

Second-Party Opinion Arcos Dorados Sustainability-Linked Financing Framework



Evaluation Summary

Sustainalytics is of the opinion that the Arcos Dorados Sustainability-Linked Financing Framework aligns with the Sustainability-Linked Bond Principles 2023. This assessment is based on the following:

- Selection of Key Performance Indicators (KPIs)** Arcos Dorados Sustainability-Linked Financing Framework includes two KPIs – KPI 1: reduction in absolute GHG emissions scopes 1 and 2 (tCO₂e) and KPI 2: GHG emissions intensity scope 3 reduction (tCO₂e/ tonnes of food and packaging across Arcos Dorados’ operations) (see Table 1). Sustainalytics considers both KPIs 1 and 2 to be very strong given the high scope of applicability, over 98% of total emissions, on a combined basis. Furthermore, both KPIs are considered to be measurements on material issues and are externally benchmarkable.
- Calibration of Sustainability Performance Targets (SPTs)** Sustainalytics considers the SPTs to be aligned with the issuer’s sustainability strategy. Sustainalytics further considers SPT 1 to be ambitious and SPT 2 to be moderately ambitious based on the lack of historical performance, alignment with industry peers, and where possible alignment with science-based targets.
- Security Characteristics** Arcos Dorados will link the financial characteristics of any security issued under the Sustainability-Linked Financing Framework to the achievement of the SPTs, namely a coupon step-up in case: i) KPI 1 or KPI 2 has not been achieved by the observation date of the respective SPTs; or ii) the Company fails or is unable to provide satisfactory notification in accordance with the financial instrument’s documentation.
- Reporting** Arcos Dorados commits to report on an annual basis on its progress on the KPIs in its corporate sustainability report or similar report on its website. Additionally, the Company commits to disclose relevant information that affect KPI performance. The reporting commitments are aligned with the SLBP and SLLP.
- Verification** Arcos Dorados commits to have external limited assurance conducted against the performance of each SPT and for each KPI at least once a year and whenever relevant, leading to a potential coupon adjustment, which is aligned with market expectations.

Evaluation Date	October 31, 2023 ¹
Issuer Location	Montevideo, Uruguay

The SPTs contribute to the following SDGs:



Overview of KPIs and SPTs

KPI	Baseline	Strength of KPI	SPT	Ambitiousness of SPT
KPI 1: Reduction in Absolute GHG emissions scopes 1 and 2 (tCO ₂ e)	2021	Very Strong	<p><u>SPT 1.1</u> Reduce absolute GHG emissions (scope 1 and 2) to be equal to or lower than 231,791 tCO₂e by year-end 2025.</p> <p><u>SPT 1.2</u> Reduce absolute GHG emissions (scope 1 and 2) to be equal to or lower than 218,156 tCO₂e by year-end 2026.</p> <p><u>SPT 1.3</u> Reduce absolute GHG emissions (scope 1 and 2) to be equal to or lower than 174,525 tCO₂e by year-end 2030.</p>	Ambitious

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

<p><u>KPI 2</u>: GHG emissions intensity scope 3 (tCO₂e/ total annual tonnes of food and packaging across Arcos Dorados' operations)</p>	<p>2021</p>	<p>Very Strong</p>	<p><u>SPT 2.1</u> Reduce GHG emissions intensity (scope 3) to be equal to or lower than 8.67 tCO₂e per total annual tonnes of food and packaging by year-end 2025.</p> <p><u>SPT 2.2</u> Reduce GHG emissions intensity (scope 3) to be equal to or lower than 8.48 tCO₂e per total annual tonnes of food and packaging by year-end 2026.</p> <p><u>SPT 2.3</u> Reduce GHG emissions intensity (scope 3) to be equal to or lower than 6.65 tCO₂e per total annual tonnes of food and packaging by year-end 2030.</p>	<p>Moderately Ambitious</p>
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Scope of Work and Limitations

Arcos Dorados has engaged Sustainalytics to review the Arcos Dorados Sustainability-Linked Financing Framework dated October 2023 (the "Framework") and provide an opinion on its alignment with the Sustainability-Linked Bond Principles 2023 (SLBP)² and Sustainability-Linked Loan Principles 2023 (SLLP).³

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent⁴ opinion on the alignment of the Framework with the SLBP, as administered by ICMA, and SLLP, as administered by LSTA.

As part of this engagement, Sustainalytics exchanged information with various members of Arcos Dorados' management team to understand the sustainability impact of their business processes and SPTs, as well as the reporting and verification processes of aspects of the Framework. Arcos Dorados Holdings Inc.'s representatives have confirmed that:

- (1) They understand it is the sole responsibility of issuer to ensure that the information provided is complete, accurate and up to date;
- (2) They have provided Sustainalytics with all relevant information; and
- (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 the Framework. Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Arcos Dorados. 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 SPTs of KPIs but does not measure KPI performance.⁵ The measurement and reporting of the KPIs is the responsibility of the issuer. 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 Arcos Dorados has made available to Sustainalytics for the purpose of this Second-Party Opinion.

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²The Sustainability-Linked Bond Principles are administered by the International Capital Market Association and are available at: <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-linked-bond-principles-slbp/>

³The Sustainability-Linked Loan Principles 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/sustainability-linked-loan-principles-sllp/>

⁴When 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.

⁵Sustainalytics has provided an opinion based on the understanding that the financial characteristics of instruments issued under this Framework will be tied to the achievement of SPTs corresponding to each of the KPIs included in the Framework.

Introduction

Arcos Dorados Holdings Inc. (“Arcos Dorados”, “AD” or the “Company”) is an independent franchisee owner and operator of McDonald’s service restaurants in Latin America and the Caribbean. The Company owns, operates and grants more than 2,300 McDonald’s-branded restaurant franchises in 20 countries and territories in Latin America and the Caribbean, which together employ more than 90,000 people as of December 2022.⁶

Arcos Dorados intends to issue sustainability-linked bonds, loans⁷ and derivatives (together referred to as the “Sustainability-Linked Instruments” (“SLIs”) where the variable financial characteristics will be tied to the achievement of SPTs for KPIs as described in the documentation for the specific transaction.

