

## SECOND PARTY OPINION (SPO)

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Sustainability Quality of the Issuer and Sustainability-Linked Securities

SIMPAR S.A.  
8 January 2021

### VERIFICATION PARAMETERS

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<b>Type(s) of instruments contemplated</b>	Sustainability-Linked Securities
<b>Relevant standards</b>	Sustainability-Linked Bond Principles, as administered by ICMA
<b>Lifecycle</b>	Pre-issuance verification
<b>Validity</b>	As long as Simpar's Sustainability-Linked Securities Framework and SPTs benchmarks remain unchanged

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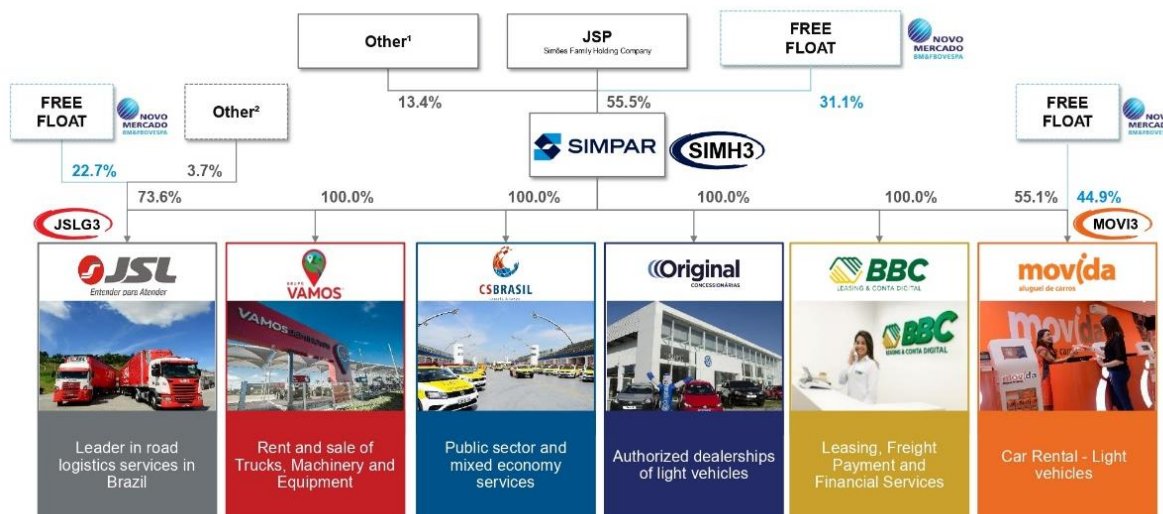
## SCOPE OF WORK

SIMPAR S.A. (“Simpar” or “the issuer”) commissioned ISS ESG to assist with its Sustainability-Linked Securities by assessing three core elements to determine the sustainability quality of the instrument:

1. The sustainability credibility of the KPI selected and Sustainability Performance Target (SPT) calibrated – whether the KPI selected is core, relevant and material to the issuer’s business model and sector, and whether the associated target is ambitious.
2. SIMPAR’s Sustainability-Linked Securities Framework (January 2021 version) and structural components of the transaction – benchmarked against the Sustainability-Linked Bond Principles (SLBPs), as administered by the International Capital Market Association’s (ICMA).
3. Sustainability-Linked Securities link to SIMPAR’s sustainability strategy – drawing on SIMPAR’s overall sustainability profile and related objectives.

## SIMPAR S.A. BUSINESSES OVERVIEW

Simpar operates as a holding company. The issuer, through its subsidiaries, provides services in the logistics, freight, transportation, property management, and insurance sectors. Simpar serves customers in Brazil.



Notes: (1) Shares directly held by individuals in the Simões Family, Directors and Treasury Shares; (2) Shares directly held by individuals in the Simões Family, Directors, Treasury Shares and JSP Holding

## ISS ESG SPO ASSESSMENT SUMMARY

SECTION	EVALUATION SUMMARY <sup>1</sup>
<p><b>Part 1:</b></p> <p><b>KPI selection and SPT calibration</b></p>	<p><b>KPI selection: Material to issuer’s business model and sustainability profile</b></p> <p><b>Sustainability Performance Target (SPT) calibration:</b></p> <ul style="list-style-type: none"> <li>• <b>Ambitious against issuer’s past performance</b></li> <li>• <b>Ambitious against issuer’s sectorial peer group</b></li> <li>• <b>No evidence on alignment with Paris Climate Goals</b></li> </ul> <hr/> <p>The KPI selected is core, relevant and material to the issuer’s business model and consistent with its sustainability strategy. It is measurable, quantifiable, externally verifiable and benchmarkable. It covers a material scope of the operations and activities of SIMPAR.</p> <p>The SPT calibrated by SIMPAR is ambitious against the company’s past performance<sup>2</sup> and compared to Transport and Logistics sector companies involved in road transportation primarily in terms of defining a GHG emissions reduction target. However, no alignment with the Paris Climate Goals can be established. The SPT remains in a similar order of magnitude as top tier companies its peer group. However is not as ambitious as some peer group’s targets. The target is set in a clear timeline, is benchmarkable and supported by a credible strategy and action plan.</p>
<p><b>Part 2:</b></p> <p><b>Alignment with the SLBPs</b></p>	<p><b>Aligned with ICMA Sustainability-Linked Bond Principles</b></p> <hr/> <p>The Issuer has defined a formal framework for its Sustainability-Linked Securities regarding the selection of KPI, calibration of Sustainability Performance Target (SPT), sustainability-linked securities characteristics, reporting and verification. The framework is in line with the Sustainability-Linked Bond Principles (SLBPs) administered by the ICMA.</p>
<p><b>Part 3:</b></p> <p><b>Link to issuer’s sustainability strategy</b></p>	<p><b>Consistent with issuer’s sustainability strategy</b></p> <hr/> <p>According to ISS ESG Indicative assessment, the company currently shows a moderate sustainability performance. For the four key ESG issues relevant to SIMPAR based on the Transport &amp; Logistics sector’s main ESG challenges, the company has put in place measures and policies to address risks, even if further efforts could help strengthening the ESG performance.</p> <p>The KPI selected by the issuer is related to climate change. Climate change has been defined as one of the key priorities of the issuer in terms of sustainability strategy and ISS ESG finds that this is a material sustainability topic for the issuer. ISS ESG finds that this issuance contributes to the issuer’s sustainability strategy thanks to the KPI’s clear link to one of the key sustainability priorities of the issuer and due to an ambitious SPT against company’s past performance and peer group. The strategy could be further strengthen by establishing targets aligned with the Paris Climate Goals.</p>

