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Second Party Opinion

Gencau São Paulo Indústria e Comércio de Ingredientes Alimentícios S.A. Green Framework

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Primary contact

Azul Ornelas
Mexico City
+52 55 1037 5283
azul.ornelas
@spglobal.com

Location: Brazil	**Sector:** Consumer goods

Alignment Summary

Aligned = ✓ Conceptually aligned = ○ Not aligned = ✗

- ✓ Green Bond Principles, ICMA, 2025
- ✓ Green Loan Principles, LMA/LSTA/APLMA, 2025
- ✓ Amazonia Bond Guidelines, IDB and The World Bank, 2025

See Alignment Assessment for more detail.

Light green

Activities representing transition steps in the near-term that avoid emissions lock-in but do not represent long-term low-carbon climate resilient solutions.

Our Shades of Green Analytical Approach >

Strengths

Gencau's green framework adheres to the International Development Bank (IDB) and World Bank's Amazonia Bond Guidelines. The proceeds of the bonds issued under the label will finance regenerative agriculture projects aligned with the guidelines' pillars, which are essential for socioeconomic and environmental development in Brazil's Amazon region. Gencau has adopted the guidelines' exclusion criteria and safeguards to address potential material risks particular to the region.

The financing has a direct positive impact on small farmers' agriculture practices and improves traceability of raw material sourcing. Traceability is essential to ensure cacao is sourced in a sustainable and ethical manner. Through its processes, the company will provide training to family farmers on sustainable methods and monitor their proper implementation.

Weaknesses

No weaknesses to report.

Areas to watch

The financing supports the adoption of sustainable cocoa farming practices, but there is limited transparency regarding the outcomes of these initiatives. The proportion of cocoa sourced from low-carbon plantations relative to the company's total processed cocoa is unknown. The framework does not specify more advanced metrics to evaluate the environmental impact of their implementation, beyond hectares under sustainable management.

There is no external third-party verification around the adoption of low-carbon farming practices. We view this as a limitation, but we recognize that additional supply chain steps can impair the affordability for smallholders to transition to low-carbon agriculture.

Cacao crops are exposed to physical climate risks such as prolonged droughts. The framework does not specify how the company is mitigating this specific risk.

Shades of Green Projects Assessment Summary

Over the three years following issuance of the financing, Gencau expects to allocate 100% of proceeds to the environmentally sustainable management of natural resources and land use project category. However, it is unclear what proportion of proceeds will be used for cocoa sourced from the Amazon region versus other regions.

The issuer expects 100% of proceeds will be directed to finance new projects.

Based on the project category's Shades of Green detailed below, the expected allocation of proceeds, and consideration of environmental ambitions reflected in Gencau's green framework, we assess the framework Light green.

Environmentally sustainable management of natural resources and land use	**Light green**
Purchase of raw material from producers registered in the Gencau Program for Sustainable Properties who adopt low-carbon practices.	

Environmentally sustainable management of natural resources and land use	**Light green**
Purchase of raw material from producers registered in the Gencau Program for Sustainable Properties who adopt low-carbon practices and who are located in the Amazon region (Amazon biome, Amazon basin, and Legal Amazon).	

See Analysis Of Eligible Projects for more detail.

Issuer Sustainability Context

This section provides an analysis of the issuer's sustainability management and the embeddedness of the financing framework within its overall strategy.

Issuer Description

Gencau São Paulo Indústria e Comércio de Ingredientes Alimentícios S.A (Gencau) is a privately held Brazilian company in the cocoa processing sector, with operations in the states of Espírito Santo, Pará, Bahia, and São Paulo. It manages three cocoa processing and chocolate production units--Gencau Amazônia (Medicilândia), Gencau Bahia (Ibirapitanga), and Gencau São Paulo (Tambaú)--as well as an experimental farm, Theo Farm, focused on alternative cocoa cultivation plantations. The company produces cocoa derivatives including nibs, liquor, butter, and powder, processed from beans sourced and treated across its facilities.

Material Sustainability Factors

Climate Transition Risk

The food system contributes to 22% of global greenhouse gas emissions. Many food product brands are adopting decarbonization strategies in the face of increased investor and customer awareness. Reducing emissions will likely require investment in manufacturing technologies, logistics, and supply chains for less carbon-intensive products. Since food loss is linked to greenhouse gas emissions, regulation of raw material production and sourcing may grow. Packaging created from oil derivatives could face pressure from consumers or governments as the impact of climate transition accelerates beyond the energy sector, possibly leading to higher input costs if production is curbed.

