

Second-Party Opinion

Votorantim Cimentos

Sustainability-Linked Financing Framework



Evaluation Summary

Sustainability-Linked Instruments

Sustainalytics is of the opinion that the Votorantim Cimentos Sustainability-Linked Financing Framework aligns with the Sustainability-Linked Bond Principles 2023 and Sustainability-Linked Loan Principles 2023.

Overview of KPIs and SPTs:

KPI	Strength of KPI	SPT	Ambitiousness of SPT
KPI 1: Net scope 1 intensity (kgCO ₂ /tonne cementitious product)	Very Strong	SPT 1: Reduce net scope 1 intensity to 530 kgCO ₂ /tonne of cementitious product by 2026, 510 kgCO ₂ /tonne of cementitious product by 2028 and 475 kgCO ₂ /tonne of cementitious product by 2030	Ambitious
KPI 2: Thermal substitution (%)	Strong	SPT 2: Achieve a thermal substitution rate of 40% by 2026, 46% by 2028 and 53% by 2030	Ambitious

Climate Transition Finance Handbook

Sustainalytics has evaluated Votorantim Cimentos' transition governance, strategy, decarbonization targets and intentions to report on transition progress and finds Votorantim Cimentos to be aligned with the recommendations of the Climate Transition Finance Handbook 2023. As a cement producer, Votorantim Cimentos is involved in an energy-intensive sector and has established CO₂ emissions reduction targets aligned with the Transition Pathway Initiative's well below 2°C scenario. Votorantim Cimentos has outlined an implementation plan for its decarbonization strategy and has its 2030 emissions reduction targets verified by the SBTi.

Evaluation Date	21 March 2024 ¹
Issuer Location	São Paulo, Brazil

The SPTs contribute to the following SDGs:



¹ This document updates the Second-Party Opinion originally provided by Sustainalytics in May 2022.

Table of Contents

Evaluation Summary	1
Sustainability-Linked Instruments	1
Climate Transition Finance Handbook.....	1
Table of Contents	2
Scope of Work and Limitations	3
Introduction	4
Table 1: KPIs	4
Table 2: SPTs and Past Performance	5
Sustainalytics' Opinion	5
Section 1: Alignment of the Framework with Relevant Market Standards	5
Alignment with Sustainability-Linked Principles	5
Selection of Key Performance Indicators	5
Calibration of Sustainability Performance Targets	7
Financial Instruments Characteristics	9
Reporting.....	9
Verification.....	9
Alignment against the Climate Transition Finance Handbook 2023	9
Section 2: Assessment of Votorantim Cimentos' Sustainability Strategy	11
Section 3: Impact of SPTs	13
Conclusion	14
Disclaimer	15
About Sustainalytics, a Morningstar Company	16

Scope of Work and Limitations

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent² opinion on the alignment of the Votorantim Cimentos Sustainability-Linked Financing Framework with current market standards. As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework's alignment with the Sustainability-Linked Bond Principles 2023 and Sustainability-Linked Loan Principles 2023;³
- The credibility and anticipated positive impacts of the SPTs;
- The issuer's sustainability strategy, performance and sustainability risk management;
- The alignment with the recommendations of the Climate Transition Finance Handbook 2023;⁴

As part of this engagement, Sustainalytics held conversations with various members of Votorantim Cimentos' management team to understand the sustainability impact of its business processes and the core components of the Framework. Votorantim Cimentos representatives have confirmed that:

- (1) They understand it is the sole responsibility of Votorantim Cimentos to ensure that the information provided is complete, accurate and up to date;
- (2) They have provided Sustainalytics with all relevant information;
- (3) Any provided material information has been duly disclosed in a timely manner.

Sustainalytics also reviewed relevant public documents and non-public information. 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 Votorantim Cimentos. Sustainalytics' Second-Party Opinion assesses alignment of the Framework with current market standards, but does not provide any guarantee of alignment nor warrants alignment with any future versions of such standards. The Second-Party Opinion is valid for issuances aligned with the Framework until one of the following occurs: (1) a material change to the external benchmarks against which targets were set; (2) a material corporate action (such as a material M&A or change in business activity) which has a bearing on the achievement of the SPTs or the materiality of the KPIs.

For sustainability-linked instruments, the Second-Party Opinion addresses the anticipated SPTs of KPIs but does not measure progress on the KPIs. Measuring and reporting on KPIs is the responsibility of the Framework owner.

No information Sustainalytics provides under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument in favour or against the truthfulness, reliability or completeness of any facts or statements and related circumstances that Votorantim Cimentos may have disclosed to Sustainalytics for the purpose of this Second-Party Opinion.

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² 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.

³ The loan-related principles and guidelines are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association and are available at: https://www.lsta.org/content/?_industry_sector=guidelines-memos-primary-market

⁴ The Sustainability-Linked Bond Principles and the Climate Transition Finance Handbook are administered by the International Capital Market Association and are available at: <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/>

Introduction

Votorantim Cimentos (the “Company”), based in São Paulo, Brazil, is a building materials manufacturer focused on cement, concrete, aggregates, mortars, grouts, finishing products, plasticizers, aglime and waste management (co-processing). Established in 1933,⁵ the Company has operations in ten countries, a cement production capacity of 52.8 million tonnes and employs more than 13,000 people as of 2022.^{6,7}

Votorantim Cimentos has developed the Sustainability-Linked Financing Framework dated March 2024 (the “Framework”), under which it intends to issue sustainability-linked bonds, loans and other financial instruments, such as securitizations and derivatives.⁸ Votorantim Cimentos engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework’s alignment with the Sustainability-Linked Bond Principles 2023 (SLBP), Sustainability-Linked Loan Principles 2023 (SLLP) and the recommendations of the Climate Transition Finance Handbook 2020. The Framework will be published in a separate document.⁹

Sustainalytics has reviewed the Framework’s alignment with ICMA’s SLBP and LSTA-LMA-APLMA’s SLLP only in the context of Votorantim Cimentos issuing sustainability-linked bonds or obtaining sustainability-linked loans. The considerations for other financial instruments noted in the Framework, including derivatives and securitizations, may be different and outside of the scope of Sustainalytics’ Second-Party Opinion. Votorantim Cimentos has confirmed to Sustainalytics that all sustainability-linked debt instruments issued or obtained under the Framework will have a maturity period of at least one year, where the SPTs will be linearly regressed down to the relevant maturity for short-term instruments.

