

## SECOND PARTY OPINION (SPO)

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Sustainability Quality of the Issuer and Sustainability-Linked Securities

Suzano SA  
28 June 2021

### VERIFICATION PARAMETERS

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<b>Type(s) of instruments contemplated</b>	Sustainability-Linked Securities
<b>Relevant standard(s)</b>	Sustainability-Linked Bond Principles, as administered by the International Capital Market Association
<b>Lifecycle</b>	Pre-issuance verification
<b>Validity</b>	As long as Suzano's Sustainability-Linked Bond Framework (June 2021) and benchmarks for the Sustainability Performance Targets remain unchanged

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## SCOPE OF WORK

Suzano SA (“Suzano”) 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 Key Performance Indicators (KPIs) selected and Sustainability Performance Targets (SPTs) calibrated – whether the KPIs selected are core, relevant and material to the issuer’s business model and sector, and whether the associated targets are ambitious.
2. Suzano’s Sustainability-Linked Securities Framework (June 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 Suzano’s sustainability strategy – drawing on Suzano’s overall sustainability profile and related objectives.

## ISS ESG SPO ASSESSMENT SUMMARY

SECTION	EVALUATION SUMMARY <sup>1</sup>
<b>Part 1.A:</b>	<b>KPI selection: Material to issuer’s business model and sustainability profile</b>
<b>KPI selection and SPT calibration</b>	<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 peer group in terms of existence of target on this topic; no conclusion possible in terms of target’s level of ambitious due to incomparable reported data from sectorial peers</b></li> <li>• <b>No international targets available on this topic</b></li> </ul>
<b>KPI 1 “Industrial Water Withdrawal Intensity”</b>	<p>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, and externally verifiable. The KPI is benchmarkable with limitations due to the lack of disclosure, differing methodologies to measure water withdrawal and water use intensity across sectors, and the diversity of businesses within the Forest &amp; Paper Products industry. Those limitations cannot be attributed to Suzano. It covers a material scope of the operations and activities of Suzano.</p> <p>The SPT calibrated by Suzano’s is ambitious against the company’s past performance and against peer group practices in terms of the existence of a water withdrawal reduction target. However, the specific level of ambition of this target against other few targets set by sectorial peers cannot be concluded due to reasons that cannot be attributed to the issuer. While no quantified international targets exist for the industry on reducing industrial water withdrawal it is important to point that the measures to achieve this target are aligned with available standards for best practices, namely the Integrated Pollution Prevention and Control (IPPC)’s</p>

<sup>1</sup> ISS ESG’s evaluation is based on the engagement conducted in May and June 2021, on Suzano’s Sustainability-Linked Bond Framework (June 2021 version) and on the ISS ESG Corporate Rating applicable at the SPO delivery date (updated on the 2020-11-2s).

standard for the Best Available Technologies (BAT). The target is set in a clear timeline, is benchmarkable and supported by a credible strategy and action plan.

**Part 1.B:**

**KPI selection and SPT calibration**

**KPI selection: Material to issuer’s business model and sustainability profile**

**Sustainability Performance Target (SPT) calibration:**

- **Ambitious against issuer’s past performance**
- **Ambitious against issuer’s sectorial peer group**
- **Ambitious against regional targets (Target Gender Equality by UNGC Brazil)**

**KPI 2  
“Women in Leadership Positions”**

The KPI selected is core, relevant and material to the issuer’s business model from an ESG perspective 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 Suzano.

The SPT calibrated by Suzano is ambitious against the company’s past performance, compared to Paper & Forest Products sector practices in terms of defining a women in leadership positions targets and in line with the Target Gender Equality by the United Nations Global Compact (UNGC) Brazil. However, it is important to note that the lack of historical data on this KPI due to the company’s merger in 2019 limits the conclusions on SPT ambition. The SPT remains in a similar order of magnitude as top tier companies in the Paper and Forestry sector, although further ambition could be envisioned going forward by setting a 50% target by 2030. The target is set in a clear timeline, is benchmarkable and supported by a credible strategy and action plan.

**Part 2:**

**Alignment with the SLBPs**

**Aligned with ICMA Sustainability-Linked Bond Principles**

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.

**Part 3:**

**Link to issuer’s sustainability strategy**

**Consistent with issuer’s sustainability strategy**

According to the ISS ESG Corporate Rating published 2021-06-23, the company currently shows a moderate sustainability performance against peers on key ESG issues faced by Paper & Forest Products sector and obtains a Decile Rank relative to industry group of 3, given that a decile rank of 1 indicates highest relative ESG performance out of 10. The issuer is rated 12<sup>th</sup> out of 41 companies within its sector.

The KPIs linked to this bond are consistent with the issuer’s sustainability strategy and material ESG topics for the issuer’s industry – related to the issues of “Sustainable management of forest plantations” and “Sustainable wood/fiber sourcing” as well as the issue of gender equality which is relevant for all sectors globally. The rationale for issuing sustainability-linked bonds is clearly described by the issuer.

## ISS ESG SPO ASSESSMENT

### PART 1.A. KPI SELECTION & SPT CALIBRATION

#### KPI 1 'Industrial Water Withdrawal Intensity'

##### 1.1. KPI selection

###### KPI selected by the issuer

FROM ISSUER'S FRAMEWORK	
<ul style="list-style-type: none"> <li>• <b>KPI:</b> m<sup>3</sup> of Industrial water withdrawal /ton of product (paper and pulp)</li> </ul>	
<ul style="list-style-type: none"> <li>• <b>SPT A (2026):</b> Industrial water withdrawal intensity reduction equal to or less than 26.1 m<sup>3</sup>/ton of product (paper and pulp) as measured as the average for the years ended 2025 and 2026. This is equivalent to an estimated reduction of 12.4% from the 2018 baseline</li> </ul>	<ul style="list-style-type: none"> <li>• <b>SPT B (2030):</b> Industrial water withdrawal intensity reduction equal to or less than 25.4 m<sup>3</sup>/ton of product (paper and pulp) as measured as the average for the years ended 2029 and 2030. This is equivalent to an estimated reduction of 14.8% from the 2018 baseline</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Rationale:</b> Access to water is key to sustainable development and fundamental to the survival of people, the planet, and businesses. Suzano's eucalyptus forests, native forests, and mills are all directly dependent on water, and the effort to protect this resource is the responsibility of all.</li> <li>• <b>Baseline:</b> 29.8 m<sup>3</sup> Industrial water withdrawal /ton of product (paper and pulp) in 2018<sup>2</sup></li> <li>• <b>Baseline year:</b> 2018</li> <li>• <b>Scope:</b> The KPI only covers industrial water use as the major source of irrigation is rainfall. Water Withdrawal Intensity is obtained by dividing the volume of water withdrawn for industrial operations, in cubic meters (m<sup>3</sup>), by the total production of pulp and paper at the units, in tons (t). Water withdrawal is defined as the total amount of water withdrawn from surface water or groundwater sources for the operations.</li> </ul>	

###### Materiality and relevance

Environmental impact of wood processing is considered as a key ESG issue faced by the Paper & Forestry Products sector, according to key ESG standards<sup>3</sup> for reporting and ISS ESG assessment. Making pulp and paper is a highly water intensive process. On average, the maximum unit water use in paper manufacture was found to be about five times the minimum unit water use in making similar products in the same general area.<sup>4</sup> The pulp and paper industry is the largest consumer of water used

<sup>2</sup> After the merge of Suzano and Fibria, the new Company has standardized and verified data from 2019 onwards. Measuring and monitoring information of each Mill on the 5 previous years are available for internal purposes and were considered to design this SPT, despite the differences in methodology.

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

<sup>4</sup> Water Requirements of the Pulp and Paper Industry- A study of the manufacturing processes with special emphasis on future water Requirements. Geological Survey. United States Department of the Interior. <https://pubs.usgs.gov/wsp/1330a/report.pdf>

in industrial activities in developed countries<sup>5</sup> and industrial water withdrawal constitutes approximately 15% of the total share of water withdrawn in Brazil<sup>6</sup>.

Brazil faces major water shortage a concerns. There are several reasons for this problem, including the growing demand for drinking water, the geographical distribution of water resources and poor supply infrastructure, and low water treatment rates which disproportionately impact the disadvantaged communities in the slums surrounding Brazil's largest cities. Additionally, sectors that most contribute to the Brazilian economy are also the most dependent on water for their operations, such as the agriculture sector which consumes 72% of Brazil's water supply.<sup>7</sup>

Physical risks triggered by climate change, including more frequent and intense droughts, is increasing the materiality of this topic for Brazil<sup>8</sup>, especially in two regions where Suzano operates<sup>9</sup>. According to a World Bank report<sup>10</sup>, with increasing deforestation, forest degradation, and changes in rainfall patterns, water crises in Brazil could become commonplace over the next four decades.