Arcos Dorados has engaged Sustainalytics to review the Framework and provide an opinion on the alignment of the Framework with the Sustainability-Linked Bond Principles 2023 (“SLBP”) and Sustainability-Linked Loan Principles 2023 (“SLLP”). The Framework will be published in a separate document.⁸ Sustainalytics has reviewed the Framework’s alignment with ICMA’s SLBP and LMA’s SLLP only in the context of Arcos Dorados issuing debt financing. The considerations for other transactions noted in the Framework, particularly derivatives, may be different and the Issuer will provide more details on the same in the offer documents of such issuances.

Arcos Dorados has defined the following KPIs and SPTs:

Table 1: KPI Definitions

KPI	Definition
Reduction in Absolute GHG emissions scopes 1 and 2 (tCO ₂ e)	The KPI measures absolute GHG emissions as the total scope 1 and 2 emissions in tonnes of CO ₂ e per year. KPI 1 calculation applies to: i) 100% of the countries in which Arcos Dorados operates; and ii) the Company’s owned and operated restaurants. Scope 1 and 2 emissions are calculated according to the GHG Protocol Standard. ⁹
GHG emissions intensity scope 3 (tCO ₂ e/ total annual tonnes of food and packaging across Arcos Dorados’ operations)	KPI 2 accounts for GHG emissions intensity as annual scope 3 emissions (tCO ₂ e), divided by the total annual tonnes of food and packaging across Arcos Dorados operations. KPI 2 calculation applies to 100% of scope 3 GHG emissions that are directly connected to the Company’s operations across all countries where it operates. Scope 3 emissions are calculated according to the GHG Protocol Standard. ¹⁰

Table 2: SPTs and Past Performance

KPI	2021 (baseline)	SPT 2025	SPT 2026	SPT 2030
KPI 1: Reduction in absolute GHG emissions scopes 1 and 2 (tCO ₂ e)	272,695	231,791	218,156	174,525
KPI 2: GHG emissions intensity scope 3 (tCO ₂ e/ total annual tonnes of food and packaging across Arcos Dorados’ operations)	9.63	8.67	8.48	6.65

⁶ Arcos Dorados, “Company Overview”, at: <https://ir.arcosdorados.com/company-overview/>

⁷ Arcos Dorados has confirmed to Sustainalytics that revolving credit facilities will not be obtained under the Framework.

⁸ The Arcos Dorados Sustainability-Linked Instrument Financing Framework is available on Arcos Dorados’ website at: <https://recetadelfuturo.com/>

⁹ The GHG Protocol Corporate Standard defines scope 1 and scope 2 emissions as follows: “Scope 1 emissions are direct emissions from owned or controlled sources. Scope 2 emissions are indirect emissions from the generation of purchased energy.” at: https://ghgprotocol.org/sites/default/files/standards_supporting/FAQ.pdf

¹⁰ The GHG Protocol Corporate Standard defines scope 3 emissions as all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions. At: https://ghgprotocol.org/sites/default/files/standards_supporting/FAQ.pdf.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Alignment of the Arcos Dorados Sustainability-Linked Financing Framework with the Sustainability-Linked Bond Principles and Sustainability-Linked Loan Principles

Sustainalytics is of the opinion that the Arcos Dorados Sustainability-Linked Financing Framework aligns with the five core components of the SLBP and SLLP.



Selection of Key Performance Indicators

Relevance and Materiality of KPIs

Sustainalytics, in its assessment of materiality and relevance, considers: i) whether an indicator 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: Reduction in Absolute GHG emissions scopes 1 and 2 (tCO₂e)

Sustainalytics considers KPI 1 to be material and relevant given the following:

- i. Sustainalytics' ESG Risk Rating identifies "Carbon – Own Operations"¹¹ as a material ESG issue (MEI) for companies in the "Restaurants" industry. It is estimated that restaurants use about five to seven times more energy per square foot than other commercial buildings.¹²
- ii. Sustainalytics considers this a direct KPI as it directly measures GHG emissions related to the energy sources associated with Arcos Dorados' operations, including restaurants' electricity consumption, purchases of food and paper, franchises and logistics.
- iii. The Sustainability Accounting Standards Board (SASB) identifies "Energy Management" as a material topic for restaurants,¹³ which are considered to have high energy intensity from the use of commercial kitchen appliances and temperature-controlled dining areas for customers.

KPI 2: GHG emissions intensity scope 3 (tCO₂e/total annual tonnes of food and packaging across Arcos Dorados' operations)

Sustainalytics considers KPI 2 to be material and relevant given the following:

- i. Scope 3 GHG emissions represent approximately 93.17% of Arcos Dorados' total emissions.
- ii. SASB identifies "Supply Chain Management & Food Sourcing" as a material issue for the "Restaurants" industry. Arcos Dorados sources ingredients and products from a wide range of suppliers and therefore needs strong supply chain management to maintain a consistent level of quality across its operations. Furthermore, demand related to its operations drives and shapes agricultural production and the related carbon footprint and waste generated. In this context, reporting and mitigating the GHG emissions associated with food and packaging across the Company's operations are relevant.

In terms of applicability, Sustainalytics assesses both KPIs 1 and 2 on a combined basis, as both KPIs are an integral part of the Company's decarbonization strategy, which addresses scope 1, 2 and 3 GHG emissions and

¹¹ Sustainalytics' "Carbon – Own Operations" MEI refers to a company's management of risks related to its own operational energy use and GHG emissions (scope 1 and 2). It also includes parts of scope 3 emissions, such as transport and logistics. It does not include emissions in the supply chain or during the use phase/end-of-life cycle of a product.

¹² Energy Star, "Energy Star for Small Business: Restaurants", at: https://www.energystar.gov/buildings/resources_audience/small_biz/restaurants

¹³ SASB, "Restaurants Sustainability Accounting Standard", (2023), at: https://d3flraxduht3gu.cloudfront.net/latest_standards/restaurants-standard_en-gb.pdf

combined account for over 98% of Arcos Dorados’ operations. Given this, Sustainalytics considers both KPIs to have high scope for impact on the Company’s overall emissions.