Votorantim Cimentos intends to issue sustainability-linked bonds or obtain sustainability-linked loans where the margin rate is tied to the achievement of the SPTs for the two KPIs related to the reduction of net scope 1 emissions intensity and improved thermal substitution rate.

Tables 1 and 2 below describe the KPIs and SPTs defined by Votorantim Cimentos.

Table 1: KPIs

KPI	Description
KPI 1: Net scope 1 intensity (kgCO ₂ /tonne cementitious product)	<p>This KPI is a measure of specific net direct CO₂ emissions (scope 1) expressed per tonne of cementitious product, which includes the clinker together with the supplementary cementitious materials that are mixed with cement (fly ash, slag, calcined clay). Scope 1 emissions are defined according to the Global Association of Cement and Concrete (GCCA) Guidelines.¹⁰</p> <ul style="list-style-type: none"> Net scope 1 intensity = kgCO₂/tonne cementitious product.
KPI 2: Thermal substitution (%)	<p>This KPI is a measure of the proportion of heat energy replaced by using alternative fuel sources, such as biomass, and biogenic and non-biogenic waste material, as defined by the GCCA Guidelines for co-processing fuels and raw materials in cement manufacturing.¹¹</p> <ul style="list-style-type: none"> Thermal substitution = heat consumption of alternative fuels (tj)/total heat consumption of all fuels (tj)

⁵ Votorantim Cimentos, “About us”, (2024), at: <https://ri.votorantimcimentos.com.br/en/the-company/about-us/>

⁶ Ibid.

⁷ Votorantim Cimentos, “Relatório Integrado”, (2022), at: <https://www.votorantimcimentos.com.br/wp-content/uploads/2023/05/RA-VC-2022-PT.pdf>

⁸ Sustainalytics has reviewed only those financial instruments that are specified under the Framework. Furthermore, Sustainalytics notes that linked-securitizations and derivatives are not administered by ICMA or LMA and hence are not considered under the scope of this Second-Party Opinion report.

⁹ The Votorantim Cimentos Sustainability-Linked Financing Framework will be available on Votorantim Cimentos’ website at: <https://ri.votorantimcimentos.com.br/en/>

¹⁰ GCCA, “GCCA Sustainability Guidelines for the monitoring and reporting of CO₂ emissions from cement manufacturing”, (2019), at: https://gccassociation.org/wp-content/uploads/2019/10/GCCA_Guidelines_CO2Emissions_v04_AMEND.pdf

¹¹ Ibid.

Table 2: SPTs and Past Performance

KPI	2020	2021	2022 (baseline)	SPT 2026	SPT 2028	SPT 2030
KPI 1: Net scope 1 intensity (kgCO ₂ /tonne cementitious product)	576	597	579	Reduce net scope 1 intensity to 530 kgCO ₂ /tonne of cementitious product by 2026	Reduce net scope 1 intensity to 510 kgCO ₂ /tonne of cementitious product by 2028	Reduce net scope 1 intensity to 475 kgCO ₂ /tonne of cementitious product by 2030
KPI 2: Thermal substitution (%)	23.8	22.4	26.5	Achieve a thermal substitution rate of 40% by 2026	Achieve a thermal substitution rate of 46% by 2028	Achieve a thermal substitution rate of 53% by 2030

Sustainalytics' Opinion

Section 1: Alignment of the Framework with Relevant Market Standards

Alignment with Sustainability-Linked Principles

Sustainalytics is of the opinion that the Framework aligns with the SLBP and SLLP. Sustainalytics highlights the following elements of the Framework:



Selection of Key Performance Indicators

Relevance and Materiality of KPIs

In assessing the materiality and relevance of a KPI, Sustainalytics considers: i) whether the KPI speaks to a material impact of the issuer's business on environmental or social issues; and ii) to what portion of impact the KPI is applicable.

KPI 1: Net scope 1 intensity (kg CO₂/tonne cementitious product)

Sustainalytics considers KPI 1 to be material and relevant given:

- Sustainalytics' ESG Risk Rating Industry Report for the Construction Materials industry identifies Carbon – Own Operations as a material ESG issue for the Company.¹² The report also assesses the cement industry as the third-largest emitter of CO₂ globally.¹³ Votorantim Cimentos is exposed to higher carbon risks than the broader building materials industry given its focus on producing cement.
- The Sustainability Accounting Standards Board (SASB) identifies GHG Emissions and Energy Management as material topics for companies in the Construction Materials subindustry and highlights the importance of energy efficiency, use of alternative and renewable fuels, carbon sequestration and clinker substitution as strategies to reduce GHG emissions in the production of construction materials.¹⁴

Regarding applicability, Sustainalytics notes that KPI 1 only covers emissions associated with cement production (net specific CO₂ emissions in terms of kgCO₂/tonne cementitious product); however, this speaks to the large majority of the Company's total emissions given that absolute scope 1 emissions constituted 83% of the

¹² Sustainalytics' Carbon – Own Operations MEI refers to a company's management of risks related to its own operational energy use and scope 1 and scope 2 GHG emissions. It also includes parts of scope 3 GHG emissions.

