Impacts related to raw materials: cotton

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Potential risk identified: Raw Materials

Cotton is our main raw material, and knowing the effects that climate change has had on cotton crops, a study was commissioned in order to identify climate risks With regard to agriculture.

This study presents a SUPPLY CHAIN CLIMATE RISK ASSESSMENT, focusing on cotton-producing cities in Brazil, a stage that is part of the company's Climate Strategy project. The main goal of this stage is to assess the exposure of the main cotton-producing cities in Brazil to climate risks that could affect them by 2030 and 2050, providing subsidies for strategic planning related to climate change in the company.

Risk management is carried out continuously, in the development of mitigation plans and the study aimed to identify climate risks for cotton crops will be updated every 4 years.

Study expected to be completed in August 2024.

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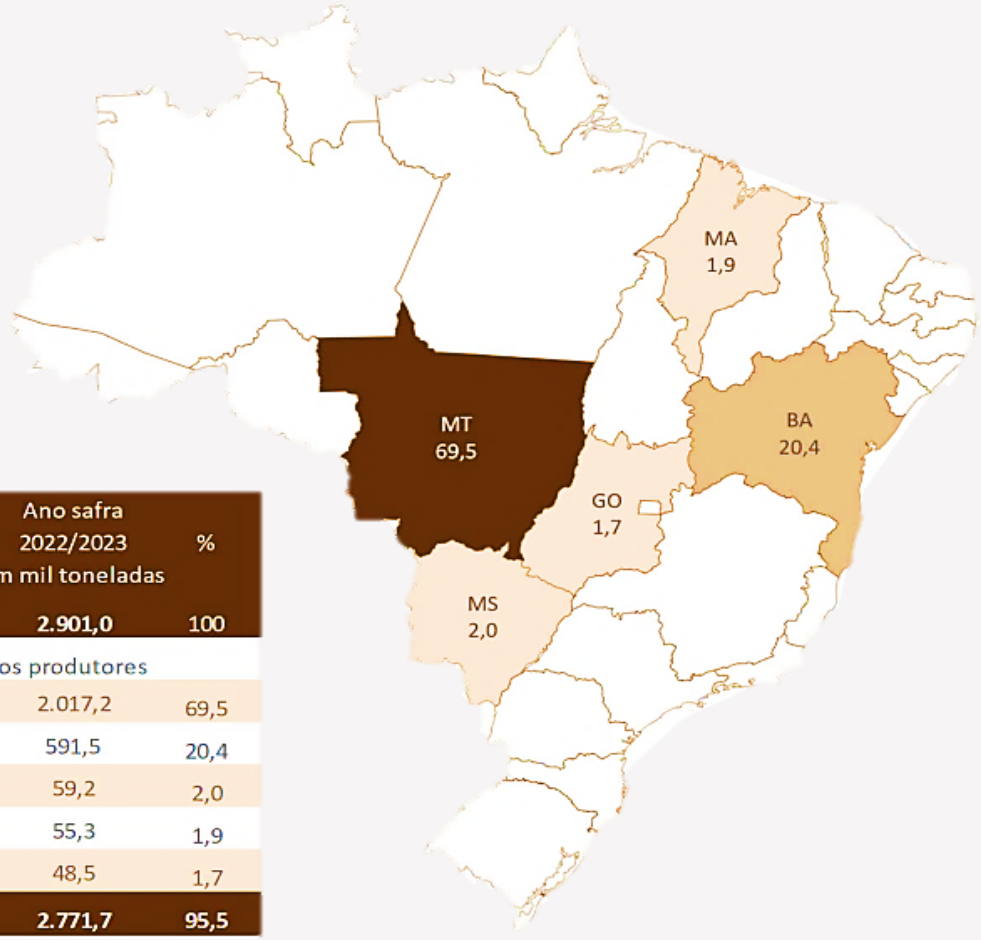
Scope of the climate risk study for cotton crops:

- Over 95% of production concentrated in 5 States
- Not all cities in these states have cotton crops
- Renner suppliers were added in the state of Ceará - Agroecological and Agroforestry Suppliers



	ALGODÃO EM PLUMA	Ano safra 2022/2023 Em mil toneladas	%
	Produção Nacional	**2.901,0**	100
	Principais estados produtores		
MT	Mato Grosso	2.017,2	69,5
BA	Bahia	591,5	20,4
MS	Mato Grosso do Sul	59,2	2,0
MA	Maranhão	55,3	1,9
GO	Goiás	48,5	1,7
	Total	**2.771,7**	**95,5**

Source: Agribusiness Projections - Brazil 2022/23 to 2023/33, Ministry of Agriculture and Livestock (2023)

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Climate Threats	Scenarios	Time frame
THERMAL APTITUDE DROUGHTS STORMS	SSP 1 - 2 . 6 SSP 3 - 7 . 0 – To find out more, see page 04	1995 -2014 2030 2050