Furthermore, the sector is exposed to water management risks related to its environmental impact of wood processing such as wastewater generation, solid waste generation, and chemical pollutant discharge.

ISS ESG finds that the industrial water withdrawal intensity reduction KPI selected by the issuer is:

- **Relevant** to Suzano's business as companies in the Paper & Forest Products have water-intensive operations and are exposed to water use solutions (e.g. efficiency of operations, disposal and treatment of wastewater).
- **Core** to the issuer's business as the KPI covers 100% of Suzano's operations. Furthermore, reducing water will impact key processes and operations (e.g. water efficiency in the production of pulp from paper).
- **Material** to Suzano given that the company's production plants and operations are highly dependent on water, and that water withdrawal is relevant for a key ESG challenge faced by the Paper & Forestry industry, environmental impact of wood processing. Additionally, as the largest pulp and paper company in Brazil, a country exposed to water scarcity risk, Suzano's impact on water management challenges is considered as highly material. Suzano's mills operate as "Sustainable Water Reservoirs", with a recirculation capacity of 85%.<sup>11</sup> The technology to create a perfectly circular process does not currently exist.

<sup>5</sup> <https://www.worldwildlife.org/industries/pulp-and-paper>

<sup>6</sup> The majority of water withdrawal in Brazil comes from the agricultural sector, representing 60% of total water withdrawn. <https://knoema.com/atlas/Brazil/topics/Water/Water-Withdrawal/Total-water-withdrawal-per-capita>

<sup>7</sup> <https://www.worldbank.org/en/news/feature/2016/07/27/how-brazil-managing-water-resources-new-report-scd>

<sup>8</sup>

[https://www.wri.org/applications/aqueduct/waterriskatlas/#/?advanced=false&basemap=hydro&indicator=dr\\_cat&lat=11.824341483849048&lng=-44.67041015625&mapMode=view&month=1&opacity=0.5&ponderation=DEF&predefined=false&projection=bs&scenario=pessimistic&scope=baseline&timeScale=annual&year=baseline&zoom=5](https://www.wri.org/applications/aqueduct/waterriskatlas/#/?advanced=false&basemap=hydro&indicator=dr_cat&lat=11.824341483849048&lng=-44.67041015625&mapMode=view&month=1&opacity=0.5&ponderation=DEF&predefined=false&projection=bs&scenario=pessimistic&scope=baseline&timeScale=annual&year=baseline&zoom=5)

<sup>9</sup> According to the World Resources Institute, Aracruz and Suzano are the areas where Suzano operates that are exposed to water stress risks.

<sup>10</sup> <https://openknowledge.worldbank.org/bitstream/handle/10986/23954/106569.pdf?sequence=8&isAllowed=y>

<sup>11</sup> An equivalent of 99.7% of Suzano's total production uses water exclusively from rivers (i.e. surface water), which then gets recirculated within the production process before being treated and returned to the environment. This recirculation occurs due to a series of internal reuses of industrial water, including cooling water, hot water, condensates (steam and liquor), bleach filtered, white water from drying machines, and internal recirculation in the treatment plant itself.

## Consistency with overall company's sustainability strategy

Suzano identified groundwater management as one of its priority long-term goals. In February 2020, Suzano launched its long-term goals which cover topics such as water in forest and water in industry<sup>12</sup>.

In industrial processes, Suzano is committed to rethink, reduce, reuse, and recycle wastewater throughout its operations and make efficient use of water in its processes, including reuse and establishing a Water Treatment Plant at the Mucuri Unit. Suzano's sustainability strategy includes targets to reduce water withdrawal intensity in the industry by 15%. In addition to studying the feasibility of already known environmental engineering solutions, some of which are already adopted in some mills in the group, Suzano is also actively seeking to develop innovative solutions with the company's R&D department.

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 material operations and activities of the issuer. The KPI covers 100% of Suzano's industrial water withdrawal and over 99% of total water withdrawal. This KPI does not cover water used for eucalyptus plant irrigation, which is mostly derived from rainwater.
- **Quantifiable:** The KPI selected is measurable and quantifiable. Water withdrawal intensity in m<sup>3</sup> of water withdrawal per ton of product is disclosed and standardized in the market (as per Integrated Pollution Prevention and Control – European Commission).
- **Externally verifiable:** The past performance on water withdrawal intensity of the issuer have been verified by a third-party. It is important to note, however, that the baseline year has only been partially verified since it represents water withdrawal and water consumption of the mills individually and with different metrics, missing the Aracrus mill. This limits any conclusion outlined on the ambition of the target associated to this KPI. The issuer has committed to an annual external verification of the performance level of the KPI until the trigger event has been reached.
- **Benchmarkable:** The KPI is benchmarkable to data reported by other companies. However, there are limitations to benchmarking this KPI, namely the different methods for producing pulp which vary in water usage<sup>13</sup> (i.e. mechanical, semi-chemical and fully chemical methods which include kraft and sulfite processes<sup>14</sup>), and the diversity of the Paper & Forest Products sector (where some products that companies in the sector produce are more water-intensive products than others). These limitations are not attributed to the issuer.

<sup>12</sup> For more information <http://centraldeindicadores.suzano.com.br/en/long-term-goals/>

<sup>13</sup> According to a study by the US National Council for Stream Improvement of the Pulp (<https://pubs.usgs.gov/wsp/1330a/report.pdf>), Paper and Paperboard Industry regarding the varying water requirements of the pulp and paper industry:

- Kraft (sulfate) pulping requires 10,000 to 20,000 gallons per ton of pulp. One third of this amount can be saltwater (presumably for cooling) and another third can be paper-machine overflow.
- Bleaching of kraft pulp requires 30,000 to 50,000 gallons per ton depending on the degree of bleach.
- Paper and paperboard manufacture from pulp requires from 5,000 to 15,000 gallons per ton of paper.

<sup>14</sup> Suzano employs the kraft process for the manufacturing of pulp.

**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, and externally verifiable. The KPI is benchmarkable with limitations due to the lack of disclosure, differing methodologies to measure water withdrawal and water use intensity across sectors, and the diversity of businesses within the Forest & Paper Products industry. Those limitations cannot be attributed to Suzano. It covers a material scope of the operations and activities of Suzano.

## 1.2. Calibration of SPT

### SPT set by the issuer

FROM ISSUER’S FRAMEWORK <sup>15</sup>	
<p><b>Sustainability Performance Target A (2026):</b> Industrial Water Withdrawal intensity reduction equal to or less than 26.1 m<sup>3</sup>/ton of product (paper and pulp) as measured as the average for the years ended 2025 and 2026. This is equivalent to an estimated reduction of 12.4% from the 2018 baseline</p> <p><b>Sustainability Performance Target Trigger:</b> Industrial Water Withdrawal intensity reduction equal to or less than 26.1 m<sup>3</sup>/ton of product (paper and pulp) as measured as the average for the years ended 2025 and 2026. This is equivalent to an estimated reduction of 12.4% from the 2018 baseline</p> <p><b>Sustainability Performance Target Observation Date:</b> December 31, 2026</p> <p><b>2018 Baseline Intensity:</b> 29.8 m<sup>3</sup> water withdrawal /ton of product (paper and pulp)</p>	<p><b>Sustainability Performance Target B (2030):</b> Industrial Water Withdrawal intensity reduction equal to or less than 25.4 m<sup>3</sup>/ton of product (paper and pulp) as measured as the average for the years ended 2029 and 2030. This is equivalent to an estimated reduction of 14.8% from the 2018 baseline</p> <p><b>Sustainability Performance Target Trigger:</b> Industrial Water Withdrawal intensity reduction equal to or less than 25.4 m<sup>3</sup>/ton of product (paper and pulp) as measured the average in cubic meters of Industrial Water Withdrawal per ton of product (paper and pulp) for the years ending 2029 and 2030. This is equivalent to an estimated reduction of 14.8% from the 2018 baseline</p> <p><b>Sustainability Performance Target Observation Date:</b> December 31, 2030</p> <p><b>2018 Baseline Intensity:</b> 29.8 m<sup>3</sup> water withdrawal /ton of product (paper and pulp)</p>
<p><b>Rationale for target selection and ambition:</b></p> <p>The approach to constructing the goal of 14.8% reduction is focused more on pollution prevention than pollution control. CAPEX efforts are focused on the origin of the process and less on the control end-of-pipe. Examples are the treatment of contaminated condensate, the collection and recirculation of water in the Cooling Tower, recovery of process purges, among others.</p> <p><b>Factors that support the achievement of the targets:</b></p> <p>Investments targeting best practices and Best Available Technologies (BAT) such as flow meters to consumption management, water reutilization, and exchange of more efficient equipment. It is through these initiatives that we intend to keep improving our efficiency and achieve the goals set.</p>	

<sup>15</sup> This table is displayed by the issuer in its Sustainability-Linked Bond Framework and have been copied over in this report by ISS ESG for clarity.