¹³ Ibid.

¹⁴ SASB, "Construction Materials: Sustainability Accounting Standard", (2014), at: https://cdn2.hubspot.net/hubfs/2642721/Recursos/Agencias%20rating,%20marcos%20y%20adhesiones/SASB/Estandares/NR0401_ProvisionalStandard_ConstructionMaterials.pdf

Company's absolute total emissions in 2022 (scope 1, 2 and 3). In contrast, scope 2 and scope 3 emissions make up approximately 2% and 15%, respectively. Thus, mitigating scope 1 emissions intensity associated with cement production will drive significant positive material impacts on the Company's operational carbon footprint representing a high degree of applicability.

KPI 2: Thermal substitution (%)

Sustainalytics notes that KPI 2 relates to emissions from the combustion of fuels in kilns, which account for approximately 40% of scope 1 emissions of the Company.¹⁵ Based on the assessment noted above for KPI 1, Sustainalytics considers KPI 2 to be relevant and material. In terms of applicability, Sustainalytics views KPI 2, collectively with KPI 1, to represent a high degree of applicability because of the following reasons: i) while KPI 1 addresses Scope 1 emissions directly, Sustainalytics notes that KPI 2 addresses scope 1 emissions indirectly; and ii) the Company intends to select both KPIs for all transactions under the Framework. Sustainalytics notes that while KPI 2 covers 33% of the Company's total emissions, its assessment in combination with KPI 1 effectively covers 83% of the Company's GHG inventory.

KPI Characteristics

In its assessment of the KPI characteristics, Sustainalytics considers: i) whether a clear and consistent methodology is used, ii) whether the borrower follows an externally recognized definition, iii) whether the KPIs are a direct measure of the performance of the borrower on a material environmental or social issue, and iv) if applicable, whether the methodology can be benchmarked to an external, contextual benchmark.¹⁶

KPI 1: Net scope 1 intensity (kgCO₂/tonne cementitious product)

Sustainalytics considers Votorantim Cimentos' definition and methodology for calculating its progress on KPI 1 to be clear and consistent based on widely disclosed and standardized methods used in the market. The Company's reporting on KPI 1 follows an externally recognized methodology, namely the GCCA Guidelines,¹⁷ which provide technical guidelines for global cement manufacturers on accounting for carbon emissions and the classification of clean energy sources and alternative fuels.

Sustainalytics notes that KPI 1 is a direct measure of performance on the material environmental issue of carbon emissions and is a widely used metric in the cement industry to disclose operational carbon performance. Furthermore, Sustainalytics notes that KPI 1 lends itself to being benchmarked against contextual benchmarks, such as the Transition Pathway Initiative (TPI).¹⁸

KPI 2 - Thermal substitution (%)

Sustainalytics considers the Company's definition and methodology for calculating its progress on KPI 2 to be clear, consistent and based on the GCCA Guidelines. Sustainalytics notes that KPI 2 is an indirect measure of performance on the material environmental issue of carbon emissions as it pertains to replacing fossil fuels with alternative fuels, such as biomass, and biogenic and non-biogenic waste, during the combustion process in cement manufacturing. Furthermore, Sustainalytics notes the absence of explicit externally determined science-based pathways toward achieving a specific warming scenario but acknowledges the contribution of KPI 2 to the Company's overall decarbonization effort in line with the IEA's Technology Roadmap for Cement 2°C scenario.¹⁹

Overall Assessment

Sustainalytics considers KPI 1 to be very strong and KPI 2 to be strong, given that they: i) speak to relevant and material environmental issues for cement manufacturers, and ii) follow a recognized clear and consistent methodology. Furthermore, KPI 1 is considered very strong as it lends itself to benchmarking against external contextual benchmarks, it is a direct measure of performance against a material environmental issue and it has a high scope of applicability. KPI 2 is considered to be strong as it has a high scope of applicability when viewed in combination with KPI 1, is an indirect measure of performance against the material environmental issue and can be assessed against IEA's key indicators.

¹⁵ CDP, "Votorantim Cimentos CDP report", (2021), at: <https://www.cdp.net/en>

¹⁶ External contextual benchmarks provide guidance on the alignment with ecological system boundaries. This criterion is not applied to social KPIs or impact areas for which such contextual benchmarks are not available.

¹⁷ GCCA, "Sustainability Charter and Guidelines", at: <https://gccassociation.org/sustainability-innovation/sustainability-charter-and-guidelines/>

¹⁸ TPI, "Cement", at: <https://www.transitionpathwayinitiative.org/sectors/cement>

¹⁹ IEA, "Technology Roadmap: Low-Carbon Transition in the Cement Industry", (2018), at: <https://iea.blob.core.windows.net/assets/cbaa3da1-fd61-4c2a-8719-31538f59b54f/TechnologyRoadmapLowCarbonTransitionintheCementIndustry.pdf>

KPI(s)	Strength of KPI(s)			
	Not Aligned	Adequate	Strong	Very strong
KPI 1: Net scope 1 intensity (kgCO₂/tonne cementitious product)	Not Aligned	Adequate	Strong	Very strong
KPI 2: Thermal substitution (%)	Not Aligned	Adequate	Strong	Very strong



Calibration of Sustainability Performance Targets

Alignment with Votorantim Cimentos' Sustainability Strategy

Votorantim Cimentos has set the following SPTs for its KPIs:

- SPT 1: Reduce net scope 1 intensity to 530 kgCO₂/tonne of cementitious product by 2026, 510 kgCO₂/tonne of cementitious product by 2028 and 475 kgCO₂/tonne of cementitious product by 2030
- SPT 2: Achieve a thermal substitution rate of 40% by 2026, 46% by 2028 and 53% by 2030

Alignment with Borrower's Sustainability Strategy

Sustainalytics considers the SPTs to be aligned with Votorantim Cimentos' sustainability strategy.