<sup>1</sup> SIMPAR S.A. is not part of the ISS ESG Corporate Rating Coverage Universe. The assessment of the ESG performance and strategy of the company has been conducted by an ISS ESG analyst for the Transport and Logistics sector. Please note that, while the assessment methodology is derived from the ISS ESG Corporate Rating methodology, the below assessment should be considered as indicative only and differs from a full Corporate Rating.

<sup>2</sup> The level of ambition against SIMPAR’s past performance can only be partially judged due to the lack of historical data beyond 2019 and 2020. It is worth pointing out that SIMPAR’s actual 2020 carbon intensity performance (105.38 tCO<sub>2</sub>e/million R\$ Net Revenue) has already exceeded the 2025 targets (124.04 tCO<sub>2</sub>e/million R\$ Net Revenue). The 2020 carbon intensity performance is mainly due to the covid crisis and should thus not be considered as business-as-usual performance.

## ISS ESG SPO ASSESSMENT

### PART 1: KPI SELECTION & SPT CALIBRATION

#### 1.1. KPI selection

##### KPI selected by the issuer

###### FROM ISSUER'S FRAMEWORK

- **KPI: tCO<sub>2</sub>e/million R\$ (net revenue) covering 100% of SIMPAR operations and including Scopes 1, 2 and 3.**
- **SPT:** results in a GHG emissions intensity reduction equal to or less than 124.04 tCO<sub>2</sub>e/million R\$ produced calculated as the year ended 2025, which is equivalent to an estimated reduction of 7.8% from the 2019 baseline.

**Associated long-term goal:** Reduce GHG emissions intensity (tCO<sub>2</sub>e/million R\$) by 15% (scopes 1, 2 and 3 emissions) by year end 2030.

**Rationale:** The KPI selected is judged as material and relevant for the issuer's business model according to SIMPAR. The nature of its business, considering SIMPAR as a group is compiling different kinds of business models, encourages the issuer to define an economic intensity target for its first Sustainability-Linked Securities issuance. Reducing GHG emissions intensity is a key strategical element for SIMPAR to mitigate climate change. To improve efficiency of its processes, the issuer has already managed to considerably reduce emissions associated with its operations. However, the issuer commits to go further and to remain focused on developing solutions that lead to better results.

It is important to note that the issuer is committing itself to the reduction of scopes 1, 2 and 3, even though SIMPAR does not have direct control over scope 3 emissions. The issuer understands the relevance of this kind of disclosure since the scope 3 emissions have significant environmental impact. The issuer commits to monitor the value chain of the companies within its group that are turning their business models from Asset Heavy (capital and labor intensive) to Asset Light (outsourced/rental).

SIMPAR is determined to conduct a robust work that supports the initiatives associated to global warming risks. The issuer recognizes that Climate Change is a challenge not only for the logistics sector in Brazil and in the world, but also to the entire service sector, and SIMPAR sees this commitment as an opportunity to improve its internal processes, integrate ESG challenges into its strategy and influence its entire value chain.

**Baseline:** 134.53tCO<sub>2</sub>e/million R\$ (net revenue)\*

**Baseline year:** 2019

**2025 goal:** 124.04.57 tCO<sub>2</sub>e/million R\$ (net revenue)

**Scope:** 100% of SIMPAR operations, on GHG emissions scopes 1,2 and 3.

\*SIMPAR is considering 2019 as a baseline, because that is its most complete GHG inventory of all times. At this specific year, there was an effort to improve the process through study and definition of the information that would be allocated in which scope of emissions for the issuer. For scope 3, besides JSL and Movida, the issuer started considering emissions from CS Brasil and Vamos as well and finally included all sources of emissions such as fugitive and stationary. This inventory was audited by SGS in December 2020, and the verification document will be available by the first week of January 2021. The inventories are conducted since 2015, however, the years before 2019 are not considering the same methodology.

**KPI calculation methodology:** SIMPAR used its GHG emissions inventory methodology, that was built following the guides, guidelines and calculation tools of the Brazilian GHG Protocol Program (2020).

## Materiality and relevance

Climate change mitigation is considered a key ESG issue faced by the Transport and Logistics sector according to key ESG standards<sup>3</sup> for reporting and ISS ESG assessment. As of 2020, transportation is responsible for 24% of direct CO<sub>2</sub> emissions from fuel combustion. Road vehicles – cars, trucks, buses and two- and three-wheelers – account for nearly three-quarters of transport CO<sub>2</sub> emissions. Companies in the Transport and Logistics sector involved in road transport for freight and passengers are highly energy-intensive in the operations of their fleet. In the context of SIMPAR, which owns only the fleet for its rent-a-car and bus operations activities, and does not own its freight fleet, the company has a high carbon profile for its scope 3 emissions related to the use of goods and services sold. Furthermore, the sector is highly exposed to other environmental and social risks, including air pollution and transport safety risks.

ISS ESG finds that climate change mitigation and the GHG emissions reduction KPI selected by the issuer is:

- **Relevant** to SIMPAR's business as its industry is highly GHG-emitting, especially on the scope 3 of its operations and exposed to climate change mitigation solutions (e.g. alternative combustion engines and fuels, electric vehicles, renewable energy use).
- **Core** to the issuer's business as climate change mitigation reduction measures, especially on the scope 3 of operations that represent a vast majority of the GHG emissions of SIMPAR, will impact key processes and operations (e.g. fleet management, telemetry).
- **Material** to SIMPAR from an ESG perspective as it is one of the key ESG issues faced by the Transport & Logistics industry and hence SIMPAR can have material impact on the issue, especially by including the scope 3 of operations within the scope of the selected KPI.