**Risks to the target:**

- The starting point of water withdrawal intensity in the industrial process is of 29.8 m<sup>3</sup>/t (2018), value considered best in class to the pulp and paper sector. Although Suzano already operates in line with the Best Available Technology (Reference Document for the Production of Pulp, Paper and Board – 2015) according to the IPPC which brings a consumption reference to the sector on a 25-50 m<sup>3</sup>/t levels, we strive for an improvement to achieve a water withdrawal intensity far below these set standards
- It is also important to highlight the diversity of mills Suzano operates, with different technologies implemented. It also in the mix mills that produce only pulp, mills partially or fully integrated with paper production, and also mills that produce only paper, like Tissue paper as an example
- Extreme events, such as pandemics, can also impact the KPIs in the short term due to possible oscillations in production and consequently impact the KPI

**Ambition**

**Against company's past performance**

Based on the ISS ESG methodology, target reduction slopes are compared to historical data from a long-term, short-term, and annual perspectives to better contextualize the level of ambition required to achieve the target. It is important to note, however, that for companies with large-scale industrial projects, annual slopes may not be the most accurate indication of ambition: the CAGRs metrics displayed in the below table should thus be considered with caution and are not sufficient to derive a conclusion on the level of ambition set by Suzano's target. Indeed, CAPEX investments of these industrial equipments may require changes to be done intermittently, thus annual improvements are not always constant. Suzano confirmed this will be the case for the CAPEX investments required to achieve the SPT.

Indicator	2018 - Baseline	2019	2020	2025 – Target A	2030 – Target B	CAGR '18-'20	CAGR '18-'25	CAGR '18-'30
<b>Industrial Water Withdrawal Intensity (m<sup>3</sup>/ton of product)</b>	<b>29.8</b>	<b>29.4</b>	<b>29.2</b>	<b>26.1</b>	<b>25.4</b>	<b>-1%</b>	<b>-2%</b>	<b>-1%</b>

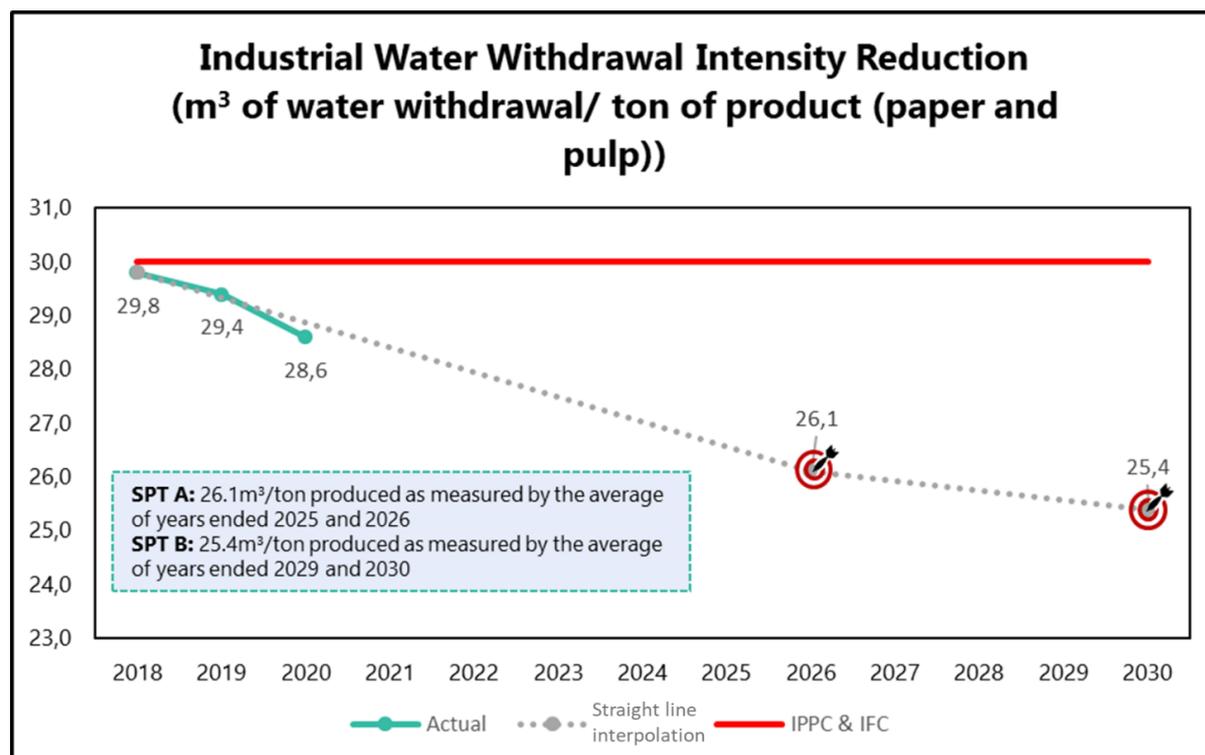
Source: Suzano as of June 2021

The issuer provided three years of historical data by setting the baseline year of its SPT to 2018 and provided yearly estimates of their water withdrawal intensity targets. However, it is important to the note that Suzano merged with Fibria in 2019 and the water intensity measurement methodologies were dissimilar prior to the merger. Although, right after the merger, an effort was made to standardize the concept for the calculation of KPIs on the same basis of comparison, the numbers may suggest some discrepancies. It is also noteworthy that the environmental quality history of the 2 companies before the merger was already aligned with local and international best practices. This fact facilitated the integration of KPIs in the final composition of the Long-Term Goal.

Suzano sets the SPT to reduce its industrial water withdrawal intensity equal to or less than 26.1 m<sup>3</sup>/ton produced by 2025 and 25.4 m<sup>3</sup>/ton produced by 2030. This equates to a total reduction of

12.4% by 2025 and 14.8% by 2030, compared to the 2018 baseline year (see Figure 1 below). Annually, this equates to a reduction of 2% by 2025 and 1% by 2030.

Past performance for the combined entity saw a slight decrease year to year, and the Cumulative Annual Growth Rate between 2018 and 2030 is projected to be -1%. While it is noteworthy that Suzano is already using the BAT as mentioned previously, the usage of the Kraft process for conversion of wood into pulp provides further scope for optimizing wastewater reduction and withdrawal intensity by 2030.



**Figure 1**

In this context and compared to the baseline year, the SPT set by Suzano is perceived by ISS ESG as ambitious against the company’s past performance. While the limitation of external verification of the baseline year limits this conclusion, the target of Suzano reflects a decrease of water withdrawal over time accompanied by an ambitious action plan.

**Against company’s sectoral peers**

Suzano is one of the only few listed companies within the Paper & Forest Products ISS ESG Universe that disclose data performance on water usage and water consumptions patterns. Indeed, based on data collected by ISS ESG, 44 of the 58 companies do not disclose total water usage or consumption patterns<sup>16</sup>. Thus, Suzano is considered as one of the most transparent company in its peer group on this key ESG issue.

Additionally, Suzano already operates within the reference limits of the Paper & Forest Products sector average according the IPPC and IFC reference to the sector on a 25-50 m<sup>3</sup>/ton levels, where Suzano’s starting point of water withdrawal intensity in the industrial process is of 29.8 m<sup>3</sup>/t (2018).

<sup>16</sup> Water usage and water consumption data in the ISS ESG Universe was referenced as a proxy for industrial water withdrawal.

According to Suzano's own benchmarking, only three peer companies in their sector also have set industrial water withdrawal reduction targets. Thus, Suzano belongs to the top tier of its sector in terms of existence of target on this topic. Specific benchmarking of the target rate against other targets set by peers is challenging due to the KPI selected, highly varies in calculation methodologies depending on the business model of each specific company in the sector (e.g. type of wood fiber used, % of pulp/paper production, and others).

Thus, ISS ESG concludes that Suzano's SPT is ambitious against peer group practices in terms of the existence of a water withdrawal reduction target. The specific level of ambition of this target against other few targets set by sectorial peers cannot be concluded due to reasons that cannot be attributed to the issuer.

### Against international targets

The United Nations Sustainable Development Goal 6 "Clean Water and Sanitation" defines the following targets that are related to this SPT:

- 6.4 "By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity";
- 6.5 "By 2030, implement integrated water resources management at all levels, including through transboundary cooperation as appropriate".

According to the issuer, no international target exists on this specific topic beyond the UN SDGs, which do not provide for comparable quantified target applicable for comparison with Suzano's targets.

Given the absence of quantified international targets for the industry on reducing industrial water withdrawal, ISS ESG cannot conclude on the ambition of Suzano's SPT against international target. Nonetheless, it is important to point that the measures to achieve this target are aligned with available standards for best practices, namely IPPC's standard for the BAT<sup>17</sup>, which brings a consumption reference to the sector on a 25-50 m<sup>3</sup>/t levels, and with high-level and qualitative sub-targets defined by the UN SDG 6 "Clean Water and Sanitation".