- SPT 1: Votorantim Cimentos has identified carbon emissions as a key element in its sustainability strategy.²⁰ The Company joined the Cement Sustainability Initiative (CSI) in 1999, internally integrating CSI's CO₂ emissions targets during the 2006-12 period.²¹ In 2018, the Company became a founding member of the GCCA, which took over CSI's role in charting a pathway towards net zero concrete by 2050. The Company has committed to fulfilling the GCCA Sustainability Charter requirements, including the Sustainability Guidelines for the monitoring and reporting of CO₂ emissions from cement manufacturing.²² By setting SPT 1, Votorantim Cimentos is focused on achieving a net scope 1 intensity of 475 kgCO₂ emission/tonne of cementitious product by 2030.²³
- SPT 2: Energy efficiency represents one of the four decarbonization pillars that the Company has identified to achieve its goal of net zero concrete by 2050. To this end, Votorantim Cimentos has set a long-term target of a 53% thermal substitution rate by 2030.²⁴ In 2022, the Company achieved a thermal substitution rate of 26.5%.²⁵ The SPTs for 2026 and 2028 provide the Company with intermediate targets to achieve its goal by 2030.

Strategy to Achieve the SPTs

Votorantim Cimentos intends to achieve the SPTs through the following strategies:

- SPT 1: i) Reduce the amount of clinker in cement production; ii) increasing the percentage of alternative fuels through co-processing; iii) improve energy efficiency and increasing the use of renewable energy; and iv) developing new technologies such as carbon capture projects.
- SPT 2: i) Reduce thermal energy-related emissions by maximizing the co-processing of waste from other industries or processes to replace the use of fossil fuels; ii) modernize its plants to increase the thermal

²⁰ Votorantim Cimentos, "Relatório Integrado", (2022), at: <https://api.mziq.com/mzfilemanager/v2/d/57da2b51-7bff-407d-877c-f3823701d4ee/d1a05f49-1ae1-6ebf-805b-cd632137dd2a?origin=2>

²¹ Votorantim Cimentos, "Integrated Report 2012", at: https://ungc-production.s3.us-west-2.amazonaws.com/attachments/22142/original/Vot_RA2012_ING_web.pdf?1369170683

²² Votorantim Cimentos, "Annual Report 2018", at: <https://www.votorantim.com.br/wp-content/uploads/2023/04/Annual-Report-Votorantim-2018.pdf>

²³ Votorantim Cimentos, "Relatório Integrado", (2022), at: <https://api.mziq.com/mzfilemanager/v2/d/57da2b51-7bff-407d-877c-f3823701d4ee/d1a05f49-1ae1-6ebf-805b-cd632137dd2a?origin=2>

²⁴ Ibid.

²⁵ Ibid.

substitution rate; and iii) expand the types of waste and biomass in the alternative fuels matrix and enhance the thermal substitution roadmap.

Ambitiousness, Baseline and Benchmarks

To determine the ambitiousness of the SPTs, Sustainalytics considers whether: i) the SPTs go beyond a business-as-usual trajectory; ii) how the SPTs compare to targets set by peers; and iii) how the SPTs compare with science.²⁶

Votorantim Cimentos has set 2022 as the baseline year for the SPTs in order to reflect the most recent data available for the performance of the KPIs.

The Company has communicated to Sustainalytics that it has set annual targets that follow a linear trajectory aligned with its targets for 2026, 2028 and 2030. Sustainalytics considers the annual linear targets for both KPIs as integral part of the Company's decarbonisation strategy for achieving the respective SPTs.

SPT 1: Sustainalytics was able to use the following benchmarks to assess ambitiousness: past performance and alignment with science.

With regard to past performance, Votorantim Cimentos achieved an annual average reduction of 0.3% in its net scope 1 CO₂ emissions per tonne of cementitious product between 2020 and 2022. Reducing net scope 1 intensity to 530 kgCO₂/tonne of cementitious product by 2026, 510 kgCO₂/tonne of cementitious product by 2028 and 475 kgCO₂/tonne of cementitious product by 2030 will require an annual rate of reduction of 2.1% from 2022 to 2026, 2% from 2022 to 2028 and 2.2% from 2022 to 2030. Therefore, these trajectories imply that the target reduction rates are above historical performance.

Sustainalytics compared the Company's SPT 1 with five peers and found that one of its peers to be less ambitious compared to the Company's targets, two of the other peers align with Votorantim Cimentos' targets and one of the peers has set ambitious targets compared to the Votorantim Cimentos' targets. Sustainalytics therefore considers SPT 1 to be aligned with peer performance.

In comparison with science, the target is below TPI's 2026, 2028 and 2030 carbon intensity threshold, which is consistent with the well-below 2°C scenario.²⁷

SPT 2: Sustainalytics was able to use the following benchmarks to assess ambitiousness: past performance, peer performance and alignment with science.

The Company has achieved thermal substitution rates of 26.5%, 22.4% and 23.8% in 2020, 2021 and 2022 respectively. To achieve its target of 40% by 2026, the Company will need to increase its performance on this metric by an average annual rate of four percentage points. For the target of 46% by 2028 and 53% by 2030, it needs an increase of 3.7 percentage points.

Based on Sustainalytics' assessment of Votorantim Cimentos' peer group, SPT 2 is aligned with the thermal substitution targets set by the majority of the Company's peers.

