

Second-Party Opinion

Ahold Delhaize Green Finance Framework



Evaluation Summary

Sustainalytics is of the opinion that the Ahold Delhaize Green Finance Framework is credible and impactful and aligns with the Green Bond Principles 2021 and Green Loan Principles 2023. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Green Buildings, Energy Efficiency, Renewable Energy, Clean Transportation and Pollution Prevention and Control – are aligned with those recognized by the Green Bond Principles and Green Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impact and advance the UN Sustainable Development Goals, specifically SDGs 7, 9, 11 and 12.



PROJECT EVALUATION AND SELECTION Ahold Delhaize’s Green Finance Committee is responsible for evaluating and selecting eligible projects in line with the Framework’s eligibility criteria. Ahold Delhaize has in place internal environmental and social risk management systems to assess and manage risks associated with eligible projects and assets. Sustainalytics considers the project evaluation and selection process and risk management systems in place to be in line with market practice.



MANAGEMENT OF PROCEEDS Ahold Delhaize’s Green Finance Committee will be responsible for the management of proceeds and will track the proceeds using an internal tracking system. Ahold Delhaize has communicated to Sustainalytics that it intends to achieve full allocation of net proceeds as soon as possible post issuance. Pending allocation, proceeds will be temporarily managed according to the Company’s treasury management policy and may be used for other cash management purposes. Sustainalytics considers this process to be in line with market practice.



REPORTING Ahold Delhaize intends to report on allocation of proceeds and corresponding impact in its allocation and impact report on an annual basis until full allocation. Allocation reporting will include the outstanding amount, the amount of proceeds allocated to each category, the balance of unallocated proceeds and the share of financing versus refinancing. Sustainalytics views Ahold Delhaize’s allocation and impact reporting as aligned with market practice.

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For inquiries, contact the Sustainable Finance Solutions project team:

Ananth Eragam (Amsterdam)
Project Manager
ananth.eragam@morningstar.com

Manali Vaidya (Mumbai)
Project Support

Stefan Spataru (Amsterdam)
Project Support

Vedang Kulkarni (Mumbai)
Project Support

Enrico Tessadro (Amsterdam)
Client Relations
susfinance.emea@sustainalytics.com
(+44) 20 3880 0193

Introduction

Koninklijke Ahold Delhaize N.V. (“Ahold Delhaize” or the “Company”) is an international food retail company operating supermarket, liquor stores, pharmacies, online grocery and non-food e-commerce businesses. The Company has 19 brands which serve over 60 million customers every week through approximately 7,659 retail and online stores in 10 countries. Formed in 2016 following a merger between Ahold and Delhaize Group, Ahold Delhaize is headquartered in Zaandam, the Netherlands, and employs more than 414,000 people.¹

Ahold Delhaize has developed the Ahold Delhaize Green Finance Framework (the “Framework”) under which it intends to issue, green bonds and loans, private debt placements and commercial papers, and use the proceeds to finance or refinance, in whole or in part, existing or future projects that are expected to create positive environmental impact. The Framework defines eligibility criteria in five green categories.

1. Green Buildings
2. Energy Efficiency
3. Renewable Energy
4. Clean Transportation
5. Pollution Prevention & Control

Ahold Delhaize engaged Sustainalytics to review the Ahold Delhaize Green Finance Framework, dated March 2023, and provide a second-party opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP)² and Green Loan Principles 2023 (GLP)³. The Framework has been published in a separate document.⁴

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Ahold Delhaize.

Sustainalytics’ Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics’ Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. Upon twenty-four (24) months following the evaluation date set stated herein, Ahold Delhaize is encouraged to update the Framework, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond and loan proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Ahold Delhaize has made available to Sustainalytics for the purpose of this Second-Party Opinion.

¹ Ahold Delhaize, “About Ahold Delhaize Who we are”, at: <https://www.aholddelhaize.com/about/>

² The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-100621.pdf>

³ The Green Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association and are available at: <https://www.lsta.org/content/green-loan-principles/#>

⁴ The Ahold Delhaize Green Finance Framework is available on Ahold Delhaize’s website at: <https://www.aholddelhaize.com/investors/green-bond-march-2023/>

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Ahold Delhaize Green Finance Framework

Sustainalytics is of the opinion that the Ahold Delhaize Green Finance Framework is credible, impactful and aligns with the four core components of the GBP and GLP. Sustainalytics highlights the following elements of Ahold Delhaize's Green Finance Framework:

- Use of Proceeds:
 - The eligible categories – Green Buildings, Energy Efficiency, Renewable Energy, Clean Transportation and Pollution Prevention and Control – are aligned with those recognized by the GBP and GLP.
 - The Framework has defined a look-back period of three years for the refinancing of capital and operating expenditures, which Sustainalytics considers to be aligned with market practice.
 - Under the Green Buildings category, Ahold Delhaize may finance and refinance assets, and capital and operational expenditures associated with the acquisition of stores, offices or warehouses according to the following criteria:
 - New buildings that have achieved or are expected to achieve a minimum certification level of BREEAM Excellent⁵ or LEED Gold.⁶
 - Existing buildings⁷ built before 31 December 2020 that have received one of the following levels of green building certifications: i) an energy performance certificate (EPC) with a minimum energy class label A; ii) LEED Gold or above; iii) BREEAM Excellent or above; or belong to the top 15% of the national building stock based on primary energy demand (PED).⁸
 - Existing buildings built after 31 December 2020 with a PED at least 10% lower than the threshold set for the nearly zero-energy building (NZEB) requirements in national measures implementing Directive 2010/31/EU of the European Parliament and of the Council.⁹
 - Buildings renovations and retrofits resulting in a reduction of PED at least 30% lower than pre-renovation levels or having received an EPC energy class label A. Ahold Delhaize has confirmed to Sustainalytics that financing will be limited to expenditures of retrofits and renovations.
 - Sustainalytics considers expenditures under this category to be aligned with market practice.
 - Under the Energy Efficiency category, the Company may finance or refinance assets, and capital and operational expenditures related to products that reduce energy consumption, such as: i) LED lighting installations; ii) efficiency devices on heaters; iii) air-source and ground-source electric heat pumps; iv) doors or curtains on cooling cabinets; v) insulation; and vi) energy efficient equipment for the Company's stores and distribution centres, including LED lighting and temperature sensors. Sustainalytics encourages the Company to report on, where feasible, estimated or achieved energy efficiency gains from investments under this category.
 - Ahold Delhaize has confirmed to Sustainalytics that expenditures under this category will exclude investment in equipment or technologies designed or intended for processes that are powered by fossil fuels.
 - Sustainalytics notes that heat pumps offer an energy-efficient heat transfer alternative to conventional systems. Ahold Delhaize has confirmed to Sustainalytics that it tracks the refrigeration type used at each of its locations and the average global warming potential (GWP) of refrigeration substances. Sustainalytics encourages Ahold Delhaize

⁵ BREEAM: <https://bregroup.com/products/breeam/>

⁶ LEED: <https://www.usgbc.org/leed>

⁷ Ahold Delhaize may finance existing buildings in the US, Netherlands, Belgium, Luxembourg, Greece, Romania, Serbia and Czechia.

⁸ Ahold Delhaize has communicated to Sustainalytics that it may finance green buildings in Indonesia and will ensure, as part of its project evaluation and selection process, that such buildings have obtained a green building certification at a level that is equivalent to the other levels of certification required in this category. The Company will also specify the building certification scheme and level obtained as part of its annual reporting.

⁹ European Parliament, "Directive 2010/31/EU of the European Parliament and of the Council of 19 May 2010 on the energy performance of buildings (OJ L 153, 18.6.2010, p. 13)", (2010), at: <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2010:153:0013:0035:EN:PDF>

- to exclude financing of heat pumps that use high-GWP refrigerants and to promote robust refrigerant leak control, detection and monitoring, while ensuring recovery, reclamation, recycling or destruction of refrigerants at end of life.
- Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Renewable Energy category, Ahold Delhaize may finance and refinance the following:
 - Assets, and capital and operational expenditures related to the construction, development, acquisition, maintenance and operation of on-site or off-site renewable energy facilities with a direct life cycle emissions lower than 100 gCO₂e/kWh and declining to net zero gCO₂e/kWh by 2050, including: i) solar photovoltaic (PV) technologies; ii) wind; iii) geothermal; and iv) bio-digesters.
 - Bio-digesters financed will use food waste as a feedstock, which is sourced from Ahold Delhaize's retail stores, distribution centres and other waste streams.¹⁰ Ahold Delhaize has communicated to Sustainalytics that it defines food waste as food and inedible parts of food removed from a food supply chain that is or was at some point fit for human consumption but has been disposed of, has spoiled or has expired. Food waste also includes waste used for animal feed, bio-based materials, biochemical processing, co-digestion (anaerobic digestion), composting (aerobic digestion), controlled combustion and landfill waste.¹¹
 - Procurement of renewable energy via physical power purchase agreements (PPAs) such as retail sleeves and virtual power purchase agreements (VPPAs) with a minimum tenor of five years. Ahold Delhaize has communicated to Sustainalytics that the financed PPAs and VPPAs will mainly purchase renewable energy from onshore or offshore wind farms. Ahold Delhaize has confirmed to Sustainalytics that procurement related to renewable energy excludes power generated from nuclear and natural gas facilities.
 - Sustainalytics considers investments under this category to be aligned with market practice.
 - Under the Clean Transportation category, Ahold Delhaize intends to finance and refinance assets, and capital and operational expenditures related to the establishment, acquisition, expansion, upgrade, maintenance and operation of zero direct emissions vehicles and related infrastructure. The Company may also finance the acquisition of bicycle delivery service companies.
 - Zero direct emissions vehicles financed under the Framework will include battery electric vehicles, conventional and electric pedal-assisted bicycles and three-wheelers with electric pedal assist, including those connected to cargo trailers.
 - Low-carbon transportation infrastructure financed under this category may include electric vehicle charging stations.
 - Ahold Delhaize has confirmed to Sustainalytics that it may acquire pure play companies that derive 90% or more of their revenue from activities that comply with the eligibility criteria in the Framework. Sustainalytics is of the opinion that it is good practice to allocate proceeds raised or obtained under the Framework to the net asset value of acquired companies to ensure the allocation of proceeds is limited to the value of credible green assets and encourages Ahold Delhaize to follow this approach.
 - Sustainalytics considers investments under this category to be aligned with market practice.
 - Under the Pollution Prevention and Control category, Ahold Delhaize intends to finance assets, and capital and operational expenditures related to the following:

¹⁰ Ahold Delhaize has communicated to Sustainalytics that other waste streams consist of food waste from other companies or sources external to the Company and its subsidiaries.

¹¹ Ahold Delhaize has communicated to Sustainalytics its approach towards food waste reduction, which includes: i) reduction of food waste across its brands' operations (including stores, warehouses and transport) through an optimized replenishment system; ii) diversion of surplus food to food banks, charities and operations, such as restaurants that cook with unsold food; and iii) diversion of food no longer suitable for human consumption to other recycling methods to prevent it from going to landfill.

- Optimizing replenishment processes and ordering and stock management systems to reduce shrink.¹² Ahold Delhaize has communicated to Sustainalytics that it intends to finance forecasting and artificial intelligence-enabled automated stock replenishment systems for improved stock management in its stores.
 - Introducing reusable packaging models. Ahold Delhaize has communicated to Sustainalytics that initiatives financed may include: i) smart dispenser systems which allows customers to fill their own reusable packaging or buy a reusable jar or bag; and ii) circular reuse platforms wherein products are sold in reusable containers where customers can return the containers for refill through a collection system.^{13,14} Sustainalytics notes that by financing the above initiatives, Ahold Delhaize intends to reduce dependency on single-use plastic, improve recycling rates, reduce non-recyclable waste and contribute to broader goals of the circular economy.
 - Increasing use of recycled plastics in packaging. Ahold Delhaize has confirmed to Sustainalytics that the projects financed will ensure the following: i) recycled plastic procured will contain at least 90% recycled, renewable or bio-based input, ii) at least 90% of procured plastic will not be intended for single-use consumer products; and iii) all packaging using recycled plastic is itself recyclable.
 - Improving collection and recycling infrastructure and equipment for non-hazardous waste, including packaging and other operational waste within the Company's operational boundaries. Ahold Delhaize has communicated to Sustainalytics that the infrastructure financed may include reverse vending machines for plastic bottles and aluminium cans, in addition to operational expenditures related to the collection and recycling of non-hazardous waste. The Company has also confirmed to Sustainalytics that it will ensure source segregation of waste.
 - Refrigeration products including transition to low-emission refrigerants and upgrading refrigeration equipment with the goal of minimizing refrigerant leakage.
 - Sustainalytics considers expenditures under this category to be aligned with market practice.
- Project Evaluation and Selection:
 - Ahold Delhaize's Green Finance Committee is responsible for overseeing the process of project evaluation and selection. This committee, which comprises representatives from the Company's Healthy and Sustainable, Business Planning and Performance, and Treasury teams will meet on annual basis to evaluate and select eligible projects according to the Framework's eligibility criteria.
 - The Company relies on its internal environmental and social risk management system to assess and manage risks associated with eligible projects and assets. For additional details, refer to Section 2.
 - Based on the project evaluation and selection process, and environmental and social risk management systems in place, Sustainalytics considers Ahold Delhaize's process of project evaluation and selection to be in line with market practice.
 - Management of Proceeds:
 - Ahold Delhaize's Green Finance Committee will be responsible for the management and allocation of proceeds and will track the proceeds using an internal tracking system.
 - The Company has communicated to Sustainalytics that it intends to achieve full allocation of net proceeds as soon as possible after issuance. Sustainalytics encourages Ahold Delhaize to achieve full allocation of proceeds within 36 months from issuance, which Sustainalytics considers aligned with market expectation. Pending allocation, proceeds will be temporarily managed according to the Company's treasury management policy and may be used for other cash management purposes.
 - Based on the use of internal tracking systems and disclosure of temporary allocation of proceeds, Sustainalytics considers Ahold Delhaize's process of management of proceeds to be in line with market practice.