Biodiversity And Resource Use

Practices to date have increased food production in a cost-effective manner and enabled the industry to meet growing demand profitably despite reducing biodiversity and increasing land use. The overuse of some chemicals harms soil and water health and excessive land use harms biodiversity by expanding into spaces of natural habitat. This has a negative impact on a wide number of stakeholders, including people that depend on the natural ecosystems for their livelihoods. We see growing stakeholder pressure on farmers and their industrial customers to switch to methods such as regenerative soil treatment and no-tilling, and to increase the mix of organic crops.

Physical Climate Risk

Acute physical risks--such as floods, storms, and wildfires--may disrupt supply chains and distribution networks, and companies' operations and workers at manufacturing sites. Additionally, chronic risks like changing temperature and precipitation patterns may affect the production and availability of products--for example, through changing seasonality and temperatures. Stakeholders such as workers, suppliers, and consumers could face severe health risks, lower availability of raw materials, and rising prices due to shortage of goods.

Working Conditions

Consumer food products' heavy reliance on labor-intensive production and manufacturing supply chains in which workers in processing facilities, on farms, or in other packing facilities and distribution channels remain vulnerable to abuses of fundamental worker rights. This includes child and forced labor, wage underpayment, and excessive working hours, among others. Additionally, there are about half a billion small farmers who supply around a third of the planet's food (according to the Food and Agricultural Organization), making stakeholder materiality of this factor particularly significant. Looking forward, consumers may become more aware of and sensitive to supply chain practices as the regulatory environment evolves (see for example, supply chain human rights due diligence legislation in the EU, use of Withhold Release Orders in the U.S.). In Brazil, working conditions in the agricultural and food processing sectors remain a concern due to informal employment, limited access to social protections, and uneven enforcement of labor regulations, particularly among smallholder and seasonal workers. The government has implemented measures to strengthen labor rights compliance, including the national register of employers found using forced labor and initiatives to formalize rural employment.

Sustainable Products And Services

Sustainable product alternatives, including those derived from organic agriculture or supported by traceability and low-carbon farming practices, are increasingly meeting consumer demand and can generate meaningful benefits for consumers, local communities, and the environment. We have observed an increase in stakeholder pressure at many companies, as well as greater regulatory pressure pushing toward more sustainable products, particularly in certain major consumer markets, driving product and production innovations. This includes efforts to reduce packaging and supply goods that are more sustainably sourced, produced, and recyclable.

Issuer And Context Analysis

Eligible projects under the framework address Gencau's most relevant sustainability factor. The framework includes eligible projects linked to investments that address biodiversity and resource use, which we consider to be one of the most material sustainability factors for the retail food sector. Additionally, climate transition risk, physical climate risk, and working conditions are a relevant risk for Gencau's business and for the agriculture value chain.

The company is progressively integrating renewable energy sources into its production process. Currently, about 80% of the biomass used to power its boilers in its processing units is derived from cocoa bean shells, a byproduct of its own operations. The use of cocoa residues helps reduce boilers' reliance on fossil fuels and wood. The company aims to achieve 100% cocoa residue biomass utilization, further enhancing circularity and minimizing environmental impact. In addition, Gencau participates in the International Renewable Energy Certificate (I-REC) program, which certifies the use of renewable electricity and supports its carbon-neutral ambitions.

Gencau enforces well-defined sourcing requirements to ensure cocoa originates from properties operating within legal frameworks. The company promotes responsible sourcing through its Supplier Code of Conduct, which establishes clear social and environmental criteria for all producers. Regular site assessments are conducted to evaluate property management, verify fair labor conditions, and ensure the absence of burning or recent deforestation. The Code also reflects the company's commitment to respecting people and communities and upholding the rights of Indigenous peoples. Although the company does not purchase raw materials from Indigenous lands, self-declared Indigenous individuals may participate as suppliers if they demonstrate ownership or formal partnership agreements for the property. Through its supplier management program, the company maintains 100% traceability and continuous socio-environmental compliance, while supporting agricultural improvements through technical guidance and performance-linked incentives. Furthermore, as part of its due diligence process, the International Finance Corporation (IFC)--through its Policy and Performance Standards on Environmental and Social Sustainability--concluded that Gencau has limited exposure to E&S risks, which it can avoid or mitigate by adhering to Good International Industry Practices (GIIPs).