With regard to science, Sustainalytics notes that explicit trajectories on the adoption of alternative fuels to align with any decarbonization pathway are not yet available, but the IEA has established key indicators on alternative fuel consumption rates for the global cement industry that are consistent with the 2°C scenario. To this end, Sustainalytics notes the IEA's key indicator for a 17.5% thermal substitution rate by 2030²⁸ and positively notes that the Company's target of a 53% thermal substitution rate by 2030 is significantly above the IEA's key indicator level for cement manufacturers.

Overall Assessment

Sustainalytics considers the SPTs to align with Votorantim Cimentos' sustainability strategy and considers SPT 1 to be ambitious, given that: i) it presents a material improvement over past performance, ii) aligns with peer performance, and iii) aligns with science-based trajectories.

Sustainalytics considers SPT 2 to be ambitious, given that: i) it presents a material improvement compared with past performance, ii) it is aligned with peers, and iii) it is comparable with science-based trajectories.

²⁶ We refer here to contextual benchmarks that indicate the alignment of targets with ecosystem boundaries.

²⁷ TPI, "TPI Sectoral Decarbonisation Pathways", (2022), at: <https://www.transitionpathwayinitiative.org/publications/99.pdf?type=Publication>

²⁸ IEA, "Technology Roadmap: Low-Carbon Transition in the Cement Industry", (2018), at: <https://iea.blob.core.windows.net/assets/cbaa3da1-fd61-4c2a-8719-31538f59b54f/TechnologyRoadmapLowCarbonTransitionintheCementIndustry.pdf>

SPTs	Ambitiousness of SPTs			
SPT 1: Reduce net scope 1 intensity to 530 kgCO ₂ /tonne of cementitious product by 2026, 510 kgCO ₂ /tonne of cementitious product by 2028 and 475 kgCO ₂ /tonne of cementitious product by 2030	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
SPT 2: Achieve a thermal substitution rate of 40% by 2026, 46% by 2028 and 53% by 2030	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious



Financial Instruments Characteristics

The Company has communicated to Sustainalytics that a trigger event, in the form of financial or structural characteristics of the instruments, will occur if Votorantim Cimentos fails to achieve the SPTs or meets them on the respective target observation dates. While the Framework discloses that the financial or structural characteristics may vary for each sustainability-linked instrument, the Company has communicated to Sustainalytics that it currently contemplates a margin step-up or step-down as the primary trigger mechanism. The Company has communicated to Sustainalytics that both the KPIs will be included in all sustainability-linked transactions under the Framework. Sustainalytics recognizes that the relevant financial characteristics of the sustainability-linked bonds and loans are aligned with the SLBP and SLLP.



Reporting

Votorantim Cimentos commits to report on its progress on the KPIs on an annual basis and make it available on its website. Votorantim Cimentos also commits to disclose other relevant information that may enable investors to monitor progress towards the SPT, including any reassessments of the KPIs, restatements of the SPTs and pro-forma adjustments of baselines or KPI scope. Sustainalytics considers Votorantim Cimentos' reporting commitments to be aligned with the SLBP and SLLP.



Verification

Votorantim Cimentos commits to have an external verifier provide limited or reasonable assurance against each SPT for each KPI at least once a year, which is aligned with the SLBP and SLLP on verification. Votorantim Cimentos has further disclosed that the verification of the performance against the SPTs will be made publicly available on the Company's website.

Alignment against the Climate Transition Finance Handbook 2023

Sustainalytics has assessed Votorantim Cimentos' alignment with the recommendations of the Climate Transition Finance Handbook and considers the Company's transition strategy to be adequate overall. Sustainalytics highlights the following key elements of the assessment:

Key Elements	ICMA Recommendation	Sustainalytics' Assessment
Issuer's climate transition strategy and governance	- Transition strategy to address climate-related risks and contribute to alignment with the goals of the Paris Agreement	- Votorantim Cimentos has established a decarbonization strategy that is based on the following four key pillars: i) Cementitious product: Focusing on substitution of clinker with by-products from other industries, including blast furnace slag and fly ash from thermoelectric plants, in addition to other cementitious materials, such as calcined clay, natural pozzolans and other materials. Aligned