KPI Characteristics

Sustainalytics in its assessment of the KPIs’ characteristics considers: i) whether a clear and consistent methodology is used; ii) whether the issuer follows an externally recognized definition; iii) whether the KPIs are a direct measure of the performance of the issuer on the material environmental or social issue; and iv) if applicable, whether the methodology can be benchmarked to an external contextual benchmark.¹⁴

KPI 1: Reduction in Absolute GHG emissions scopes 1 and 2 (tCO₂e)

Sustainalytics considers Arcos Dorados’ definition and methodology to calculate KPI 1 performance to be clear and consistent based on the guidelines from the GHG Protocol’s Corporate Reporting Standard, and notes that the Company’s methodology excludes carbon offsetting and applies a market-based approach.¹⁵ Sustainalytics considers KPI 1 to be a direct measure of the Company’s performance on material environmental issues and to be benchmarkable. However, the KPI on its own has a limited scope for impact on the Company’s overall emissions, accounting for 5.53% of Arcos Dorados’ total GHG emissions. Although the scope of KPI 1 is relatively low, the Company has communicated to Sustainalytics that KPI 1 will always be accompanied by KPI 2, as a result of which all KPIs and SPTs for all SLIs will address almost all of the Company’s GHG emissions.

KPI 2: GHG emissions intensity scope 3 (tCO₂e/ total annual tonnes of food and packaging across Arcos Dorados’ operations)

Sustainalytics considers Arcos Dorados’ definition and methodology to calculate KPI 2 performance to be clear, consistent and, in terms of the numerator, to be based on the guidelines from the GHG Protocol’s Corporate Reporting Standard. Sustainalytics considers KPI 2 to be a direct measure of performance given that its calculation will include the total scope 3 emissions from across 100% of Arcos Dorados’ operations. Sustainalytics further considers the SPT to be benchmarkable based on SBTi’s Corporate Manual’s scope 3 – physical intensity reduction tool.¹⁶

Overall Assessment

Sustainalytics overall considers both KPI 1 and KPI 2 to be very strong given that: i) they measure performance on a relevant and material ESG issue for the Company; ii) they directly measure the Company’s operational carbon footprint; iii) the calculation methodology is aligned with the GHG Protocol; iv) they can be compared to an external contextual benchmark; and v) have a high scope of applicability on a combined basis i.e. are applicable to over 98% of the Company’s combined scope 1, 2 and 3 GHG emissions.¹⁷

KPI(s)	Strength of KPI(s)			
KPI 1: Reduction in Absolute GHG emissions scopes 1 and 2 (tCO ₂ e)	Not Aligned	Adequate	Strong	Very strong
KPI 2: GHG emissions intensity scope 3 (tCO ₂ e/ total annual tonnes of food and packaging across Arcos Dorados’ operations)	Not Aligned	Adequate	Strong	Very strong

¹⁴ 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.

¹⁵ A market-based method reflects emissions from electricity that companies have purposefully chosen (or their lack of choice). It derives emission factors from contractual instruments, which include any type of contract between two parties for the sale and purchase of energy bundled with attributes about the energy generation, or for unbundled attribute claims. See more at: https://ghgprotocol.org/sites/default/files/Scope2_ExecSum_Final.pdf

¹⁶ Science-Based Targets Initiative, “SBTi Corporate Manual TVT-INF-002 – April 2023”, at: <https://sciencebasedtargets.org/resources/files/SBTi-Corporate-Manual.pdf>

¹⁷ Approximately 1.02% of Arcos Dorados total 2021 emissions are related to refrigerants, such as R-22, which are not included in the Kyoto Protocol and thus are excluded from the KPI Boundary.



Calibration of Sustainability Performance Targets

Alignment with Issuer's Sustainability Strategy

Arcos Dorados has set the following SPTs for its KPI:

- (1) SPT 1.1 Reduce absolute GHG emissions (scope 1 and 2) to be equal to or lower than 231,791 tCO₂e by year-end 2025.
 - SPT 1.2 Reduce absolute GHG emissions (scope 1 and 2) to be equal to or lower than 218,156 tCO₂e by year-end 2026.
 - SPT 1.3 Reduce absolute GHG emissions (scope 1 and 2) to be equal to or lower than 174,525 tCO₂e by year-end 2030.
- (2) SPT 2.1 Reduce GHG emissions intensity (scope 3) to be equal to or lower than 8.67 tCO₂e per tonne of food and packaging by year-end 2025.
 - SPT 2.2 Reduce GHG emissions intensity (scope 3) to be equal to or lower than 8.48 tCO₂e per tonne of food and packaging by year-end 2026.
 - SPT 2.3 Reduce GHG emissions intensity (scope 3) to be equal to or lower than 6.65 tCO₂e per tonne of food and packaging by year-end 2030.

In assessing alignment of the SPTs to the Issuer's overall strategy, Sustainalytics analysed Arcos Dorados' sustainability strategy and notes the Company has identified GHG emissions as a material topic and one of its core pillars in its action plan to address climate change. Arcos Dorados did its first inventory for scope 1 and 2 GHG emissions in 2019, and in 2021 for scope 3 GHG emissions. In 2020, Arcos Dorados set the goals to decrease by 36% its GHG emissions from its restaurants and offices and 31% from its supply chain by 2030. Sustainalytics considers the SPTs to be aligned with Arcos Dorados' sustainability strategy (please refer to Section 2 for an analysis of the credibility of Arcos Dorados' sustainability strategy).

Strategy to Achieve the SPTs

Arcos Dorados intends to achieve the SPTs through the following strategy:

- Arcos Dorados plans to install LED lighting, energy-efficient kitchen equipment and high-efficiency air conditioning systems with environmentally friendly gases.
- Arcos Dorados intends to increase the renewable energy mix by contracting and purchasing direct and virtual long-term power purchase agreements (PPAs). Since 2021, Arcos Dorados has initiated a process looking for long-term contracts to increase its energy supply from wind and solar farms, depending on the geography. The Company expects the PPA to be negotiated under a take-or-pay clause.
- The Company is committed to working closely with its suppliers to reduce GHG emissions from its supply chain. Initiatives include working with regional beef, chicken, beverages and packaging companies by evaluating the adoption of sustainability policies and practices and collecting data about their initiatives, and potentially replace suppliers that do not achieve the aspired sustainability metrics.
- The Company's ESG and Supply Chain teams evaluate joint initiatives to incentivise and help some of its small- and medium-sized suppliers implement new ways to reduce their GHG emissions.
- To reduce its emissions from travel, Arcos Dorados intends to devise strategies to reduce commuting and improve remote working infrastructure.