Physical climate risk is a material consideration for Gencau, given its significant exposure to Brazil's cocoa sector and vulnerability to climate events such as prolonged droughts, heat waves, floods, and storms. Although there is no evidence of a process to directly help suppliers adapt to droughts and floods, the low carbon practices required by Gencau do help adapt to climate change--for example, agroforestry systems can support cacao plantations' resilience to prolonged drought. Furthermore, Gencau has practices in place to mitigate deforestation risks that can lead to physical climate risks. The company employs a deforestation monitoring process that uses Brazil's national geospatial tool, combining high-resolution satellite imagery and GIS technology to track real-time vegetation changes across agricultural and forested regions. This system enables the early detection of illegal clearing, forest fires, and land degradation, allowing for timely intervention and enforcement of environmental safeguards. Through this approach, the company helps mitigate the risk of abrupt land-use changes that could intensify physical climate impacts such as drought, flooding, and soil erosion, particularly affecting climate-sensitive crops like cacao.

Gencau's sourcing practices emphasize social inclusion and sustainable development across its cocoa supply chain. Among the eligible suppliers for cocoa purchasing, 95% are family farmers who are supported through programs that promote local income generation and long-term sustainability. These efforts support poverty reduction and reduced inequalities, which are material risks in the region of operation. The company maintains strict procurement criteria to ensure that cocoa is sourced from legally compliant properties, free from irregular labor conditions, and cultivated exclusively in commercial farming areas outside preservation zones and Indigenous territories. Through these measures, we believe the company strengthens its commitment to ethical sourcing, rural development, and responsible supply chain management.

We believe the financing addresses the supplementary recommendations of the Amazonia Bond Guidelines. A portion of the proceeds will be earmarked for eligible projects in the Amazon region to deliver measurable outcomes above a documented baseline. The Amazon projects should not introduce or aggravate material environmental and social risks to the region, and the documentation clearly states what risk management standard the issuer follows. However, Gencau’s measures to provide legal support services and protect environmental defenders are limited in scope. Further, the issuer commits to make all reasonable efforts to report relevant impact indicators identified in the Guidelines.

Alignment Assessment

This section provides an analysis of the framework's alignment to Green Bond and Loan principles.

Alignment Summary

Aligned = ✓ Conceptually aligned = ○ Not aligned = ✕

- ✓ Green Bond Principles, ICMA, 2025
- ✓ Green Loan Principles, LMA/LSTA/APLMA, 2025
- ✓ Amazonia Bond Guidelines, IDB and The World Bank, 2025

✓ Use of proceeds

We assess all the framework's green project categories as having a green shade, and the issuer commits to allocating the net proceeds issued under the framework exclusively to eligible green projects. Please refer to the Analysis Of Eligible Projects section for more information on our analysis of the environmental benefits of the expected use of proceeds.

✓ Process for project evaluation and selection

The process for project evaluation and selection is described in the framework. The issuer identifies relevant environmental objectives for eligible project categories. To select and evaluate green projects that are in alignment with the criteria set out in the issuer's framework, Gencau established an eligibility and allocation committee consisting of representatives from its Finance and Sustainability departments. The same committee is responsible for identifying and mitigating social and environmental risks associated with the eligible projects. The issuer's risk management follows the Amazonia Bond Guidelines environmental and social management principles. Specifically, considering the project categories in the framework, the issuer commits to complying with risk management principles for stakeholder engagement and inclusion, biodiversity conservation and resource management, labor and working conditions, land acquisition and involuntary resettlement, and governance and prohibited practices prevention.

✓ Management of proceeds

The framework outlines net proceeds will be monitored by the company through an internal tracking system, which will keep a record of assigned eligible expenses. All bond proceeds will be allocated within a three-year period from the issuance date. The issuer commits to replacing projects that cease to comply with the framework's eligibility criteria within 12 months. Pending allocation, net proceeds will be held in cash or other highly liquid and low-risk instruments.

✓ Reporting

Gencau commits to report annually on the allocation of the net proceeds and on the financed projects' impact until full allocation of the net proceeds and in case of material developments. Reporting will be available on the company's website. Allocation reporting will include the total amount of instruments outstanding, allocation of net proceeds, and refinancing amounts. The company will also report on the impact of the financed projects. Indicators include allocation of proceeds and performance indicators such as volume of raw material purchased and area of registered producers. These indicators are in line with the suggested indicators of the Amazonia Bond Guidelines.

Analysis Of Eligible Projects

This section provides details of our analysis of eligible projects, based on their environmental benefits and risks, using the "Analytical Approach: Shades Of Green Assessments".

Overall Shades of Green assessment

Based on the project category shades of green detailed below, the expected allocation of proceeds, and consideration of environmental ambitions reflected in Gencau's green framework, we assess the framework as Light green shade.

Light green

Activities representing transition steps in the near-term that avoid emissions lock-in but do not represent long-term low-carbon climate resilient solutions.

