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**BUREAU VERITAS CERTIFICATION**

**VERIFICATION STATEMENT**

**SECOND PARTY OPINION**

**VOTORANTIM CIMENTOS**



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## **VERIFICATION STATEMENT – Second Party Opinion**

Bureau Veritas Certification Brasil (“Bureau Veritas”) was engaged by Votorantim Cimentos to conduct a Verification of Votorantim Cimento’s Sustainability Linked Financing Framework (Framework), which should be used for a financial operation described in this Statement, for a period defined in accordance with the requirements shown below.

The technical basis used for this verification was the Guideline Sustainability-Linked Bonds Principles, Voluntary Process, June 2020, issued by the International Capital Market Association (ICMA)

The scope of the verification is limited to the Cement business, with a global geographical scope, as detailed in this Statement.

## **CONCLUSION**

Based on the verification carried out by us and the obtained evidences, we concluded that the Votorantim Cimento’s Framework, described in Part 1 of this Statement, meets the ICMA Sustainability-Linked Bonds Principles of June 2020 and is therefore able to be used as the basis for a debt issuance in the local or foreign market. Additionally, we concluded that the Key Performance Indicators (KPIs) and the Sustainability Performance Targets (SPTs), associated with the operation, are sufficiently material, comprehensive, reliable and challenging, given the current social and economic expectations.

## PART 1

### 1.1 VOTORANTIM CIMENTOS

Information obtained from the company's 2019 Sustainability Report (1.1 to 1.1.2):

Votorantim Cimentos is present in 11 countries on four continents: Argentina, Brazil, Bolivia and Uruguay, in South America; Canada and the United States in North America; Spain and Luxembourg, in Europe; Turkey in Europe / Asia; and Morocco and Tunisia, in Africa.

At the end of 2019, it had 11,953 employees and 256 industrial units, with an installed cement capacity of 52.8 million tons. In the year, it produced 30.1 million tons of cement with a net revenue of R\$ 13 billion.

In terms of production capacity, Votorantim Cimentos is the seventh largest cement company in the world (excluding China).

The company has a diverse portfolio of products, which consists of cement, concrete, aggregates, mortars, grouts, finishing products, plasticizers and agricultural inputs. It operates in a business to business (B2B) model with a strong presence in retail, distributors, the infrastructure sector and large construction companies.

Votorantim Cimento's targets for 2030 consist of seven pillars:

- ✓ Health, safety and well-being
- ✓ Ethics and integrity
- ✓ Innovation
- ✓ Diversity
- ✓ Environmental footprint
- ✓ Circular economy
- ✓ Communities and shared value

The goals for 2030 were disclosed in a document called “Our commitments for 2030”, where an association was made with each SDG - Sustainable Development Goals.



### 1.1.2 Environmental Footprint

Votorantim Cimentos has publicly committed to optimizing processes and developing technologies to deliver carbon-neutral concrete by 2050. In this sense, the company discloses its specific goals related to the Environmental Footprint pillar through communication channels and periodic publications, such as the Integrated Report.

The KPI “Net CO2 emissions”, and the goal of reaching 520 kg of net carbon emission per ton of cementitious product, to be established by 2030, is presented in this pillar.



### 1.1.3 Circular economy

Through co-processing, Votorantim Cimentos obtains energy reuse of industrial, urban and biomass residues, preventing them from being sent to landfills with subsequent generation of methane and potential risks of soil and groundwater contamination. Through this practice, these residues are thermally destroyed and the company reduces its greenhouse gas emissions. In addition to waste, the company consumes an important volume of by-products from other industries, such as blast furnace slag and ash from coal thermoelectric plants, which are incorporated into cement and concrete.

The KPI "Thermal Substitution", and the goal of reaching 53% thermal substitution by 2030, is presented in this pillar.



### 1.2 SUSTAINABILITY LINKED BONDS PRINCIPLES (SLBP)

As mentioned in this Statement, our Verification was carried out against the five main components of the Guideline Sustainability-Linked Bonds Principles (SLBP).