Ambitiousness, Baseline and Benchmarks

To determine the ambitiousness of the SPTs, Sustainalytics considers whether the SPTs go beyond a business-as-usual trajectory; ii) how the SPTs compare to targets set by peers; iii) and how the SPTs compare with science-based targets.¹⁸

¹⁸ We refer here to contextual benchmarks, that indicate the alignment of targets with ecosystem boundaries.

Arcos Dorados has set the baseline for the SPTs at 2021, given that it was the most recent and complete year of operational data. The Company’s GHG emissions inventory was prepared by South Pole and audited by Ernst & Young, and it represents the first year that the Company mapped out the emissions from 100% of its supply chain, employees air travel, logistics and external services.

SPT 1: Sustainalytics relied on peer comparison and science-based trajectories to assess ambitiousness. Sustainalytics notes that the SPT is largely above the targets set forth by local subindustry peers. Sustainalytics analysed historical performance but notes that there are constraints regarding the comparability of data given the impact of the COVID-19 pandemic during 2020. With respect to science-based trajectories, the SPT is aligned with the SBTi’s 2°C warming scenario using an Absolute Contraction Approach.¹⁹

SPT 2: Sustainalytics mainly relied on peer comparison to assess the Company’s ambitiousness.

Sustainalytics notes that the SPT is above targets set forth by local subindustry peers. Sustainalytics notes that Arcos Dorados started measuring its scope 3 emissions in 2021, and hence is not able to assess historical performance. While SPT 2 is not aligned with a science-based trajectory, Sustainalytics notes that the SPT represents a material improvement of 31% versus the 2021 baseline. However, Sustainalytics notes that the SPT 2 metric comprises of both numerator and denominator components, and further observes that the emissions in absolute terms, which make up the numerator, may or may not decrease as per the target date.

Overall Assessment

Sustainalytics considers the SPTs to be aligned with Arcos Dorados’ sustainability strategy. The Company’s SPT 1 is considered to be ambitious given it is aligned with peers and with a 2°C scenario. SPT 2 is considered to be moderately ambitious given that is above local subindustry peers and there is no historical comparable data.

<p>SPT 1.1 Reduce absolute GHG emissions (scope 1 and 2) to be equal to or lower than 231,791 tCO₂e by year-end 2025</p> <p>SPT 1.2 Reduce absolute GHG emissions (scope 1 and 2) to be equal to or lower than 218,156 tCO₂e by year-end 2026</p> <p>SPT 1.3 Reduce absolute GHG emissions (scope 1 and 2) to be equal to or lower than 174,525 tCO₂e by year-end 2030</p>	Not Aligned	Ambitious	Ambitious	Highly Ambitious
<p>SPT 2.1 Reduce GHG emissions intensity (scope 3) to be equal to or lower than 8.67 tCO₂e per total annual tonnes of food and packaging across Arcos Dorados’ operations by year-end 2025</p> <p>SPT 2.2 Reduce GHG emissions intensity (scope 3) to be equal to or lower than 8.48 tCO₂e per total annual tonnes of food and packaging across Arcos Dorados’ operations by year-end 2026</p> <p>SPT 2.3 Reduce GHG emissions intensity (scope 3) to be equal to or lower than 6.65 tCO₂e per total annual tonnes of food and packaging across Arcos Dorados’ operations by year-end 2030</p>	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious



Security Characteristics

Arcos Dorados has disclosed that it will link the financial characteristics of any security issued under the Framework to the achievement of the SPTs. Furthermore, Arcos Dorados has disclosed to Sustainalytics its

¹⁹ The absolute contraction approach is a method for companies to set emissions reduction targets that are aligned with the global, annual emissions reduction rate that is required to meet the 1.5°C or well-below 2°C targets.

intention to use both SPTs for all SLIs issued under this Framework. The financial characteristics may include a step-up or step-down adjustment of the coupon, as applicable, if: i) the KPIs do not reach the respective SPTs on the relevant target observation dates, 31 December 2025, 31 December 2026 and 31 December 2030 as applicable; ii) the Company fails to provide a verification of KPIs against the SPTs by the notification date; or iii) the Company fails to provide reasonable notice as of the notification date related to achievement of the SPTs. Each SPT will trigger a separate adjustment in the coupon.

Specific details on the financial characteristics selected for each financial instrument will be specified in the Company's respective transaction documentation. Sustainalytics notes positively that all SPTs need to be met to avoid a coupon step-up, however, it does not opine on the adequacy of the penalty imposed for not achieving the set SPTs. Sustainalytics notes that the financial characteristics of the securities is aligned with the SLBP and SLLP.



Reporting

Arcos Dorados commits to report on an annual basis on its performance of the KPIs in its corporate sustainability report or similar report published on its website. The report will also include a verification assurance report outlining the performance against SPTs; the related impact and its timing; impact on the instrument's characteristics as applicable; and other information enabling investors to monitor the level of ambition or progress of the SPTs. Based on the feasibility, Arcos Dorados may also disclose explanations on the contribution of main factors to the evolution of KPIs, positive sustainability impacts of the performance improvement, and reassessments of KPIs or restatement of SPTs. Arcos Dorados may voluntarily disclose additional information related to the use of proceeds such as their allocation and eligibility criteria. The reporting commitments are aligned with the SLBP and SLLP.



Verification

Arcos Dorados commits to obtain a limited assurance from an independent and external auditor for the assessment of KPIs against SPTs that may lead to a potential coupon adjustment, which is aligned with the SLBP on verification.