	<ul style="list-style-type: none"> - Relevant interim targets on the trajectory towards the long-term goal - Governance of transition strategy 	<ul style="list-style-type: none"> ii) Co-processing: Substitution of fossil fuels used in cement production kilns with other materials, especially biomass and different types of waste. iii) Energy efficiency: Optimization of the production process, use of renewable energy sources and investments to improve the energy efficiency of the Company's plants. iv) New technologies and carbon capture projects: Use of innovative processes and new materials; dematerialization of the value chain; carbon capture, utilization and storage; and partnerships with various entities and academia to increasingly optimize resources and reduce carbon intensity. - The Company's board of directors oversees Votorantim Cimentos' climate change strategy. The board has seven members and is responsible for the identification and monitoring of strategic issues related to the Company's decarbonization strategy. Votorantim Cimentos' global CEO is responsible for the overall execution of decarbonization initiatives and managing the Company's impacts on the environment and society, with the support of the Company's Sustainability, Government Relations, Legal and Corporate Governance, Risk and Compliance, Internal Audit and Ethics departments. - The Company has also set up a Sustainability and Innovation Committee, which is responsible for analyzing global trends and addressing sustainability issues. The Sustainability and Innovation Committee is responsible for reviewing the decarbonization strategy, CO₂ targets, initiatives related to CCS and investment strategies. - Votorantim Cimentos aims to produce carbon-neutral concrete by 2050. The Company has set an interim goal to reach a net emissions intensity of 475 kgCO₂/tonne of cementitious product by 2030. The Company has developed an emissions reduction roadmap that describes the deployment of operational decisions that will support its decarbonization objectives. Refer to the detailed assessment of decarbonization pathway and implementation plan in Section 2. 	
<p>Business model environmental materiality</p>	<ul style="list-style-type: none"> - Transition trajectory should be relevant to the environmentally material parts of the issuer's business model 	<ul style="list-style-type: none"> - Votorantim Cimentos' transition strategy directly addresses the impacts of the highly carbon-intensive part of its business model. 	<p>Aligned</p>
<p>Climate transition strategy to be science-based, including targets and pathways</p>	<ul style="list-style-type: none"> - Transition strategy should reference science-based targets and transition pathways 	<ul style="list-style-type: none"> - The Company has set a near-term target for emissions reduction for 2030, which is approved by the SBTi and aligned with the 2°C scenario. 	<p>Aligned</p>
<p>Implementation transparency</p>	<ul style="list-style-type: none"> - Disclosure of capex and opex plans - Climate-related outcomes and impacts of expenditures 	<ul style="list-style-type: none"> - Votorantim Cimentos has been reporting and intends to continue reporting on the progress of its decarbonization plan and overall transition strategy in its annual Integrated Report. The Company is committed to including: i) the performance of the KPI, as per the reporting period, including baselines where relevant; ii) a verification assurance report relative to the SPT and the related impacts and timing of such impacts on the financial characteristics; and iii) information to monitor the progress and ambition level of the SPT or updates to Votorantim Cimentos' sustainability strategy. The Company adheres to the reporting guidelines of the following carbon disclosure platforms: i) Carbon Disclosure Project (CDP), and ii) Task Force on Climate-Related Financial Disclosures. - The Company has been reporting and intends to continue providing ongoing public reporting of its investments and planned investments relating to its climate transition strategy. - In 2022, Votorantim Cimentos has forecast an investment of BRL 1.5 billion (USD 300 million) in decarbonization projects in the next five years. 	<p>Aligned</p>

Section 2: Assessment of Votorantim Cimentos' Sustainability Strategy

Credibility of Votorantim Cimentos' Climate Transition Strategy

Sustainalytics recognizes that proceeds from the sustainability-linked debt instruments issued or obtained under the Framework will contribute to the decarbonization of Votorantim Cimentos' operations. In this context, Sustainalytics has assessed Votorantim Cimentos' climate transition strategy below:

Climate Transition Governance

Votorantim Cimentos has embedded its climate strategy in its corporate governance structure aiming to develop its business in a sustainable manner. The board of directors is responsible for overall monitoring of strategic sustainability issues and setting up relevant policies, while the Company's global CEO is responsible for implementation of the board's decisions related to decarbonization initiatives. In 2022, the Company set up the Sustainability and Innovation Committee to support the board of directors on topics related to decarbonization and ESG, as well as support the monitoring and implementation of key innovation initiatives.²⁹

Emission-Reduction Targets

Votorantim Cimentos has demonstrated its commitment to its sustainability strategy, as disclosed in its 2022 Integrated Report. The Company has published its sustainability commitments for 2030, identifying four key targets towards decarbonizing its cement production process: i) reach 475 kg of net carbon emissions per tonne of cement product by 2030; ii) achieve 53% thermal substitution by 2030; iii) source 45% of in-house electricity production from renewable energy, such as solar and wind, by 2030; and iv) reduce the clinker factor to 68% by 2030. The Company has also specified targets for the reduction of dust emitted, and sulphur oxide and nitrogen oxide emissions.³⁰ In 2022, Votorantim Cimentos set a new target to reduce gross scope 1 GHG emissions by 22.1% per tonne of cementitious products by 2030 from a 2018 baseline, which has been verified by the SBTi.¹⁸

Sustainalytics considers the set targets to have positive impacts on Votorantim Cimentos' climate transition strategy.

Decarbonization Pathway and Implementation Plan

To achieve its decarbonization targets, Votorantim Cimentos developed a strategy in 2021 with the following four core pillars: i) substitution of clinker for by-products from other industries, such as blast-furnace slag and other cementitious materials; ii) substitution of fossil fuels used in cement production kilns with other materials, such as biomass; iii) increased use of renewable energy sources and investment in plant efficiency; and iv) use of innovative technologies and carbon capture, utilization and storage. Votorantim Cimentos has also partnered with various entities and academia, such as GCCA, to optimize resources and reduce its carbon intensity.³¹

Sustainalytics recognizes that Votorantim Cimentos has prioritized the development of credible options for decarbonization and has reported on the steps taken to achieve its sustainability commitments. Sustainalytics encourages Votorantim Cimentos to continue to report on the timelines to deploy best available technologies.

Environmental and Social Risk Management

Overall, Sustainalytics notes that Votorantim Cimentos' ESG risk management is considered strong. Sustainalytics recognizes that Votorantim Cimentos' defined targets are impactful, however, achieving the SPTs may bear environmental and social risks. Some key environmental and social risks potentially associated with the achievement of the SPTs could include: i) emissions, effluents and waste; ii) resource use; iii) product governance and iv) occupational health and safety (OHS).

Sustainalytics is of the opinion that Votorantim Cimentos is able to manage or mitigate potential risks through the implementation of the following:

- **Emissions, effluents and waste:** Considering the high CO₂ emissions in cement production, Votorantim Cimentos is highly exposed to risks related to GHG emissions and energy consumption. Sustainalytics notes that the emissions reduction targets set in the Framework aim to directly address these risks by reducing operational emissions and improving the Company's thermal substitution rate. The Company reports on its progress towards its decarbonization targets on an annual basis through its Integrated Report.³² Votorantim Cimentos has an environmental management

²⁹ Votorantim Cimentos, "Relatório Integrado", (2022), at: <https://api.mziq.com/mzfilemanager/v2/d/57da2b51-7bff-407d-877c-f3823701d4ee/d1a05f49-1ae1-6ebf-805b-cd632137dd2a?origin=2>

³⁰ Ibid.