According to the ICMA, Sustainability Linked Bonds (SLBs) are any type of financial capital market instruments whose financial and / or structural characteristics may vary, depending on whether the issuer achieves pre-defined Sustainability / ESG objectives. In that sense, issuers are thereby committing explicitly (including in the bond documentation) to future improvements in the sustainability outcomes(s) within a pre-defined timeline. SLBs are a forward-looking performance based instrument.

Those objectives are (i) measured through predefined Key Performance Indicators (KPIs) and (ii) assessed against predefined Sustainability Performance Targets (SPTs).

The components verified by us were:

- ✓ Selection of key performance indicators (KPIs)
- ✓ Calibration of Sustainability Performance Goals (SPTs)
- ✓ Title characteristics
- ✓ Disclosure
- ✓ Verification

### **1.3 BOND ISSUANCE**

In continuity with Votorantim Cimento's liabilities management strategy of extending short and medium term maturities, funds raised of a debt instrument under the Framework, whether in the local or foreign market, can be used for any purpose, which includes, but is not limited to, the prepayment of debts of the company or companies in its economic conglomerate.

### **1.4 KPIs and SPTs**

Votorantim Cimentos defined the following KPIs and SPTs as part of its Framework:

#### **1.4.1 Net CO<sub>2</sub> emissions**

Achieve 548 kg of net carbon emission per ton of cementitious product by 2025. The year considered as the baseline for calculating the reduction was 2019.

### 1.4.2. Thermal substitution

Achieve 29,4 % thermal substitution by 2025. There is no baseline. The ambition was defined in absolute terms (alternative fuels divided by the total of fuels).

The scope of both indicators is global, comprising all facilities in the Cement business of Votorantim Cimentos. The regions are defined by the company as:

- ✓ VCEAA: Europe, Asia and Africa
- ✓ VCNA: Canada and the United States
- ✓ VCBR: Brazil
- ✓ VCLATAM\*: Bolivia and Uruguai

\* Votorantim Cimentos does not have operational control of the facilities in Argentina. The KPIs and STPs do not cover Votorantim Cimento's operations in this country.

TABLE OF ANNUAL TARGETS, CONSIDERING 2019 AS BASELINE

KPIs	2019	2020	2021	2022	2023	2024	2025
%Thermal Substitution	22,0%	23,0%	24,2%	25,4%	26,6%	28,0%	29,4%
.KgCO <sub>2</sub> /ton cementitious (NET)	591	584	577	570	562	555	548
. %Improvement p.year		-1,2%	-1,2%	-1,2%	-1,3%	-1,3%	-1,3%
. %Improvement acc.		-1,2%	-2,4%	-3,6%	-4,9%	-6,2%	-7,5%



## PART 2

### 2.1 SCOPE AND METHODOLOGY

The scope of this verification covered the assessment of:

A Framework prepared by Votorantim Cimentos for a financial operation described in this Statement;

A draft of a Financial Debenture Contract that aims to issue a debt security in the Brazilian capital market;

Reasonability for the issuance of a SLB and consistency with the company's general sustainability and business strategy;

Defined KPIs: scope, baseline, relevance, strategy and materiality;

Potential change in the financial and / or structural characteristics of financial securities and the trigger events that lead to such change;

Definition and application of methodology / metrics for the reliability of KPIs;

Resources available to reach established goals;

Traceability of the data associated to the goals (accuracy of the data resulting in KPIs).

Disclosure of information on the SLB (performance against targets and the related impact on the financial and / or structural characteristics of the bond);

Performance of Votorantim Cimento's operation over the five-year period, based on the KPIs described above and requirements described in the Votorantim Cimentos Framework. This assessment will be conducted in a future verification event, at the end of the period of the Debenture contract.

The scope of this verification was Limited, in accordance with Bureau Veritas internal protocol for verifying Sustainability Bonds. This scope differs from Reasonable because it emphasizes the verification of existing systems that allow the generation of reliable data. There is less depth in verifying the accuracy of the data.