Our Shades of Green Analytical Approach >

Green project categories

Environmentally sustainable management of natural resources and land use

Assessment	Description
Light green	Purchase of raw material from producers registered in the Gencau Program for Sustainable Properties who adopt low-carbon practices.

Analytical considerations

- Crop-based agriculture can drive climate emissions and harm biodiversity and ecosystems. Risks include land use change, fertilizer and pesticide overuse, water pollution, soil degradation, and use of fossil fuel-powered equipment. Crops are highly exposed to physical climate risks, such as chronic changes in rainfall and temperatures. A variety of interventions are needed for a green transition for this sector, such as agroforestry; biological pest control, restoration of degraded lands, cover cropping/rotation and other soil health measures, and reducing emissions from fertilizer and pesticide production.
- Gencau will finance expenditures related to the purchase of cocoa from producers who adopt low-carbon practices and are registered under its Gencau Program for Sustainable Properties. Gencau's producer selection process involves mandatory criteria including adherence to Gencau's Code of Conduct and enforcing sustainability practices like prohibition of illegal deforestation and land conversion for cacao plantations. The financing directly promotes cocoa traceability and low-carbon agriculture practices--these include agroforestry, riparian forest conservation, and recovery of degraded areas, among others. We consider these practices effective in mitigating climate risks associated with agricultural activities. Agroforestry also promotes the biodiversity of cacao plantations. Although the issuer has established processes to support the proper adoption of sustainable practices, such as training and annual assessments, these practices are not currently subject to external third-party verification. Therefore, we consider the framework as Light green.
- Gencau has safeguards in place to mitigate deforestation and land conversion risks. For example, the issuer uses Brazil's National Institute for Space Research (INPE) geospatial data to screen for farms where cacao plantations have expanded. Similarly, Gencau's exclusion criteria prohibits financing to projects linked to illegal deforestation, land conversion, captivity of wild animals, and social risks such as child labor and slavery work. Finally, livestock feed for ruminants is not eligible by the nature of the entity's operations.
- Additional safeguards are in place to mitigate environmental risks. While cacao is water-sensitive, in Brazil cacao farming generally has low water risk, as it is generally grown under shaded conditions in tropical humid regions, often relying on

rainfall than on irrigation. Furthermore, Gencau has requirements in place for restricted use of chemical pesticides and efficient use of water and fertilizers.

- Gencau will ensure the correct adoption and effectiveness of these practices by formal training and periodic reviews of the farmers' activities. The framework specifies that failure to comply with Gencau's policies can lead to the imposition of sanctions or the suspension of the commercial relationship.
- Additional benefits from the issuance are linked to cacao traceability, which helps ensure the sustainability and robustness Gencau's value chain. The issuer has a certification under the National Certification of Family Farming (SENAF) established by the Brazilian Ministry of Agriculture, Livestock, and Supply (MAPA). To obtain the certification, entities must comply with all existing environmental regulations applicable to their production processes, thereby ensuring adherence to national environmental standards. In addition, SENAF requires compliance with legal obligations related to production, industrialization, commercialization, consumption, and occupational safety. These requirements serve as important social safeguards, promoting fair labor conditions in Brazil's family farming sector.
- Although low-carbon and regenerative agriculture practices specified by Gencau promote climate resilience, the framework does not specify the entity's procedures, such as the use of climate scenarios or training, for suppliers to adapt to physical climate risks such as droughts, which have been present in the region. We consider this as a shortfall.
- According to research, cacao-based agroforestry systems are considered an important part of sustainable rural development in Brazil. Brazil contributes approximately 5% of the world's cocoa production. The main cocoa-producing states are Bahia and Espírito Santo in the Atlantic Forest biome. In the Amazon biome, Pará, Rondônia, and Mato Grosso are the producing states, with an estimated total planted area of 606,794 hectares and about 76,000 rural producers. Of these producers, almost 80% are family farms. Furthermore, in Pará, 70% of the crop is cultivated in previously degraded areas, especially by family farmers and in agroforestry systems. (see "Cacao-based agroforestry systems in the Atlantic Forest and Amazon Biomes: An ecoregional analysis of land use," Gama-Rodrigues et al., Agricultural Systems, 2021)

Environmentally sustainable management of natural resources and land use

Assessment	Description
Light green	Purchase of raw material from producers registered in the Gencau Program for Sustainable Properties, who adopt low-carbon practices and that are located in the Amazon region (Amazon biome, Amazon basin, Legal Amazon).

