



ARCOS DORADOS

Sustainability-Linked Financing Framework

April, 2022

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1. About Arcos Dorados

Arcos Dorados Holdings Inc., (“Arcos Dorados”, “AD”, “we” or “the Company”) is the world’s largest independent McDonald’s franchisee, operating the largest quick service restaurant chain in Latin America and the Caribbean. Arcos Dorados has the exclusive right to own, operate and grant McDonald’s restaurant franchises in 20 countries and territories in Latin America and the Caribbean, with more than 2,200 restaurants that together employ more than 70,000 people.

As a Company, we are committed to the development of the communities in which we operate, offering young people their first formal job opportunity, and using our scale to achieve a positive impact on the environment. All these pillars form part of our Recipe for the Future ESG platform.

MISSION

To serve quality food while generating delicious and accessible moments for everyone.

VISION

To be recognized for offering the best experience in each of our restaurants daily, generating value for our people and shareholders.

OUR VALUES

- We deliver Quality, Service and Cleanliness to our Customers
- We are a Results-Oriented Company with an Entrepreneurial Spirit
- We promote Meritocracy and Teamwork
- We value Differences and foster Inclusion
- We operate Responsibly and Ethically
- We contribute to the Development of the Communities in which we operate



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¹ Source: Arcos Dorados’ Social Impact and Sustainable Development Report - 2020

2. Approach to Sustainability

Since the beginning of our operations in Latin America and the Caribbean, the Arcos Dorados and McDonald’s brands have been committed to thanking, recognizing, and giving back to the communities in which we operate. These communities have opened their doors to our brands, allowing us to successfully develop our business. We have a long and diverse history of collaborating with, and contributing to, the communities in which we operate, and starting in 2016, we developed a more strategic approach to our social, environmental and governance efforts to deliver an even greater positive impact to them.

The objective of our Social Commitment and Sustainable Development department is to establish and crystallize our commitment to the sustainable social development of the communities in which we operate. Arcos Dorados’ presence in 20 countries across Latin America and the Caribbean positions it as a leading generator of large-scale social, environmental, and economic impacts in the region. As leaders, we have the responsibility to prioritize the wellbeing of our employees and guests, offering personal development opportunities as well as contributing to local economies through our sustainable supply chain, while making every effort to minimize the environmental impact of our operations.

We seek an appropriate balance between our commercial activities and our social impact in the countries in which we operate, especially among young people, and we believe in our duty to take care of Planet Earth. All these ingredients are a part of our Recipe for the Future initiative, or “Receta del Futuro”, which is our clear roadmap – aligned with McDonald’s global Purpose & Impact initiatives² – to ensure that we will meet our social and environmental commitments.

In order to develop our corporate commitments, align our efforts and work as a community according to a unified agenda, we rely on the 17 Sustainable Development Goals established by the United Nations at COP21. Accordingly, the “Recipe for the Future” initiative combines and organizes our efforts to meet the specific goals related to our social and environmental commitments.



We continuously support the pillars that guide us. They include food quality and safety as well as transparency; generating formal employment and training opportunities for young people; community support; sustainable supply chain and minimizing environmental impacts; diversity and inclusion and innovative experiences for the whole family.

In 2021, we added an additional pillar to our Recipe for the Future ESG platform: Diversity & Inclusion. Arcos Dorados’ corporate values have always promoted a meritocratic workplace. We have formalized our commitment to ensuring a diverse and inclusive work environment with initiatives focused on gender, race, sexuality and generational diversity.

² For more information, please visit: <https://corporate.mcdonalds.com/corpmcd/our-purpose-and-impact.html>

PILLARS		COMMITMENT	ACHIEVEMENTS
YOUTH OPPORTUNITY	We offer the opportunity for thousands of young people to gain their first formal job experience	✓ Reduce barriers to employment for more than 2,000,000 young people by 2025.	IN PROGRESS
		✓ Reach more than 400,000 young people in Latin America through pre-employment skills development programs, direct employment, on-the-job training and alliances with NGOs by 2020.	✓
CLIMATE CHANGE	We implement initiatives to reduce the impact of our operations on the environment	✓ Implement the Sustainable Development program in more than 1,000 restaurants by 2020, so that 2,000 employees can be trained through face-to-face courses and exclusive conferences.	✓
		✓ Reduce greenhouse gas (GHG) emissions by 36% ⁶ by all restaurants and offices by 2030.	IN PROGRESS
		✓ Reduce supply chain GHG emissions by 31% ⁶ in collaboration and partnership with our suppliers by 2030.	IN PROGRESS
PACKAGING AND RECYCLING	We work on the transition to renewable materials and changes in habits in restaurants	✓ In 2020, 100% of fiber-based packaging for primary consumer products comes from a certified Chain of Custody or certified recycled sources of third parties where no deforestation occurs.	92% ⁷
		✓ 100% of our packaging for consumer products will come from renewable, recycled, or certified sources by 2025.	IN PROGRESS
		✓ Recycle ⁸ customer packaging in 100% of McDonald's restaurants by 2025.	IN PROGRESS

⁶Based on 2015 values.

⁷Fiber: All suppliers declared that they would achieve the goal of being certified by the first quarter of 2021.

⁸We understand that recycling infrastructure varies from city to city and country to country, but we plan to be part of the solution and help influence powerful change.