Section 2: Assessment of Arcos Dorados' Sustainability Strategy

Credibility of Arcos Dorados' Sustainability Strategy

Arcos Dorados' sustainability strategy reflects its position as one of the largest operators of fast-food restaurants in the Americas, enabling it to leverage its size and scale in addressing ESG issues that are relevant in the communities where it operates. The strategy is developed in accordance with the targets outlined in McDonald's Corporation's Impact Strategy & ESG Reporting, which are aligned with the SBTi's 1.5°C decarbonization pathway. The Company has implemented a range of sustainability programmes and initiatives on product quality and nutrition and responsible supply chain.²⁰ More recent initiatives include working with organizations such as the Collaboration for Forests and Agriculture which aim for deforestation-and-conversion-free supply chains and responsible sourcing of raw materials supported by relevant certifications, such as FSC for packaging materials, RSPO for palm oil and Rainforest Alliance, UTZ, Fair Trade USA, and Fair Trade International Certification for coffee.²¹ The Company's most recent sustainability strategy established in 2020 focuses on five pillars: i) youth opportunity; ii) climate change; iii) packaging and recycling; iv) sustainable sourcing; and v) commitment to families.²²

Of these five pillars, "climate change" is most relevant to the KPIs and SPTs in the Framework while "sustainable sourcing" can also have significant environmental implications. To demonstrate its commitment to reduce the impact of its operations on the environment, Arcos Dorados intends to reduce GHG emissions from its restaurants and offices by 36% by 2030 and from its

²⁰ Arcos Dorados, "Social Impact and Sustainable Development Report 2021", at: https://recipeforthefuture.com/wp-content/uploads/sites/2/2022/05/AD_ESG_Report2021.pdf

²¹ Ibid.

²² Ibid.

supply chain by 31% by 2030, compared to a 2021 baseline.²³ Arcos Dorados plans to achieve these targets by undertaking several initiatives to decarbonize its operations, including energy efficiency measures within its restaurants, enhancing monitoring of its operations' carbon footprint and that of its suppliers, and transitioning to renewable energy.²⁴ To promote sustainable packaging and recycling, Arcos Dorados has made a commitment to recycling consumer packaging across all of its restaurants by 2025.²⁵ Additionally, Arcos Dorados has adopted a sustainable restaurant construction policy that promotes the use of recycled construction materials, enhances buildings' water and energy efficiency and provides for sorting recyclable waste.

The decarbonization and sustainable management of its supply chain presents a more challenging issue for Arcos Dorados given the size and scale of its operations, although the same factors – size and scale – enable it to implement decarbonization initiatives within its supply chain. A focus area of these initiatives is the potential deforestation from the activities of its suppliers that provide meat-based ingredients, coffee, palm oil and fibres for packaging.²⁶ Arcos Dorados has set a target to eradicate deforestation from its supply chain by 2030.²⁷ Arcos Dorados is also a signatory and active member of several initiatives in this area also involve dialogues with relevant organizations, such as the Brazilian Roundtable on Sustainable Livestock (Grupo de Trabalho da Pecuária Sustentável - GTPS) and Argentine Roundtable for Sustainable Beef (Mesa Argentina de Carne Sustentable – MACS) that aim to achieve a more sustainable beef supply chain in Brazil and Argentina.²⁸

In view of Arcos Dorados' sustainability strategy and initiatives, Sustainalytics considers that the Framework will further support the Company's efforts to reduce its environmental footprint.

Arcos Dorados' Environmental and Social Risk Management

Sustainalytics recognizes that Arcos Dorados' defined targets are impactful, but acknowledges that achieving the SPTs bears environmental and social risks. Sustainalytics' ESG Risk Rating methodology identifies risks related to "Product Governance", "Environmental and Social Impact of Products and Services" and "Human Capital" as material for the Company's subindustry.

Sustainalytics comments below on Arcos Dorados' ability to mitigate such potential risks.

- Arcos Dorados has implemented its Standards of Business Conduct, which apply to its activities and outline its overarching policy of conducting business responsibly and ethically. The standards of conduct define the Company's approach to risk management based on compliance with laws and regulations in the markets where it operates and responsible behaviour towards its stakeholders – customers, employees, communities and the environment.²⁹ The standards outline Arcos Dorados' commitment to environmental responsibility by reducing the environmental impact of its operations through sustainable business practices and responsible supply chain.³⁰ In relation to animal welfare, the Company has implemented an audit programme for animal protein suppliers that promotes humane and sustainable production practices in line with the Professional Animal Auditor Certification Organization (PAACO) guidelines.³¹ Additionally, the Company has adopted a policy on deforestation-free procurement of beef in line with the Deforestation-Free Beef Procurement Policy of McDonald's launched in 2018.³²
- The Company mitigates product-related risks through its Integrated Management System covering operations in 20 countries to ensure food quality and safety, as well as compliance with the food quality policies set by McDonald's Corporation.³³ Arcos Dorados demonstrates its commitment to food safety by requiring suppliers to carry out analysis of potential hazards in the food supply chain, identify risks and contain them.³⁴ This is on top of the requirement for suppliers to satisfy the quality criteria set by the internal Social Workplace Accountability for food, packaging, distribution and refrigeration suppliers; Supplier Quality Management System (SQMS) for food suppliers; and Packaging Supplier Quality Management System Paper for packaging suppliers.³⁵ Additionally, with its Supplier Code

²³ Ibid.

²⁴ Ibid.

²⁵ Ibid.

²⁶ Ibid.

²⁷ Ibid.

²⁸ Ibid.

²⁹ Arcos Dorados, "Standards of Business Conduct", at: https://www.arcosdorados.com/wp-content/uploads/2015/12/StandardsofBusinessConduct_ENG2.pdf

³⁰ Arcos Dorados, "Standards of Business Conduct" (p.20), at: https://www.arcosdorados.com/wp-content/uploads/2015/12/StandardsofBusinessConduct_ENG2.pdf

³¹ Arcos Dorados, "Social Impact and Sustainable Development Report 2021", at: https://recipeforthefuture.com/wp-content/uploads/sites/2/2022/05/AD_ESG_Report2021.pdf

³² Ibid.

³³ Ibid.

³⁴ Ibid.

³⁵ Ibid.

of Conduct, the Company ensures that its suppliers observe ethical and responsible business practices. Furthermore, to address dietary concerns associated with fast food products, Arcos Dorados follows McDonald's Corporation goals and efforts to help consumers make informed decisions and ensure that 100% of the meal options are consistent with applicable national dietary guidelines. The Company also works with the Alliance for a Healthier Generation along with an independent third party to measure its compliance and progress on improving the nutritional value of its food items. Arcos Dorados' efforts to improve the nutritional value of its products include eliminating added sugars and artificial colours and flavours in ingredients such as cheddar cheese, ketchup, mustard, and vanilla ice cream since 2021.³⁶

- Regarding human resources risks, Arcos Dorados has established a Safe and Respectful Workplace Policy that looks after employee welfare, health, security, and promotes diversity and non-discrimination in its workforce.³⁷ The Company's diversity and inclusion policy upholds diversity across gender, age and sexual identities.³⁸ Additionally, the Company demonstrates its commitment to enhancing its workforce's skills through various training and career development programmes³⁹. Many of these programmes focus on equipping young employees with skills to enhance their access to employment and social mobility.