Analytical considerations

- This project category shares the same environmental characteristics in terms of safeguards and limitations as the category described above. The only difference lies in the region of cocoa sourcing, which in this case is focused on the Amazon region. Therefore, Gencau commits to using 100% of the proceeds from this project category in the Amazon region. The project is linked to Sustainable Low Carbon-Emission Agriculture, Livestock, and Forestry pillar number four, Category 1: Regenerative Agriculture of the Amazonia Bond Guidelines.
- Through its process of evaluating and selecting cacao producers, Gencau conducts assessments to establish the current environmental and social conditions, which serve as a foundation for identifying potential impacts. Furthermore, the company has documented a baseline of 10,285 hectares of sustainably cultivated cocoa in the Amazon region. The investment proceeds are expected to grow sustainable cocoa production, not by expanding farmland but by engaging additional farmers in the region who will adopt and adhere to sustainable agricultural practices. This approach will increase the number of producers implementing these practices.
- The issuer aligns with the Amazonia Bond Guidelines' risk mitigation hierarchy and adopts the guidelines' exclusion criteria. Additionally, Gencau has measures in place to mitigate social and environmental risks specific to the project type and its location, in line with the Amazonia Bond Guidelines. These include actions related to stakeholder engagement, biodiversity conservation, and responsible resource management.

S&P Global Ratings' Shades of Green

Assessments	**Dark green**	**Medium green**	**Light green**	**Yellow**	**Orange**	**Red**
Description	Activities that correspond to the long-term vision of an LCCR future.	Activities that represent significant steps toward an LCCR future but will require further improvements to be long-term LCCR solutions.	Activities representing transition steps in the near-term that avoid emissions lock-in but do not represent long-term LCCR solutions.	Activities that do not have a material impact on the transition to an LCCR future, or, Activities that have some potential inconsistency with the transition to an LCCR future, albeit tempered by existing transition measures.	Activities that are not currently consistent with the transition to an LCCR future. These include activities with moderate potential for emissions lock-in and risk of stranded assets.	Activities that are inconsistent with, and likely to impede, the transition required to achieve the long-term LCCR future. These activities have the highest emissions intensity, with the most potential for emissions lock-in and risk of stranded assets.
Example projects	Solar power plants	Energy efficient buildings	Hybrid road vehicles	Health care services	Conventional steel production	New oil exploration

Note: For us to consider use of proceeds aligned with ICMA Principles for a green project, we require project categories directly funded by the financing to be assigned one of the three green Shades.

LCCR--Low-carbon climate resilient. An LCCR future is a future aligned with the Paris Agreement; where the global average temperature increase is held below 2 degrees Celsius (2 C), with efforts to limit it to 1.5 C, above pre-industrial levels, while building resilience to the adverse impact of climate change and achieving sustainable outcomes across both climate and non-climate environmental objectives. Long term and near term--For the purpose of this analysis, we consider the long term to be beyond the middle of the 21st century and the near term to be within the next decade. Emissions lock-in--Where an activity delays or prevents the transition to low-carbon alternatives by perpetuating assets or processes (often fossil fuel use and its corresponding greenhouse gas emissions) that are not aligned with, or cannot adapt to, an LCCR future. Stranded assets--Assets that have suffered from unanticipated or premature write-downs, devaluations, or conversion to liabilities (as defined by the University of Oxford).

Mapping To The U.N.'s Sustainable Development Goals

Where the financing documentation references the Sustainable Development Goals (SDGs), we consider which SDGs it contributes to. We compare the activities funded by the financing to the International Capital Markets Association (ICMA) SDG mapping and outline the intended linkages within our SPO analysis. Our assessment of SDG mapping does not affect our alignment opinion.

This framework intends to contribute to the following SDGs:

Use of proceeds	SDGs
Environmentally sustainable management of natural resources and land use	1. No poverty; 2. Zero hunger; 8. Decent work and economic growth; 10. Reduced inequalities; 12. Responsible consumption and production*; 15. Life on land*

*The eligible project categories link to these SDGs in the ICMA mapping.

Related Research

- Analytical Approach: Second Party Opinions, March 6, 2025
- FAQ: Applying Our Integrated Analytical Approach For Second Party Opinions, March 6, 2025
- Analytical Approach: Shades Of Green Assessments, July 27, 2023

Analytical Contacts

Primary contact

Azul Ornelas
Mexico City
+52 55 1037 5283
azul.ornelas
@spglobal.com

Secondary contacts

Victor Laudisio
São Paulo
+55 11 3039 9764
victor.laudisio
@spglobal.com

Research contributor

Sachin Powani
Mumbai