## Consistency with overall company's sustainability strategy

In 2019, SIMPAR identified climate change as one of the seven key material topics for its business model after a consultation of internal and external stakeholders. This topic has thus been included in the renewed sustainability policy of the group. The issuer has identified the associated challenges, benefits and limitations of considering climate change as a key material topic for its sustainability strategy definition. In 2020, SIMPAR formalized its adhesion to the 2020 Cycle of the Brazilian GHG Protocol Program and some of its subsidiaries, such as Movida, are part of other climate change related initiatives such as the Brazilian Carbon Free Program.

SIMPAR has defined a roadmap to address climate change thanks to mitigation, offsetting and adaptation measures across its value chain. The steps planned or underway through this program include for example:

- Definition of medium- and long-term reduction goals, which is directly supported by the Sustainability-Linked Bond Framework with a long-term goal of reducing GHG emissions intensity (tCO<sub>2</sub>e/million R\$) by 15% (scopes 1, 2 and 3 emissions) by year end 2030;

<sup>3</sup> Key ESG Standards include SASB and TCFD, among others.

- Study about the possibilities of reducing/neutralizing GHG, in synergy with its business and through partnerships in its value chain;
- Implementation of specific projects for customers in their operations, in order to help them map data about CO<sub>2</sub> emissions and offer opportunities to reduce/neutralize emissions, engaging the entire value chain around the subject; and
- Expansion of the Carbon Free Program<sup>4</sup>, currently in Movida only, to the other companies of the Group, offering opportunities for customers to neutralize their emissions in their operations.

Furthermore, SIMPAR has defined a strategy and measures to improve its energy and fuel efficiency and thus positively impact its effort to mitigate climate change.

The definition of a GHG emission intensity reduction KPI is consistent with SIMPAR's strategy of mitigating climate change and represents an intermediate step to reach the longer-term GHG reduction target set by the company. The issuer states that this transaction will support SIMPAR's wider Sustainability Strategy and 2030 long-term goals (see section 3 of this report).

ISS ESG finds that the KPI selected by the issuer is consistent with the overall company's sustainability strategy.

### Measurability

- **Material scope and perimeter:** The KPI selected covers 100% of the issuer's operations including all GHG emissions scope 1, 2 and 3, and thus a material scope given the issuer's high exposure to scope 3 emissions via various business segments.
- **Quantifiable:** The KPI selected is measurable and quantifiable. The issuer is referring to key reporting and accounting protocol for GHG emissions inventory in its local market: the Brazilian GHG Protocol Program.
- **Externally verifiable:** The KPI selected is externally verifiable thanks to the above-mentioned protocol. The GHG inventory of the issuer has been verified by a third-party since 2019. Prior to this date, the inventory methodology was not aligned with this accounting protocol and has not been verified.
- **Benchmarkable:** By referring to a commonly acknowledged GHG accounting protocol and reported metric, the KPI is comparable and benchmarkable. Benchmarking of the SPT in relation with this KPI has been analysed in the subsequent section.

**Opinion on KPI selection:** ISS ESG finds that the KPI selected is core, relevant and material to the issuer's business model and consistent with its sustainability strategy. It is appropriately measurable, quantifiable, externally verifiable and benchmarkable. It covers a material scope of the operations and activities of SIMPAR.

<sup>4</sup> <https://www.movida.com.br/carbon-free>

This program aims at neutralizing the carbon emissions of the leasing business segment of Movida.

## 1.2. Calibration of SPT

### SPT set by the issuer

#### FROM ISSUER'S FRAMEWORK<sup>5</sup>

**Sustainability Performance Target:** GHG Emissions Intensity Reduction equal to or less than 124.04 tCO<sub>2</sub>e/million R\$ Net Revenue as measured by year end 2025. The trigger will be achieving the GHG emissions intensity target above. This is equivalent to an estimated reduction of 7.8% from the 2019 baseline, including Scopes 1, 2 and 3 GHG emissions.

**Sustainability Performance Target Trigger:** is calculated as follows: the average of the GHG emissions intensity for the year ending 2025.

**Sustainability Performance Target Observation Date:** December 31, 2025

**2019 Baseline Intensity:** 134.53 tCO<sub>2</sub>e/million R\$ Net Revenue, including scopes 1, 2 and 3 GHG emissions

**Strategic 2030 Goal and selection of methodology for calculating the SPT:** This SPT aligns with SIMPAR 2030 Goal of reducing GHG emissions intensity by 15% to 114.37 tCO<sub>2</sub>e/million R\$ Net Revenue (Scope 1, 2 and 3 emissions). The SPT will be calculated and presented to SIMPAR Board of Directors quarterly and reported annually in its Integrated Report.

**Rationale for Sustainability Performance Target calibration and ambition:** Considering that the issuer could not find relevant emissions reduction strategy published from its peers, in a way that would help to understand how the logistic sector is organizing itself for declaring ambitious targets that are actually feasible, SIMPAR decided to make a self-assessment to define its own target. All its businesses were considered on this analysis and SIMPAR defined specific projects that will allow to achieve the target (see sub-section "Supporting strategy and action plan" for detailed analysis of those measures). Most of the initiatives contemplated by the issuer are considering the solutions and technologies that are available on the market nowadays, although some of them are still expensive and have some limitations, such as electrical buses. It is worth mentioning that the KPI and associated SPT allows the company to implement a commercial analysis to understand how to insert the CO<sub>2</sub> emissions impact in the pricing of its services and to define along with its customers the search for solutions that reduce the emission of these operations. In other words, the more GHG an operation releases, the more urgent the search for alternatives will be, and, as a consequence, SIMPAR expects that the most polluting operations will have this negative externality considered in the final value.

