

# Second-Party Opinion

## Raízen Sustainability-Linked Finance Framework



### Evaluation Summary

### Sustainability-Linked Instruments

Sustainability-Linked Bond Principles 2020, Sustainability-Linked Loan Principles 2021

Sustainalytics is of the opinion that the Raízen Sustainability-Linked Finance Framework aligns with the Sustainability-Linked Bond Principles 2020 and the Sustainability-Linked Loan Principles 2021. Overview of KPIs and SPTs:

KPI	SPT	Strength of the KPI	Ambitiousness of SPT
Share of Bioenergy Parks in operation certified by Bonsucro	Increase the share of bioenergy parks certified by Bonsucro to 94% by 2026	Adequate	Ambitious
Share of leadership positions held by women	Increase the share of leadership positions held by women to 30% by 2026	Strong	Ambitious

### Climate Transition Finance Handbook

Sustainalytics has evaluated Raízen's transition governance, strategy, decarbonization targets and intentions to report on transition progress, and finds Raízen to be partially aligned with the recommendations of the Climate Transition Finance Handbook 2020. Raízen has adopted medium-term targets for its biofuel operations and is currently working on developing its long-term climate strategy. However, Sustainalytics notes that Raízen has not developed targets related to its fossil fuel distribution operations.

<b>Evaluation Date</b>	January 31, 2022
<b>Issuer-Borrower Location</b>	São Paulo, Brazil

The SPTs contribute to the following SDGs:



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## Scope of Work and Limitations

Raízen Energia SA (“Raízen” or the “Company”) has engaged Sustainalytics to review the Framework and provide an opinion on the alignment of the linked instruments with the Sustainability-Linked Bond Principles (SLBP)<sup>1</sup> and the Sustainability-Linked Loan Principles (SLLP).<sup>2</sup>

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>3</sup> opinion on the alignment of the Raízen Sustainability-Linked Finance Framework with current market standards. As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Sustainability-Linked Bond Principles 2020 and the Sustainability-Linked Loan Principles 2021 (the “Sustainability-Linked Principles”);
- The credibility and anticipated positive impacts of the use of proceeds and SPTs;
- The issuer’s sustainability strategy, performance and sustainability risk management; and
- The alignment with the recommendations of the Climate Transition Finance Handbook 2020;<sup>4</sup>

As part of this engagement, Sustainalytics held conversations with various members of Raízen’s management team to understand the sustainability impact of their business processes and the core components of the Framework. Raízen representatives have confirmed that:

- (1) They understand it is the sole responsibility of Raízen 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 that Framework. Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Raízen.

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. The Second-Party Opinion is valid for issuances aligned with the respective Framework for which the Second-Party Opinion was written up to 24 months or until one of the following occurs: (1) A material change to the external benchmarks<sup>5</sup> against which targets were set; (2) A material corporate action (such as material M&A or change in business activity) which has a bearing on the achievement of the SLBs and/or SLLs or the materiality of the KPI.

For sustainability-linked instruments, the Second-Party Opinion addresses the anticipated SPTs of KPIs but does not measure the KPIs’ performance. The measurement and reporting of the KPIs is the responsibility of the Bond 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 Raízen has made available to Sustainalytics for the purpose of this Second-Party Opinion.

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<sup>1</sup> The Sustainability Linked Bond Principles (SLBP) were launched by ICMA in June 2020. They are administered by the ICMA and are available at: <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Sustainability-Linked-Bond-PrinciplesJune-2020-100620.pdf>.

<sup>2</sup> The Sustainability-Linked Loan Principles (SLLP) were launched by LSTA in May 2021. They are administered by the LSTA and are available at: <https://www.lsta.org/content/sustainability-linked-loan-principles-sllp/#>.

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

<sup>4</sup> The Climate Transition Finance Handbook is administered by the International Capital Market Association and is available at: <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/Climate-Transition-Finance-Handbook-December-2020-091220.pdf>

<sup>5</sup> Benchmarks refers to science-based benchmarks.

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## Introduction

Raízen is a joint venture formed in 2010 from the merger of the assets of sugar, fuel and ethanol derived from Cosan and Royal Dutch Shell in Brazil. The Company uses sugarcane to produce sugar, ethanol and electricity from waste bagasse and owns and operates fuel distribution facilities. In 2021, Raízen acquired Biosev to increase its renewable energy portfolio. Raízen is among the largest energy companies in Brazil by revenue and primarily serves customers in Brazil with a team of 40,000 employees, operating across 35 bioenergy parks.

Raízen has developed the Raízen Sustainability-Linked Finance Framework (the “Framework”) under which it will issue sustainability-linked bonds and loans. Raízen engaged Sustainalytics to review the Framework dated January 2022 and provide a second-party opinion on the Framework’s alignment with the Sustainability-Linked Bond Principles 2020, the Sustainability-Linked Loan Principles 2021, and the recommendations of the Climate Transition Finance Handbook 2020. The Framework has been published in a separate document.<sup>6</sup>

Under the Framework, the coupon rate of the bonds or loans is tied to the achievement of sustainability performance targets for two KPIs related to: (i) share of bioenergy parks in operation certified by Bonsucro, and (ii) share of leadership positions held by women (in percentage points).

Tables 1 and 2 below contain the KPIs and SPTs defined by Raízen.

**Table 1: KPI Definitions**

KPI	Definition
Share of bioenergy parks in operation certified by Bonsucro (%)	<p>KPI 1 is defined as the share of the Company’s bioenergy parks in operation that are certified by Bonsucro.</p> <p>KPI 1 is calculated as follows: number of operational units<sup>7</sup> of the parent and its subsidiaries (as of 2021) that are certified by Bonsucro divided by the total number of existing operational units of the parent and its subsidiaries.</p>
Share of leadership positions held by women (%)	<p>KPI 2 measures the number of leadership positions held by women as a percentage of the total number of leadership positions.</p> <p>Raízen used the Global Grading System (GGs)<sup>8</sup> methodology as a reference to assign grades to positions and develop a salary group rationale according to Raízen’s Salary Scale. Therefore, for the purposes of KPI 2, “leadership positions” refers to any position in salary group 42 or higher on Raízen’s Salary Scale, regardless of the actual title of the position. This includes but is not limited to the positions of coordinators, managers, executive managers, directors and executive directors.</p> <p>KPI 2 only considers employees of operations in Brazil, where employees in leadership positions represent about 3% of the Company’s workforce in that country.<sup>9</sup></p>

<sup>6</sup> The Raízen Sustainability-Linked Finance Framework is available on Raízen’s website at: <https://ri.raizen.com.br/divulgacoes-e-documentos/sustainability-linked-bond/>

<sup>7</sup> “Operational units” are considered those plants in operation by Raízen and its subsidiaries; provided that if at any time any bioenergy plant is (i) sold or otherwise disposed of by Raízen or its subsidiaries, or (ii) hibernated (as certified by an authorized officer of Raízen), such bioenergy plant shall not be considered an operational unit for the purposes of the methodology.