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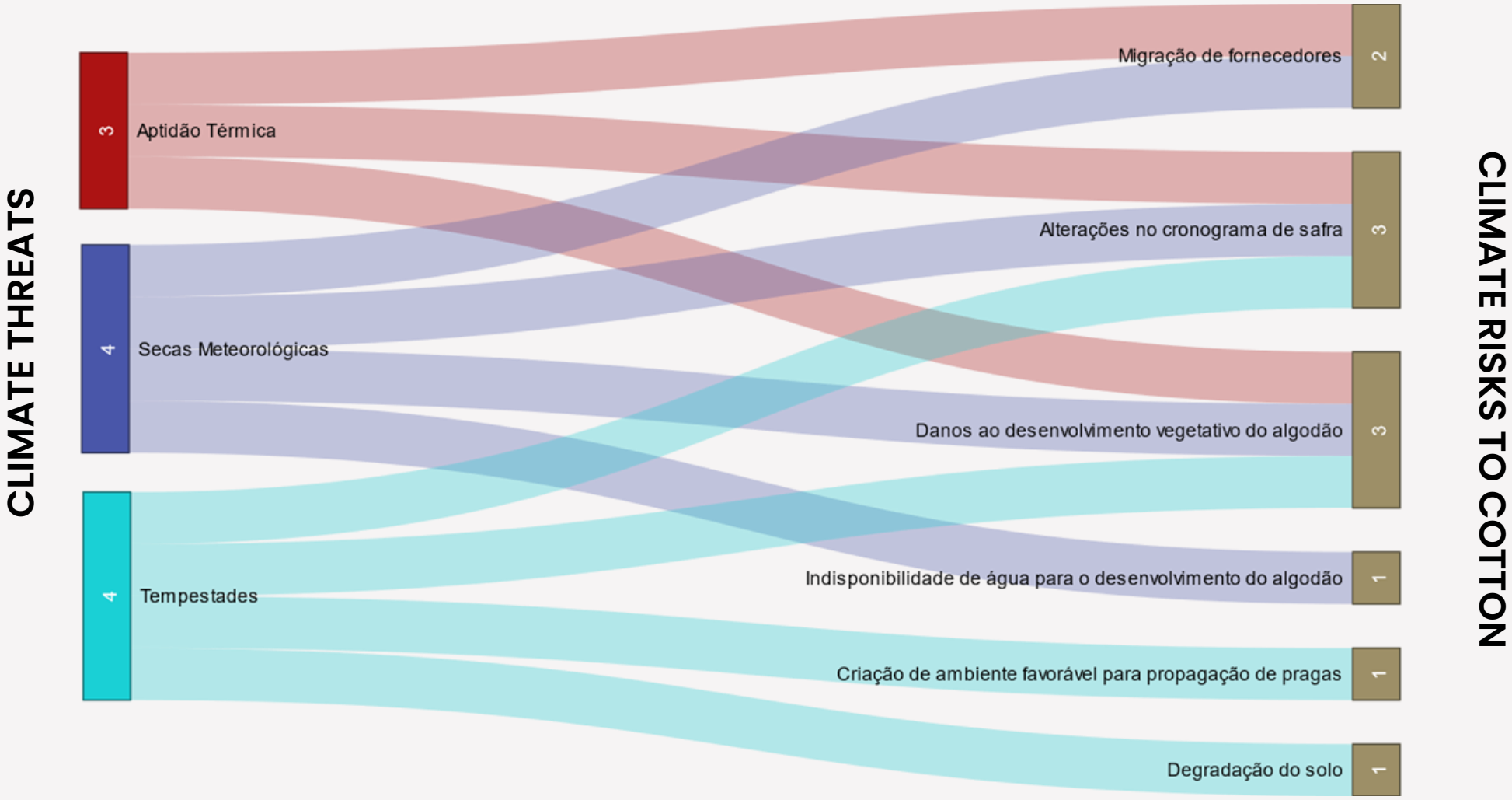