#### Factors that support the achievement of the target:

- Strong commitment of SIMPAR's Board of Directors on Sustainability Strategy;
- Increase in main customers connected to ESG issues and worried about the evolution of their value chain as well;
- Potential technology advancement and regulatory environmental over time that could influence the target;
- Climate change being the most relevant environmental topic addressed in all 5 Sustainability Committees at SIMPAR;
- Some customers prioritizing suppliers that have the electric truck in their fleet;
- Power to influence its customers and suppliers, who are responsible for emissions of scope 3;
- Progress of legislation related to the use of alternative fuels in Brazil.

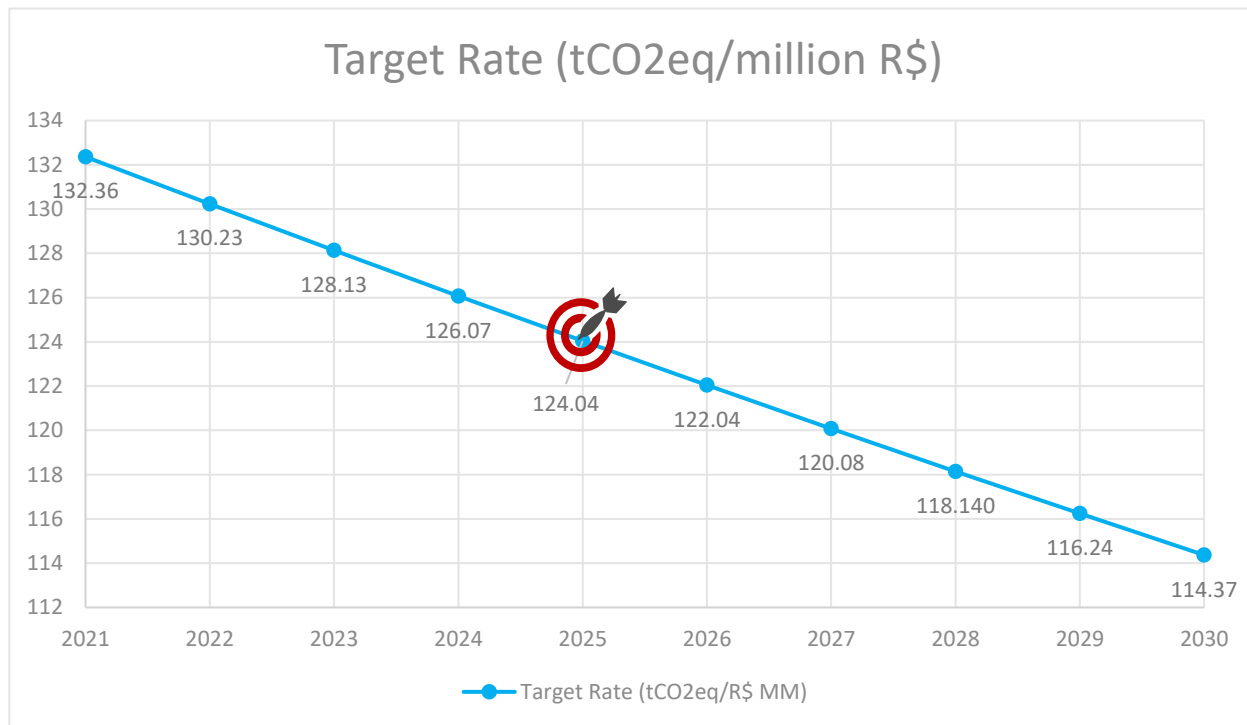
#### Risks to the target:

- Limitations related to the availability of accessible resources, new technologies and assets that can contribute to mitigate the negative impacts of emissions caused by the nature of its business;
- Costs of electrical asset and the low availability of this sort of vehicle on the Brazilian market;
- Possibility of growth in operations with higher tCO<sub>2</sub> emissions / Revenue;
- Extreme events, such as pandemics;

<sup>5</sup> This table is displayed by the issuer in its Sustainability-Linked Financing Framework and have been copied over in this report by ISS ESG for clarity.



- Although SIMPAR has the power to influence its customers, also responsible for its scope 3 emissions, it does not have control over their operations.



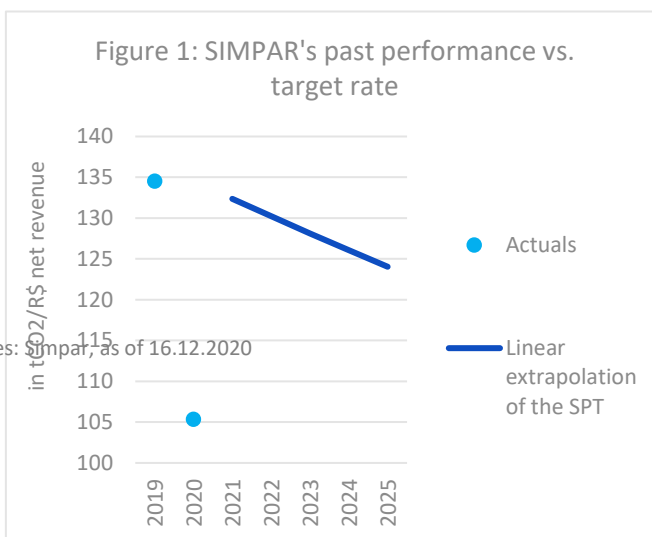
**Ambition**

**Against company’s past performance**

SIMPAR sets the SPT to reduce its GHG emissions intensity (scopes 1, 2 and 3) equal to or less than 124.04 tCO<sub>2</sub>e/ million R\$ Net Revenue. This equates to an estimated reduction of 7.8% in 6 years, from 2019 baseline year to 2025 target year. This target aligns with the longer-term target of SIMPAR of decreasing its GHG emissions intensity in 2030 by 15%.

While achieving this target would represent a clear reduction of the GHG emissions intensity relative to the baseline year, it is worth pointing out that SIMPAR’s actual 2020 carbon intensity performance (105.38 tCO<sub>2</sub>e/million R\$ Net Revenue) has already exceeded the 2025 targets (124.04 tCO<sub>2</sub>e/million R\$ Net Revenue) (see Figure 1).