PILLARS		COMMITMENT	ACHIEVEMENTS
SUSTAINABLE SOURCING	We promote animal welfare and we procure ingredients produced while respecting the environment	✓ In Brazil, source beef from suppliers that meet the Global Roundtable for Sustainable Beef principles and criteria by 2020.	✓
		✓ Verify that 100% of the beef comes from suppliers who prevent and avoid deforestation in Brazil and Argentina by 2020.	✓
		✓ Serve 100% coffee from certified sustainable sources by 2020.	80% ⁹
		✓ Serve 100% fish from sustainable sources certified by Marine Stewardship Council (MSC) by 2020.	✓
		✓ Ensure that 100% of the palm oil used as an ingredient in our products comes from certified sustainable sources by 2020.	✓
		✓ Reach 100% of egg purchases from cage-free producers by 2025.	IN PROGRESS
		✓ Eliminate the use of antibiotics defined by the World Health Organization as Highest Priority Critically Important Antimicrobials (HPCIA) for human medicine in all the chicken served in our restaurants by 2027.	IN PROGRESS
COMMITMENT TO FAMILIES	We maintain our commitment to families, with menu options for all needs and by improving their quality of life	<ul style="list-style-type: none"> ✓ Remove artificial flavors, added colors and artificial preservatives where feasible from the Happy Meal. ✓ Continue to be transparent with nutritional information by making it available in every market. ✓ Continue responsible practices in marketing to children maintaining nutritional criteria and promoting increased consumption of fruits and vegetables. 	IN PROGRESS

⁹Coffee: At the end of 2020 all suppliers had approved certifications.

In 2015, the UN established the "2030 Agenda for Sustainable Development", within which 17 Sustainable Development Goals (SDGs) were set. Since then, they have become a guide and action plan for companies, countries, governments and NGOs to work together seeking to end poverty, combat climate change, strengthen education and care for the environment, among other central issues for human development.

We incorporate the "Agenda 2030" into our commitments.

SUSTAINABLE DEVELOPMENT GOALS

With our **Recipe for the Future** ESG platform we aim to contribute positively to the development of actions and initiatives that allow us to support this agenda, particularly in those objectives where we believe we can generate the greatest impact.



3. Rationale for the Issuance

We believe we have a joint responsibility to support the sustainable financing market to allow the transition to a more sustainable economy. Accordingly, we have decided to establish a Sustainability-Linked Financing Framework (the "Framework"). The Framework will apply to us and to our subsidiaries as described in the corresponding financing documentation.

With Arcos Dorados' continuous and growing commitment to sustainability, linking our financing to our sustainability goals is a natural choice. Accordingly, this Framework will: (i) enable us to align our financing strategy with our mission and sustainability objectives and targets; (ii) allow and facilitate the channeling of proceeds from institutional investors and customers into investments that contribute to a transition to a low-carbon economy; and (iii) enable us to contribute to the overall development of the sustainable financing market, emphasizing the importance of the food retail sector in the implementation and achievement of the UN's Sustainable Development Goals.

Arcos Dorados intends to use this Framework to support the future issuance of Sustainability-Linked Financing Instruments ("SLIs"), including but not limited to Sustainability-Linked Bonds (SLBs), Sustainability-Linked Loans (SLLs), and other securities and bilateral financing transactions.

Through this Framework, Arcos Dorados aims to provide investors with an additional tool to contribute to climate change mitigation, incentivizing them to do their part in promoting financial instruments linked to ESG goals. To that end, Arcos Dorados intends to commit to ambitious and significant ESG objectives, setting ambitious timelines for their execution. Arcos Dorados' Framework provides a high-level approach to its Sustainability-Linked Financing Instruments and investors should refer to the specific documentation for each issuance.

Arcos Dorados may enter into different financing agreements that may or may not be aligned with the Framework, including with respect to Key Performance Indicators (KPIs), scope and Sustainability Performance Targets (SPTs), among others.

4. Alignment with the Sustainability-Linked Principles

The Framework has been established with the intention of aligning with the (i) Sustainability-Linked Bond Principles 2020³ (“SLBP”), published by the International Capital Market Association (“ICMA”), aiming to encompass future issuances in the capital markets; and (ii) Sustainability-Linked Loan Principles 2021⁴ (“SLLP”), published by the Loan Markets Association (“LMA”), aiming to encompass bilateral or syndicated loans with financial institutions and/or multilateral agencies.

The SLBP and the SLLP, or the Sustainability-Linked Principles (“SLP”) are voluntary process guidelines that outline best practices for financial instruments to incorporate forward-looking ESG outcomes and promote integrity in the development of Sustainability-Linked financing and the issuance of SLIs. Our Framework is aligned with the five core components of the SLBP and SLLP:

1. Selection of Targets and Key Performance Indicators (KPIs);
2. Calibration of Sustainability Performance Targets (SPTs);
3. Financial characteristics;
4. Reporting; and
5. Independent verification of the components listed in items 1-4 above.

SLIs are an instrument the financial and/or structural characteristics of which may vary according to the achievement (or non-achievement) of predefined sustainability goals. Accordingly, Arcos Dorados is explicitly committing to improving sustainability performance targets that are key to its business, within a predetermined schedule. As a result, SLIs are a forward-looking, performance-based instrument. The proceeds of SLIs are intended to be used for general purposes as described in each financing document.

Arcos Dorados relies on the Sustainable Development Goals (“SDGs”)⁵ and recognizes that the engagement of the private sector is essential to accelerate the fulfillment of the “2030 Agenda”⁶. Through our global “Recipe for the Future” strategy, we have been committed to generating positive impacts through opportunity for young people, sustainable sourcing, diversity and inclusion, climate change fighting and circular economy. Likewise, within its operations, Arcos Dorados adheres to the 2030 Agenda principles, linking its projects and activities to the related SDGs.

