

FRAMEWORK AND OVERVIEW

1. Introduction

Rumo S.A. is the company resulting from the incorporation of ALL by Rumo Logística, completed in 2015, and offers logistic services for rail transportation, port elevation and warehousing. Rumo's area of activity extends over the states of Mato Grosso, São Paulo, Goiás, Tocantis and the states of southern Brazil.

The Company owns and operates a large asset base, including a rail network consisting of five concessions with approximately 13,500 kilometers of lines, 1,200 locomotives and 33,000 wagons, as well as distribution centers and storage facilities.

In this way, the Company operates 12 main transshipment terminals, both directly and in partnership, with a static storage capacity of approximately 900 thousand tons, where we can store grains, sugar and other commodities, which, in the Company's view, allows offer a complete and efficient logistic service to customers. Among these assets, stands out as more important the logistics complex of Rondonópolis (MT), with a monthly loading capacity of more than 1 million tons.

In addition, we control two terminals in Santos and we have a stake in four port terminals, three of them located in the port of Santos (SP) and one located in the State of Paraná, with a static storage capacity of approximately 1.3 million tons and one total lifting capacity of approximately 29 million tons per year. The land that Rumo leased under its concessions includes areas available for construction and development of warehouses and logistics terminals in Brazil, which enables an even greater expansion of operations, as well as the improvement of the Company's logistics and other services.

We believe that our asset base puts us in a prominent position in the provision of transportation services to clients in several sectors and, mainly, agricultural commodities, which has made Rumo one of the main providers of logistics services in the agricultural sector in Brazil. This becomes even more relevant when considering that this type of service is of great importance to the development and growth of the country, considering that Brazil is one of the main producers and exporters of agricultural products in the world.

Rumo S.A. ("RAIL3") is listed since 2015 in the highest level of corporate governance "Novo Mercado" on the B3.



Rumo transported
60,1 billions RTK
in 2019



- 1 North Op.**
North Network
Paulista Network
- 2 South Op.**
South Network
West Network
- 3 Central Op.**
Central Network
- 4 Port Loading**

Rumo is fully committed to sustainable development, and in contributing to the transition to a low carbon economy. Rumo strives for continuous reductions of CO2 emissions. Thanks to its railroad concessions, that connect Brazil's traditional agricultural and industrial production hubs to its main ports, Rumo reduces significantly the amount of trucks on the road, saving a meaningful amount of CO2: for example, 357 bitrem trucks would be needed to carry the same volume as 100 wagons.

Transportation accounts for a significant amount of CO2 emissions. In Brazil where trucks account for more than 60% of the transportation matrix, increasing railway capacity is an important component in building sustainable development.

In the last 3 years Rumo has renewed a significant part of its fleet of locomotives and railcars seeking to further increase its energy efficiency. Rumo is also very sensitive to the energy efficiency aspect of its various storage facilities, warehouses and other logistics terminals.

Fuel consumption by liters consumed when transporting 1,000 gross tons for kilometer (liter by 1,000 GTK) has presented meaningful improvements: in 2019, despite the increase in transported volume, consumption per GTK is expected to decline 6.9% YoY, on top of a 7.1% reduction in 2018 versus 2017. As a result of that, Rumo's scope 1 emissions in 2018 were 8% lower than in 2017, at 17.1gCO₂/TKU – level which already comply with IEA's 2-degree scenario target for 2030 (21g).

Rumo's commitment is to apply the proceeds of this Green Bond in projects that will directly contribute to reduce GHG emissions by 10%/TKU in the next 10 years.

In doing so Rumo is contributing to United Nations – Sustainable Development Goals: 12 Responsible consumption and production, 13 Climate action, 14 Life below water and 15 Life on land. As mentioned in Rumo's sustainability report.

Our sustainability strategy can be summarized in 2 main pillars:

(i) Reduce carbon emissions from its operations through new, more efficient locomotives and rail cars, improvements in the railway infrastructure and technology to help reduce fuel consumption.

Railway improvements can be improvements from the raw material used to build and renovate the tracks to technology used to control locomotives.

(ii) Improve the quality of raw materials, providing greater durability and less maintenance. E.g.: replacing wood ties (which lasts for 6 years) per concrete or steel ties (which lasts for 30 years).

Improve the quality of raw material is aligned to UN SDG 12 – Responsible consumption and production and brings direct positive impact in safety and reliability of operations.

Environmental Objectives and Rationale for Rumo's Green Bond Issuance

Rumo's Green Bond issuances aim to finance the implementation of its sustainability strategy, as detailed above, with the specific goals of:

- (i) Reduce energy consumption per TKU transported in Rumo's network
- (ii) Reduce GHG emissions of its operations through modernization of its operating fleet and renovation of infrastructure
- (iii) Reduce raw material consumption through the replacement of materials currently used for more durable ones (wood for steel/concrete, for instance)

The Green Projects must meet one or more of the following activity criteria, in line with ICMA's Green Project categories:

Clean transportation, Pollution prevention and control and Climate change adoption

2. Application of the Green Bond Principles

Rumo’s Green Bond issuance will be governed by our Green Bond Framework, which is aligned with the Green Bond Principles (GBP) as set out by the International Capital Markets Association (ICMA). Rumo intends to update the Green Bond Framework periodically at its sole discretion to reflect developments in the best practices of the Green Bond Market.