## 2.2 BUREAU VERITAS AND VOTORANTIM CIMENTO'S RESPONSABILITIES

The collection of data assessed by our team is the sole responsibility of Votorantim Cimento's management. Bureau Veritas is responsible for providing Votorantim Cimentos with an independent opinion, according to the scope of work defined in this statement.

## 2.3 DISCLAIMER

The present verification does not consider accountability regarding the achievement of the targets (SPTs), established by Votorantim Cimentos during the validity of the Debenture contract, since it was carried out at the beginning of the SLB transaction and does not accompany the generation / disclosure of data related to KPIs linked to the Debenture operation.

This verification excluded any assessment of information related to:

- ✓ Activities outside the period covered by this Declaration;
- ✓ Activities not corresponding to the present scope of verification;
- ✓ Goals and commitments not listed in this Declaration

The verification process brings, due to its Limited scope, some limitations regarding the identification of errors.

## 2.4 OUR FINDINGS

### 2.4.1 Selection of key performance indicators (KPIs)

The selection of KPIs is in line with the Paris Agreement, Materiality Study carried out by Votorantim Cimentos in 2020 and the Commitments for 2030 issued by the company.

The Materiality Report, analysed by our team, points to Climate Change as the main topic to be addressed by the company, considering that 8% of anthropogenic CO<sub>2</sub> emissions are caused by the cement sector. The % alternative fuel (used as an energy source) is important for reaching the goal of reducing CO<sub>2</sub> emissions, since the substitution of fossil fuels with alternative fuels is one of the main levers for reducing GHG emissions. The methodology used to carry out the Materiality Study was based on the Global Reporting Initiative Guideline, with the objective of identifying the most relevant environmental, social and economic issues for the company and its stakeholders. The assessed report demonstrates the relationship between the Climate Change Topic and the Sustainable Development Goals (SDGs) No. 13: Action against global climate change and No. 12: Responsible Consumption and Production.

Regarding the context of sustainability, we emphasize the importance of the Technological Roadmap – Low carbon transition in the cement industry, approved by the International Energy Agency (IEA) in 2018 and the Statement of Climate Ambition of the Global Concrete and Cement Association (GCCA) for 2050, issued in September 2020. Votorantim Cimento's 2025 goals are aligned with both IEA and GCCA documents, which were built according to the Paris Agreement.

According to the GCCA, cement manufacturing is an intensive process in terms of GHG emissions. Limestone, a fundamental raw material in cement production, emits CO<sub>2</sub> at high temperatures, which is necessary for the production of clinker. These process emissions are responsible for about 60% of the total CO<sub>2</sub> emissions. The remaining 40% of CO<sub>2</sub> emitted comes from direct and indirect energy, that is, they come from the fuels necessary to generate the necessary heat (direct emissions), in addition to emissions related to the use of electricity (indirect emissions).

The Technology Roadmap considers that the transition of the 2 degree Celsius (°C) Scenario (2DS) implies a significant reduction of the global direct CO<sub>2</sub> emissions from cement manufacture by 24% compared to current levels by 2050 still with the expected increase in global cement production. This represents cumulative emissions reductions of 7.7 GtCO<sub>2</sub> compared to the RTS by 2050, reaching 1.7 GtCO<sub>2</sub>, equivalent to around 90% of current total global industrial direct CO<sub>2</sub> emissions. Implementing this vision requires accelerated development and deployment of CO<sub>2</sub> emissions reduction levers, supportive policy, public-private collaboration, financing mechanisms and social acceptance.

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

According to the Goals Table presented in this Statement under 1.4 (KPIs and SPTs), Votorantim Cimentos has committed itself to achieving goals aligned to the 2DS scenario presented in the Technological Roadmap, which establishes the need to reach, in 2030, the direct CO<sub>2</sub> intensity of 0.52 ton of CO<sub>2</sub> per ton of cement (tCO<sub>2</sub> / t cement). In a linear projection of a 1.3% percentage reduction between 2025 and 2030, emissions will be reaching the goal of the 2DS scenario. In this way we understand that the target of 0.548 TonCO<sub>2</sub> / Ton of Cement for the year 2025 is sufficiently challenging.