³ Please refer to the SLB Principles at <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Sustainability-Linked-Bond-Principles-June-2020-171120.pdf>

⁴ <https://www.lsta.org/content/sustainability-linked-loan-principles-sllp/>

⁵ Please refer to the Sustainable Development Goals website: <https://sdgs.un.org/>

⁶ <https://sdgs.un.org/2030agenda>

5. Selection of the Key Performance Indicators

Arcos Dorados has selected sustainability objectives that it views as key to its business and to the industry. These selected key performance indicators will measure the reduction of the Company's environmental impact associated with GHG emissions and considering Scopes 1, 2 and 3 as defined by the Greenhouse gas emissions Protocol ("GHG Protocol")⁷.

Contributing towards a low-carbon economy has been one of the key action areas of Arcos Dorados' sustainability strategy. In response to the growing global pressure to deliver on carbon emissions targets, and considering UN SDGs 7 and 9, Arcos Dorados is changing its operations to become low carbon. Arcos Dorados has been measuring its scope 1 and scope 2 carbon emissions since 2019, and started to measure its scope 3 carbon emissions in 2021. Scope 3 categories include: (i) Upstream Activities: Purchased goods and services, Capital goods, Fuel and energy related activities, waste generated in operations, business travel, employee commuting; and (ii) Downstream Activities: Transportation and distribution, franchises, supply chain (suppliers and logistics), commuting (local and international), and external services (consulting, advisory, auditing, security, etc.).

Arcos Dorados' strategy is aligned with the current targets established by McDonald's Corporation Impact Strategy & ESG Reporting. Since October 4, 2021, McDonald's Corporation has been aligned with the United Nations Race to Zero campaign has approved targets by the Science Based Targets initiative (SBTi) and has been aligned with the Business Ambition for 1.5°C campaign – the most rigorous SBTi target.

As a result, Arcos Dorados decided to establish this Framework based on GHG emissions sustainable targets, which are (i) relevant and core to Arcos Dorados' overall business; (ii) aligned with our Sustainability Strategy ("Recipe For The Future") targets and consistent with the results of our materiality analysis; and (iii) measurable and quantifiable on a consistent methodological basis.

For the full year 2021, Scope 1 and Scope 2 emissions consisted mainly of fugitive greenhouse gas emissions (37.1%) and power sources (57.6%). These emissions totaled 356,204 tonnes of carbon dioxide equivalent ("tCO₂e") in 2021, or approximately 5.69% of our total 2021 emissions, from all the 20 countries in which we operate. With respect to Scope 1 emissions, fugitive greenhouse gas emissions come mainly from the use of gas R404A as a refrigerant followed by the use of propane in kitchens in certain markets where natural gas is not fully available. With respect to Scope 2 emissions, most of the countries in which we operate rely heavily on non-renewable energy sources, therefore posing a great challenge for Arcos Dorados to effectively reduce the resulting emissions. In addition, most regions in these countries do not have infrastructure, a developed business environment or access to certain technologies to facilitate the reduction of these emissions.

Therefore, we will have to seek key partners in the renewables energy sector and focus on finding ways to reduce fugitive greenhouse gas emissions as much as possible. The Company believes that its culture, reputation, and strong management commitment will drive the necessary changes to overcome these challenges.

Furthermore, to strengthen its commitments towards decarbonization, the Company started to measure Scope 3 emissions starting in 2021. The Company is committed to measuring Scope 3 emissions in coming years and will consider 2021 emissions inventory as the baseline for the calculation of its KPIs (See below). In 2021, Scope 3 emissions accounted for approximately 93.29% of our emissions. In line with our operational footprint, the largest component of our scope 3 emissions relates to our purchases of food & paper (91.2%) followed by the emissions from our franchisees (2.6%) and logistics (1.5%). In our food & paper purchases category, the most challenging sub-categories are mainly beef (83.1%) and chicken (5.7%). For the full year 2021, our Scope 3 emissions totaled 5,837,020 tCO₂e.

In mapping out our Scope 3 emissions, we will aim to hold regular roundtable meetings with key suppliers to discuss and agree on measures for decarbonization along the whole value chain that align with our decarbonization strategy and commitments. Given that most of our total emissions come from suppliers, we are planning to incentivize these producers by providing them better financing terms and payment conditions, as well as coordinating certain actions with them, including aligning measurements, define production policies and enter into new sustainability investments. We are one of the top buyers of certain products as potatoes, beef meat, dairy, and bread, and we believe that this gives us significant influence over our suppliers. To date, all our key business relationships have been built over a long-term understanding that involves commitments to achieve different sustainability targets. We

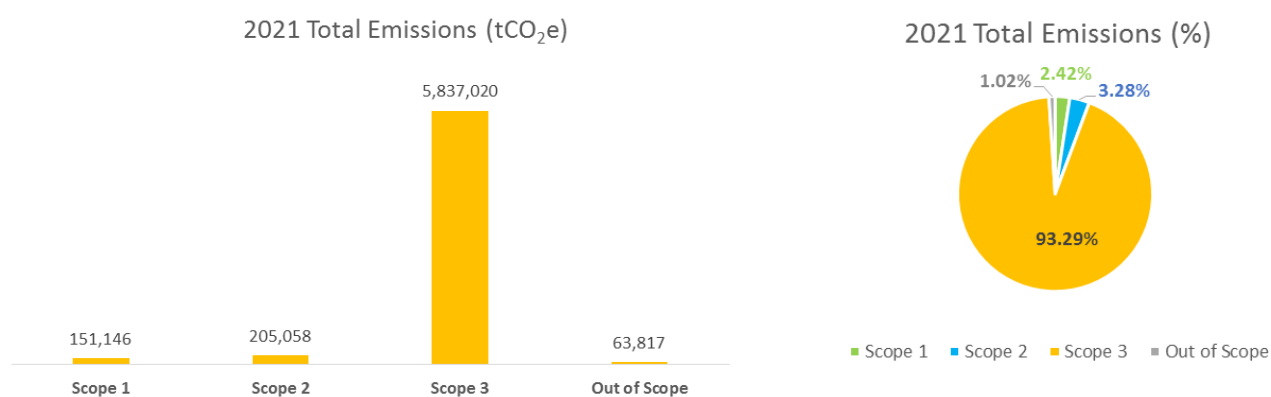
⁷ <https://ghgprotocol.org/>

are also planning to set goals for internal air travel and incentivizing different meeting methods based on new available technologies. In that regard, the COVID-19 pandemic helped accelerate these changes.