<sup>8</sup> GGS methodology is a system created by Willis Towers Watson that uses business context, job specification and the following evaluation factors to assess and rank positions in an organization: (i) functional knowledge, (ii) business specialization, (iii) leadership, (iv) problem solving, (v) nature of impact, (vi) area of impact and (vii) interpersonal skills. At: <https://www.willistowerswatson.com/en-IN/Solutions/services/job-architecture-job-leveling-and-reward-and-career-frameworks>

<sup>9</sup> As of March 2021, Raízen had a total of 30,091 employees divided between 28,941 in Brazil and 1,150 in Argentina. The Company has communicated to Sustainalytics that 884 employees would qualify under the leadership positions definition above. Raízen, “Annual Sustainability Report 2020 | 2021”, (2021), at: <https://www.Raizen.com.br/relatorioanual/2021/pdf/Raizen-rs2021-en.pdf>

**Table 2: SPTs and Past Performance**

KPI 1 <sup>10</sup>	2018	2019	2020	2021 (baseline)	SPT 2026
Share of bioenergy parks in operation certified by Bonsucro (%)	79% (Raízen)	88% (Raízen)	91% (Raízen)	74%	Increase the share of bioenergy parks certified by Bonsucro to 94% by 2026
	9% (Biosev)	10% (Biosev)	13% (Biosev)		
KPI 2 <sup>11</sup>	2019		2020	2021 (baseline)	SPT 2026
Share of leadership positions held by women (%)	14.83% (Raízen)		16.47% (Raízen)	19%	Increase the share of leadership positions held by women to 30% by 2026
	14.22% (Biosev)		13.91% (Biosev)		

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Alignment of the Framework with Relevant Market Standards

#### Alignment with Sustainability-Linked Principles

Sustainalytics is of the opinion that the Raízen Sustainability-Linked Finance Framework aligns with the Sustainability-Linked Principles. For detailed information please refer to Appendix 1: Sustainability Linked Bond External Review Form. Sustainalytics highlights the following elements of Raízen's Framework.



#### Selection of Key Performance Indicators (KPIs)

##### Relevance and Materiality of KPIs

In its assessment of materiality and relevance, Sustainalytics considers i) whether an indicator speaks to a material impact of the issuer's business on environment or social issues, and ii) to what portion of impact the KPI is applicable.

##### KPI 1 – Share of bioenergy parks in operation certified by Bonsucro

Sustainalytics considers KPI 1, share of bioenergy facilities in operation certified by Bonsucro, to be relevant given that it speaks to a material issue for the production of sugarcane ethanol. Between 2007 and 2016, global bioethanol production doubled and is further expected to grow by another 28% in the next five years driven by

<sup>10</sup> Raízen provided Sustainalytics with the share of Bonsucro-certified units in operation prior to the acquisition of Biosev for the years 2018-2020.

<sup>11</sup> Raízen provided Sustainalytics with the share of women in leadership positions prior to the acquisition of Biosev for the years 2018-2020.

increased demand from the transport sector.<sup>12</sup> While the use of biofuels offers significant GHG emissions savings compared to fossil fuels, the production of biofuels is associated with environmental challenges, including resource use and GHG emissions as well. Water use is a particular concern, which in bioenergy systems predominantly occurs in feedstock production, in addition to transportation, preparation and at the conversion stages. Biofuels currently account for a small share of water use globally, but this share is expected to grow to 2% of all evapotranspired water by 2030.<sup>13</sup> In relation to emissions, agricultural activities account for up to 75% of GHG emissions from the sugarcane supply chain, with mill activities responsible for 21% of those emissions and transportation for 5%.<sup>14</sup>

Certification bodies such as Bonsucro provide a framework for sugarcane mills to demonstrate sustainable production by placing standards around human rights, applicable laws, and guidance and requirements for effectively managing issues that affect biodiversity, including air, water, soil, climate change and waste. Moreover, the Sustainability Accounting Standards Board (SASB) identifies the “Sourcing & Environmental Impacts of Feedstock Production” as a material issue for companies in the biofuel industry and requires companies to report on the share of biofuel production that is certified to a third-party environmental sustainability standard.<sup>15</sup>

In assessing the scope of applicability, Sustainalytics analyses the impact of each KPI to the Company’s overall operations. KPI 1 measures the share of Bonsucro-certified bioenergy parks as a percentage of all of the Company’s operating bioenergy facilities. On this basis, Sustainalytics considers this KPI as highly applicable.

#### KPI 2 – Percentage of leadership positions held by women

Sustainalytics considers KPI 2 to be material and relevant considering the gender gap in leadership roles in the energy sector. Women account for just under 14% of senior managers and less than 12% of leadership roles at energy firms, according to a 2019 IEA analysis.<sup>16</sup> Brazil, in particular, has one of the lowest rates of female leadership participation in Latin America, with women holding just 19% of senior roles in the corporate sector.<sup>17</sup> In its materiality analysis for 2020-21, Raízen identified diversity and inclusion as a material issue for the Company and considers increasing gender diversity a key element of its long-term strategy.<sup>18</sup>

Regarding the applicability, KPI 2 applies to leadership positions in the Company above the supervision level, meaning positions occupied by coordinators, managers, executive managers, directors and executive directors of Raízen’s workforce in Brazil. The share of employees in these positions is equivalent to approximately 3% of the Company’s total employee base in Brazil. Sustainalytics notes that the leadership positions as defined in the KPI include employees who have the potential to influence operational and strategic decisions within the Company, and therefore considers the KPI to have an elevated scope of influence in the Company’s workforce.

#### **KPI Characteristics**

In its assessment of the KPI characteristics, Sustainalytics considers: i) whether a clear and consistent methodology is used, ii) whether the issuer-borrower follows an externally recognized definition, iii) whether the KPIs are a direct measure of the performance of the issuer-borrower on a material environmental or social issue, and, if applicable, iv) whether the methodology can be benchmarked to an external, contextual benchmark.<sup>19</sup>

#### KPI 1 – Share of bioenergy parks in operation certified by Bonsucro

Bonsucro is a multistakeholder governance group that has developed a sustainability platform and standard for sugarcane which includes a set of environmental and social criteria to be met for the sustainable production of ethanol.<sup>20</sup> Bonsucro’s Production Standard is intended to help farmers and mills measure productivity as well as

<sup>12</sup> European Parliament, “The impact of biofuels on transport and the environment, and their connection with agricultural development in Europe”, at: [https://www.europarl.europa.eu/RegData/etudes/STUD/2015/513991/IPOL\\_STU%282015%29513991\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2015/513991/IPOL_STU%282015%29513991_EN.pdf)

<sup>13</sup> Ibid.