This Green Bond Framework is also aligned with the Low Carbon Transportation Standard of Climate Bond Initiative (CBI):

Climate Bonds Standard and Certification Scheme: LC Transport Technical Working Committee



Table 2: Possible threshold options for new land transport products and projects based on IEA Mobility Model data

Direct emissions	2000	2010	2015	2020	2030	2050
IEA 2DS Passenger Activity (gCO ₂ per p-km)	107	94	87	75	56	33
IEA 2DS Freight Activity (gCO ₂ per t-km)	35	30	27	25	21	18

The following sections summarize Rumo’s green bond framework regarding the use of proceeds, process for project evaluation and selection, management of proceeds and reporting.

2.1 Use of Proceeds

An amount equal to the Green Bond’s net proceeds will be used to finance, in whole or in part, Rumo’s capital expenditures relating to the Eligible Green Project Categories below (“Eligible Projects”), which include ongoing and/or future projects.

Infrastructure and rolling stock for railway lines that are built with the overriding objective of transporting fossil fuels do not qualify under the framework.

Categories	Eligible Green Projects	Description	Expected Amount (BRL mln)	Example of Impact Metrics
Clean transportation	Acquisition, replacement and upgrade of rolling stocks	Purchase of new locomotives (GE AC4400CW or similar) and rolling stock that will provide higher fuel efficiency and produce fewer GHG emissions	991	<ul style="list-style-type: none"> Fuel consumption - liters by 1,000 GTK GHG\CO2 emissions reduced/avoided
		Acquisition and installation of technology and/or devices that will improve efficiency of locomotives and as a result contribute to reduce fuel consumption	120	
Pollution prevention and control	Infrastructure to double lines, new yards and yards' extension	Built new sidings and double line some stretches to improve traffic conditions to reduce time spent in crossovers and save fuel	936	
		Extension of current length of sidings, allowing increase the length of the train from 80 Railcars (1.500m) to 120 Railcars (2.400m)	723	
	Railway modernization	Replacement of raw materials applied to existing infrastructure in order to increase capacity to 32,5 ton/axle	1,338	

2.2. Process for project evaluation and selection

Project Approval

For each eligible project, Rumo's Strategic and Sustainability Committee will analyze all the material and financial information and check if the project is aligned with the company's strategy and the purpose of the Green Bond.

All projects will be required to have a financial evaluation and a master plan presentation, with all financial gains and impacts clearly outlined. This financial evaluation and master plan must be presented at the beginning of the approval process.

Rumo's Strategic and Sustainability Committee (<http://ir.rumolog.com/enu/councils-committees-and-board>) in coordination with Treasury and Investor Relations, will evaluate and select Projects for allocation of Green Bond Proceeds based on this Framework. Projects that are aligned with the Use of Proceeds (as described above) will be considered eligible for allocation of Green Bond Proceeds ("Eligible Green Projects") and will be recorded in a Green Project Register.

Project Tracking

All approved projects will undergo a monthly evaluation by the treasury and IR team, that will assess the disbursement of funds and confirm that the money is being expended according to the criteria that were established at the beginning of the project and quarterly evaluated by the Strategic and Sustainability Committee.

Project Checking

After all investments are made, the large projects will go through a post mortem analysis, carried out by the treasury and IR team. The team will check that the results align with the current company strategy.

2.3 Management of proceeds

The proceeds from the green bond will be placed in Rumo’s treasury and managed by the treasury department.

An amount equal to the net proceeds will be used to finance Eligible Green Projects. Capital expenditures on Eligible Green Projects over the next 8 years will match or exceed the total proceeds raised by the issuance of the Green Bonds.

Pending full allocation or reallocation to Eligible Green Projects, Rumo’s Treasury Department will invest remaining proceeds in liquid instruments such as cash and/or cash equivalents and/or bank deposits, in accordance with the company’s ongoing treasury policy.

Principal and accrued interest on Green Bonds shall be paid from Rumo’s general funds and will not be directly linked to the performance of the Eligible Projects.

2.4 Reporting

As long as the Green Bonds are outstanding, Rumo commits to provide the following reports regarding the green bond:

1. Annual report for the green bond investors, to be made public on Rumo’s website providing description of investments, amounts and other details as follows:

Description	Purpose	Amount (BRL mln)
km of yard extension	Increase from 80 to 120 wagons per train	1,659
Locomotive	More modern (model xyz)	1,111
Km of modernization	Increase capacity transported by axle	1,338

2. Annual sustainability report - with the following information to be tracked as a result of the investments made with the proceeds from the green bond:

- a. Energy efficiency (fuel consumption per km) during the year,
- b. GHG emissions fleetwide (gCO₂/TKU),

2.5 Compliance Review

As per the Green Bond Principles, Rumo's Green Bond Framework has been reviewed by an independent third party who has issued a Second Party Opinion (SPO). The SPO along with the Green Bond Framework will be made publically available on Rumo's website. [<http://ri.rumolog.com/>]

On the anniversary of the green bond issuance, Rumo will engage (second opinion) to review projects funded by the green bond in order to assess the compliance of projects with the use of proceeds criteria of the bond.

(Second opinion) will provide a report of the evaluation, which the Company will made publicly. In an unlikely event that a project did not meet the use of proceed criteria, Rumo would reallocate the bond funds to a different project that is aligned with the criteria.