In addition to the above, Sustainalytics notes that it has found no evidence of any major environmental or social controversies related to Arcos Dorados. Overall, Sustainalytics considers that Arcos Dorados has adequate management programmes and policies to mitigate risks that could arise in achieving the SPTs.

Section 3: Impact of the SPTs

Importance of reducing GHG emissions from the food service industry in Latin America and the Caribbean

The global food system is responsible for about one-third of global anthropogenic GHG emissions, with the majority of emissions attributed to agriculture and converting land for crop production or livestock raising.^{40,41} In particular, agricultural activities are the main contributor to human-caused methane (CH₄) emissions (45%-50%) and nitrous oxide (N₂O) emissions (75%-80%), mostly from livestock farming.^{42,43} In addition, land use changes directly linked to agriculture are estimated to account for 10% of annual anthropogenic CO₂ emissions.⁴⁴ Meanwhile, agricultural production is expected to increase by 50% from the current levels to meet the food demand of the growing global population,⁴⁵ which reinforces the need to reduce GHG emissions from the food system. For companies in the food service industry, such as restaurants, emissions from food or ingredient supply chain usually make up the largest component of their carbon footprint, followed by emissions from energy use in operation.⁴⁶

The Latin America and the Caribbean (LAC) region contributed approximately 10% of global GHG emissions in 2018, with the main sources of emissions coming from agriculture (23%) and land use change and forestry (19%), whilst the global average is 11% and 7% respectively.^{47,48} In LAC countries, agricultural emissions usually account for a large proportion of total national GHG

³⁶ Ibid.

³⁷ Arcos Dorados, "Safe and Respectful Workplace", at: <https://www.arcosdorados.com/wp-content/uploads/2015/12/Safe-and-respectful-workplace-policy.pdf>

³⁸ Arcos Dorados, "Social Impact and Sustainable Development Report 2021", at: https://www.arcosdorados.com/wp-content/uploads/2015/12/StandardsOfBusinessConduct_ENG2.pdf

³⁹ Ibid.

⁴⁰ Poore, J. et al. (2018), "Reducing food's environmental impacts through producers and consumers", Science, at: <https://science.sciencemag.org/content/sci/360/6392/987.full.pdf>

⁴¹ Crippa, M. et al. (2021), "Food systems are responsible for a third of global anthropogenic GHG emissions", Nature Food, at: <https://www.nature.com/articles/s43016-021-00225-9>

⁴² Lynch, J. et al. (2021), "Agriculture's Contribution to Climate Change and Role in Mitigation Is Distinct From Predominantly Fossil CO₂ Emitting Sectors", Frontiers in Sustainable Food Systems, at: <https://www.frontiersin.org/articles/10.3389/fsufs.2020.518039/full>

⁴³ McKinsey & Company, "Agriculture and Climate Change: Reducing emissions through improved farming practices", (2020), at: <https://www.mckinsey.com/~media/mckinsey/industries/agriculture/our%20insights/reducing%20agriculture%20emissions%20through%20improved%20farming%20practices/agriculture-and-climate-change.pdf>

⁴⁴ Lynch, J. et al. (2021), "Agriculture's Contribution to Climate Change and Role in Mitigation Is Distinct From Predominantly Fossil CO₂ Emitting Sectors", at: <https://www.frontiersin.org/articles/10.3389/fsufs.2020.518039/full>

⁴⁵ Science Based Targets Initiative (SBTi), "Forest, Land, and Agriculture Science Based Target Setting Guidance – Draft for Public Consultation January 2022", (2022), at: <https://sciencebasedtargets.org/resources/files/FLAG-Guidance-Public-Consultation.pdf>

⁴⁶ Lightspeed, "Restaurant Sustainability Guide: How to Reduce Your Carbon Footprint", (2019), at: <https://www.lightspeedhq.com/blog/restaurant-sustainability-guide-reduce-your-carbon-footprint/>

⁴⁷ Inter-American Development Bank, "Getting to Net-Zero Emissions: Lessons from Latin America and the Caribbean", (2019), at: https://publications.iadb.org/publications/english/document/Getting_to_Net-Zero_Emissions_Lessons_from_Latin_America_and_the_Caribbean.pdf

⁴⁸ Wellenstein, A. & Hickey, V., "10 key points on climate change impacts, opportunities and priorities for Latin America and the Caribbean", (2021), at: <https://blogs.worldbank.org/latinamerica/10-key-points-climate-change-impacts-opportunities-and-priorities-latin-america-and>

emissions,⁴⁹ and deforestation can account for up to 83% of national emissions.⁵⁰ However, LAC countries still suffer from the loss and degradation of forests, driven by the expansion of agricultural land to meet the demand for livestock, feed and food crops.^{51,52} Moreover, the region is critically important in the global combat against climate change due to its large forest areas and carbon sinks.⁵³ Strong efforts to limit CH₄ and N₂O emissions, the intensification and transformation of farming and agricultural practices, as well as stopping deforestation and increasing afforestation are at the core of deep decarbonization pathways for the LAC region, according to the Deep Decarbonization Pathways in Latin America and the Caribbean (DDPLAC) project led by the Inter-American Development Bank.⁵⁴ All LAC countries have ratified the Paris Agreement, thus committing to net zero CO₂ emissions by 2050 and substantial reductions of CO₂ emissions by 2030,⁵⁵ and are committed to implementing programmes aimed at reducing emissions through investments in improved land use and productivity.⁵⁶

Based on the above context, Sustainalytics is of the opinion that Arcos Dorados’ efforts to reduce its scope 1, 2 and 3 GHG emissions are expected to contribute to minimizing the carbon footprint of the food service industry and to achieving the climate change mitigation goals in the LAC region.