It is in our interest to start replacing our fleet of vehicles with hybrid or electric vehicles. In addition, we will develop a sustainable mobility program for restaurant employees. The Company will also create more strict programs for its logistics suppliers (distributors) and will encourage them to utilize hybrid or electric vehicles.

It is important to note that the Company is measuring all of its emissions (Scope 1, 2 and 3) using market-based methodologies that are location based. In addition, some emissions were out of scope and therefore accounted for total percentages purposes but not for KPI measurement. These emissions were calculated and are not material. Collectively, KPI 1 and KPI 2 account for 98.98% of our total 2021 GHG emissions.

Summary of 2021 Arcos Dorados Total Absolute Emissions (tCO₂e)⁸:



2021 Baseline Scope 1 and Scope 2 Total Arcos Dorados Absolute Emissions (tCO₂e)⁸:

	(tCO ₂ e)	% of Total 2021 Absolute Emissions (Scope 1, 2 and 3)
Scope 1 Direct Emissions from controlled sources	151,146 tCO₂e	2.42%
Stationary fuel combustion	16,123	
Mobile fuel combustion	2,752	
Fugitive & process emissions	132,270	
Scope 2 Energy consumption	205,058 tCO₂e	3.28%
Energy consumption	205,058	
Scope 1 & 2 Emissions (tCO₂e)	356,204 tCO₂e	5.69%

⁸ Arcos Dorados' carbon footprint is internally assessed, based on the GHG Protocol, by measuring the Scopes 1, 2 and 3 emissions of 100% of Arcos Dorados' operations using the market-based method.

2021 Baseline Scope 3 Total Arcos Dorados Emissions Intensity (tCO₂e / the total annual tonnes of Food and Packaging across Arcos Dorados operations):

	(tCO ₂ e) (a)	<u>Total annual tonnes of Food and Packaging across Arcos Dorados operations</u> (b)	Emissions Intensity (a / b)	% of Total 2021 absolute Emissions (Scope 1, 2 and 3)
Scope 3 Indirect emissions that occur in Arcos Dorados' value chain	5,837,020		8.29 tCO₂e Total Tonnes of Food and Packaging across AD's operations	93.29%
Fuel-and-Energy-Related Services	86,520	704,380 tonnes		
Capital Goods	50,431			
Purchased Goods and Services	5,321,244			
End of Life treatment of sold products	34,139			
Franchises	149,499			
Investments	4,066			
Waste Generated in Operations	22,076			
Transportation & Distribution (Upstream)	87,783			
Transportation & Distribution (Downstream)	24,447			
Employee Commuting	46,320			
Business Travel	10,494			

2021 Baseline absolute emissions out of scope (tCO₂e):

	(tCO ₂ e)	% of Total 2021 Emissions (Scope 1, 2 and 3)
Out of Scope⁹	63,817 tCO₂e	1.02%
Fugitive & Process Emissions	40,759	
Franchises	22,677	
Investments	381	

⁹ Approximately 1.02% of our 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. Such emissions may be included in future measurements if they become mandatory by an amendment in Kyoto Protocol or if they become a material component of our emissions

KPI 1: GHG Emissions (Scope 1 and 2)

Key Performance Indicator (“KPI 1”):

GHG Absolute Emissions measured as Arcos Dorados' total Scope 1 and Scope 2 Greenhouse Gas Emissions in tonnes of CO₂e

Baseline

- Scope 1 and Scope 2 Absolute Emissions in 2021: 356,204 tCO₂e

The company has selected 2021 as the baseline year because it represents the last full year of operations which include 100% of its operations under normal operational circumstances. The 2020 emissions were critically affected by the Covid-19 pandemic, thereby making the year an inaccurate representation of our operations. The 2021 baseline has been prepared by South Pole Carbon Asset Management Ltd. (“South Pole”) and audited by Pistrelli, Henry Martin y Asociados S.R.L. - EY (“Ernst & Young Argentina” or “EY Argentina”).

Methodology

Arcos Dorados' carbon footprint is internally assessed, based on the GHG Protocol, by measuring the Scopes 1, 2 and 3 emissions of 100% of Arcos Dorados' operations using the market-based method. The long-term operational goals (Scopes 1 and 2) established by Arcos Dorados are consistent with the emission reduction required under the Paris Agreement and with the Business Ambition for 1.5°C campaign to pursue efforts to limit global temperature increases to 1.5°C above pre-industrial levels.