<sup>14</sup> Bonsucro, “2021 Outcome Report”, at: <https://bonsucro.com/wp-content/uploads/2021/12/Outcome-Report-2020.pdf>

<sup>15</sup> SASB, “Biofuels”, at: [Biofuels \(sasb.org\)](https://www.sasb.org)

<sup>16</sup> IEA, “Women in senior management roles at energy firms remains stubbornly low, but efforts to improve gender diversity are moving apace”, at: <https://www.iea.org/commentaries/women-in-senior-management-roles-at-energy-firms-remains-stubbornly-low-but-efforts-to-improve-gender-diversity-are-moving-apace>

<sup>17</sup> Grant Thornton, “Women in Business 2017 Report”, at: [https://www.grantthornton.global/globalassets/1.-member-firms/global/insights/article-pdfs/2017/grant-thornton\\_women-in-business\\_2017-report.pdf](https://www.grantthornton.global/globalassets/1.-member-firms/global/insights/article-pdfs/2017/grant-thornton_women-in-business_2017-report.pdf)

<sup>18</sup> Raízen, “Annual Sustainability Report 2020 | 2021”, (2021), at: <https://www.Raizen.com.br/relatorioanual/2021/pdf/Raizen-rs2021-en.pdf>

<sup>19</sup> 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.

<sup>20</sup> Bonsucro, “What is the Bonsucro Production Standard?”, at: <https://bonsucro.com/production-standard/>

performance on key environmental and social indicators. The key principles of the Production Standard are based on: i) obeying the law, ii) respecting human rights and labour standards, iii) managing efficiency to improve sustainability, iv) managing biodiversity and ecosystems, v) continuously improve, and vi) adhering to EU directives.

KPI 1 measures the share of bioenergy parks in operation that are certified by Bonsucro, which Sustainalytics considers to be an indirect indicator of Raízen’s environmental and social performance linked to its operational units. The KPI follows a clear and consistent methodology, namely the Bonsucro Production Standard certification. Nonetheless, KPI 1 does not lend itself well to be benchmarked against external climate trajectories, such as science-based targets, and does not consist of a standard unit that could be used for comparison with peers.

KPI 2 – Percentage of leadership positions held by women

Sustainalytics considers Raízen’s definition and methodology to calculate KPI 2 to be clear and consistent based on the ease of calculation and replicability, and considers the KPI directly linked to the Company’s performance on key sustainability parameters related to its workforce. Sustainalytics further notes that the KPI does not follow an external recognized methodology and that there are no external benchmarks available for assessing performance against KPI 2.

**Overall Assessment**

KPI 1 – Share of Bioenergy Parks in operation certified by Bonsucro

Sustainalytics considers KPI 1 to be adequate given it: (i) indirectly measures Raízen’s performance linked to material sustainability issues, (ii) represents a material sustainability topic for the Company and industry, (iii) follows a clear and consistent methodology.

KPI 2 – Share of leadership positions held by women

Sustainalytics considers KPI 2 to be strong given that: (i) it measures performance on a relevant and material issue of the Company and industry, (ii) it is a direct measure of operational performance, and (iii) follows a clear and consistent methodology.

Share of Bioenergy Parks in operation certified by Bonsucro (%)	Not Aligned	Adequate	Strong	Very strong
Share of leadership positions held by women (%)	Not Aligned	Adequate	Strong	Very strong



**Calibration of Sustainability Performance Targets (SPTs)**

**Alignment with Raízen’s Sustainability Strategy**

Raízen has set the following SPTs for its KPIs:

- SPT 1: Achieve 94% of bioenergy facilities certified by Bonsucro by 31 March 2026 against a 2021 baseline.
- SPT 2: Having 30% of leadership positions held by women by 31 March 2026 against a 2021 baseline.

The eight pillars that underpin Raízen’s sustainability strategy include: (i) climate change and energy transition, (ii) water management, (iii) land use, (iv) sustainable sugarcane, (v) human rights, (vi) ethics and compliance, (vii) relationship with surroundings, and (viii) diversity and inclusion. These pillars are key components of Raízen’s Strategic Sustainability Plan, which includes 10 ESG commitments correlated with each of the eight material topics. In addition, the Company has made commitments to increase the share of women in leadership and management positions to 30% by 2025, reduce the carbon footprint of ethanol and sugar by 10% by 2030, reduce



water withdrawal from external sources by 10% by 2030 and ensure all units in operations are certified to an internationally recognized standard.<sup>21</sup>

Sustainalytics considers the SPTs to be aligned with Raízen's sustainability strategy (please refer to Section 2 for an analysis of the credibility of Raízen's sustainability strategy).

### **Strategy to Achieve the SPTs**

#### **SPT 1: Increase the share of bioenergy parks certified by Bonsucro to 94% by 2026**

Raízen intends to achieve the SPT through the following strategy:

- To increase the share of Bonsucro-certified bioenergy facilities Raízen will adopt adequate management practices in new bioenergy facilities. To determine and establish the necessary adaptation initiatives and management systems, Raízen will analyze its bioenergy facilities and map the relevant agricultural areas. Besides initiatives for new facilities, Raízen will carry out maintenance and improvement measures in facilities that have already received the Bonsucro certification.
- In addition to the steps described above, Raízen will adopt the Raízen Integrated Operational Management System in its bioenergy facilities to ensure adequate health, safety and environmental systems are in place.
- Raízen's Bonsucro certification programme is periodically monitored by the Company's Social Responsibility Committee to ensure adequate steps in maintaining existing certifications and increasing the share of new certified facilities.

#### **SPT 2: Increase the share of leadership positions held by women to 30% by 2026**

Raízen intends to achieve the SPT through the following strategy:

- Raízen has established a Diversity and Inclusion Committee which brings together leaders and employees from different areas, levels and affinities to develop actions, policies and procedures that increase the diversity of our workforce. The Committee is comprised of members from different business areas and demographics, including persons with disabilities, gender, race and ethnicity.
- The Company has also undertaken various initiatives focused on creating an inclusive work environment through (i) establishing a Recruitment and Selection Policy with guidelines that ensure equal opportunities, particularly in the recruitment process, and (ii) launching the Respect at the Root of Everything campaign to invite employees to share their experiences and strengthen good practices. Additionally, the Company has outlined diversity and inclusion goals and actions as part of its Strategic Plan to achieve its ESG commitment of increasing the number of women in leadership and management positions.
- Other initiatives by the Company include mapping the organization's female talents, developing a mentoring programme and providing internal mobility opportunities.