The 2020 carbon intensity performance is mainly due to the covid crisis and to the cancelation of a long-term contract with a client involved in agricultural business, an highly-emitting sector, that impacted significantly the overall GHG emissions of SIMPAR for a given year. The company contemplates to keep on contracting with agriculture sector clients in



Sources: Simpar, as of 16.12.2020

the future. This 2020 carbon performance data should thus not be considered as business-as-usual performance.

Furthermore, SIMPAR cannot provide further historical performance data on this KPI due to the change of methodology over time (GHG Protocol aligned methodology implemented in 2019) and because in previous years, GHG emissions intensity metrics have not been verified by a third party. The level of ambition against past performance can only be partially judged due to the lack of historical data beyond 2019 and 2020.

While some macro-economic factors and trends will support the achievement of this target, e.g. increased customers awareness on and willingness to act upon climate change mitigation, evolution of technological and regulatory scene towards lower GHG emissions in the Brazilian transportation system, some other factors will likely pose challenges for SIMPAR to systemically achieve the SPT set by 2025. Brazilian regulators are encouraging the shift towards more sustainable transport infrastructures and vehicles, but as of now, supporting infrastructures to shift to electric vehicles such as charging stations are not sufficient to allow long distance transportation. Extreme events, such as pandemics, could also impact negatively the achievement of the SPT. But mainly, the GHG emissions profile of SIMPAR, with a majority of Scope 3 emissions, makes this target ambitious for the issuer due to the lack of direct control on the means of achieving GHG reduction on this scope. Increased engagement and monitoring with SIMPAR’s customer will be needed from the issuer to achieve this target, thus making the systemic reduction of GHG emissions an ambitious target to fulfill.

In this context and compared to the baseline year, the SPT set by SIMPAR is perceived by ISS ESG as ambitious against the company’s past performance. However, this ambition level can only be partially judged due to the lack of historical data before 2019 and further increases in ambition could be envisioned going forward as the GHG emissions intensity for 2020 is already lower than the target for 2025.

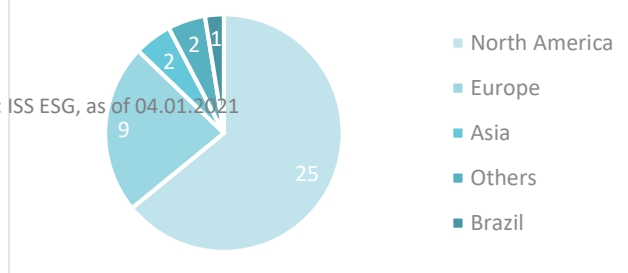
### Against company’s sectorial peers

ISS ESG conducted a benchmarking of the SPT set by SIMPAR against the Transport and Logistics peer group involved primarily in road transportation of 40 listed companies derived from the ISS ESG Universe. Those companies are located in the markets displayed in Figure 2.

Sources: ISS ESG, as of 04.01.2021

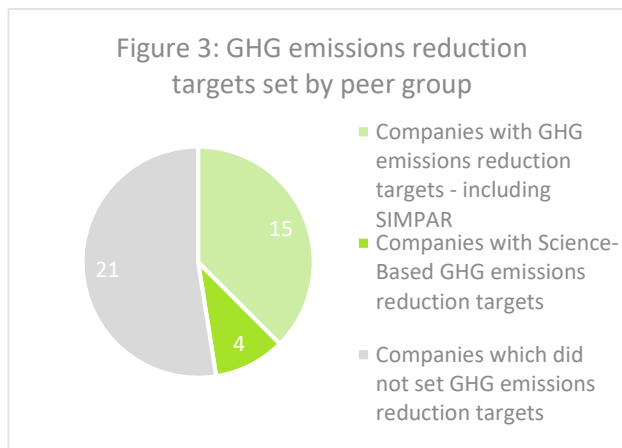
As of 04.01.2021, ISS ESG evaluates SIMPAR as a good performer in terms of GHG emissions intensity of its operation against its industry peers. According to ISS ESG data and based on SIMPAR’s data, SIMPAR ranks 12<sup>th</sup> out of 40 companies in the Transport and Logistics peer group involved in road transportation primarily in terms of GHG emissions intensity on scopes 1, 2 and 3.

Figure 2: Peer group per market - Transport & Logistics companies heavily involved in Road Transportation



In terms of target set, SIMPAR is one of 15 companies in its industry peer group to have set a GHG emission reduction target, and one of the only six companies with a target considering all scopes 1, 2

and 3. The issuer thus belongs to the top tier of its sector in terms of existence of such targets (see Figure 3). However, four companies in the peer group have set Science Based Targets, certified by the Science Based Target Initiative, and thus outperform the SPT set by SIMPAR. One of the subsidiaries of SIMPAR, Movida, is committing to get its GHG emissions reduction target certified by the Science-Based Target Initiative in the near future and SIMPAR as a group contemplates to follow the same path when possible. Furthermore, most of the companies with a GHG emissions reduction target among the peer group are more ambitious than SIMPAR in terms of yearly average GHG emissions reduction, while SIMPAR's target remains in a similar order of magnitude.



Sources: ISS ESG, as of 04.01.2021

ISS ESG concludes that the SPT set by the issuer is ambitious compared to its overall peer group of companies in the Transport and Logistics sector involved in road transportation in terms of defining a GHG emissions reduction target. The SPT remains in a similar order of magnitude as top tier companies, but is not as ambitious as some of the peer group's targets. Further increases in ambition could be envisioned going forward depending on the technological and regulatory evolution of the Brazilian market when it comes to climate change mitigation.

### Against international targets

#### Paris agreement

SIMPAR did not benchmark its SPT against the Paris Climate Goals and there is no evidence on the alignment of the SPT with the Paris Climate Goals.

ISS ESG concludes that no alignment with the Paris Climate Goals can be established.

#### UN Sustainable Development Goals

In addition, ISS ESG, using a proprietary methodology, assessed that the SPT achievement would have a positive contribution to the SDG 13 "Climate action".



### Measurability & comparability

- Historical data:** The issuer has set a baseline year in 2019. However, SIMPAR cannot provide further historical performance data on this KPI due to the change of methodology over time (GHG Protocol aligned methodology implemented in 2019) and because in previous years, GHG emissions intensity metrics have not been verified by a third party. The lack of historical data, while understandable in his context, limits the conclusion of the analysis of the level of ambition against companies' past performance.

