for the Future in Latin America and the Caribbean", (2020), at:

https://repositorio.cepal.org/bitstream/handle/11362/46009/1/S2000044_en.pdf

¹⁰ Urien, P. (2018), "El 50% de los empresarios de las pymes tiene más de 60 años", La Nación, at: <https://www.lanacion.com.ar/economia/empleos/el-50-de-los-empresarios-de-las-pymes-tiene-masde-60-anos-nid2151143>

¹¹ The Organization for Economic Co-operation and Development (OECD), "Financing SMEs and Entrepreneurs 2020: An OECD Scoreboard", (2020), at:

<https://www.oecd-ilibrary.org/sites/8153da8d-en/index.html?itemId=/content/component/8153da8d-en#:~:text=Micro%20and%20small%20sized%20enterprises,41%25%20of%20the%20total%20payroll>

¹² The Organization for Economic Co-operation and Development (OECD), "New SME policies needed to boost Latin America's growth, say OECD and ECLAC", (2012), at: <https://www.oecd.org/newsroom/newsmepoliciesneededtoboostlatinamericasgrowthsayoecdandecclac.htm>.

¹³ International Finance Corporation (IFC), "Latin America and the Caribbean: IFC Financing To Micro, Small And Medium Enterprises", (2019), at:

https://www.smefinanceforum.org/sites/default/files/IFC_MSME_Factsheets_LAC_2019.pdf

¹⁴ Banco Central De La Republica Argentina (BCRA), "Easing of Minimum Reserve Requirements for Institutions Financing SMEs", (2020), at:

<http://www.bcr.gov.ar/Noticias/noticia-03-01-20-i.asp>

¹⁵ BCRA, "New Credit Line for MSMEs with No Access to Credit", (2020), at: <http://www.bcr.gov.ar/Noticias/Coronavirus-BCRA-creditos-mipymes-nueva-linea-i.asp>

According to the International Energy Agency (“IEA”), the transport sector generates about 24% of global energy-related CO₂ emissions.¹⁶ Despite the increase in emissions from ships and planes, road vehicles account for nearly three-quarter of transport sector emissions.¹⁶ Furthermore, by 2050, emissions from the sector are expected to increase by 60%.¹⁷ As a signatory to the Paris Climate Agreement, Argentina has set GHG emission reduction targets in its Intended Nationally Determined Contribution (“INDC”) of an unconditional 15% emissions cut by 2030.¹⁸ The Climate Action Tracker categorized Argentina’s policies as “Critically Insufficient” indicating that the country is not on track to meet these targets. In Argentina, transport is a key contributor to emissions accounting for 25% of energy-related CO₂ emissions which were up by 2% in 2018.¹⁹ The government set out a National Transport Plan in 2017 in which it targets reducing both freight and passenger transport emissions by 7.2% by 2030.¹⁹

In Argentina, passenger and freight activities in the transport sector are responsible for 15% of the country’s CO₂ emissions.²⁰ Approximately 90% of these emissions arise from road transport activities with half of these produced by freight trucks.²⁰ Electric vehicles (EVs) are a low-carbon alternative for the sector. Due to the clear environmental benefits, changing demand of customers, increasing environmental responsibility and government subsidies, the popularity of EVs has been growing rapidly.²¹ According to the International Energy Agency, EVs will grow from 3 million to 125 million by 2030.²² The market for EVs in Latin America has experienced slow growth largely due to lower income level and limited financial incentives to compensate for high-priced EVs.²³

Given the importance of the transport sector in regard to emissions, Sustainalytics is of the opinion that Mercado Libre’s Sustainability Bond framework financing the procurement, operations and maintenance of EVs and clean transportation infrastructure contribute to enable low carbon transport and thus contribute to the reduction of emissions from the sector and a low carbon economy.

The Importance of restoration of natural landscapes in Latin America

Latin America is a biodiversity center due to its unique varied plant and animal species. The region accounts for over 50% of the world’s diversity and a quarter of its forests.²⁴ Natural landscape degradation affects biodiversity, water retention and filtration, soil quality, and can give rise to new disease vectors.²⁵ Furthermore, degraded land contributes to and is intensified by climate change as its carbon sink efficiency is hindered.²⁶

Decades of land degradation and misuse of natural resources are taking a toll on the Latin America region with about half of the land in Argentina and Mexico impacted by desertification.²⁷ One of the key biomes in the region is the Amazon, which is home to one in ten species on earth²⁸ and has experienced up to 17% degradation over the past 50 years.²⁹ Measures taken include setting up of the US\$300 million Land Degradation Neutrality Fund by the UN to support sustainable management of 500,000 hectares of land, with