### 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 6 "Clean Water and Sanitation" and 12 "Responsible Consumption and Production".

### Measurability & comparability

- **Historical data:** The issuer provided three years of historical data by setting the baseline year of its SPT to 2018 and provided yearly estimates of their water withdrawal targets. However, it is important to note that Suzano merged with Fibria in 2019 and the water intensity measurement methodologies were dissimilar prior to the merger. Hence, despite best efforts to standardize the calculation methodologies between the two companies, the numbers may

<sup>17</sup> Based on Company statement

suggest some discrepancies. Thus, any conclusion on ambition of the target set by Suzano is to be considered as limited.

- **Benchmarkable:** By referring to commonly acknowledged m<sup>3</sup>/ton produced, the KPI is comparable with the data reported by other companies. However, there are limitations to benchmarking this data as water withdrawal intensity rates within the sector vary, due to the diversity of the products manufactured by Paper & Forest Products companies and the different pulp manufacturing methods employed by pulp producers. This is not to be attributed to Suzano.
- **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

Suzano's action plan to achieve this target focuses on increasing water efficiency through the following measures:

- Retrofits of old machinery and increased efficiency;
- Replacement of equipments;
- Improvements and construction of water treatment plants, and water recycle projects;

The supporting strategy and action plan contemplated by Suzano is aligned with recommendations released by the IPPC on how pulp and paper industry can reduce water intensity. This action plan is perceived as credible to support the achievement of the SPT set by Suzano.

**Opinion on SPT calibration:** *ISS ESG finds that the SPT calibrated by Suzano's is ambitious against the company's past performance and against peer group practices in terms of the existence of a water withdrawal reduction target. However, the specific level of ambition of this target against other few targets set by sectorial peers cannot be concluded due to reasons that cannot be attributed to the issuer. While no quantified international targets exist for the industry on reducing industrial water withdrawal it is important to point that the measures to achieve this target are aligned with available standards for best practices, namely IPPC's standard for the BAT. The target is set in a clear timeline, is benchmarkable and supported by a credible strategy and action plan.*

## PART 1.B. KPI SELECTION & SPT CALIBRATION

### KPI 2 'Women in Leadership Positions'

#### 1.1. KPI selection

KPI selected by the issuer

##### FROM ISSUER'S FRAMEWORK

- **KPI:** Women in Leadership Positions
- **SPT:** Achieve representation of 30% women in leadership roles by 2025
- **Methodology for KPI measurement:** Measured as a Women in leadership roles (managers, executive managers, directors, executive directors, and CEO) per total employees.
  - According to the UN Global Compact (UNGC) Leadership means every position up to three levels below the CEO. Considering that 20% of the third layer below the CEO at Suzano includes the management position, the company considered for the goal the following levels: managers, executive managers, directors, executive directors and CEO, located in the structure of Brazil, which covers approximately 93% of Suzano's total leadership positions at the last measure<sup>18</sup>.
  - Suzano methodology to measure the proportion of women in leadership position is based on employees who identify themselves as women. The internal and individual experience of gender deeply felt by each person, which may or may not correspond to the sex assigned at birth, including the personal sense of the body (which may involve, if chosen freely, modification of bodily appearance or function by medical, surgical or other means) and other expressions of gender, including dress, speech and mannerisms. Gender identity is taken into account in the admission process and can be changed freely by employees in the internal system.
- **Long-term goal:** n.a.
- **Rationale:** The themes of Diversity & Inclusion are fundamental in Suzano's organization due to three central points:
  - Social structuring: This movement is important for the world as it gives people the opportunity to express their potential;
  - Strategic sphere: More diverse teams have greater capacity for creation, innovation and generation of results; and
  - Cultural aspects: The creation of an increasingly inclusive and inviting environment results in attraction, retention and engagement.
- **Baseline performance:** 16% women in leadership positions in 2019
- **Baseline year:** 2019<sup>19</sup>
- **Scope:** 93.4% of Suzano's leadership positions

<sup>18</sup> As of 2021

<sup>19</sup> Suzano selected the 2019 baseline considering that it is the first year after the merger between Suzano Papel e Celulose and Fibria. Therefore, the 2019 baseline is the first year with a consolidated methodology of leadership positions.

## Materiality and relevance

Gender equality, non-discrimination and equal opportunities are considered as important ESG issues faced by any company, regardless of the sector. In Brazil, where Suzano operates, there continues to exist a significant gender gap, where women are underrepresented in the labor force and particularly in leadership positions. According to the World Economic Forum (WEF)'s Global Gender Gap Report<sup>20</sup>, Brazil ranks 93<sup>rd</sup> out of 156 countries globally. Compared to other countries in Latin America and the Caribbean, Brazil is ranked among the worst performing countries – ranking 25<sup>th</sup> out of 26 countries. Based on data reported by the UN Global Compact (UNGC) in Brazil<sup>21</sup>, reducing gender inequalities could generate an increase of 3.3% in the Brazilian GDP.

In the forestry and pulp and paper sector, gender diversity has received increasing attention, considering that women are significantly under-represented in the workforce. To promote gender equality efforts in the sector, gender criteria has been included in sustainable forest management certification schemes, which set the standards for environmentally and socially responsibly managed forests. These schemes include the Forest Stewardship Council (FSC)<sup>22</sup> and the Programme for the Endorsement of Forest Certification (PEFC)<sup>23</sup>.

In addition to gender equality, the sector is exposed to other ESG challenges related employee relations and work environment such as health and safety, collective bargaining rights, human rights policies and standards, and supplier standards with regard to labor rights and working conditions.

ISS ESG finds that the Women in Leadership Positions KPI selected by the issuer is:

- **Relevant** to Suzano's business as it relates to the topic of gender parity and equal opportunities, which is a relevant topic for companies across sectors, and particularly for the Paper & Forest Products sector when women are underrepresented in leadership positions and given efforts by sustainability standards-setting bodies to include this topic in their certification schemes (e.g. FSC and PEFC).
- **Core** to Suzano's business as gender parity and equal opportunities directly relates to its hiring, career development, and business strategy. Thus, this KPI affects Suzano's core processes and operations.
- **Material** to Suzano from an ESG perspective as the KPI focuses on Suzano's main gender representation gap by focusing on leadership positions specifically. Furthermore, gender diversity, and specifically gender diversity in leadership positions, can be associated with better ESG performance overall<sup>24</sup>. Suzano's action plan for improving performance against this KPI is to uplift current women in their workforce through career advancement opportunities, active hunting for female candidates for middle and senior leadership and prioritization of women for replacement vacancies and turnover, and reservations of up to 50% in the internal and external hiring final shortlists. However, the KPI does not provide a specific focus on the most disadvantaged group among women and relevant for the Pulp and Paper sector, rural

<sup>20</sup> [WEF\\_GGGR\\_2021.pdf \(weforum.org\)](https://www.weforum.org/reports/global-gender-gap-report-2021)

<sup>21</sup> [https://d15k2d11r6t6rl.cloudfront.net/public/users/Integrators/7ba73aaa-3da9-4cf1-abf2-ccc85dea5875/uid\\_3084837/Equidadeprioridade\\_carta%20compromisso\\_vf.pdf](https://d15k2d11r6t6rl.cloudfront.net/public/users/Integrators/7ba73aaa-3da9-4cf1-abf2-ccc85dea5875/uid_3084837/Equidadeprioridade_carta%20compromisso_vf.pdf)

<sup>22</sup> <https://fsc.org/en/diversity-and-gender-at-fsc-certified-forests#gender-as-part-of-fsc%E2%80%99s-diversity>

<sup>23</sup> <https://pefc.org/what-we-do/sustainable-development-goals/sdg-5-gender-equality>

<sup>24</sup> [Across the Board Improvements: Gender Diversity and ESG Performance \(harvard.edu\)](https://hbs.harvard.edu/insights/2019/09/24/across-the-board-improvements-gender-diversity-and-esg-performance)

women, who are disproportionately disadvantaged in their access and control over forest resources and economic opportunities, and influence over forest decisions.<sup>25</sup>

### Consistency with overall company's sustainability strategy

Since Suzano operates in a vast territory in Brazil, the company recognizes the importance of reflecting in its team the plurality of the Brazilian society in terms of gender identities, ethnicities and races, age groups, sexual orientations, nationalities, beliefs, as well as physical and intellectual disabilities, among others.

As part of this vision of plurality, Suzano identified diversity and inclusion (D&I) as one of its priority long-term goals, and has defined the following targets as part of its commitment to D&I:

- 30% women and 30% black<sup>26</sup> employees in leadership positions (functional managers and above) by 2025
- 100% accessibility and 100% inclusive environment for people with disabilities (PwDs) by 2025;
- 100% inclusive environment for LGBTI+<sup>27</sup> by 2025;

In order to enhance women's careers, Suzano has recurring meetings of affinity groups for ongoing exchanges of experience and the company is implementing mentoring and career acceleration programs. Additionally, in 2020, the company saw a historic increase in the selection of women in Suzano's Trainee Program, with 53% representation of women.