Alignment with/contribution to SDGs

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

KPI	SDG	SDG Target
Absolute GHG emissions reduction scopes 1 and 2 (tCO ₂ e)	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
GHG emissions intensity scope 3 (tCO ₂ e/annual tonne of food and packaging)	12. Responsible consumption & Production	12.2 By 2030, achieve the sustainable management and efficient use of natural resources

⁴⁹ For example, agricultural emissions in Argentina contribute about 30% to total national emissions (including LULUCF), and agriculture is responsible for around 50% of the country’s emissions once the LULUCF sector is excluded. Climate Action Tracker, at: <https://climateactiontracker.org/>

⁵⁰ Inter-American Development Bank (IDB), “Getting to Net-Zero Emissions: Lessons from Latin America and the Caribbean”, at: https://publications.iadb.org/publications/english/viewer/Getting_to_Net-Zero_Emissions_Lessons_from_Latin_America_and_the_Caribbean.pdf

⁵¹ FAO, “The greatest potential for reducing carbon emissions in Latin America and the Caribbean lies in its forests”, (2016), at: <https://www.fao.org/americas/noticias/ver/en/c/447226/>

⁵² Inter-American Development Bank, “Getting to Net-Zero Emissions: Lessons from Latin America and the Caribbean”, at: https://publications.iadb.org/publications/english/viewer/Getting_to_Net-Zero_Emissions_Lessons_from_Latin_America_and_the_Caribbean.pdf

⁵³ World Resources Institute, “Latin America and Caribbean Climate Week Is an Opportune Moment to Strengthen Regional Climate Action”, (2019), at: <https://www.wri.org/insights/latin-america-and-caribbean-climate-week-opportune-moment-strengthen-regional-climate>

⁵⁴ Inter-American Development Bank, “Getting to Net-Zero Emissions: Lessons from Latin America and the Caribbean”, at: https://publications.iadb.org/publications/english/viewer/Getting_to_Net-Zero_Emissions_Lessons_from_Latin_America_and_the_Caribbean.pdf

⁵⁵ Ibid.

⁵⁶ Reliefweb, “Promoting Climate Change Action in Latin America and the Caribbean”, (2021), at: <https://reliefweb.int/report/world/promoting-climate-change-action-latin-america-and-caribbean>

Conclusion

Arcos Dorados Holdings Inc. intends to issue or obtain sustainability-linked financial instruments tying their coupon rate to the achievement of the following SPTs:

- (1) SPT 1.1 Reduce absolute GHG emissions (scope 1 and 2) to be equal to or lower than 231,791 tCO₂e by year-end 2025.
SPT 1.2 Reduce absolute GHG emissions (scope 1 and 2) to be equal to or lower than 218,156tCO₂e by year-end 2026.
SPT 1.3 Reduce absolute GHG emissions (scope 1 and 2) to be equal to or lower than 174,525 tCO₂e by year-end 2030.
- (2) SPT 2.1 Reduce GHG emissions intensity (scope 3) to be equal to or lower than 8.67 tCO₂e per total annual tonnes of food and packaging across Arcos Dorados' operations by year-end 2025.
SPT 2.2 Reduce GHG emissions intensity (scope 3) to be equal to or lower than 8.48 tCO₂e per total annual tonnes of food and packaging across Arcos Dorados' operations by year-end 2026.
SPT 2.3 Reduce GHG emissions intensity (scope 3) to be equal to or lower than 6.65 tCO₂e per total annual tonnes of food and packaging across Arcos Dorados' operations by year-end 2030.

Sustainalytics considers both KPI 1: GHG emissions reduction (scopes 1 and 2 in tCO₂e) and KPI 2: GHG emissions intensity reduction (scope 3 in tCO₂e/ total annual tonnes of food and packaging across Arcos Dorados' operations) to be very strong, as both KPIs are considered material ESG issues for the Company and follow clear methodologies, and have an extensive scope of applicability (over 98% of the Company's total emissions) on a combined basis.

Sustainalytics considers SPT 1 to be ambitious based on its targets being higher than local subindustry peers and with the emissions reduction trajectory of a 2°C climate scenario. SPT 2 is considered to be moderately ambitious based on it being above subindustry peers.

Furthermore, Sustainalytics considers reporting and verification commitments to be aligned with the SLBP and the SLLP.

Based on the above, Sustainalytics considers the Framework to be in alignment with the five core components of the Sustainability-Linked Bond Principles 2023 and the Sustainability-Linked Loan Principles 2023, and the prospective achievement of the SPTs to be impactful.

Appendix 1: Sustainability-Linked Bonds - External Review Form

Section 1. Basic Information

Issuer name: Arcos Dorados Holdings Inc.

Sustainability-Linked Bond ISIN:

Independent External Review provider's name for second party opinion pre-issuance (sections 2 & 3): Sustainalytics

Completion date of this form: October 31, 2023

Section 2. Pre-Issuance Review

SCOPE OF REVIEW

The review:

- assessed the 5 core components of the SLBP (**complete review**) and confirmed the alignment with the SLBP.
- assessed only some of them (**partial review**) and confirmed the alignment with the SLBP; please indicate which elements:
 - Selection of Key Performance Indicators (KPIs) Bond characteristics
 - Calibration of Sustainability Performance Targets (SPTs) Reporting
 - Verification

ROLE(S) OF INDEPENDENT REVIEW PROVIDER

- Second Party Opinion Certification
- Verification Scoring/Rating
- Other (*please specify*):

Does the review include a sustainability quality score?

- Of the issuer Of the selected KPIs/SPTs
- Of the framework Other (*please specify*):
- No scoring

ISSUER'S OVERARCHING OBJECTIVES

Does the review include:

- An assessment of the issuer's overarching sustainability objectives and strategy, and the policies and/or processes towards their delivery?
- An identification and assessment of environmental, social and governance related risks of adverse impact through the Issuer's [actions] and explanations on how they are managed and mitigated by the issuer?
- A reference to the issuer's relevant regulations, standards, or frameworks for sustainability-related disclosure and reporting?