¹⁶ The International Energy Agency, “Tracking Transport 2020”, (2020), at: <https://www.iea.org/reports/tracking-transport-2020>

¹⁷ The Organization for Economic Co-operation and Development (OECD), “Transport CO₂ and the Paris Climate Agreement Reviewing the Impact of Nationally Determined Contributions”, (2018), at: <https://www.itf-oecd.org/sites/default/files/docs/transport-co2-paris-climate-agreement-ndcs.pdf>

¹⁸ Carbon Brief, “Paris 2015: Tracking country climate pledges”, (2015), at: <https://www.carbonbrief.org/paris-2015-tracking-country-climate-pledges>

¹⁹ Climate Transparency, “Brown to Green: The G20 Transition to a Low-Carbon Economy”, (2018), at: https://www.climate-transparency.org/wp-content/uploads/2019/01/BROWN-TO-GREEN_2018_Argentina_FINAL.pdf

²⁰ The International Transport Forum, “Decarbonising Argentina’s Transport System: Charting the Way Forward”, (2020), at: <https://www.oecd-ilibrary.org/docserver/cc6ccd51-en.pdf?expires=1604967708&id=id&accname=guest&checksum=81BB54898BEF2B91BC4443A20CF11371>

²¹ J. P. Morgan, “Driving into 2025: The Future of Electric Vehicles”, (2018), at: <https://www.jpmorgan.com/global/research/electric-vehicles>

²² The International Energy Agency, “Strong Policy and Falling Battery Costs Drive Another Record Year for Electric Cars”, (2018), at: <https://www.iea.org/news/strong-policy-and-falling-battery-costs-drive-another-record-year-for-electric-cars>

²³ The Dialogue, “Regional and Global Experiences Yield Lessons for Argentine Electric Vehicles Market”, (2018), at:

<https://www.thedialogue.org/analysis/regional-and-global-experiences-yield-lessons-for-argentine-electric-vehicles-market/>

²⁴ Inter Press Service News Agency, “Nature-Based Climate Solutions Opportunity for Latin America”, (2019), at: <http://www.ipsnews.net/2019/12/nature-based-climate-solutions-opportunity-latin-america/>

²⁵ World Health Organization (WHO), “Major Risks Resulting from Human Activities”, at: https://apps.who.int/iris/bitstream/handle/10665/177155/Synt_R_5.pdf?sequence=5&isAllowed=y

²⁶ Intergovernmental Panel on Climate Change (IPCC), “Land Degradation”, (2019), at: https://www.ipcc.ch/site/assets/uploads/sites/4/2019/11/07_Chapter-4.pdf

²⁷ Natural Resources Defense Council (NRDC), “Why We Should Invest in Land Management in Latin America”, (2018), <https://www.nrdc.org/experts/carolina-herrera/why-we-should-invest-land-management-latin-america>

²⁸ World Wildlife Fund (WWF), “Places: Amazon”, at: <https://www.worldwildlife.org/places/amazon>

²⁹ World Wildlife Fund (WWF), “Threats: Deforestation and Forest Degradation”, at: <https://www.worldwildlife.org/threats/deforestation-and-forest-degradation>

the goal of reducing CO₂ emissions by 35 million tons. The fund currently has 22 Latin America countries as signatories.³⁰ This indicates some commitment to more action in the region to support land restoration.

Sustainalytics is of the opinion that Mercado Libre's financing for preservation or restoration of natural landscapes is likely to contribute to the overall preservation and restoration of degraded landscapes in Latin America.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This sustainability bond advances the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Access to Finance	8. Decent Work and Economic Growth	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services
Land Conservation and Preservation	15. Life on Land	15.A Mobilize and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Eco-efficient and/or circular economy adapted products, production technologies and processes	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Green Buildings	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Energy Efficiency & Smart metering	7. Affordable and clean energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Waste Reduction Strategies	12. Responsible Consumption and Production	12.5 Substantially reduce waste generation through prevention, reduction, recycling and reuse
Socioeconomic Advancement and Empowerment	8. Decent Work and Economic Growth	8.6 By 2020, substantially reduce the proportion of youth not in employment, education or training

³⁰ Food and Agriculture Organization (FAO), "Agronoticias: Agriculture News from Latin America and the Caribbean", (2018), at: <http://www.fao.org/in-action/agronoticias/detail/en/c/1099636/>

	5. Gender Equality	5.B Enhance the use of enabling technology, in particular information and communications technology, to promote the empowerment of women
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Conclusion


Mercado Libre has developed the Mercado Libre Sustainability Bond Framework under which it will issue a sustainability bond and use the proceeds to finance projects that drive access to finance for MSMEs, increased use of clean transportation, land conservation, energy efficiency and embed sustainability innovation throughout its operations. Sustainalytics considers that the projects and activities funded by the sustainability bond proceeds will lead to positive environmental and social impact.

The Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Framework is aligned with the overall sustainability strategy of the Company and that the use of proceeds categories will contribute to the advancement of the UN SDGs 5, 7, 8, 9, 11, 12, and 15. Additionally, Sustainalytics is of the opinion that Mercado Libre has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that Mercado Libre Inc is well-positioned to issue sustainability bonds and that the Mercado Libre Sustainability Bond Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles (2018) and Social Bond Principles (2020).

Appendices

Appendix 1: Green Building Certification Scheme

	LEED ³¹
Background	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.
Certification Levels	<ul style="list-style-type: none"> • Certified • Silver • Gold • Platinum
Areas of Assessment	<ul style="list-style-type: none"> • Energy and Atmosphere • Sustainable Sites • Location and Transportation • Materials and Resources • Water Efficiency • Indoor Environmental Quality • Innovation in Design • Regional Priority
Requirements	<p>Prerequisites (independent of level of certification) + Credits with associated points.</p> <p>These points are then added together to obtain the LEED level of certification.</p> <p>There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).</p>
Performance Display	

³¹ USGBC, "LEED rating system", at: www.usgbc.org/LEED.

Appendix 2: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Mercado Libre Inc
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	Mercado Libre Sustainability Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	November 12, 2020
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP and SBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

The eligible categories for the use of proceeds – Clean Transportation, Access to Finance, Land Conservation and Preservation, Renewable Energy, Eco-efficient sustainable materials and circular economy processes, Green Buildings, Energy Efficiency, and Socioeconomic Advancement and Empowerment – are aligned with those recognized by both the GBP and SBP. Sustainalytics considers that the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDG (list goal(s) numbers).

Use of proceeds categories as per GBP:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input checked="" type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input checked="" type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify): |

If applicable please specify the environmental taxonomy, if other than GBPs:

Use of proceeds categories as per SBP:

- | | |
|---|--|
| <input type="checkbox"/> Affordable basic infrastructure | <input type="checkbox"/> Access to essential services |
| <input type="checkbox"/> Affordable housing | <input checked="" type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input checked="" type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input type="checkbox"/> Other (please specify): |

If applicable please specify the social taxonomy, if other than SBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Mercado Libre Inc's ("The Company" or "Mercado Libre") intends on setting up a Sustainability Finance Committee to evaluate and select projects that are aligned with criteria set forth in the Framework. Sustainalytics considers the project selection process in line with market practice

Evaluation and selection

- | | |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- | | |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

Mercado Libre intends on entrusting the Sustainability Finance Committee to manage proceeds raised from issuances under the Framework. Proceeds are intended to be allocated within the first 36 months from issue towards new or existing projects undertaken in the 2 years preceding date of issue. Pending allocations, funds are intended to be managed in alignment with a defined internal policy. Sustainalytics considers this to be in line with market practice.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (please specify): |

Additional disclosure:

- | | |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify): |

4. REPORTING

Overall comment on section (if applicable):

Mercado Libre intends to report allocation proceeds on its website on an annual basis until full allocation. Report may include details about allocations made from the Framework and a brief description of key projects. In addition, Mercado Libre is committed to reporting on relevant impact metrics. Sustainalytics views Mercado Libre's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Sustainability Bond financed share of total investment |
| <input type="checkbox"/> Other (please specify): | |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Impact reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported (expected or ex-post):

- | | |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| <input type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Number of beneficiaries |

Target populations

 Other ESG indicators (please specify):
Frequency:
 Annual

 Semi-annual

 Other (please specify):
Means of Disclosure
 Information published in financial report

 Information published in sustainability report

 Information published in ad hoc documents

 Other (please specify):

 Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE****Type(s) of Review provided:**
 Consultancy (incl. 2nd opinion)

 Certification

 Verification / Audit

 Rating

 Other (*please specify*):
Review provider(s):**Date of publication:****ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP**

- i. Second-Party Opinion: An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of

funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.

- iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green, Social and Sustainability Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world's foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2020, Climate Bonds Initiative named Sustainalytics the "Largest Approved Verifier for Certified Climate Bonds" for the third consecutive year. The firm was also recognized by Environmental Finance as the "Largest External Reviewer" in 2020 for the second consecutive year. For more information, visit www.sustainalytics.com.

5th Green Bond Pioneer Awards

Climate Bonds Initiative

Largest Verifier for Certified
Climate Bonds of 2019

awarded to Sustainalytics



More information conference.climatebonds.net/awards



GlobalCapital SRI Awards

Named

2015: Best SRI or Green Bond Research or Rating Firm
2017, 2018, 2019: Most Impressive Second Opinion Provider



The
Green Bond
Principles