In 2020, Suzano formally signed on to the Women's Empowerment Principles (WEPs), an initiative of UN Women, an organization that promotes gender equality in the business world, and of the UNGC, a corporate citizenship initiative associated with the UN. By signing the principles, Suzano publicly commits to programs and actions to foster gender equality in its workplace and the communities where it operates. In 2021, Suzano was recognized among companies that made the most progress in practices for gender equality in the 4<sup>th</sup> WEPs Brazil Award.

As part of its membership in the UNGC Brazil, the company is part of the Target Gender Equality program. Companies participating in Target Gender Equality have the goal of deepening their implementation of the Women's Empowerment Principles and contributions to Sustainable Development Goal 5.5, which calls for equal women representation, participation and leadership in business globally. Companies also have access to current and credible data and research supporting the business case for gender equality and female empowerment.<sup>28</sup>

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

<sup>25</sup> <https://pefc.org/news/achieving-gender-equality-and-female-empowerment-our-forests-can-help>

<sup>26</sup> Terminology used by the Brazilian Institute of Geography and Statistics (IBGE), including Blacks and "Pardos". In Brazil, "Pardo" is an ethnic and skin color category used by the Brazilian Institute of Geography and Statistics (IBGE) in the Brazilian censuses.

<sup>27</sup> Suzano chose to use the acronym LGBTI+, which stands for lesbians, gays, bisexuals, transsexuals, intersexuals, and "+" symbolizing all other sexual orientations, gender identities and expressions.

<sup>28</sup> <https://www.unglobalcompact.org/take-action/target-gender-equality>

## Measurability

- **Material scope and perimeter:** This KPI covers Suzano's leadership positions in Brazil, which includes managers, executive managers, directors, executive directors, and the Chief Executive Officer. Total leadership positions located in the structure of Brazil covers 93.4% of Suzano's leadership positions globally.
- **Quantifiable:** The KPI selected is measurable and quantifiable. The issuer gathers data on the gender of all its employees and measures this data across different leadership divisions, according to a definition of Leadership provided by the UNGC.
- **Externally verifiable:** The KPI selected is externally verifiable. Past performance has been externally verified by Bureau Veritas, as stated on the Assurance Statement available in Suzano's 2020 Annual Report<sup>29</sup>. The issuer commits to get a third-party verification of the performance level of the SPT against this KPI, on an annual basis, by an external reviewer with relevant expertise.
- **Benchmarkable:** By referring to a measurable and quantifiable metric, calculated in line with an acknowledge definition provided by the UNGC, the KPI is benchmarkable with data reported by other companies using the same methodology.

**Opinion on KPI selection:** ISS ESG finds that the KPI selected is core, relevant and material to the issuer's business model from an ESG perspective 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 Suzano.

## 1.2. Calibration of SPT

### SPT set by the issuer

#### FROM ISSUER'S FRAMEWORK<sup>30</sup>

- **SPT:** Achieve a 30% representation of women in leadership roles by 2025
- **SPT Trigger:** Percent of women in leadership positions for 2025 year-end
- **2019 Baseline:** 16% representation of women in leadership positions
- **SPT Observation date:** December 31, 2025
- **Rational for target selection and ambition:** Suzano selected this target due to the robust management process and the high level of maturity of this KPI within the company, thus bringing the company confidence on the data. Suzano selected the target of 30% as a reference from the United Nations Global Compact Brazil (Equity is a Priority) that suggests a 30% target by 2025. <sup>31</sup>
- **Factors that support the achievement of the targets:**

<sup>29</sup> <https://r2020.suzano.com.br/en/assurance-statement>

<sup>30</sup> This table is displayed by the issuer in its Sustainability-Linked Bond Framework and have been copied over in this report by ISS ESG for clarity.

<sup>31</sup> [https://d15k2d11r6t6rl.cloudfront.net/public/users/Integrators/7ba73aaa-3da9-4cf1-abf2-ccc85dea5875/uid\\_3084837/Equidadeprioridade\\_carta%20compromisso\\_vf.pdf](https://d15k2d11r6t6rl.cloudfront.net/public/users/Integrators/7ba73aaa-3da9-4cf1-abf2-ccc85dea5875/uid_3084837/Equidadeprioridade_carta%20compromisso_vf.pdf)

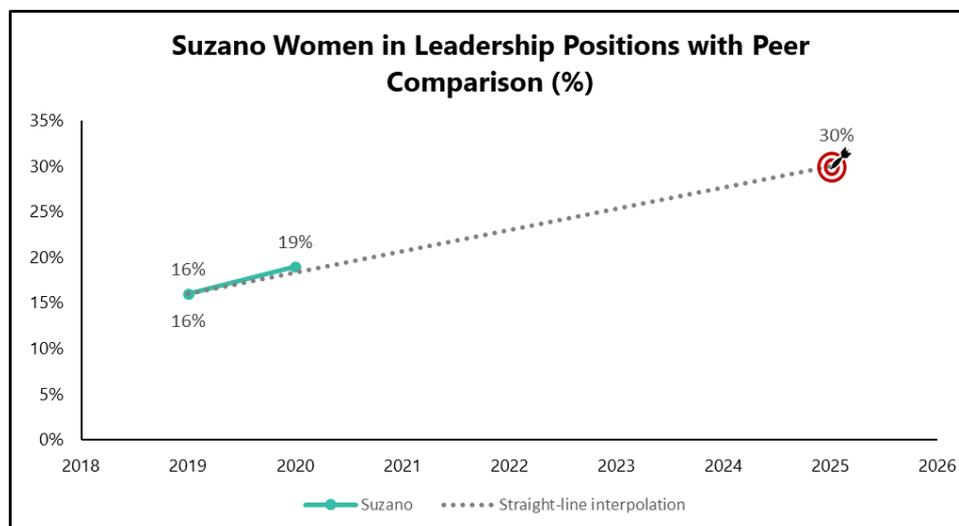
- Active hunting for female candidates for middle and senior leadership and prioritization of women for replacement vacancies and turnover.
- Mapping the organization's female talents and developing a career acceleration and mentoring program, considering internal mobility opportunities.
- Leadership training cycle in relation to the role of affirmative actions and deconstruction of bias and prejudiced behaviors in the work environment.
- **Risks to the target:**
  - Low proportion of female applicants to leadership positions in the operations
  - Turnover of women in leadership

**Ambition**

**Against company's past performance**

INDICATOR	2018	2019 - BASELINE	2020	2025 - TARGET	CAGR '19-'25
<b>Representation of Women in Leadership Positions</b>	<b>N/A*</b>	<b>16%</b>	<b>19%</b>	<b>30%</b>	<b>11%</b>

*\*2018 data is not available due to the merger of Fibria and Suzano Papel e Celulose, which resulted in Suzano S.A., the company in operations today.*  
**Source: Suzano as of June 2021**



**Figure 2**

Data on the representation of women in leadership positions is available for the years 2019 (baseline year) and 2020. This past performance data has been verified by a third-party. The company is not able to provide comparable data prior to 2019 due to the merger of Fibria and Suzano Papel e Celulose that was effective starting 2019. Therefore, historic performance pre-2019 may not be relevant or meaningful as the organization was significantly different at that time, including each company's definitions of leadership roles pre-merger. As no information is available before the baseline year, the

level of ambition against past performance can only be partially judged due to the lack of historical data.

That being noted, Suzano has set the SPT to increase the representation of women in leadership positions to 30% by 2025 and compared to 2019 baseline year. This equates to a significant increase of 87.5% in women in leadership positions over the period, or an annual growth of 11%. From 2019 to 2020, Suzano already achieved to increase the proportion of women in leadership positions by 20% (see Figure 2 above). The annual growth rate associated with this target going forward follows a slower pace than achieved in the past year.

Suzano has designed a credible set of measures to support the achievement of this target, that aligns with the recommendations released by the International Labor Organization report “Gender Diversity Journey: Company Good Practices”<sup>32</sup> on how companies can drive gender diversity in their organizations.

In this context, ISS ESG considers that the SPT set by Suzano towards 2025 and compared with 2019 baseline year performance as ambitious against its past performance. Further increases in ambition could be envisioned going forward given that the ideal rate is 50% representation of women in leadership positions.<sup>33</sup>

#### Against company’s sectorial peers

As of 21.06.2021, ISS ESG evaluates Suzano as a medium performer in terms of proportion of women in executive management team against the Pulp and Paper peer group of 48 listed companies derived from the ISS ESG Universe. According to ISS ESG data, Suzano ranks 9<sup>th</sup> out of 20 companies in this peer group disclosing share of women in executive management team in 2020.