- **Benchmarkable:** By referring to a commonly acknowledged GHG accounting protocol and reported metric, the KPI is comparable and benchmarkable. .
- **Timeline:** The issuer defined a precise timeline related to the SPT achievement, including the target observation date, the trigger event and the frequency of SPTs measurement.

### Supporting strategy and action plan

To reduce its GHG emission intensity, SIMPAR will direct its investments and efforts to the following measures:

- Acquire electric vehicles and vehicles powered by biomethane for renewal of part of its fleet;
- Migrate of fuel consumption from Gasoline to Brazilian Ethanol, including implementing monitoring of mechanisms to encourage and guarantee that rent-a-car clients use Brazilian Ethanol in substitution to Gasoline. According to data presented by the International Energy Agency (IEA), ethanol produced from sugarcane, main source in Brasil, shows an 89% reduction in greenhouse gas emissions when compared to gasoline<sup>6</sup>.
- Implementation of telemetry technology in most of its fleet promoting better driver performance, reducing fuel consumption and optimizing the fleet.
- Expand the share of renewable energy sources in SIMPAR energy matrix, allowing scope emissions to be substantially reduced.
- Promote implementation of new technologies, such as a diffuser for installation in diesel vehicles, allowing a clean explosion in the engine.

The supporting strategy and action plan contemplated by SIMPAR is aligned with Transport Climate Action Directory recommendations<sup>7</sup> released by the International Transport Forum<sup>8</sup> piloting by the Organisation for Economic Cooperation and Development (OECD) on how Transport and Logistics industry can reduce GHG emissions, by focusing namely on improved design, operations and planning of transport systems (e.g. telemetry), electrification, low-carbon fuels, etc.

It is worth noting that the outsourcing of fleet ownership planned by SIMPAR will not impact the achievement of this target, as the outsourced fleet-related emissions will still be accounted in scope 3 as per the Brazilian GHG Protocol<sup>9</sup>. To achieve this target, SIMPAR is focusing on measures to improve the GHG intensity of its operations and does not contemplate a change of scope of the inventory methodology in the life time of the bond.

ISS ESG finds that there is a credible action plan to support the achievement of the SPT set by SIMPAR.

<sup>6</sup> In an international perspective, ISS ESG assesses the use of ethanol in combustion vehicles as an activity having no net impact on environmental and social objectives, neither contribution nor obstructing. It is worth pointing out that use of ethanol from first generation sources of crops can obstruct the achievement of the SDG 2 Zero Hunger.

<sup>7</sup> <https://www.itf-oecd.org/tcad>

<sup>8</sup> <https://www.itf-oecd.org/decarbonising-transport>

<sup>9</sup> As per the Brazilian GHG Protocol, SIMPAR is accounting in its scope 3 emissions related to Transport and distribution (upstream) equating to the category 4 of the accounting protocol, and related to Use of goods and services sold (downstream), category 11. Transport and distribution (upstream) are emissions from transportation and product distribution (excluding fuels and energy products) purchased or aquired by the organization in considered fiscal year and vehicles and facilities that are not owned or operated by the organization, as well as other transport and distribution services contractors (including both inboard and outbound logistics. Use of goods and services sold accounts for emissions from final use of good and services sold by the organization in the fiscal year considered. All the emissions throughout the life of operations of the goods & services are accounted for in the fiscal year considered.

**Opinion on SPT calibration:** ISS ESG finds that the SPT calibrated by SIMPAR is ambitious against the company's past performance<sup>10</sup> and compared to Transport and Logistics sector companies involved in road transportation primarily in terms of defining a GHG emissions reduction target. However, no alignment with the Paris Climate Goals can be established. The SPT remains in a similar order of magnitude as top tier companies its peer group. However is not as ambitious as some peer group's targets. The target is set in a clear timeline, is benchmarkable and supported by a credible strategy and action plan.

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<sup>10</sup> The level of ambition against SIMPAR's past performance can only be partially judged due to the lack of historical data beyond 2019 and 2020.

## PART 2: ALIGNMENT WITH ICMA SUSTAINABILITY-LINKED BOND PRINCIPLES

### Rationale for Framework

#### FROM ISSUER'S FRAMEWORK

In order to address environmental issues where SIMPAR have the ability to effect positive change, the issuer intend to issue Sustainability-Linked Securities, leveraging ambitious timelines to achieve sustainability performance that is relevant, core and material to its business. SIMPAR's framework provides a high-level approach to its Sustainability-Linked Securities and investors should refer to relevant documentation for any securities transactions.

Reducing GHG emissions intensity is a key strategical element for SIMPAR to mitigate climate change. To improve the efficiency of its processes, the issuer has already managed to considerably reduce the emissions associated with its operations. However, the issuer commits to go further and to remain focused on developing solutions that lead SIMPAR to better results.

**Opinion:** ISS ESG considers the Rationale for Issuance description provided by SIMPAR as aligned with the SLBPs.

### 2.1. Selection of KPI

ISS ESG conducted a detailed analysis of the sustainability credibility of KPI selection available in section 1 of this report.

**Opinion:** ISS ESG considers the Selection of KPIs as per the description provided by SIMPAR as aligned with the SLBPs. The KPI selected is core, relevant and material to the issuer's business model and consistent with its sustainability strategy (detailed analysis has been conducted in the [section 1 of this report](#)). The KPI is quantifiable, externally verifiable and benchmarkable. It is well quantified and calculated on a consistent methodological basis. The baseline selected for improvement as well as the rationale for that baseline is well defined. The definition of applicable scope and the perimeter for the KPI is provided. When selecting the KPI, SIMPAR took into consideration technological advancements and the regulatory environment change which further contributes to the solidity of the indicator chosen. However, SIMPAR could not provide further historical performance data on this KPI due to the change of methodology over time and because in previous years, GHG emissions intensity metrics have not been verified by a third party.