### **Ambitiousness, Baseline and Benchmarks**

To determine the ambitiousness of the SPTs, Sustainalytics considers whether the SPTs go beyond business-as-usual trajectory, ii) how the SPTs compare to targets set by peers, and iii) how the SPTs compare with science.<sup>22</sup>

Raízen has set March 2021<sup>23</sup> as the baseline for the SPTs, before the completion of Biosev's acquisition, and the end of the most recent year for which the Company has the relevant data.

**SPT 1:** Sustainalytics was able to use the following benchmarks to assess ambitiousness: past performance and peer comparison.

Given the recent merger of Biosev and Raízen, Sustainalytics has assessed historical performance against KPI 1 for the two companies separately based on information provided by the Company (see Table 2). Between 2018 and 2020 Biosev maintained a single mill certification through that period, while Raízen increased the share of certified mills by two. To achieve SPT 1, Raízen will have to certify additional facilities at an annual average of

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<sup>21</sup> Ibid.

<sup>22</sup> We refer here to contextual benchmarks that indicate the alignment of targets with ecosystem boundaries.

<sup>23</sup> Raízen follows the crop year, which means that its fiscal year comprises April 1 of each year, until March 31 of the following year.

4.8% between 2021 and 2026. Sustainalytics notes that the SPT 1 is aligned with the past performance trend observed in the combined historical performance of Biosev and Raízen when taking into consideration the decreasing total number of operational units between 2018 and 2020.

In comparison with its peers, Raízen is among the few companies that Sustainalytics identified as having targets related to increasing the number of mills certified. Furthermore, in the baseline year, Raízen had one of the highest shares of certified mills at 74%, which is significantly above the six peers Sustainalytics has analyzed. Based on this assessment, Sustainalytics considers the target set by Raízen to exceed those set by its peers.

**SPT 2:** Sustainalytics was able to use the following benchmarks to assess ambitiousness: past performance and peer performance.

Given the recent merger of Biosev and Raízen, Sustainalytics has assessed historical performance against KPI 2 for the two companies separately based on information provided by the Company for the years 2019 and 2020. Overall, Raízen increased the share of women in leadership positions by 11% between 2019 and 2020. Whereas Biosev reported a reduction of 1.76% in the same period. To achieve SPT 2, this figure must be increased further to reach the 30% by the final observation date in 2026 compared to 2021, which translates to an annual average increase of roughly 9.7% between 2021 and 2026. Sustainalytics notes that SPT 2 exceeds the Company’s past performance.

With regards to comparison against peers, Sustainalytics considers that SPT 2 exceeds most of Raízen’s peers’ targets. While most peers have similar shares of women in executive or leadership roles, very few peers have set future targets.

**Overall Assessment**

Sustainalytics considers the SPTs to align with Raízen’s sustainability strategy and considers Raízen’s SPT 1 to be ambitious given that it is aligned with past performance and sets targets exceeding those of the subindustry peers.

Sustainalytics considers Raízen’s SPT 2 to be ambitious given that it exceeds past performance and exceeds those of the subindustry peers.

Achieve 94% of bioenergy facilities certified by Bonsucro by 31 March 2026 against a 2021 baseline	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
Having 30% of leadership positions held by women by 31 March 2026 against a 2021 baseline	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious



**Bond and/or Loan Characteristics**

Raízen has disclosed that the financial characteristics of the sustainability-linked debt instruments issued under the Framework will be linked to the achievement of the SPTs. The success or failure to achieve the SPTs on the relevant target observation dates will trigger a step-down or step-up margin or margin adjustment, as applicable, payable as per the transaction documentation. In addition to the achievement of the SPTs, the structural adjustments will be triggered if: i) the verification of the SPT has not been provided and made public by the time of the notification date, as defined in the instrument documentation; or ii) the Company fails to provide satisfaction notice as of the notification date related to achieving the SPT. Sustainalytics considers these levels of disclosure to be aligned with the Sustainability-Linked Principles, noting that it does not opine on the adequacy of the magnitude of the financial penalty.



**Reporting**

Raízen commits to report on an annual basis on its progress on the KPIs against the relevant SPTs and expects to include the relevant figures in its Corporate Sustainability Report or other similar report. This reporting will be

available on its website and is aligned with the SLBP and SLLP. Raízen further commits to disclose annually, when feasible, qualitative or quantitative explanations on the contribution of the main factors to the evolution of the KPI progress, positive sustainability impacts of the performance improvement, as well as any re-assessments or adjustments of the KPIs, their baselines or scopes.



**Verification**

Raízen communicated to Sustainalytics that it commits to having an external verifier provide a limited assurance report with relevant expertise on the performance level against each SPT for each KPI. The verification will be done annually and at any relevant date for assessing the SPT performance leading to a potential adjustment in the sustainability-linked instruments and will be made available on its website, which is aligned with the SLBP and SLLP on verification.

**Alignment against the Climate Transition Finance Handbook 2020**

Sustainalytics has assessed Raízen’s alignment with the recommendations of the Climate Transition Finance (CTF) Handbook and considers the Company’s transition strategy to be adequate overall. Sustainalytics highlights the following key elements of the assessment:

Key Elements	ICMA Recommendation	Sustainalytics’ Assessment	
Issuer’s climate transition strategy and governance	<ul style="list-style-type: none"> <li>- Transition strategy to address climate-related risks and contribute to alignment with the goals of the Paris Agreement</li> <li>- Relevant interim targets on the trajectory towards long-term goal</li> <li>- Governance of transition strategy</li> </ul>	<ul style="list-style-type: none"> <li>- Raízen has communicated to Sustainalytics that the Company is currently in the process of updating its climate strategy to incorporate long-term climate targets and transition plans.</li> <li>- As part of Raízen’s recent IPO the Company announced its commitment to increasing the size of its renewable energy business by prioritizing capital allocation to its renewable energy portfolio for new bioenergy facilities.</li> <li>- Raízen has developed a Strategic Sustainability Plan to address key environmental and social issues associated with its business operations. As part of this plan, Raízen has formulated a commitment to climate change and energy transition. In line with this commitment, Raízen targets to reduce the carbon footprint of ethanol (MJ) and sugar (kg) in its operations by 10% by 2030.</li> <li>- Raízen has established a Sustainability Committee to oversee the Company’s climate change strategy and transition plans. The Sustainability Committee is further supported by the Company’s CSR Committee.</li> <li>- Raízen has in place a Sustainability Committee, part of the Executive Committee, where employees from different areas and levels, including top management, meet to discuss relevant topics to improve corporate practices. The Sustainability Committee also ensures the alignment of material issues between the top management and operations of the Company.<sup>24</sup> For a detailed assessment of Raízen’s sustainability strategy, refer to Section 2.</li> </ul>	Not aligned