It is important to note that this medium performance is based on comparison with peer companies reporting on this topic, while a majority of companies in the Paper & Forest ISS ESG Universe do not report transparently data performance on women in leadership positions: 28 companies are either not disclosing about this topic in their reporting, or the data has not been collected by ISS ESG,

Regarding forward-looking target to increase the number of women in leadership positions, Suzano conducted a benchmarking of its target and found only 3 peer group companies which have set target for increasing the proportion of women in leadership positions (see table below). According to the benchmarking conducted by Suzano, the majority of its sectorial peer group has not set any target on this topic. Thus, Suzano belongs to the top tier of its peer group in terms of existence of such target.

Suzano Diversity and Inclusion with Peer Comparisons for Paper and Pulp companies		
Company	Target Date	Goal
Suzano	2025	Reach 30% of women in the leadership positions
Peer 1	2030	Reach 30% of women in the total headcount, including operational, administrative & leadership positions
Peer 2	2030	Reach 30% of women in the leadership positions

<sup>32</sup> [wcms\\_578768.pdf \(ilo.org\)](#)

<sup>33</sup> ISS ESG Corporate Rating methodology assesses performance of women in executive manager positions based on a grading system from 1 to 4, with 4 being the best evaluation. Grade 1: 0 - 9 % women (men); Grade 2: 10 - 29% women (men); Grade 3: 30 - 39 % women (men); Grade 4: 40-60% women (men). Ideally, the percentage would be 50% as the goal is to achieve gender parity.

Peer 3	2030	Reach 50% of women in administrative positions and 30% in total headcount
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Source: Suzano and Peer<sup>34</sup> websites as of May 2021

Suzano’s SPT, set at 30% women in leadership positions, is in a similar order of magnitude than targets set by the three peers with targets. Although Suzano’s SPT of 30% is the same as the targets defined by Peer 1 and Peer 2, Suzano’s timeline is to be achieved by 2025, five years earlier than the timeline of 2030 for Peer 1 and 2.

ISS ESG concludes that the SPT set by the issuer is ambitious compared to Paper & Forestry sector practices in terms of defining a women in leadership positions target. Suzano is one of the only few companies to have set such a target, and the target rate exceed most of the ones set by sectorial peers.

### Against international targets

#### Target Gender Equality by the UNGC

Target Gender Equality is a gender equality accelerator program for participating companies of the UN Global Compact, which is implemented at the country level. Through facilitated performance analysis, capacity building workshops, peer-to-peer learning and multi-stakeholder dialogue at the country-level, Target Gender Equality will support companies engaged with the UN Global Compact in setting and reaching ambitious corporate targets for women’s representation and leadership, starting with the Board and Executive Management levels.<sup>35</sup>

UNGC Brazil has signed the Target Gender Equality program and set a goal for its member companies to reach 30% of women in leadership positions by 2025 and optionally 50% by 2030.<sup>36</sup> Suzano, a member company of UNGC Brazil, has set the 30% women in leadership positions target in line with the target defined by UNGC, referencing UNGC’s definition of leadership positions, defined as every position up to three levels below the CEO.

ISS ESG finds that the SPT defined by the issuer is ambitious compared against regional targets set by international organization on the representation of women in leadership positions. However, further increases in ambition could be envisioned by Suzano going forward, given the optional 50% women in leadership positions by 2030 defined by UNGC Brazil as part of the Target Gender Equality program.

#### 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 5 “Gender equality”.

### Measurability & comparability

- **Historical data:** The issuer provided some historical data by setting the baseline year of its SPT to 2019 and providing 2020 data. Although this does not cover at least three years of historical

<sup>34</sup> Peer 1: ArcelorMittal Brasil; Peer 2: Klabin; Peer 3: International Paper

<sup>35</sup> <https://www.unglobalcompact.org/take-action/target-gender-equality>

<sup>36</sup> [https://d15k2d11r6t6rl.cloudfront.net/public/users/Integrators/7ba73aaa-3da9-4cf1-abf2-ccc85dea5875/uid\\_3084837/Equidadeeprioridade\\_carta%20compromisso\\_vf.pdf](https://d15k2d11r6t6rl.cloudfront.net/public/users/Integrators/7ba73aaa-3da9-4cf1-abf2-ccc85dea5875/uid_3084837/Equidadeeprioridade_carta%20compromisso_vf.pdf)

data, which is as a requirement according to the ICMA's SLBPs. The issuer has provided a clear rationale for this: the lack of pre-2019 data is due to the merger of Fibria and Suzano Papel e Celulose. It is important to note that the lack of historical data for this KPI limits conclusions of any analysis related to ambition of the associated target.

- **Benchmarkable:** By referring to the UNGC's definition of leadership positions (defined as every position up to three levels below the CEO), Suzano's SPT is comparable with the data reported by other companies using the same definition of leadership. The SPT is particularly benchmarkable to other companies reporting as part of the Target Gender Equality Initiative by the UNGC, as the target setting process here involves data and research at the country-level.
- **Timeline:** The issuer defined a precise timeline related to the SPT achievement, including the target observation date and the trigger event. Suzano will continue to publish the progress yearly in its annual report.

### Supporting strategy and action plan

To guarantee the achievement of the representation of women in senior leadership positions, Suzano has a tactical plan structured with a series of driving actions. The main ones are:

- Review of human resource processes, ensuring the vision of Diversity & Inclusion in the employee development journey;
- Active search of female candidates for middle and senior leadership, with formation of talent pools and prioritization of women for replacement vacancies;
- Mapping the organization's female talents and developing career acceleration and mentoring programs, considering internal mobility opportunities;
- Establishment of governance of the company's movements, ensuring the maintenance and increase of female representation;
- Definition of female representative targets in selection processes (50% of women considered in the final interview list with managers);
- Training programs with female representation and guaranteed fluidity of careers in all job categories;
- Leadership training regarding the role of affirmative actions and deconstruction of sexist speeches and behaviors in the workplace.

The supporting strategy and action plan contemplated by Suzano is aligned with recommendations released by the International Labor Organization report "Gender Diversity Journey: Company Good Practices"<sup>37</sup> on how companies can drive gender diversity in their organizations. This action plan is perceived as credible to support the achievement of the SPT.

**Opinion on SPT calibration:** ISS ESG finds that the SPT calibrated by Suzano is ambitious against the company's past performance, compared to Paper & Forest Products sector practices in terms of defining a women in leadership positions targets and in line with the Target Gender Equality by UNGC Brazil. However, it is important to note that the lack of historical data on this KPI limits the conclusions

<sup>37</sup> [wcms\\_578768.pdf \(ilo.org\)](#)

*on SPT ambition. The SPT remains in a similar order of magnitude as top tier companies in the Paper and Forestry sector, although further ambition could be envisioned going forward by setting a 50% target by 2030. The target is set in a clear timeline, is benchmarkable and supported by a credible strategy and action plan.*

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

### Rationale for Framework

#### INFORMATION PROVIDED BY THE ISSUER

In order to enhance the power of Suzano to address environmental issues, the company intends to issue Sustainability-Linked Securities (“SLSs”), which may include Sustainability-Linked Bonds (“SLBs”), from time to time and commit to specific environmental outcomes with “skin-in-the-game”, leveraging ambitious timelines to achieve sustainability performance that is relevant, core and material to Suzano’s business. The company’s framework provides a high-level approach to its Sustainability-Linked Securities and investors should refer to relevant documentation for any securities transactions. As such, environmental considerations are an integral part of the business model. This transaction will also support Suzano’s wider Sustainability Strategy and long-term goals which is the net removal of 40 million tons of carbon from atmosphere until 2030.

**Opinion:** ISS ESG considers the Rationale for Issuance description provided by Suzano as aligned with the SLBPs. The issuer has created and committed to publicly disclose the framework in a comprehensive and credible manner.

### 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 Suzano as aligned with the SLBPs.

- **KPI 1:** 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, and externally verifiable. The KPI is benchmarkable with limitations due to the lack of disclosure, differing methodologies to measure water withdrawal and water use intensity across sectors, and the diversity of businesses within the Forest & Paper Products industry. Those limitations cannot be attributed to Suzano. It covers a material scope of the operations and activities of Suzano.
- **KPI 2:** ISS ESG finds that the KPI selected is core, relevant and material to the issuer’s business model from an ESG perspective 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 Suzano.

### 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 Suzano as aligned with the SLBPs.

- **SPT 1:** ISS ESG finds that the SPT calibrated by Suzano's is ambitious against the company's past performance and against peer group practices in terms of the existence of a water withdrawal reduction target. However, the specific level of ambition of this target against other few targets set by sectorial peers cannot be concluded due to reasons that cannot be attributed to the issuer. While no quantified international targets exist for the industry on reducing industrial water withdrawal it is important to point that the measures to achieve this target are aligned with available standards for best practices, namely IPPC's standard for the BAT. The target is set in a clear timeline, is benchmarkable and supported by a credible strategy and action plan.
- **SPT 2:** ISS ESG finds that the SPT calibrated by Suzano is ambitious against the company's past performance, compared to Paper & Forest Products sector practices in terms of defining a women in leadership positions targets and in line with the Target Gender Equality by UNGC Brazil. However, it is important to note that the lack of historical data on this KPI limits the conclusions on SPT ambition. The SPT remains in a similar order of magnitude as top tier companies in the Paper and Forestry sector, although further ambition could be envisioned going forward by setting a 50% target by 2030. The target is set in a clear timeline, is benchmarkable and supported by a credible strategy and action plan.