In relation to the % of thermal substitution, the company's commitment goes beyond that indicated by the 2DS scenario of the Roadmap (17.5% in 2030), reaching 29,4% of thermal substitution in 2025.



Regarding the reliability of the data presented by Votorantim Cimentos, we clarify that the company's GHG emissions inventory is verified annually by Bureau Veritas in a specific audit process, in accordance with the requirements of the Brazilian GHG Protocol Program and the GCCA Guideline for CO2 emissions. During this verification, the systematic of preparing this Inventory is assessed by a team specialized in GHG emissions. The data associated with the KPIs, used in the operation of SLBs, are analysed and traced to their source (by sampling). Bureau Veritas annually issues a Statement and a technical report regarding verification of the Inventory.

Still regarding the data that make up the selected KPIs, we clarify that they are consolidated from obtaining primary data received from Votorantim Cimentos' operations. According to the company's internal procedure, verified by us, a double check is made based on the spreadsheets extracted from the SAP system that contains information about the raw materials and fuels consumed. A consolidation is made by the corporate environmental area based in Brazil, in a spreadsheet used for the calculation, following the GNR (Getting the Numbers Right) method of the Cement Sustainability Initiative (CSI), current GCCA.

The most important actual tool for data collection in the cement sector is GNR. All data are collected according to the Global Cement Protocol (CO2 and Energy). GNR is currently managed by the GCCA and was originally established by CSI to collect energy and CO2 emissions data in cement manufacturing.

In relation to the investments required for the so-called "Transition", we clarify that Votorantim Cimentos stated that it invested R \$ 64.1 million in coprocessing (technologies and new facilities in operations) in 2019. The topic is on the company's strategic agenda, according to the company's Sustainability Policy, evidenced by our team.

### 2.4.3 Bond Characteristics

The Securities linked to sustainability KPIs have at least one feature linked to sustainability that will result in an adjustment to the characteristics of the debt security, which may include (but is not limited to) an increase or reduction in the coupon, the repurchase rate or other changes in Securities characteristics, depending on compliance with SPTs.

The calculation of the relevant KPI or SPT, may exclude the effects of certain material acquisitions and/or material changes in laws or regulations applicable or relating to production activities, in each case to be set forth, if applicable, in further detail in the terms and conditions of each Sustainability-Linked Securities.

We have evidenced that the draft of the simple debentures contract, not convertible into shares, of the unsecured type in a single series of Votorantim Cimentos S / A, includes the two sustainability KPIs, according to annex iii and also has a systematic that provides for external verification and disclosure of data, about the performance of the company, with respect to these indicators as per clause 6.20.4.3 of the aforementioned contract.

### 2.4.4 Reporting

According to Votorantim Cimento's Framework, the disclosure of KPIs and SPTs will be made through the annual Integrated Report, following the guidelines of the GRI and GCCA.

### 2.4.5 Verification

Bureau Veritas was engaged to carry out a verification prior to the issuance of the Debenture, with the issuance of this Statement. A second verification will be conducted at the end of the Debenture contract (2026).

Votorantim Cimentos declares in its Framework that it will submit KPIs / SPTs to independent verification on an annual basis.

## 2.5 DECLARATION OF INDEPENDENCE AND IMPARTIALITY

Bureau Veritas Certification is an independent professional services firm specializing in Quality, Health, Safety, Social and Environmental Management, with more than 185 years' experience in independent assessment.

Bureau Veritas has a quality management system that is certified by a third party, according to which policies and documented procedures are maintained for the compliance with ethic, professional and legal requirements.

The assessment team has no links with Votorantim Cimentos and the verification is performed independently.

Bureau Veritas implemented and follows a Code of Ethics throughout its business, in order to assure that its staff preserve high ethical, integrity, objectivity, confidentiality and competence/ professional attitude standards in the performance of their activities. At the end of the verification, a detailed report was drawn up, ensuring traceability of the process. This Report is kept as a Bureau Veritas management system record.

### CONTACT

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