CLIMATE TRANSITION STRATEGY**Does the review assess:**

- The issuer's climate transition strategy & governance?
- The alignment of both the long-term and short/medium-term targets with the relevant regional, sector, or international climate scenario?
- The credibility of the issuer's climate transition strategy to reach its targets?
- The level/type of independent governance and oversight of the issuer's climate transition strategy (e.g. by independent members of the board, dedicated board sub-committees with relevant expertise, or via the submission of an issuer's climate transition strategy to shareholders' approval).
- If appropriate, the materiality of the planned transition trajectory in the context of the issuers overall business (including the relevant historical datapoints)?
- The alignment of the issuer's proposed strategy and targets with appropriate science-based targets and transition pathways that are deemed necessary to limit climate change to targeted levels?
- The comprehensiveness of the issuer's disclosure to help investors assess its performance holistically?

Overall comment on this section:**Section 3. Detailed pre-issuance 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.

SELECTION OF KEY PERFORMANCE INDICATORS (KPIs)**Definition, Scope, and parameters**

- Clear definition of each selected KPIs
- Clear calculation methodology
- Other (*please specify*):

Relevance, robustness, and reliability of the selected KPIs

- Credentials that the selected KPIs are relevant, core and material to the issuer's sustainability and business strategy
- Evidence that the KPIs are externally verifiable, if that is not already the case
- Credentials that the KPIs are measurable or quantifiable on a consistent methodological basis
- Evidence that the KPIs can be benchmarked
- Current verification or assurance status
- Other (*please specify*):

Overall comment on this section:

Arcos Dorados Sustainability-Linked Financing Framework includes two KPIs: KPI 1 reduction in absolute GHG emissions reduction (scopes 1 and 2 in tCO₂e) and KPI 2 GHG emissions intensity reduction (scope 3 in tCO₂e/ tonnes of food and

packaging across Arcos Dorados' operations) (see Table 1). Sustainalytics considers both KPIs 1 and 2 to be very strong given the high scope of applicability, over 98% of total emissions, on a combined basis. Furthermore, both KPIs are considered to be a measurement on a material issue and are externally benchmarkable.

CALIBRATION OF SUSTAINABILITY PERFORMANCE TARGETS (SPTs)

Rationale and level of ambition

- | | |
|--|---|
| <input checked="" type="checkbox"/> Evidence that the SPTs represent a material improvement compared to issuer's own performance over baseline | <input checked="" type="checkbox"/> Credentials on the relevance and reliability of selected benchmarks and baselines |
| <input checked="" type="checkbox"/> Evidence that SPTs are consistent with the issuer's sustainability and business strategy | <input checked="" type="checkbox"/> Other (<i>please specify</i>): Ambitiousness based on peer assessment |

Does the review assess if the specificities of the sector and/or local context have been identified and addressed?

- | | |
|---|-----------------------------|
| <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <input type="checkbox"/> Not applicable | |

Relevance and reliability of selected benchmarks and baselines

- | | |
|--|---|
| <input checked="" type="checkbox"/> Issuer's past performance | <input checked="" type="checkbox"/> Issuer's peer performance |
| <input checked="" type="checkbox"/> Science-based trajectories (<i>please specify the references</i>): | <input type="checkbox"/> Other (<i>please specify</i>): |

Does the review assess the credibility of the issuer's strategy and action plan to achieve the SPTs?

- | | |
|---|-----------------------------|
| <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
|---|-----------------------------|

Does the review identify the key factors that may affect the achievement of the SPTs?

- | | |
|---|-----------------------------|
| <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
|---|-----------------------------|

Does the review opine on:

- | | |
|--|--|
| <input checked="" type="checkbox"/> the timelines for the target achievement | <input checked="" type="checkbox"/> the target observation date(s) |
| <input checked="" type="checkbox"/> the trigger event(s) | <input type="checkbox"/> Other (<i>please specify</i>): |
| <input type="checkbox"/> potential recalculations or adjustments description | |

Overall comment on this section:

Sustainalytics considers the SPTs to be aligned with the issuer's sustainability strategy. Sustainalytics further considers SPT 1 to be ambitious and SPT 2 to be moderately ambitious based on the lack of historical performance, alignment with industry peers, and where possible alignment with science-based targets.

BOND CHARACTERISTICS

Does the review assess whether the bond's financial and/or structural characteristics are commensurate and meaningful?

- Yes No

Does the review opine on the fallback mechanisms in case the SPTs cannot be calculated or observed in a satisfactory manner?

- Yes No

Overall comment on this section:

Arcos Dorados will link the financial characteristics of any security issued under the Sustainability-Linked Financing Framework to the achievement of the SPTs, namely a coupon step-up in case: i) KPI 1 or KPI 2 has not been achieved by the observation date of the respective SPTs; or ii) the company fails or is unable to provide satisfactory notification in accordance with the financial instrument's documentation.

REPORTING

Does the review assess the commitments of the issuer to report:

Content:

- The performance of the selected KPIs Verification
 The level of ambition of the SPTs Assurance report
 Other (please specify):

Frequency:

- Annual Semi-annual
 Other (please specify):

Means of Disclosure

- Information published in financial report, or annual report and accounts Information published in sustainability report or sustainability suite of reporting
 Information published in ad hoc documents Other (please specify): information published in a corporate sustainability report or similar report on the Company's website

Overall comment on this section:

Arcos Dorados commits to report on an annual basis on its progress on the KPIs in its corporate sustainability report or similar report on its website. Additionally, the company commits to disclose relevant information that affect KPI performance. The reporting commitments are aligned with the SLBP.

Section 4. Post-issuance

CHANGE TO PERIMETER REVIEW (if applicable)

Material change:

- Perimeter
- SPTs calibration
- KPI methodology
- Other (please specify):

VERIFICATION

Level of verification:

- Limited assurance
- Other (please specify):
- Reasonable assurance

Frequency:

- Annual
- Other (please specify):
- Semi-annual

Section 5. Additional Information

Useful links (e.g. to the external review provider’s methodology or credentials, to the full review, to issuer’s documentation, etc.)

Analysis of the contribution to the UN Sustainable Development Goals:

Additional assessment in relation with the issuer/bond framework:

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These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

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. For more than 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics 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. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. With 17 offices globally, Sustainalytics has more than 1500 staff members, including more than 500 analysts with varied multidisciplinary expertise across more than 40 industry groups.

For more information, visit www.sustainalytics.com

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