Rationale for KPI 1 Selection:

Reducing emissions and adapting to climate change is critical to the collective success and resilience of the McDonald's process, structures, stakeholders, products and strategies (the “McDonald's System”), and Arcos Dorados' ability to feed communities today and in the future. While acting on climate change is challenging and requires significant investment, the Company believes it will drive business value in the long term by ensuring it is managing operational costs in its energy supply, improving the security of supply of its raw materials and reducing its exposure to increasing environmental risks, regulation and taxes. Since Arcos Dorados has more than 1,579 restaurants under its direct management (as of December 31, 2021), it fully understands its contribution to global emissions and responsibility for reducing it. Accordingly, measuring and monitoring its carbon footprint is key to establishing a path towards decarbonization. So far, several actions have been implemented to reduce emissions from operations, such as investment in energy efficiency in restaurants and administrative buildings the purchase of renewable energy, and the replacing of fossil fuels for renewable fuels.

KPI 1 Boundary

The selected KPI encompasses 100% of scopes 1 and 2 GHG emissions that are directly connected to Arcos Dorados' operations, including all expected organic growth as of December 31, 2021. This includes the GHG emissions from all the Company's restaurant's operations in 100% of the countries in which it operates and for company owned and operated restaurants only.

SDG Alignment

The selected KPI is aligned with 3 sustainable development goals, as defined by the United Nations, namely: (i) SDG 7: Affordable and Clean Energy; (ii) SDG 9: Industry, innovation, and infrastructure; and (iii) SDG 13: Climate Action

Examples of projects to reduce Scope 1 and Scope 2 emissions by the Company

We are committed to changing the way we currently do business, implementing sustainable practices across all our business lines. For example, this includes opening new stores under our Sustainable Stores policy, which aims to foster the use of sustainable materials to buy more efficient equipment and therefore achieve a lower carbon footprint in our physical stores. In addition, we will also develop a renewable energy policy and will start entering into Power Purchase Agreements (PPA's) with key local partners in different regions to tackle the reduction of energy consumption. This will help reduce most of our Scope 2 emissions, in countries where the energy matrix is mostly non-renewable and not aligned with the Paris Agreement and or -1.5 degrees guidelines. We will also review our policies for the acquisition of certain refrigerant gases used in cooling equipment to use them more efficiently.

KPI 2: GHG Emissions Intensity (Scope 3)

Key Performance Indicator (“KPI 2”)

GHG Emissions measured as Arcos Dorados’ total Scope 3 GHG emissions, in tonnes of CO₂e, divided by the total annual tonnes of Food and Packaging across Arcos Dorados operations (intensity metric).

Baseline

- Scope 3 Emissions Intensity in 2021: 8.29 tCO₂e per total annual tonnes of Food and Packaging across Arcos Dorados’ operations (5,837,020 tCO₂e / 704,380 total annual tonnes of Food and Packaging across Arcos Dorados’ operations)

The company has selected 2021 as the baseline year because it represents the first year where Arcos Dorados mapped out the emissions from 100% of its supply chain, employees air travel, logistics and external services. The 2020 emissions were critically affected by the Covid-19 pandemic thereby making the year an inaccurate representation of the operations. The 2021 baseline has been prepared by South Pole and audited by Ernst & Young.

Methodology

Arcos Dorados’ carbon footprint is internally assessed, based on the GHG Protocol, by measuring the Scope 3 emissions of 100% of Arcos Dorados’ operations using the market-based method. The long-term goal established by Arcos Dorados is consistent with the emission reduction required under the Paris Agreement and with the Business Ambition to pursue efforts to limit the temperature increase to a 2°C global warming scenario. Scope 3 emissions intensity is calculated as Arcos Dorados’ total Scope 3 GHG emissions, in tonnes of CO₂e, divided total annual tonnes of Food and Packaging across Arcos Dorados operations.

Rationale for KPI 2 Selection

As the world’s largest independent McDonald’s franchisee, operating the largest quick service restaurant chain in Latin America and the Caribbean, Arcos Dorados has a unique opportunity to mobilize its entire value chain to act now. In collaboration with its franchisees, and through its relationships with suppliers, farmers, and ranchers around the world, it can help to catalyze action around emissions reductions and strengthen climate resiliency.

Our goal is to reduce supply chain GHG emissions by 31% in collaboration and partnerships with our suppliers by 2030, using a 2015 baseline that is in line with McDonald’s goals and the 2°C global warming scenario. However, for the purpose of this framework, the Company will commit to such reduction based on 2021 figures. Arcos Dorados intends to publicly report on its progress on Scope 3 emissions reduction in its future annual reports. To achieve our supply chain goals, we work closely with suppliers and producers, particularly the largest ones in the product categories in which we can have the greatest impact and will agree on measures for decarbonization along the whole value chain that align with our decarbonization strategy and commitments.

KPI 2 Boundary

The KPI selected encompasses approximately 100% of scope 3 GHG emissions that are directly connected to Arcos Dorados’ operations, including all expected organic growth as of December 31, 2021. This includes the GHG emissions related to all the company restaurant’s operations in 100% of the countries where they operate.

SDG Alignment

The selected KPI is aligned with 3 sustainable development goals, as defined by the United Nations, namely: (i) SDG 7: Affordable and Clean Energy and (ii) SDG 9: Industry, innovation, and infrastructure (iii) SDG 13: Climate Action

Examples of projects to reduce Scope 3 emissions by the Company

Most of Arcos Dorados’ emissions come from suppliers. The company is planning to incentivize these producers to adhere to more sustainable practices by providing our suppliers with better financing terms and payment conditions, as well as coordinating certain actions together. Arcos Dorados is one of the top buyers for these suppliers in Latin America and believes that this gives them a significant influence. So far, all the company’s key business relationships have been built over a long-term understanding that involves commitments to achieve different sustainability targets. The company is also planning to set goals for internal air traveling and incentivizing different meeting methods based on new available technologies. It is in the Company’s interest to consider replacing its vehicles with hybrid or electric ones. The Company will also create more strict programs of its logistics suppliers (distributors) and will push them to utilize hybrid or electric vehicles.