### 2.3. Sustainability-Linked Securities Characteristics

#### FROM ISSUER'S FRAMEWORK

The financial characteristics of any security issued under this Framework, including a description of the selected KPI(s), SPTs, step-up margin amount or the premium payment amount, as applicable, will be specified in the relevant documentation of the specific transaction (e.g. Final Terms of the relevant SLB).

For any bonds issued under this Framework, there will various Trigger Events impacting the financial characteristics of the security. The occurrence of a Trigger Event will result in a coupon step-up, accruing from date specified in the relevant bond (or an increase of the premium, as the case may be). The relevant timing of the potential coupon step-up will be specified in the bond documentation.

A step-up of the coupon shall be triggered if:

- A KPI has not achieved the SPT on the Target Observation Date;
- The verification (as per the verification section of this Framework) of the SPTs has not been provided and made public by the time of the Notification Date, as defined in the bond documentation; or
- The Company fails to provide Satisfaction Notice as of the Notification Date related to achieving the SPT, each as defined in the bond documentation.

In the event more than one SPT is selected for the specific transaction, the coupon step-up may be bifurcated, which will be detailed in the bond documentation.

Suzano's 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 our production activities, in each case to be set forth, if applicable, in further detail in the terms and conditions of each our Sustainability-Linked Securities.

**Opinion:** ISS ESG considers the Sustainability-Linked Securities Characteristics description provided by Suzano as aligned with the SLBPs. The issuer gives a detailed description of the potential variation of the financial characteristics of the securities, while clearly defining the KPI and SPT and its calculation methodologies.

## 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 Sustainability-Linked Securities' financial characteristics, Suzano will publish and keep readily available and easily accessible on its website a Sustainability-Linked Securities update included within the Sustainability Annual Report <https://ir.suzano.com.br/English/financial-information/indebtedness-and-capital-markets/default.aspx> 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 Suzano as aligned with the SLBPs. This will be made publicly available annually and include material 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, Suzano will seek independent and external verification of our 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 our website.

Suzano may 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 Suzano as aligned with the SLBPs. The issuer plans on having all annual values of the SPT published and verified. This will outline the performance against the SPT.*

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

The ISS ESG Corporate Rating provides material and forward-looking environmental, social and governance (ESG) data and performance assessments.

COMPANY	SECTOR	DECILE RANK	TRANSPARENCY LEVEL
<b>SUZANO</b>	<b>PAPER &amp; FOREST PRODUCTS</b>	<b>3</b>	<b>VERY HIGH</b>

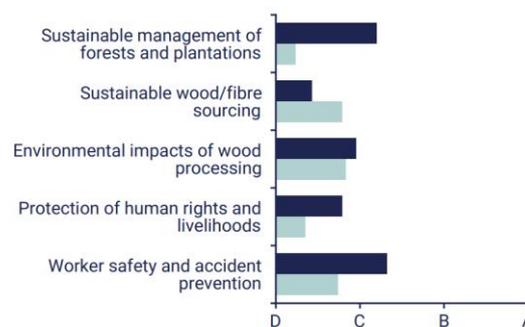
This means that the company currently shows a medium sustainability performance against peers on key ESG issues faced by Paper & Forest Products sector and obtains a Decile Rank relative to industry group of 3, given that a decile rank of 1 indicates highest relative ESG performance out of 10.

### ESG performance

As of 2021-06-23, this Rating places Suzano 12<sup>th</sup> out of 41 companies rated by ISS ESG in the Paper & Forest Products sector.

Key Challenges faced by companies in term of sustainability management in this sector are displayed in the chart on the right, as well as the issuer's performance against those key challenges in comparison to the average industry peers' performance.

### Key Issue Performance



Legend: Industry (light blue), Company (dark blue)

### Sustainability Opportunities

Suzano is active in the production of market pulp (84% of net sales in 2020) and paper (16%) in Brazil. Thus, opportunities are related to the use of recycled wood/fiber and products certified to sustainable forestry standards. The company's own plantations are to a significant extent certified to sustainable forest management standards and the company uses traceability certification systems for its procured fresh wood/fiber. It is estimated that around 70% of the company's sales in 2020 originated from certified sustainable forestry. Suzano does not demonstrate a convincing strategy to increase the share of recycled wood/fiber in its production. Thus, it is estimated that products based almost exclusively on recycled fiber represented only around 1% of the company's product portfolio in 2020.

### Sustainability Risks

For Suzano, the main sustainability risks are related to the growing and procurement of wood/fiber, the environmental impact in further processing of wood/fiber, as well as worker/contractor safety and possible violations of human rights at its plantations in Brazil, where traditional land-use rights can lead to conflicts. Suzano has implemented general standards regarding the management of its own plantations and uses comprehensive forest management plans, which include environmental objectives. The company demonstrates comparatively strong management of biodiversity issues and has also introduced first measures to manage soil and water use on its plantations. Furthermore, a

relevant share of its own lands is both FSC and PEFC certified. Nevertheless, it is involved in outdoor trials of genetically engineered (GE) eucalyptus. Suzano has also been accused of failure to prevent deforestation in Brazil. Regarding sustainable sourcing of fresh wood/fiber, Suzano uses certified traceability systems for all of its supply. Only few fresh wood/fiber procured from third parties seems to be certified to an international recognized forestry standard, though. Suzano demonstrates comparatively good management regarding the treatment of wastewater at its sites and has newly introduced a target to reduce its GHG emissions.

Regarding social risks, while a health and safety management system is in place, single fatalities occurred in recent years. Furthermore, Suzano shows only basic human rights due diligence procedures, which lack e.g. impact assessments.

### *Governance opinion*

Through a voting agreement, Suzano is controlled by its principal shareholder Suzano Holding. This concentration of power raises concerns and the company's chair of the board is not independent (as at April 5, 2021). A majority of the company's board members are considered independent, a fully independent audit committee is in place, and the remuneration committee is composed of independent members. However, there is no nomination committee in place. The company only provides limited disclosure on executive payments, e.g. compensation of the most highly paid members of the executive management team is not publicly disclosed on an individual basis and subdivided according to fixed amounts, variable performance-related components and long-term incentive components. Still, it demonstrates that important elements for sustainable value creation such as long-term incentive components are included.

Regarding the company's governance of sustainability, a committee is in place that is comprised mainly of independent board members. ESG components are integrated into the remuneration of the company's executive management team to some extent. Several policies are in place covering all relevant issues of business ethics in varying degrees of detail and are implemented via reasonable compliance procedures that include e.g. anonymous reporting channels.

### *Sustainability impact of products and services portfolio*

Using a proprietary methodology, ISS ESG assessed the contribution of the Suzano 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 Suzano's production process.

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED PERCENTAGE OF REVENUE	DIRECTION OF IMPACT	UN SDGS
<b>Products from certified sustainable forestry</b>	70%	CONTRIBUTION	
<b>Products made from recycled material</b>	1%	CONTRIBUTION	

<b>Others</b>	N/A	NO NET IMPACT	N/A
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*Breaches of international norms and ESG controversies*

The company is not facing any severe controversies.

*Contribution of Use of Proceeds categories to sustainability objectives and priorities*

ISS ESG mapped the KPIs selected by the issuer for its SLB with the sustainability objectives defined by the issuer, and with the key ESG industry challenges as defined in the ISS ESG Corporate Rating methodology for the Paper & Forest Products sector. Key ESG industry challenges are key issues that are highly relevant for a respective industry to tackle when it comes to sustainability, e.g. climate change and energy efficiency in the buildings sector. From this mapping, ISS ESG derived a level of contribution to the strategy of each KPIs selected.

KPIs SELECTED	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG INDUSTRY CHALLENGES	CONTRIBUTION
<b>Greenhouse gas (GHG) intensity</b>	✓	✓	Contribution to a material objective.
<b>Water Withdrawal Intensity</b>	✓	✓	Contribution to a material objective.
<b>Women in Leadership Positions</b>	✓	✓	Contribution to a material objective.

**Opinion:** ISS ESG finds that the KPIs linked to this bond are consistent with the issuer’s sustainability strategy and material ESG topics for the issuer’s industry. The rationale for issuing sustainability-linked bonds is described by the issuer.