³¹ Ibid.

³² Ibid.

system (EMS) in place that is based on ISO 14001.^{33,34} To assess environmental risks, the Company relies on information from internal and external audits, evaluations of environmental indicators, field inspections, environmental occurrences and non-conformities, and maps those risks according to the impact of risks and probability of their occurrence.³⁵ In accordance with ISO 31000, Votorantim Cimentos has processes in place to prevent materialization and mitigate any potential impacts.^{36,37} Votorantim Cimentos also publishes the list of its units that are certified to ISO 14001.³⁸ As part of the EMS, the Company aims to minimize waste generation through reuse, recycling, responsible disposal and co-processing.³⁹ Regarding recycling, Votorantim Cimentos annually reports on the percentage of recycled cement returned.⁴⁰

- **Resource Use:** To manage risks associated with resource use, the Company has established the Green Rules as part of its EMS, which focus on the efficient utilization of resources and reducing the use of natural resources.⁴¹ To manage water resources, the Company has established water treatment, reuse and rainwater collection systems, and reports on the annual water consumption.⁴²
- **Product governance:** To manage the impacts of its products and services, Votorantim Cimentos has established a Sustainable Suppliers Policy which ensures that it prioritizes procurements from local companies that have ESG practices in place and diversity in their leadership.⁴³ The policy also outlines the incorporation of sustainability practices in the purchasing team, such as collaboration with suppliers to develop sustainability projects and waste reduction across the supply chain.⁴⁴ The Company has identified critical purchasing categories and established minimum sustainability requirements for such categories, and plans to expand the categories with minimum thresholds by 2030.⁴⁵
- **Occupational Health and Safety:** To manage risks associated with OHS, Votorantim Cimentos has established an OHS policy and Code of Conduct. The OHS policy outlines Votorantim Cimentos' practices for identifying and mitigating relevant OHS risks, such as employee training, regular monitoring and evaluation audits. The policy further highlights the Company's commitment to adhering to all local laws.⁴⁶ The code outlines expectations for all employees related to human rights, diversity, discrimination and harassment.⁴⁷ The Company has also adopted a Critical Risk Protocols and Rules for Life code, which outlines further safety practices that are applicable to all employees.⁴⁸

Moreover, Sustainalytics has found no evidence of major environmental or social controversies related to Votorantim Cimentos. Based on the above, Sustainalytics is of the opinion that Votorantim Cimentos has implemented adequate measures, and is well positioned to manage and mitigate environmental and social risks commonly associated with its operations.

³³ Votorantim Cimentos, "Sistema de Gestão Ambiental", (2023), at: <https://www.votorantimcimentos.com.br/wp-content/uploads/2023/08/Site-SGA.pdf>

³⁴ ISO, "ISO 14001:2015 – Environmental management systems", at: <https://www.iso.org/standard/60857.html>

³⁵ Votorantim Cimentos, "Sistema de Gestão Ambiental", (2023), at: <https://www.votorantimcimentos.com.br/wp-content/uploads/2023/08/Site-SGA.pdf>

³⁶ Ibid.

³⁷ ISO, "ISO 31000:2018 – Risk management", at: <https://www.iso.org/standard/65694.html>

³⁸ Votorantim Cimentos, "Sistema de Gestão Ambiental", (2023), at: <https://www.votorantimcimentos.com.br/wp-content/uploads/2023/08/Site-SGA.pdf>

³⁹ Ibid.

⁴⁰ Votorantim Cimentos, "Relatório Integrado", (2022), at: <https://www.votorantimcimentos.com.br/wp-content/uploads/2023/05/RA-VC-2022-PT.pdf>

⁴¹ Votorantim Cimentos, "Sistema de Gestão Ambiental", (2023), at: <https://www.votorantimcimentos.com.br/wp-content/uploads/2023/08/Site-SGA.pdf>

⁴² Votorantim Cimentos, "Relatório Integrado", (2022), at: <https://www.votorantimcimentos.com.br/wp-content/uploads/2023/05/RA-VC-2022-PT.pdf>

⁴³ Votorantim Cimentos, "Programa Suprimentos Sustentáveis", at: <https://www.votorantimcimentos.com.br/canal-do-fornecedor/suprimentos-sustentaveis/>

⁴⁴ Ibid.

⁴⁵ Ibid.

⁴⁶ Votorantim Cimentos, "Política Global de Saúde e Segurança no Trabalho", (2023), at: <https://www.votorantimcimentos.com.br/wp-content/uploads/2024/02/PC-0136-01-Anexo-1-%E2%80%93Banner-Politica-Global-de-SST.pdf>

⁴⁷ Votorantim Cimentos, "Código de Conduta", (2024), at: https://www.votorantimcimentos.com.br/wp-content/uploads/2023/03/Codigo-de-Conducta-Votorantim_PT.pdf

⁴⁸ Votorantim Cimentos, "Regras pela Vida", (2023), at: <https://www.votorantimcimentos.com.br/wp-content/uploads/2024/02/PC-0136-01-Anexo-2-%E2%80%93Banner-Regras-Pela-Vida.pdf>

Section 3: Impact of the SPTs

The production of cement is the source of approximately 8% of global CO₂ emissions, generating approximately 1.6 billion MtCO₂ in 2022^{49,50} with clinker production responsible for the majority of these emissions.⁵¹ Global cement production is set to grow between 12% and 24% from 2018 levels by 2050.⁵² The IEA estimates that the direct CO₂ emissions intensity of cement production needs to fall by 4% every year through 2030 to reach net zero by 2050, and align with the 1.5°C target.⁵³ However, the CO₂ emissions intensity of cement production has remained largely flat since 2018.⁵⁴