6. Calibration of the Sustainability Performance Targets (SPTs)

Aware of the significance of the company’s commitments and challenges, Arcos Dorados has selected the following Sustainability Performance Targets:

Description of Sustainability Performance Targets
<p>Sustainability Performance Target 1.1 (“SPT 1.1”): Reduce Absolute GHG Emission (Scope 1 and 2) to be equal to or lower than 302,774 tCO₂e by year-end 2025 from the 2021 baseline. This is the equivalent to a 15.0% Absolute GHG Emission Reduction from the 2021 baseline.</p> <p>Sustainability Performance Target 1.2 (“SPT 1.2”): Reduce GHG Emission Intensity (Scope 3) to be equal to or lower than 7.46 tCO₂e per total annual tonnes of Food and Packaging across Arcos Dorados’ operations by year-end 2025 from the 2021 baseline. This is the equivalent of a 10.0% GHG Emission Intensity Reduction from the 2021 baseline.</p> <p>Observation Dates (for SPT 1.1. and 1.2): December 31, 2025.</p> <p>-----</p>
<p>Sustainability Performance Target 2.1 (“SPT 2.1”): Reduce Absolute GHG Emission (Scope 1 and 2) to be equal to or lower than 284,963 tCO₂e by year-end 2026 from the 2021 baseline. This is the equivalent to a 20.0% Absolute GHG Emission Reduction from the 2021 baseline.</p> <p>Sustainability Performance Target 2.2 (“SPT 2.2”): Reduce GHG Emission Intensity (Scope 3) to be equal to or lower than 7.29 tCO₂e per total annual tonnes of Food and Packaging across Arcos Dorados’ operations by year-end 2026 from the 2021 baseline. This is the equivalent of a 12.0% GHG Emission Intensity Reduction from the 2021 baseline.</p> <p>Observation Dates (for SPT 2.1. and 2.2): December 31, 2026.</p> <p>-----</p>
<p>Sustainability Performance Target 3.1 (“SPT 3.1”): Reduce Absolute GHG Emission (Scope 1 and 2) to be equal to or lower than 227,971 tCO₂e by year-end 2030 from the 2021 baseline. This is the equivalent to a 36.0% Absolute GHG Emission Reduction from the 2021 baseline.</p> <p>Sustainability Performance Target 3.2 (“SPT 3.2”): Reduce GHG Emission Intensity (Scope 3) to be equal to or lower than 5.72 tCO₂e per total annual tonnes of Food and Packaging across Arcos Dorados’ operations by year-end 2030 from the 2021 baseline. This is the equivalent of a 31.0% GHG Emission Intensity Reduction from the 2021 baseline.</p> <p>Observation Dates (for SPT 3.1. and 3.2): December 31, 2030.</p> <p>-----</p>
<p>Baseline: 2021 (See KPI section for full details and breakdown):</p> <ul style="list-style-type: none"> ▪ Scope 1 and Scope 2 Absolute Emissions: 356,204 tCO₂e ▪ Scope 3 Emissions Intensity: 8.29 tCO₂e per total annual tonnes of Food and Packaging across Arcos Dorados’ operations (5,837,020 tCO₂e / 704,380 total annual tonnes of Food and Packaging across Arcos Dorados’ operations)
<p>Calculation Methodology: Arcos Dorados’ carbon footprint is internally assessed, based on the GHG Protocol, by measuring the Scopes 1,2 and 3 emissions (as applicable) of 100% of Arcos Dorados’ operations, using market-based methodology.</p>
<p>The long-term operational goals established by Arcos Dorados are consistent with the emission reduction required under the Paris Agreement and with the Business Ambition to pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels. Total Scope 1, Scope 2 and Scope 3 GHG emissions are measured in tonnes of CO₂ equivalent for the given year.</p>

For SPTs 1.1 and 2.1 and 3.1, Total Absolute Scope 1 and Scope 2 GHG emissions, in tonnes of CO₂e, from 100% of Arcos Dorados operations will be aggregated. For SPTs 1.2, 2.2, and 3.2, Scope 3 emissions intensity is calculated as Arcos Dorados' total Scope 3 GHG emissions from 100% of Arcos Dorados' operations, in tonnes of CO₂e, divided by the total annual tonnes of Food and Packaging across Arcos Dorados' operations for the same given year.

Arcos Dorados' Projected and Target GHG Emissions Intensity (Scopes 1 & 2)¹⁰:

Year	CO ₂ e	Improvement in percentage vs 2021 ¹¹
2021 (Baseline):	356,204 tonnes of CO ₂ e	-
2025 (SPT 1.1)	302,774 tonnes of CO ₂ e	15%
2026 (SPT 2.1)	284,963 tonnes of CO ₂ e	20%
2030 (SPT 3.1)	227,971 tonnes of CO ₂ e	36%

Arcos Dorados' Projected GHG Emissions Intensity (scope 3)¹²:

Year	tonnes of CO ₂ e / Total annual tonnes of Food and Packaging across Arcos Dorados' operations	CO ₂ e	Total annual tonnes of Food and Packaging across Arcos Dorados' operations	Improvement in percentage vs 2021 ¹³
2021 (Baseline):	8.29	5,837,020 tonnes of CO ₂ e	704,380 tonnes	-
2025 (SPT 1.2)	7.46	-	-	10%
2026 (SPT 2.2)	7.29	-	-	12%
2030 (SPT 3.2)	5.72	-	-	31%

¹⁰ The baseline has been audited by our external auditor. Other historical data related to GHG Emissions has not been audited and/or is an estimate.