## DISCLAIMER

1. Validity of the SPO: For Suzano's Sustainability-Linked Securities issuances as long as the Sustainability-Linked Bonds Framework (June 2021), SPTs benchmarks and structural securities characteristics described in this document do not change.
2. ISS ESG uses a scientifically based rating concept to analyze 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.
3. We would, however, point out that we do not warrant that the information presented in this SPO is complete, accurate or up to date. Any liability on the part of ISS ESG in connection with the use of these SPO, the information provided in them and the use thereof shall be excluded. In particular, we point out that the verification of the compliance with the selection criteria is based solely on random samples and documents submitted by the issuer.
4. All statements of opinion and value judgements given by us do not in any way constitute purchase or investment recommendations. In particular, the SPO is no assessment of the economic profitability and credit worthiness of a bond but refers exclusively to the social and environmental criteria mentioned above.
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## ANNEX 1: ISS ESG Corporate Rating

The following pages contain extracts from Suzano's 2020 ISS ESG Corporate Rating.

## Methodology - Overview

The ESG Corporate Rating methodology was originally developed by Institutional Shareholder Services Germany (formerly oekom research) and has been consistently updated for more than 25 years.

**ESG Corporate Rating** - The ESG Corporate Rating universe, which is currently expanding from more than 8,000 corporate issuers to a targeted 10,000 issuers in 2020, covers important national and international indices as well as additional companies from sectors with direct links to sustainability and the most important bond issuers that are not publicly listed companies.

The assessment of a company's social & governance and environmental performance is based on approximately 100 environmental, social and governance indicators per sector, selected from a pool of 800+ proprietary indicators. All indicators are evaluated independently based on clearly defined performance expectations and the results are aggregated, taking into account each indicator's and each topic's materiality-oriented weight, to yield an overall score (rating). If no relevant or up-to-date company information with regard to a certain indicator is available, and no assumptions can be made based on predefined standards and expertise, e.g. known and already classified country standards, the indicator is assessed with a D-

In order to obtain a comprehensive and balanced picture of each company, our analysts assess relevant information reported or directly provided by the company as well as information from reputable independent sources. In addition, our analysts actively seek a dialogue with the assessed companies during the rating process and companies are regularly given the opportunity to comment on the results and provide additional information.

**Analyst Opinion** - Qualitative summary and explanation of the central rating results in three dimensions:

- (1) Opportunities - assessment of the quality and the current and future share of sales of a company's products and services, which positively or negatively contribute to the management of principal sustainability challenges.
- (2) Risks - summary assessment of how proactively and successfully the company addresses specific sustainability challenges found in its business activity and value chain, thus reducing its individual risks, in particular regarding its sector's key issues.
- (3) Governance - overview of the company's governance structures and measures as well as of the quality and efficacy of policies regarding its ethical business conduct.

**Norm-Based Research - Severity Indicator** - The assessment of companies' sustainability performance in the ESG Corporate Rating is informed by a systematic and comprehensive evaluation of companies' ability to prevent and mitigate ESG controversies. ISS ESG conducts research and analysis on corporate involvement in verified or alleged failures to respect recognized standards for responsible business conduct through Norm-Based Research.

Norm-Based Research is based on authoritative standards for responsible business conduct such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights and the Sustainable Development Goals.

As a stress-test of corporate disclosure, Norm-Based Research assesses the following:

- Companies' ability to address grievances and remediate negative impacts
- Degree of verification of allegations and claims
- Severity of impact on people and the environment, and systematic or systemic nature of malpractices

Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

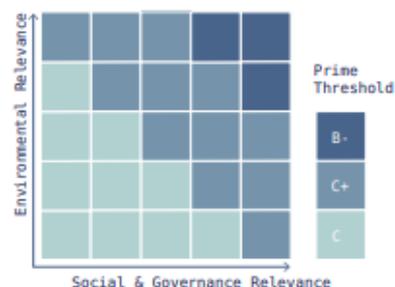
**Decile Rank** - The Decile Rank indicates in which decile (tenth part of total) the individual Corporate Rating ranks within its industry from 1 (best – company's rating is in the first decile within its industry) to 10 (lowest – company's rating is in the tenth decile within its industry). The Decile Rank is determined based on the underlying numerical score of the rating. If the total number of companies within an industry cannot be evenly divided by ten, the surplus company ratings are distributed from the top (1 decile) to the bottom. If there are Corporate Ratings with identical absolute scores that span a division in decile ranks, all ratings with an equal decile score are classified in the higher decile, resulting in a smaller number of Corporate Ratings in the decile below.

**Distribution of Ratings** - Overview of the distribution of the ratings of all companies from the respective industry that are included in the ESG Corporate Rating universe (company portrayed in this report: dark blue).

## Methodology - Overview

**Industry Classification** - The social and environmental impacts of industries differ. Therefore, based on its relevance, each industry analyzed is classified in a Sustainability Matrix.

Depending on this classification, the two dimensions of the ESG Corporate Rating, the Social Rating and the Environmental Rating, are weighted and the sector-specific minimum requirements for the ISS ESG Prime Status (Prime threshold) are defined (absolute best-in-class approach).



**Industry Leaders** - List (in alphabetical order) of the top three companies in an industry from the ESG Corporate Rating universe at the time of generation of this report.

**Key Issue Performance** - Overview of the company's performance with regard to the key social and environmental issues in the industry, compared to the industry average.

**Performance Score** - The ESG Performance Score allows for cross-industry comparisons using a standardized best-in-class threshold that is valid across all industries. It is the numerical representation of the alphabetic ratings (D- to A+) on a scale of 0 to 100 with 50 representing the prime threshold. All companies with values greater than 50 are Prime, while companies with values less than 50 are Not Prime. As a result, intervals are of varying size depending on the original industry-specific prime thresholds.

**Rating History** - Development of the company's rating over time and comparison to the average rating in the industry.

**Rating Scale** - Companies are rated on a twelve-point scale from A+ to D-:

A+: the company shows excellent performance.

D-: the company shows poor performance (or fails to demonstrate any commitment to appropriately address the topic).

Overview of the range of scores achieved in the industry (light blue) and indication of the grade of the company evaluated in this report (dark blue).

**Sources of Information** - A selection of sources used for this report is illustrated in the annex.

**Status & Prime Threshold** - Companies are categorized as Prime if they achieve/exceed the sustainability performance requirements (Prime threshold) defined by ISS ESG for a specific industry (absolute best-in-class approach) in the ESG Corporate Rating. Prime companies are sustainability leaders in their industry and are better positioned to cope with material ESG challenges and risks, as well as to seize opportunities, than their Not Prime peers. The financial materiality of the Prime Status has been confirmed by performance studies, showing a continuous outperformance of the Prime portfolio when compared to conventional indices over more than 14 years.

**Transparency Level** - The Transparency Level indicates the company's materiality-adjusted disclosure level regarding the environmental and social performance indicators defined in the ESG Corporate Rating. It takes into consideration whether the company has disclosed relevant information regarding a specific indicator, either in its public ESG disclosures or as part of the rating feedback process, as well as the indicator's materiality reflected in its absolute weight in the rating. The calculated percentage is classified in five transparency levels following the scale below.

0% - < 20%: very low

20% - < 40%: low

40% - < 60%: medium

60% - < 80%: high

80% - 100%: very high

For example, if a company discloses information for indicators with a cumulated absolute weight in the rating of 23 percent, then its Transparency Level is "low". A company's failure to disclose, or lack of transparency, will impact a company's ESG performance rating negatively.

## ANNEX 2: Methodology

### ISS ESG Corporate Rating

The ESG Corporate Rating universe, which is currently expanding from more than 8,000 corporate issuers to a targeted 10,000 issuers in 2020, covers important national and international indices as well as additional companies from sectors with direct links to sustainability and the most important bond issuers that are not publicly listed companies.

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In order to obtain a comprehensive and balanced picture of each company, our analysts assess relevant information reported or directly provided by the company as well as information from reputable independent sources. In addition, our analysts actively seek a dialogue with the assessed companies during the rating process and companies are regularly given the opportunity to comment on the results and provide additional information.

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

ISS ESG reviewed the Sustainability-Linked Securities Framework of Suzano, 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 Suzano'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 Suzano's own past performance (according to Suzano's reported data), against Suzano's Paper & Forestry Products peers (as per public data and data in the ISS ESG Peer Universe), and against international benchmarks such as the Paris agreement (based on data from the Transition Pathway Initiative), the Target Gender Equality program by the UNGC 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 Suzano.

## ANNEX 3: Quality management processes

### SCOPE

Suzano commissioned ISS ESG to compile a SLB SPO. The Second Party Opinion process includes verifying whether the SLB Framework aligns with the SLBPs and to assess the sustainability credentials of its SLBs as well as the issuer's sustainability strategy.

### CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA SLBPs

### ISSUER'S RESPONSIBILITY

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

- Framework

### 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 SLB to be issued by Suzano based on ISS ESG methodology and in line with the ICMA SLBPs.

The engagement with Suzano took place in June 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 behavior 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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