### 2.2. Calibration of Sustainability Performance Target (SPT)

ISS ESG conducted a detailed analysis of the sustainability credibility of SPT is available in section 1 of this report.

**Opinion:** ISS ESG considers the Calibration of Sustainability Performance Target (SPT) description provided by SIMPAR as aligned with the SLBPs. The SPT calibrated by SIMPAR is ambitious against the company's past performance and compared to Transport and Logistics sector companies involved in road transportation primarily in terms of defining a GHG emissions reduction target. However, no evidence are available on the alignment of the SPT with the Paris Climate Goals. The SPT remains in a similar order of magnitude as top tier companies in its peer group, however is not as ambitious as other company targets (detailed analysis has been conducted in the [section 3 of this report](#)). Strategic

information that would decisively impact the achievement of the SPT has been considered by SIMPAR while calibrating the target. Additionally, key macroeconomic factors that may affect the achievement of the target are disclosed in the framework. The timeline, calculation methodology and benchmark for the target achievement are clearly defined.

### 2.3. Sustainability-Linked Securities Characteristics

#### FROM ISSUER'S FRAMEWORK

SIMPAR's Sustainability-Linked Securities have a sustainability-linked feature that will result in a coupon adjustment, such as, for example, a one-time coupon step-up of 25 bps if its performance does not achieve the stated Sustainability Performance Target.

The calculation of the relevant KPIs or SPTs, including Greenhouse Gas Emissions Intensity, may exclude the effects of certain material acquisitions and/or material changes in laws or regulations applicable or relating to its production activities, in each case to be set forth, if applicable, in further detail in the terms and conditions of each its Sustainability-Linked Securities. Climate Change is a challenge not only for Logistics companies, but also for the entire services sector and SIMPAR sees in this operation an opportunity to highlight the work that can be done in the services, logistics and mobility sectors.

**Opinion:** ISS ESG considers the Sustainability-Linked Securities Characteristics description provided by SIMPAR as aligned with the SLBPs. The issuer describes the potential variation of the Sustainability-Linked Securities financial or structural characteristics and defined clearly the KPI and SPT, including calculations methodology. Furthermore, the issuer considered potential exceptional events, such as the significant change of perimeter in case of acquisition or regulatory changes, that could influence the calculation of the KPI and SPT.

### 2.4. Reporting

#### FROM ISSUER'S FRAMEWORK

Annually, and in any case for any date/period relevant for assessing the trigger of the SPT performance leading to a potential coupon adjustments, such as, a step-up of its Sustainability-Linked Securities financial characteristics, SIMPAR will publish and keep readily available and easily accessible on its website a Sustainability-Linked Securities update including:

- Up-to-date information on the performance of the selected KPI, including the baseline where relevant;
- a verification assurance report relative to the SPT outlining the performance against the SPT and the related impact, and timing of such impact, on a bond's financial performance; and
- any relevant information enabling investors to monitor the progress of the SPT.

Information may also include when feasible and possible:

- Qualitative or quantitative explanation of the contribution of the main factors, including M&A activities, behind the evolution of the performance/KPI on an annual basis;
- Illustration of the positive sustainability impacts of the performance improvement; and/or
- Any re-assessments of KPIs and/or restatement of the SPT and/or pro-forma adjustments of baselines or KPI scope.

**Opinion:** ISS ESG considers the Reporting description provided by SIMPAR as aligned with the SLBPs. This will be made publicly available annually and include valuable information, as described above.

## 2.5. Verification

### FROM ISSUER'S FRAMEWORK

Annually, and in any case for any date/period relevant for assessing the SPT performance leading to a potential coupon adjustment, such as a step-up of the Sustainability-Linked Securities financial characteristics, until after the SPT trigger event of a bond has been reached, SIMPAR will seek independent and external verification of its performance level against the SPT for the stated KPI by a qualified external reviewer with relevant expertise. The verification of the performance against the SPT will be made publicly available on its website.

SIMPAR will obtain and make publicly available a Second Party Opinion (SPO) and/or other external review from consultants with recognized environmental and social expertise to provide an opinion on the sustainability benefit of this Sustainability-Linked Securities Framework as well as the alignment to the SLBP. The SPO will be available on the SPO provider's website.

**Opinion:** ISS ESG considers the Verification description provided by SIMPAR as going beyond what requested by the SLBPs. The issuer plans on having all annual values of the SPT published and verified. This will outline the performance against the SPT, the related impact and timing of such impact on the securities financial characteristics.



## PART 3: LINK TO SIMPAR'S SUSTAINABILITY STRATEGY

SIMPAR S.A. is not part of the ISS ESG Corporate Rating Coverage Universe. The below assessment of the ESG performance and strategy of the company has been conducted by an ISS ESG analyst for the Transport and Logistics sector. Please note that, while the assessment methodology is derived from the ISS ESG Corporate Rating methodology, the below assessment should be considered as indicative only and differs from a full Corporate Rating.



### *Key ESG issues of the industry:*

Key Challenges faced by companies in term of sustainability management in this sector are displayed the following:

- Pollution prevention
- Climate prevention
- Transport safety
- Biodiversity protection
- Customer and stakeholder responsibility

### *Indicative ESG risk and performance assessment*




Simpar S.A. is a holding company; its main subsidiaries primarily operate in road transport, logistics services and car rental services. The holding also offers leasing and rental as well as sales of machinery equipment and fleet management.

- **Pollution prevention:** The company reports that it renews its fleet. New vehicles are more likely to conform with stricter standards regarding fuel efficiency, emissions of particulate matter, sulphur and nitrogen oxides and to generate less noise, leading to less pollution and less adverse impacts on biodiversity. However, there is no concrete performance data available and there is no information on efforts by the company to take further comprehensive measures regarding these issues.
- **Climate prevention:** Simpar is in the process of implementing strong management of greenhouse gas emissions to mitigate climate change, including mid- and long-term reduction targets. This target is ambitious against the company's past performance and compared to Transport and Logistics sector companies involved in road transportation primarily in terms of defining a GHG emissions reduction target. However, there is no evidence on the alignment of the SPT with the Paris Climate Goals.