¹¹ Total tonnes of CO₂e for the year divided by the total tonnes of CO₂e for 2021 minus 100%.

¹² The baseline has been audited by our external auditor. Other historical data related to GHG Emissions has not been audited and/or is an estimate.

¹³ Tonnes of CO₂e / Total annual tonnes of Food and Packaging across Arcos Dorados' operations for the year divided by the Tonnes of CO₂e / Total annual tonnes of Food and Packaging across Arcos Dorados' operations for 2021 minus 100%.

Factors that support the achievement of the targets: Factors that may facilitate the achievement of the SPTs include:

- Strong commitment of the Board of Directors to the sustainability strategy.
- Alignment with McDonald's decarbonization strategy.
- Annual inventory of emissions to report figures in the annual Social Impact and Sustainable Development Report.
- Investments in LED lighting, in energy-efficient kitchen equipment and in high efficiency air conditioning systems with environmentally friendly gases.
- Support development of tools and systems that monitor climate change at the regional and farm levels with the goal of enabling more rapid adaptation to changes in weather.
- Migration to a renewable energy mix by contracting and purchasing direct and virtual long term Power Purchase Agreements (PPAs). In the past year, Arcos Dorados has been establishing a series of relationships with renewable energy companies and is looking for long term deals to establish a sufficient supply of energy from wind and solar farms, depending on geography. The Company expects the PPA's to be negotiated under a Take-or-Pay format.
- New technologies that reduce commuting and improve remote work. Arcos Dorados will rely heavily on new software to reduce travelling and may even set a maximum amount of international business trips per year.
- Arcos Dorados' strong position to support suppliers to improve their carbon footprint and reduce GHG emissions. We are highly committed to working closely with regional beef, chicken, beverages, and packaging companies to reduce GHG emissions. Most of these companies already have sustainability policies in place and are constantly sharing information with Arcos Dorados about their initiatives. We are considering supporting some of these initiatives.
- Arcos Dorados ESG and Supply Chain team are evaluating a joint initiative to help some of its small and medium size suppliers to assess new ways to reduce their emissions.
- Arcos Dorados is expanding its ESG team to hire experts in renewable energy and sustainable sourcing.
- Since 2020, the Company has started to include ESG-linked metrics into its employee annual compensation structure, therefore incentivizing sustainability initiatives company-wide.
- The Company will evaluate its suppliers' performance and may consider replacing suppliers that do not achieve certain metrics or are not aligned with sustainability initiatives, provided the quality of the products or services is not compromised.

Factors that pose risks to the achievement of the targets:

- Extreme events, such as pandemics and natural disasters.
- Equipment failure and unexpected plant shutdowns, among other operational factors.
- Market constraints in availability and pricing of energy efficient equipment and renewable energy.
- Regulatory uncertainty, for example related to the procurement of renewable energy through PPAs.

7. Sustainability-linked Instrument Characteristics

The proceeds of our SLIs will be used for general corporate purposes and debt refinancing, but may also be allocated for specific purposes and described in the appropriate SLI documentation. Additionally, the interest rate on the SLIs, in the form of coupon step-ups and/or step-downs, will be adjusted based on our achievement of the SPTs as set forth below:

- A KPI does not reach the corresponding SPT on the target observation date;
- The verification (as per the Verification section of this Framework) of the SPTs is not provided and made public by the time of the Notification date, as defined in the SLI 's documentation; and/or
- Arcos Dorados fails to provide reasonable notice as of the Notification date related to reaching the SPTs, as defined in the SLI's documentation.

The step-up and/or step-down adjustment, as applicable, will be specified in the relevant documentation of the specific transaction. The calculation of the relevant KPIs or SPTs, may exclude the effects of certain material acquisitions and/or material changes in laws or regulations applicable or relating to Arcos Dorados' production activities, in each case to be set forth, if applicable, in further detail in the terms and conditions of each our SLIs.

Potential Changes to Calculations:

- Both KPI 1 and KPI 2 encompass 100% of AD's direct operations as of December 31, 2021, respectively, including all organic growth during the life of the SLI
- For purposes of the SPTs and the calculation of the KPIs, certain potential events, such as significant acquisitions, divestitures, mergers, or changes in the regulatory environment, or in the political and economic environment can substantially impact the calculation of the KPI and may require the restatement of the SPTs and/or pro-forma adjustments of baselines or KPI Scope. Any such readjustment will be reported in our annual report of the SPTs and will be solely in the Company's discretion.
- Details on the adjustments of the relevant KPIs or SPTs due to significant acquisitions, divestitures, mergers, or changes in the applicable regulatory environment, if applicable, as well as where needed any fallback mechanism in case the SPT(s) cannot be calculated or observed in a satisfactory manner, will be described in the documentation governing the SLI.

8. Annual Reporting

We will, on an annual basis, and whenever relevant for assessing the trigger of the SPTs performance leading to a potential SLI coupon adjustment, report and make readily available via our corporate sustainability report or similar report on our website, the following information required to calculate or assess the performance of the selected KPIs in relation to SPTs:

- i. Up-to-date information on the performance of the selected KPIs, including the baseline used where relevant;
- ii. A verification assurance report relative to the SPTs outlining the (i) performance against the SPTs comparing the latest status of the KPI and the baseline, (ii) the related impact, (iii) timing of such impact, and (iv) impact on the instrument's characteristics (if any); and
- iii. Any relevant information enabling investors to monitor the progress of the SPTs.