<sup>24</sup> Raízen, “Annual Sustainability Report 2020 | 2021”, (2021), P. 45, at: <https://www.Raízen.com.br/relatorioanual/2021/pdf/Raízen-rs2021-en.pdf>

		- While recognizing Raízen’s commitment to a low-carbon economy and the presence of quantitative targets for Raízen’s biofuel production, Sustainalytics notes these do not cover emissions related to fossil fuel distribution.	
<b>Business model environmental materiality</b>	- Transition trajectory should be relevant to the environmentally-material parts of the issuer’s business model	- As part of its transition trajectory, Raízen has invested in increasing the share of renewable energy and biofuels in its portfolio. This includes solar energy, a biogas plant for the production of electricity and pellet production from bagasse. - While Raízen’s transition strategy directly addresses the environmental impact of core parts of its business, Sustainalytics could not identify Raízen’s strategy addressing its fossil fuel operations.	Partially Aligned
<b>Climate transition strategy to be ‘science based’ including targets and pathways</b>	- Transition strategy should reference science-based targets and transition pathways	- While Raízen overall intends to align with the Paris Agreement by seeking to increase the generation of renewable energy and encourage a low-carbon economy, Raízen’s sustainability strategy does not reference science-based targets and transition pathways. - Raízen has communicated to Sustainalytics that it is currently in the process of updating its climate change strategy intended to align with science-based targets.	Not Aligned
<b>Implementation transparency</b>	- Disclosure of CAPEX and OPEX plans - Climate-related outcomes and impacts that expenditures are intended to result in	- As part of Raízen’s IPO the Company has publicly communicated its CAPEX plans which prioritize investments in second-generation biofuels and biogas plants integration into existing bioenergy parks. - While noting the publicly available information related to Raízen’s renewable energy portfolio, Raízen has not committed to providing ongoing annual public reporting through standard reporting channels related to its transition plans and expected outcomes	Partially Aligned

## Section 2: Assessment of Raízen’s Sustainability Strategy

### Credibility of Climate Transition Strategy

Sustainalytics recognizes that proceeds from debt issuance under this Framework would be for general corporate purpose use, which includes support of the Company’s initiatives for transitioning towards low-carbon operations. Within this context, Sustainalytics has assessed Raízen’s climate transition strategy below:

The Strategic Sustainability Plan (SSP) developed by Raízen in 2020 forms the key framework for Raízen’s sustainability strategy. It was developed through stakeholder consultation and comprehensive materiality analysis.<sup>25</sup> Raízen has identified key material topics, including but not limited to climate change, energy transition, health safety management, circular economy, community relations, human rights and diversity inclusion.<sup>26</sup> The SSP aims to define short- and medium-term action plans for each indicator.<sup>27</sup>

### Emission-Reduction Targets

As part of Raízen’s commitment to energy and climate transition, Raízen intends to reduce its carbon footprint by increasing efficiency and innovation throughout its processes and delivering bioproducts with high emissions reduction rates. More specifically, Raízen is committed to reducing the carbon footprint of ethanol (MJ) and sugar (Kg) in its operations by 10% by 2030 based on intensity compared to the 2018-19 harvest and with a projection based on the 2029-30 harvest.

<sup>25</sup> Raízen, “Annual Sustainability Report 2020 | 2021”, (2021), at: <https://www.Raizen.com.br/relatorioanual/2021/pdf/Raizen-rs2021-en.pdf>

<sup>26</sup> Ibid.

<sup>27</sup> Ibid.

## Decarbonization Pathway and Implementation Plan

Raízen's sustainability strategy to manage the negative externalities of its operations is outlined in the Company's SSP. As part of this strategy, Raízen focuses on the areas with the most material impact, including the use of by-products from sugarcane processing as natural fertilizers; use of filter cake and vinasse as inputs for the biogas plant to generate electricity or biomethane, input for the production of second-generation ethanol and energy demand for its operations.

To achieve emissions reduction of ethanol, Raízen intends to increase leadership involvement around this objective and seek annual verification of its carbon footprint results, among other initiatives. Raízen has also become a member of the CDP supply chain group and the Company works with its suppliers to manage emissions and climate change risks. To further reduce the carbon footprint of ethanol, the Company will continuously reduce the use of synthetic fertilizers, reduce the use of fossil fuels in agricultural operations and explore sustainable agriculture techniques. Raízen is also in the process of setting science-based targets to reduce its GHG emissions intensity.<sup>28</sup>

## Raízen's Environmental and Social Risk Management

Sustainalytics notes that Raízen's management of ESG issues and sustainability reporting are average. Sustainalytics' analysis is based on Raízen's overall performance in environmental, social and governance issues.<sup>29</sup> Sustainalytics also recognizes that while Raízen's defined targets are impactful, achieving the SPTs bears environmental and social risks related to the overall environmental and social impact of products and services, community relations, labour rights, human rights within its supply chain, water use, waste and procurement.

Sustainalytics comments below on Raízen's ability to mitigate such potential risks as outlined in its Annual Sustainability Report 2020 | 2021<sup>30</sup>:

- Raízen has a Sustainability Policy that applies to all businesses and employees who work on behalf of the Company in all its business units. This policy is intended to transparently communicate to stakeholders the Company's themes of action in favour of sustainable development, ambitions, and lines of action. In addition, to expand the scope and facilitate applicability of sustainability in Raízen's operations, the policy covers topics including energy efficiency, climate change, water management, community relations, human rights, diversity, land use and sustainable sugarcane procurement.<sup>31</sup>
- During the 2020-21 harvest year, Raízen implemented stakeholder engagement programmes in 38% of its facilities in Brazil and 60% in Argentina. In addition, impact assessments and local development programmes were initiated in 80% and 61% of locations in each country respectively. This helped the Company to: (i) enhance socio-economic development in the areas surrounding its operations by integrating them with business strategies, (ii) mobilize public and private resources in a planned, monitored and systematic manner, and (iii) promote social transformation and business generation across the value chain.
- Additionally, Raízen's Health, Safety and Environment (HSE) Policy addresses environmental risks by encouraging business units to operate in an ethical, safe and environmentally sustainable way. The guidelines on the HSE Policy are shared among all team members through an awareness-raising agenda coordinated by the leaders of the Executive Committee.
- Raízen has multiple institutionalized policies and procedures,<sup>32</sup> including its Sustainability Policy, Raízen Code of Conduct, and HSE Policy, among others, to ensure human rights are respected throughout the production chain and operations. The Company's Ethics Channel conducts regular human rights reviews which are followed by employee trainings on human rights policies and procedures.
- The Company mitigates water management risks via its ReduZa programme, which has been in place since the 2015-16 harvest year. This initiative is based on the use of water from the sugarcane itself. The water which evaporates after sugarcane crushing is condensed for use in the industry on two fronts: reducing water consumption per tonne of