Decarbonizing the cement sector while producing enough cement to meet demand poses significant challenges.⁵⁵ Strategies to cut carbon emissions include improving energy efficiency, switching to lower-carbon fuels, reducing clinker content in cement or cement content in concrete and using emerging technologies, such as bioenergy with carbon capture, electrification and novel binders.⁵⁶ In September 2020, the GCCA announced a commitment to achieve carbon-neutral concrete production by 2050, and in October 2021, the GCCA published its 2050 net zero roadmap, outlining an implementation plan to achieve this goal. The roadmap targets a 20% reduction in CO₂ emissions per tonne of cement by 2030 from a 2020 baseline.⁵⁷ Key priorities outlined in the roadmap include increasing the use of alternative fuels, improving the efficiency of concrete production, improving the efficiency of concrete project design and investing in technological innovations.⁵⁸

In view of the above, Sustainalytics notes that mitigating these emissions may pose significant challenges with the growing demand for cement and that the Framework, which focuses on reducing CO₂ emissions and improving thermal substitution rates, can reduce Votorantim Cimentos’ operational carbon footprint and support the overall decarbonization of the cement industry.

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the Framework are expected to help advance the following SDGs and targets:

KPI	SDG	SDG Target
KPI 1: Net scope 1 intensity (kgCO ₂ /tonne cementitious product)	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
	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
KPI 2: Thermal substitution (%)	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
	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

⁴⁹ Skinner, B. and Lalit, R. (2023), “Concrete: 8% of global emissions and rising. Which innovations can achieve net zero by 2050?”, EnergyPost.eu, at: <https://energypost.eu/concrete-8-of-global-emissions-and-rising-which-innovations-can-achieve-net-zero-by-2050/>

⁵⁰ Tiseo, I. (2023), “Carbon dioxide emissions from the manufacture of cement worldwide from 1960 to 2022”, Statista, at: <https://www.statista.com/statistics/1299532/carbon-dioxide-emissions-worldwide-cement-manufacturing/>

⁵¹ Skinner, B. and Lalit, R. (2023), “Concrete: 8% of global emissions and rising. Which innovations can achieve net zero by 2050?”, EnergyPost.eu, at: <https://energypost.eu/concrete-8-of-global-emissions-and-rising-which-innovations-can-achieve-net-zero-by-2050/>; Skinner, B. and Lalit, R. (2023), “Concrete: 8% of global emissions and rising. Which innovations can achieve net zero by 2050?”, EnergyPost.eu, at: <https://energypost.eu/concrete-8-of-global-emissions-and-rising-which-innovations-can-achieve-net-zero-by-2050/#:~:text=Concrete%20manufacture%20is%20responsible%20for,mainly%20driven%20by%20developing%20nations>

⁵² IEA, “Technology Roadmap: Low-Carbon Transition in the Cement Industry”, (2018), at: <https://iea.blob.core.windows.net/assets/cbaa3da1-fd61-4c2a-8719-31538f59b54f/TechnologyRoadmapLowCarbonTransitionintheCementIndustry.pdf>

⁵³ International Energy Agency, “Cement”, (20234), at: <https://www.iea.org/energy-system/industry/cement>

⁵⁴ Ibid.

⁵⁵ Ibid.

⁵⁶ Science Based Targets, “Cement Science Based Target Setting Guidance”, (2022), at: <https://sciencebasedtargets.org/resources/files/SBTi-Cement-Guidance.pdf>

⁵⁷ GCCA, “Concrete Future: GCCA 2050 Cement and Concrete Industry Roadmap for Net Zero Concrete”, (2021), at: <https://gccassociation.org/concretefuture/wp-content/uploads/2021/10/GCCA-Concrete-Future-Roadmap-Overview.pdf>

⁵⁸ Ibid.

		countries taking action in accordance with their respective capabilities
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Conclusion

Votorantim Cimentos has developed the Sustainability-Linked Financing Framework, under which it may issue sustainability-linked bonds and sustainability-linked loans.

Votorantim Cimentos intends to issue sustainability-linked bonds or obtain sustainability-linked loans where the margin rate is tied to the achievement of the following SPTs:

- (1) SPT 1: Reduce net scope 1 intensity to 530 kg per tonne of cementitious product by 2026, 510 kg per tonne of cementitious product by 2028 and 475 kg per tonne of cementitious product by 2030.
- (2) SPT 2: Achieve a thermal substitution rate of 40% by 2026, 46% by 2028 and 53% by 2030.

Sustainalytics considers KPI 1 to be very strong, and KPI 2, as assessed in combination with KPI 1, to be strong, given that they speak to relevant and material environmental issues and follow a recognized clear and consistent methodology. Furthermore, KPI 1 lends itself to benchmarking against external contextual benchmarks, it is a direct measure of performance against a material environmental issue and it has a high scope of applicability. KPI 2 is considered strong as it has a high scope of applicability when assessed in combination with KPI 1, is an indirect measure of performance against the material environmental issue and can be assessed against science-based trajectories. Sustainalytics also considers SPTs 1 and 2 to be ambitious based on historical performance, peer performance and alignment with science-based trajectories.

Furthermore, Sustainalytics believes that the Company is aligned with the recommendations of the Climate Transition Finance Handbook 2023 and has adequate ESG risk management policies and procedures in place.

Based on the above, Sustainalytics considers the Votorantim Cimentos Sustainability-Linked Financing Framework to be aligned with the five core components of the Sustainability-Linked Bond Principles 2023 and Sustainability-Linked Loan Principles 2023.

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