- **Transport safety:** Simpar has implemented several measures to ensure safety of its transport activities, such as warning for drivers through dynamic telemetry and accident prevention alerts as part of fatigue and distraction management. It also requires contractors to effect safety measures in their operations. Yet, no information is available on efforts of the company to devise a comprehensive transport safety management system.
- **Customer and stakeholder responsibility:** There is little concrete evidence how companies under Simpar protect and safeguard consumer data or how complaints are handled.
- **Biodiversity protection:** SIMPAR has a limited exposure to the topic of biodiversity protection due to the fact that it is solely involved in fleet operations and logistics for road transport, and is not involved in road or other transport infrastructure development.

*Sustainability impact of products and services portfolio*

Using a proprietary methodology, ISS ESG assessed the contribution of the SIMPAR current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs). This analysis is limited to evaluation of final product characteristics and does not include practices along SIMPAR’s operations and processes.

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED PERCENTAGE OF REVENUE	DIRECTION OF IMPACT	UN SDGS
<b>Municipal public transport</b>	Minor	CONTRIBUTION	
<b>Road transport and logistics services; sales, rentals and leasing services of vehicles with combustion engines</b>	Major	OBSTRUCTION	 
<b>Others</b>	N/A	NO NET IMPACT	N/A

*Breaches of international norms and ESG controversies*

The company is not facing any controversy according to the proprietary Norm-Based Research of ISS ESG.

### *Issuer's commitment to address climate change<sup>11</sup>*

In 2019, SIMPAR identified climate change as one of the seven key material topics for its business model after a consultation of internal and external stakeholders. This topic has thus been included in the renewed sustainability policy of the group. The issuer has identified the associated challenges, benefits and limitations of considering climate change as a key material topic for its sustainability strategy definition. In 2020, SIMPAR formalized its adhesion to the 2020 Cycle of the Brazilian GHG Protocol Program and some of its subsidiaries, such as Movida, are part of other climate change related initiatives such as the Brazilian Carbon Free Programme<sup>12</sup>.

SIMPAR has defined a roadmap to address climate change thanks to mitigation, offsetting and adaptation measures across its value chain. Furthermore, SIMPAR has defined a strategy and measures to improve its energy and fuel efficiency and thus positively impact its effort to mitigate climate change. The definition of a GHG emission intensity reduction KPI is consistent with SIMPAR's strategy of mitigating climate change and represents an intermediate step to reach the longer-term GHG reduction target set by the company. The issuer states that this transaction will support SIMPAR's wider Sustainability Strategy and 2030 long-term goals.

ISS ESG finds that the KPI selected by the issuer is consistent with the overall company's sustainability strategy.

<sup>11</sup> Please note that this part is not extracted from ISS ESG Indicative Corporate Assessment. This assessment has been conducted with the Project Team based on SIMPAR's press release and external commitment publicly available.

<sup>12</sup> <https://www.movida.com.br/carbon-free>

This program aims at neutralizing the carbon emissions of the leasing business segment of Movida.

1. Validity of the SPO: For SIMPAR's Sustainability-Linked Securities issuances as long as the Sustainability-Linked Securities Framework (January 2021), SPTs benchmarks and structural securities characteristics described in this document do not change.
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) on bonds based on data from the issuer.
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## ANNEX 1: Methodology

### Alignment of the concept set for transactions against the Sustainability-Linked Bond Principles, as administered by ICMA

ISS ESG reviewed the Sustainability-Linked Financing Framework of SIMPAR, as well as the concept and processes for issuance against the Sustainability-Linked Bond Principles administered by the ICMA. Those principles are voluntary process guidelines that outline best practices for financial instruments to incorporate forward-looking ESG outcomes and promote integrity in the development of the Sustainability-Linked Bond market by clarifying the approach for issuance.

ISS ESG reviewed the alignment of the concept of the SIMPAR's issuance with mandatory and necessary requirements as per the Appendix II - SLB Disclosure Data Checklist of those principles, and with encouraged practices as suggested by the core content of the Principles.

### Analysis of the KPI selection and associated SPT

In line with the voluntary guidance provided by the Sustainability-Linked Bond Principles, ISS ESG conducted an in-depth analysis of the sustainability credibility of the KPI selected and associated SPT. ISS ESG analysed if the KPI selected is core, relevant and material to the issuer's business model and consistent with its sustainability strategy thanks to its long-standing expertise in evaluating corporate sustainability performance and strategy. ISS ESG also reviewed if the KPI is appropriately measurable by referring to key GHG reporting protocols and against acknowledged benchmarks.

ISS ESG analysed the ambition of the SPT against SIMPAR's own past performance (according to SIMPAR's reported data), against Transport and Logistics peers involved in road transportation (as per ISS ESG Peer Universe and data) and the UN SDGs (according the ISS ESG proprietary methodology). Finally, ISS ESG evaluated the measurability & comparability of the SPT, and the supporting strategy and action plan of SIMPAR.

## ANNEX 3: Quality management processes

### SCOPE

SIMPAR commissioned ISS ESG to compile a Sustainability-Linked Financing SPO. The Second Party Opinion process includes verifying whether the Sustainability-Linked Financing Framework aligns with the ICMA Sustainability-Linked Bond Principles and to assess the sustainability credentials of its Sustainability-Linked Securities, as well as the issuer's sustainability strategy.

### CRITERIA

Relevant Standards for this Second Party Opinion

- Sustainability-Linked Bond Principles, administered by the ICMA

### ISSUER'S RESPONSIBILITY

SIMPAR's responsibility was to provide information and documentation on:

- Framework
- Rationale and supporting calculations and methodologies for KPI selection and SPT setting
- Documentation of ESG strategy, policies and measures implemented by SIMPAR

### ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

ISS ESG has conducted this independent Second Party Opinion of the Sustainability-Linked Securities to be issued by SIMPAR based on ISS ESG methodology and in line with the Sustainability-Linked Bond Principles administered by the ICMA.

The engagement with SIMPAR took place in December 2020 and January 2021.

### ISS ESG'S BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behaviour and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

## About ISS ESG SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

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