<sup>28</sup> CDP, "Raízen S.A. - Climate Change 2021", at:

[https://www.cdp.net/en/formatted\\_responses/responses?campaign\\_id=74241094&discloser\\_id=892698&locale=en&organization\\_name=Raízen+S.A.&organization\\_number=35374&program=Investor&project\\_year=2021&redirect=https%3A%2F%2Fcdp.credit360.com%2Fsurveys%2F2021%2Fdbbr64mv%2F142897&survey\\_id=73557641](https://www.cdp.net/en/formatted_responses/responses?campaign_id=74241094&discloser_id=892698&locale=en&organization_name=Raízen+S.A.&organization_number=35374&program=Investor&project_year=2021&redirect=https%3A%2F%2Fcdp.credit360.com%2Fsurveys%2F2021%2Fdbbr64mv%2F142897&survey_id=73557641)

<sup>29</sup> This assessment is based on Sustainalytics' own ESG Risk Ratings of 26 May 2021.

<sup>30</sup> Raízen, "Annual Sustainability Report 2020 | 2021", (2021), at: <https://www.Raízen.com.br/relatorioanual/2021/pdf/Raízen-rs2021-en.pdf>

<sup>31</sup> Raízen, "Sustainability Policy", (2020), at: <https://s3-sa-east-1.amazonaws.com/Raízen-prod/items-files/item-391-Raízen-sustainabilitypolicy.pdf>

<sup>32</sup> Raízen, "Third Party Policies and Procedures", (2021), at: <https://www.raízen.com.br/en/about-raízen/third-party-policies-and-procedures>

sugarcane crushed and cold-water usage in boilers by reusing hot water. Raízen has reduced water withdrawals by approximately 22% since implementing the programme.

- Raízen mitigates risks related to waste disposal and management by using SIGO, a system that disseminates the HSE Policy and procedures for managing effluents, waste, air emissions and permits. The Company continues to invest in effluent treatment plants and wastewater treatment plants, seeking to improve the quality of the effluents authorized for discharge. Furthermore, to reduce effluent generation, the Company also invests in technology projects for water reuse, monitoring and mapping of processes, closing of circuits and cooling towers for water reuse.
- Raízen has a Sustainable Procurement Policy to ensure an efficient procurement process that adheres to principles of compliance and sustainability for fair and honest competitive processes. The policy helps to ensure that procurement is carried out in accordance with market practices, meeting internal procurement requirements based on the socio-economic development of all stakeholders.

Sustainalytics notes that it has not found evidence of major environmental or social controversies related to Raízen. The Company's overall ESG-related disclosure follows best practice, signalling strong accountability to investors and the public. Raízen has also disclosed a sustainability policy that Sustainalytics considers to be positive for minimizing risks to the achievement of the SPTs.

## Section 3: Impact of the SPTs Selected

### Impact of Renewable Energy from Biofuel in Brazil

Renewable sources accounted for 45.3% of the energy mix in Brazil in 2018.<sup>33</sup> In the case of biofuels, the share of renewables in the transport sector's energy mix was over 23%, which is nearly seven times the global average of 3.3%.<sup>34</sup> Since the 1970s, sugarcane has grown and diversified as a source of energy in Brazil, encompassing ethanol, electricity and biogas.<sup>35</sup> Furthermore, in 1975, Brazil introduced the Programa Nacional do Álcool (Proálcool), which set mandatory ethanol blends for gasoline in the country at up to 25%.<sup>36</sup> Brazil's National Energy Plan 2030 (PNE) of 2005-06 mandates a yearly production of 66 billion litres for bioethanol and 18.5 billion litres for biodiesel by 2030.

Brazil has had blending mandates for bioethanol and biodiesel under various laws enacted in 1993, 2003, 2013 and 2015.<sup>37</sup> As of 2018, Brazil had increased its mandatory ethanol blend to 27% for all gasoline and 73% of all cars in the country could operate on ethanol fuel alone because of the widely successful adoption of flex-fuel vehicles.<sup>38,39</sup> In the last decade, further financing support for new sugarcane plantations and fiscal incentives reducing bioethanol tax at pumping stations have helped bioethanol remain relevant in Brazil's transport sector.<sup>40</sup>

Ethanol derived from corn and sugarcane reduces lifecycle emissions by 43% and 90%, respectively, as compared to gasoline.<sup>41,42</sup> While biofuels emit less GHG than traditional diesel and gasoline over their entire lifecycle,<sup>43</sup> some studies have questioned the lifecycle carbon benefits of biofuels due to the required energy inputs and induced land-use change.<sup>44</sup> Considering the challenges,

<sup>33</sup> Government of Brazil, "Renewable sources now have a share of 45.3% in Brazil's energy mix", (2021), at: <https://www.gov.br/en/government-of-brazil/latest-news/2021/04/renewable-sources-now-have-a-share-of-45-3-in-brazil2019s-energy-mix>

<sup>34</sup> Ibid.

<sup>35</sup> Global Issues, "Green Gas: Energy as a By-Product of Sugarcane in Brazil", (2021), at: <https://www.globalissues.org/news/2021/12/20/29647>

<sup>36</sup> Bajaj, S., "National Energy Policy: Brazil", Encyclopedia of Energy, (2004), at: <https://www.sciencedirect.com/topics/engineering/proalcool-program>

<sup>37</sup> Ibid.

<sup>38</sup> Rapid Transition Alliance, "The Rise of Brazil's Sugarcane Cars" (2018), at: <https://www.rapidtransition.org/stories/the-rise-of-brazils-sugarcane-cars/>

<sup>39</sup> Wessex Institute of Technology Press, "The Brazilian experience of flex-fuel vehicles technology: towards low carbon mobility", (2014), at: <https://www.witpress.com/Secure/elibrary/papers/UT14/UT14045FU1.pdf>

<sup>40</sup> International Renewable Energy Agency (IRENA), "Renewable Energy Policy Brief: BRAZIL", (2015), at: [https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2015/IRENA\\_RE\\_Latin\\_America\\_Policies/IRENA\\_RE\\_Latin\\_America\\_Policies\\_2015\\_Country\\_Brazil.pdf?ja=en&hash=D645B3E7B7DF03BDDAF6EE4F35058B2669E132B1](https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2015/IRENA_RE_Latin_America_Policies/IRENA_RE_Latin_America_Policies_2015_Country_Brazil.pdf?ja=en&hash=D645B3E7B7DF03BDDAF6EE4F35058B2669E132B1)