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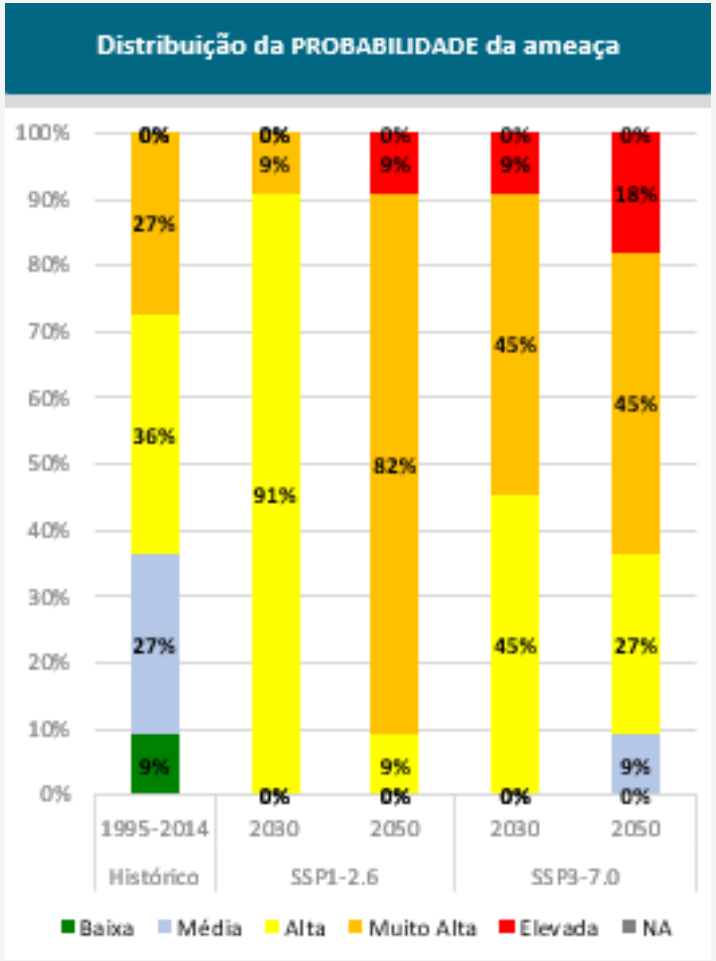
The Main Risks Identified in this Study:

Threat of droughts, with the following risk factors:

- Changes in the crop cycle;
- Damage to cotton development;
- Unavailability of water for cotton development;
- Migration of suppliers;

It may be observed that, in both climate modeling scenarios, there is a potential for high to very high probability of this threat affecting practically all cities.



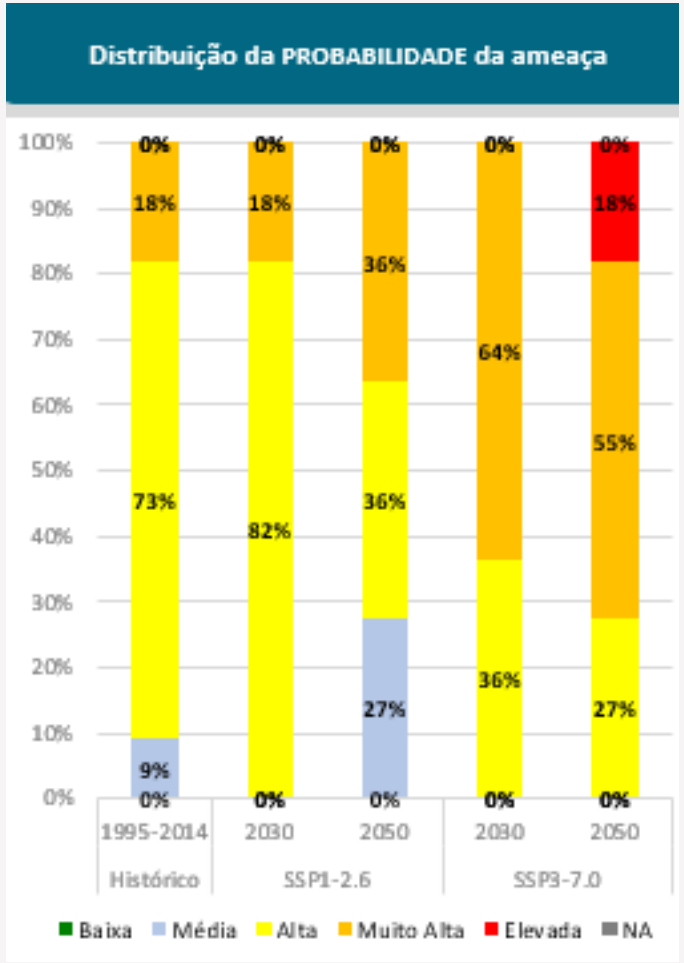
Study expected to be completed in August 2024.

The Main Risks Identified in this Study:

Threat of storms, with the following risk factors:

- Changes in the crop cycle;
- Favorable environment for the spread of pests;
- Damage to cotton development;
- Soil degradation;

It may be observed that, in the SSP3-7.0 scenario, 64% of cities are classified as having a very high probability of being affected by this threat by 2030 and the same scenario for 2050 indicates that 18% of municipalities are classified with high probability of being affected by this threat



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One of the opportunities identified in this study:

One of the main opportunities identified is the use of a percentage of raw materials (recycled cotton) to make up the final product.
In addition to being part of the transition plan towards a low-carbon economy, it contributes to achieving our science-based goal.

Study expected to be completed in August 2024.