Information may also include, when feasible and possible:

- iv. Qualitative or quantitative explanations on the contribution of the main factors to the evolution of the performance/KPIs, on an annual basis;
- v. Illustration of the positive sustainability impacts of the performance improvement; and/or
- vi. Any re-assessments of the KPIs and/or restatement of the SPTs and/or pro-forma adjustments of baselines or KPIs scope.

Arcos Dorados may also opt to disclose additional information in relation to the use of proceeds (like allocation and eligibility criteria), although this will not be mandatory for SLI purposes.

9. Verification

Arcos Dorados will, annually and whenever necessary to assess SPT performance leading to a potential SLI coupon adjustment, seek the independent and external verification of our performance against the SPTs for the corresponding KPIs by a qualified external reviewer with relevant expertise. The performance verification against the SPT will be made publicly available on our website.

Arcos Dorados will also obtain and make publicly available a Second Party Opinion (SPO) and/or other external review reports from consultants with recognized ESG expertise to provide an opinion on the sustainability benefit of this Framework as well as its alignment to the SLPs. The SPO will also be available on our investor relations website, as well as the SPO provider's website.

10. Review

Arcos Dorados will review this Framework from time to time, including its alignment to updated versions of the relevant principles as and when they are released, with the aim of adhering to best market practices. Arcos Dorados will also review this Framework in the event of material changes in methodology, KPI and/or SPT. A review may result in updates and/or amendments to this Framework. Significant updates will be subject to the prior approval of a qualified second party opinion provider.

Any future updated version of this Framework will either maintain or improve the current levels of transparency and reporting obligations, including the corresponding review by an external verifier. The updated Framework, if any, will be published on our website and will replace this Framework.

11. Disclaimer

This Sustainability-Linked Finance Framework (the “Framework”) does not constitute a recommendation regarding any securities of Arcos Dorados or any affiliate of Arcos Dorados. This Framework is not, does not contain and may not be deemed to constitute an offer to sell or a solicitation of any offer to buy any securities issued by Arcos Dorados or any affiliate of Arcos Dorados. Neither this document nor any other related material may be distributed or published in any jurisdiction in which it is unlawful to do so, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession such documents may come must inform themselves about and observe any applicable restrictions on distribution. Any bonds or other debt securities that may be issued by Arcos Dorados or its affiliates from time to time, including any Sustainability-Linked Securities, shall be offered by means of a separate prospectus or offering document in accordance with all applicable laws, any decision to purchase any such securities should be made solely on the basis of the information contained in any such prospectus or offering document provided in connection with the offering of such securities, and not on the basis of this Framework.

The information and opinions contained in this Framework are provided as of the date of this Framework and are subject to change without notice. None of Arcos Dorados or any of its affiliates assume any responsibility or obligation to update or revise such statements, regardless of whether those statements are affected by the results of new information, future events or otherwise. This Framework represents current Arcos Dorados policy and intent, is subject to change and is not intended to, nor can it be relied on, to create legal relations, rights, or obligations. This Framework is intended to provide non-exhaustive, general information. This Framework may contain or incorporate by reference public information not separately reviewed, approved or endorsed by the Arcos Dorados and accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Arcos Dorados as to the fairness, accuracy, reasonableness, or completeness of such information.

This Framework contains statements about future events and expectations that are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are generally identified through the inclusion of words such as “aim,” “anticipate,” “believe,” “drive,” “estimate,” “expect,” “goal,” “intend,” “may,” “plan,” “project,” “strategy,” “target” and “will” or similar statements or variations of such terms and other similar expressions. Forward - looking information includes, among other things, future emission expectations and reduction goals, future business strategies and planned allocation of net proceeds. Forward-looking statements inherently involve risks and uncertainties that could cause actual results to differ materially from those predicted in such statements. None of the future projections, expectations, estimates or prospects in this document should be taken as forecasts or promises nor should they be taken as implying any indication, assurance or guarantee that the assumptions on which such future projections, expectations, estimates or prospects have been prepared are correct or exhaustive or, in the case of assumptions, fully stated in the Framework. No representation is made as to the suitability of any Sustainability-Linked securities to fulfil environmental and sustainability criteria required by prospective investors. The reader is cautioned not to put undue reliance on this forward - looking information, which is not a guarantee of future performance and is subject to a number of uncertainties and other factors, many of which are outside the control of Arcos Dorados and its affiliates. Each potential purchaser of Sustainability-Linked Securities should determine for itself the relevance of the information contained or referred to in this Framework or the relevant documentation for such financing instruments regarding the use of proceeds and its purchase of financing instruments should be based upon such investigation as it deems necessary. Arcos Dorados has set out its intended policy and actions in this Framework in respect of use of proceeds, project evaluation and selection, management of proceeds and reporting, in connection with the Sustainability-Linked Securities. However, nothing in this Framework is intended to modify or add to any covenant or other contractual obligation undertaken by Arcos Dorados or any of its affiliates in any Sustainability-Linked Securities that may be issued in accordance with this Framework. This Framework does not create any legally enforceable obligations against Arcos Dorados; any such legally enforceable obligations relating to any Sustainability-Linked Securities are limited to those expressly set forth in the legal documentation governing each such series of Sustainability-Linked Securities. Therefore, unless expressly set forth in such legal documentation, Arcos Dorados’ failure to adhere or comply with any of the terms of this Framework, including, without limitation, failure to achieve any sustainability targets or goals set forth herein, will not constitute an event of default or breach of contractual obligations under the terms and conditions of any such Sustainability-Linked Securities’. Factors that may affect Arcos Dorados’ ability to achieve any sustainability goals or targets set forth herein include (but are not limited to) market, political and economic conditions, changes in government policy (whether with a continuity of the government or on a change in the composition of the government), changes in laws, rules or regulations, and other challenges.