<sup>41</sup> Rapid Transition Alliance, "The Rise of Brazil's Sugarcane Cars" (2018), at: <https://www.rapidtransition.org/stories/the-rise-of-brazils-sugarcane-cars/>

<sup>42</sup> USDA, "Factsheet – Lifecycle Greenhouse Gas Emissions of Corn-Based Ethanol", (2015), at: [https://www.usda.gov/sites/default/files/documents/Ethanol\\_Report\\_Factsheet\\_Final.pdf](https://www.usda.gov/sites/default/files/documents/Ethanol_Report_Factsheet_Final.pdf)

<sup>43</sup> US Energy Information Administration, "Biofuels explained: Ethanol and biomass-based diesel", (2020), at: [https://www.eia.gov/energyexplained/index.php?page=biofuel\\_home](https://www.eia.gov/energyexplained/index.php?page=biofuel_home)

<sup>44</sup> Science.org, "Land Clearing and the Biofuel Carbon Debt", (2008), at: <https://www.science.org/doi/10.1126/science.1152747>

the Climate Bonds Initiative has proposed a standard for bioenergy that requires an 80% emissions reduction compared to a fossil fuel baseline.

In 2015, the Brazilian government reinforced its commitment to the decarbonization pathway at the United Nations Climate Change Conference in Paris through a Nationally Determined Contribution to reduce its emissions in 2030 by 43% compared with 2005. In addition, Brazil intends to adopt further measures that are consistent with the 2°C climate scenario, in particular, increasing its share of renewables in the energy mix to 45%, in which biofuels would increase to approximately 18% by 2030.<sup>45</sup> Brazil surpassed its target of increasing the share of biofuels in the energy mix in 2018, reaching 18.9% of renewables in the energy mix (17.4% for sugarcane products and 1.5% for biodiesel).<sup>46</sup>

Based on this, Sustainalytics notes that Raízen’s commitment to certify 100% of mills in operation by Bonsucro by 2030 is expected to contribute to increasing the share of sustainable biofuels in the Brazilian energy mix and help expand the development of biofuel production in alignment with the transport sector’s carbon intensity reduction targets, such as those set out by Brazil’s national biofuel policy, *RenovaBio*.<sup>47</sup>

**Alignment with/contribution to SDGs**

The Sustainable Development Goals (SDGs) were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by the year 2030. The Raízen Sustainability-Linked Finance Framework is expected to help advance the following SDGs and targets:

KPI	SDG	SDG Target
Share of Bioenergy Parks in operation certified by Bonsucro	7. Affordable and clean energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Percentage of leadership positions held by women	5. Gender Equality	5.5 Ensure women’s full and effective participation and equal opportunities for leadership at all levels of decisionmaking in political, economic and public life
	8. Decent Work and Economic Growth	8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value
	10. Reduced Inequalities	10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status

<sup>45</sup> UNFCCC, “Federative Republic of Brazil – Intended Nationally Determined Contribution Towards Achieving the Objective of the United Nations Framework Convention on Climate Change”, (2015), at: <https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Brazil%20First/BRAZIL%20iNDC%20english%20FINAL.pdf>

<sup>46</sup> Government of Brazil, “Renewable sources now have a share of 45.3% in Brazil’s energy mix”, (2021), at: <https://www.gov.br/en/government-of-brazil/latest-news/2021/04/renewable-sources-now-have-a-share-of-45-3-in-brazil2019s-energy-mix>

<sup>47</sup> USDA, Foreign Agricultural Service, “Implementation of *RenovaBio* - Brazil’s National Biofuels Policy”, (2021), at: [https://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=Implementation%20of%20RenovaBio%20-%20Brazil%27s%20National%20Biofuels%20Policy\\_Sao%20Paulo%20ATO\\_Brazil\\_02-25-2021](https://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=Implementation%20of%20RenovaBio%20-%20Brazil%27s%20National%20Biofuels%20Policy_Sao%20Paulo%20ATO_Brazil_02-25-2021)

## Conclusion

Raízen has developed the Raízen Sustainability-Linked Finance Framework under which it may issue sustainability-linked bonds or obtain sustainability-linked loans.

Raízen intends to tie the coupon rate of these sustainability-linked instruments to the achievements of the following SPTs:

- (1) Increase the share of bioenergy parks certified by Bonsucro to 94% by 2026
- (2) Increase the share of leadership positions held by women to 30% by 2026

Sustainalytics considers KPI 1, share of bioenergy parks in operation certified by Bonsucro, to be adequate given it indirectly measures Raízen's performance linked to material sustainability issues, it represents a material sustainability topic for the Company and industry, and follows a clear and consistent definition. Sustainalytics further considers KPI 2, share of leadership positions held by women, to be strong given that it measures performance on a relevant and material issue, it is a direct measure of operational performance, and follows a clear and consistent methodology.

Sustainalytics considers SPT 1 to be ambitious given that it is aligned with past performance and the targets exceed those of the subindustry peers. SPT 2 is considered ambitious given that it represents a sustained increase relative to past performance and is above those of the subindustry peers. Furthermore, Sustainalytics considers reporting and verification commitments to be aligned with market expectations.

Sustainalytics is of the opinion that the Raízen Sustainability-Linked Finance Framework aligns with the Sustainability-Linked Bond Principles 2020 and the Sustainability-Linked Loan Principles 2021. Sustainalytics has also assessed Raízen's alignment with the recommendations of the Climate Transition Finance Handbook and considers the Company's transition strategy to be partially aligned overall. Based on the above, Sustainalytics is confident that Raízen is well positioned to issue sustainability-linked bonds and obtain sustainability-linked loans.



## Appendix 1: Sustainability-Linked Bonds - External Review Form

### Section 1. Basic Information

Issuer name: Raízen Energia SA

Sustainability-Linked Bond ISIN: Not available at time of publication

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

Completion date of second party opinion pre-issuance: January 31, 2022

Independent External Review provider's name for post-issuance verification (section 4):

Completion date of post issuance verification:

At the launch of the bond, the structure is:

- a step-up structure  a variable redemption structure

### Section 2. Pre-Issuance Review

#### 2-1 SCOPE OF REVIEW

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

The review:

- assessed all the following elements (complete review)  only some of them (partial review):
- |                                                                                              |                                                                              |
|----------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Selection of Key Performance Indicators (KPIs)           | <input checked="" type="checkbox"/> Bond characteristics (acknowledgment of) |
| <input checked="" type="checkbox"/> Calibration of Sustainability Performance Targets (SPTs) | <input checked="" type="checkbox"/> Reporting                                |
| <input checked="" type="checkbox"/> Verification                                             |                                                                              |
- and confirmed their alignment with the SLBP.

#### 2-2 ROLE(S) OF INDEPENDENT EXTERNAL REVIEW PROVIDER

- |                                                          |                                         |
|----------------------------------------------------------|-----------------------------------------|
| <input checked="" type="checkbox"/> Second Party Opinion | <input type="checkbox"/> Certification  |
| <input type="checkbox"/> Verification                    | <input type="checkbox"/> Scoring/Rating |

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

#### 2-3 EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

Raízen has developed the Raízen Sustainability-Linked Finance Framework under which it may issue sustainability-linked bonds or obtain sustainability-linked loans.

Raízen intends to tie the coupon rate of these sustainability-linked instruments to the achievements of the following SPTs:

- (1) Increase the share of bioenergy parks certified by Bonsucro to 94% by 2026
- (2) Increase the share of leadership positions held by women to 30% by 2026

Sustainalytics considers KPI 1, share of bioenergy parks in operation certified by Bonsucro, to be adequate given it indirectly measures Raízen’s performance linked to material sustainability issues, it represents a material sustainability topic for the Company and industry and follows a clear and consistent definition. Sustainalytics further considers KPI 2, percentage of leadership positions held by women, to be strong given that it measures a performance on a relevant and material issue, it is a direct measure of operational performance, and follows a clear and consistent methodology.

Sustainalytics considers SPT 1 to be ambitious given that it is aligned with past performance , and the targets exceed those of the subindustry peers. SPT 2 is considered ambitious given that it represents a sustained increase relative to past performance, and is above subindustry peers. Furthermore, Sustainalytics considers reporting and verification commitments to be aligned with market expectations.

Sustainalytics is of the opinion that the Raízen Sustainability-Linked Finance Framework aligns with the Sustainability-Linked Bond Principles 2020 and Sustainability-Linked Loan Principles 2021. Sustainalytics has also assessed Raizen’s alignment with the recommendations of the Climate Transition Finance Handbook and considers the Company’s transition strategy to be partially aligned overall. Based on the above, Sustainalytics is confident that Raizen is well-positioned to issue sustainability-linked bonds or obtain sustainability-linked bonds loans.

**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.*

**3-1 SELECTION OF KEY PERFORMANCE INDICATORS (KPIs)**

**Overall comment on the section (if applicable):** The Raízen Sustainability-Linked Finance Framework includes 2 KPIs: (i) Share of bioenergy parks in operation certified by Bonsucro, and (ii) Percentage of leadership positions held by women. Sustainalytics considers KPI 1 to be adequate given it indirectly measures Raízen’s performance linked to material sustainability issues, represent a material sustainability topic for the Company and industry and follows a clear and consistent definition. KPI 2 is considered strong given that it measures a performance on a relevant and material issue, it is a direct measure of operational performance, and follows a clear and consistent methodology.

**List of selected KPIs:**

- Share of Bioenergy Parks in operation certified by Bonsucro
- Share of leadership positions held by women

**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
- Credentials that the KPIs are measurable or quantifiable on a consistent methodological basis
- Evidence that the KPIs can be benchmarked
- Other (please specify):

### 3-2 CALIBRATION OF SUSTAINABILITY PERFORMANCE TARGETS (SPTs)

**Overall comment on the section (if applicable):** Sustainalytics considers SPT 1 to be ambitious given that it is aligned with past performance with targets exceeding those of the subindustry peers. The SPT 2 is considered ambitious given that it presents a continued increase relative to past performance.

#### Rationale and level of ambition

- |                                                                                                                              |                                                                                                                       |
|------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Evidence that the SPTs represent a material improvement                                  | <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"/> Credentials that the SPTs are determined on a predefined timeline                 |
|                                                                                                                              | <input type="checkbox"/> Other (please specify):                                                                      |

#### Benchmarking approach

- |                                                            |                                                    |
|------------------------------------------------------------|----------------------------------------------------|
| <input checked="" type="checkbox"/> Issuer own performance | <input checked="" type="checkbox"/> Issuer’s peers |
| <input type="checkbox"/> reference to the science          | <input type="checkbox"/> Other (please specify):   |

#### Additional disclosure

- |                                                                                                               |                                                                              |
|---------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> potential recalculations or adjustments description                       | <input checked="" type="checkbox"/> issuer’s strategy to achieve description |
| <input checked="" type="checkbox"/> identification of key factors that may affect the achievement of the SPTs | <input type="checkbox"/> Other (please specify):                             |

### 3-3 BOND CHARACTERISTICS

**Overall comment on the section (if applicable):** Raizen will link the financial characteristics of sustainability-linked instruments to the achievement of the SPTs, which may take the form of both a coupon margin increase and decrease tied to the achievement of each of the SPTs.

#### Financial impact:

- Variation of the coupon
- ...
- Other (please specify):

#### Structural characteristic:

- ...
- ...
- Other (please specify):

**3-4 REPORTING**

**Overall comment on the section (if applicable):** Raízen commits to report on an annual basis on its performance on the KPIs against the relevant SPTs and expects to include the relevant figures in its Corporate Sustainability Report or other similar report. This reporting will be available on its website and is aligned with the SLBP and SLLP. Raízen further commits to disclose annually, when feasible, qualitative or quantitative explanations on the contribution of the main factors to the evolution of the performance/KPI, positive sustainability impacts of the performance improvement, as well as any re-assessments or adjustments of the KPIs, their baselines or scopes.

**Information reported:**

- |                                                                      |                                                                   |
|----------------------------------------------------------------------|-------------------------------------------------------------------|
| <input checked="" type="checkbox"/> performance of the selected KPIs | <input checked="" type="checkbox"/> verification assurance report |
| <input checked="" type="checkbox"/> level of ambition of the SPTs    | <input type="checkbox"/> Other (please specify):                  |

**Frequency:**

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

**Means of Disclosure**

- |                                                                                                                                   |                                                                                    |
|-----------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|
| <input type="checkbox"/> Information published in financial report                                                                | <input checked="" type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents                                                                | <input type="checkbox"/> Other (please specify):                                   |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): |                                                                                    |

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

**Level of Assurance on Reporting**

- |                                                       |                                               |
|-------------------------------------------------------|-----------------------------------------------|
| <input checked="" type="checkbox"/> limited assurance | <input type="checkbox"/> reasonable assurance |
| <input type="checkbox"/> Other (please specify):      |                                               |

**USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer’s documentation, etc.)**

**Section 4. Post-issuance verification**

**Overall comment on the section (if applicable):**

**Information reported:**

- limited assurance
- reasonable assurance
- Other (please specify):

**Frequency:**

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

**Material change:**

- Perimeter
- KPI methodology
- SPTs calibration

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

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

## About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 25 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 800 staff members, including more than 300 analysts with varied multidisciplinary expertise across more than 40 industry groups.

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