¹² Ahold Delhaize defines "shrink" as the removal of food from the food supply chain which is or was at some point fit for human consumption, but has been disposed of, has spoiled or expired because of economic behaviour, poor stock management, neglect, theft or cash shortages.

¹³ Albert Heijn; "Albert Heijn introduces packaging-free shopping"; at: <https://nieuws.ah.nl/albert-heijn-introduceert-verpakkingsvrij-boodschappen-doen/>

¹⁴ Ahold Delhaize; "Giant Food launches Loop, a circular reuse platform"; at: <https://www.aholddelhaize.com/news/giant-food-launches-loop-a-circular-reuse-platform/>

- Reporting:
 - Ahold Delhaize intends to report on the allocation of proceeds and corresponding impact in its allocation and impact report, which will be published on the Company's website on an annual basis until full allocation or in case of material changes in allocations.
 - Allocation reporting will include the outstanding amount, the amount of proceeds allocated to each category, the balance of unallocated proceeds and the share of financing versus refinancing.
 - Where relevant, impact reporting may include metrics such as total energy consumption (measured in kWh), percentage of renewable electricity of total electricity consumed, annual GHG emissions avoided or reduced (measured in tCO₂e), annual energy savings (measured in kWh), refrigerant leak rate and food waste recycled or reduced (measure in tonnes). For a full list of impact metrics, please refer to Appendix 1: Green Bond/Green Bond Programme External Review Form
 - Based on the commitment to allocation and impact reporting, Sustainalytics considers Ahold Delhaize's reporting process to be in line with market practice.

Alignment with Green Bond Principles 2021

Sustainalytics has determined that the Ahold Delhaize Green Finance Framework aligns with the four core components of the GBP. For detailed information please refer to Appendix 1: Green Bond/ Green Bond Programme External Review Form.

Section 2: Sustainability Strategy of Ahold Delhaize

Contribution to Ahold Delhaize's sustainability strategy

Sustainalytics is of the opinion that Ahold Delhaize demonstrates a commitment to sustainability through its focus on: i) CO₂ emissions and climate change; ii) food waste; iii) sustainable packaging; and iv) healthy products.¹⁵

The Company approaches CO₂ emissions reduction and climate change mitigation by: i) adopting science-based interim targets approved by the SBTi in 2020, committing to a 50% reduction in absolute scope 1 and 2 GHG emissions by 2030 from a 2018 baseline, and a 37% reduction in absolute scope 3 GHG emissions by 2030 from a 2020 baseline; and ii) committing to reach net zero scope 1 and 2 GHG emissions by 2040 and net zero scope 3 GHG emissions by 2050.^{16,17}

To achieve its scope 1 and 2 GHG emissions reduction targets, Ahold Delhaize plans to:

- Replace and retrofit refrigeration systems with lower GHG emissions alternatives, installing natural or hybrid systems and minimizing leakage from all its systems;
- Reduce all electricity-related GHG emissions by 2023 by sourcing renewable energy through renewable energy credits, PPAs and energy efficiencies from replaced refrigerants;
- Build and remodel stores by installing energy-efficient equipment, such as LED lights, doors on cabinets, heat recuperation, heat pumps, CO₂ refrigeration systems and improved insulation;
- Switch to low-carbon heating initiatives, such as heat pumps and heat recuperation;
- Decarbonize its fleets by including battery electric vehicles, leveraging route optimization technology and improving fill mechanism to reduce overall energy use;
- Apply an internal carbon pricing model to investment proposals from local brands.

To achieve its scope 3 GHG emissions reduction targets, Ahold Delhaize focuses on the following:

- The Company engages with suppliers to reduce their emissions. To create a baseline estimate for scope 3 emissions, in 2021, Ahold Delhaize requested 200 suppliers to report their emissions through the Carbon Disclosure Project or via a survey, planning on repeating this initiative annually.

¹⁵ Ahold Delhaize, "Annual Report 2022", p. 31, at: <https://media.aholddelhaize.com/media/aw5hpnnya/annual-report-2022-ahold-delhaize.pdf>

¹⁶ Ahold Delhaize, "Climate Plan", (2022), at: <https://www.aholddelhaize.com/media/4e0fwbza/ahold-delhaize-climate-plan-november-2022.pdf>

¹⁷ Ahold Delhaize, "Press Release - Ahold Delhaize sets updated CO₂ emissions reductions targets for its entire value chain, in line with UN goal of keeping global warming below 1.5°C", at: <https://www.aholddelhaize.com/news/ahold-delhaize-sets-updated-co2-emissions-reductions-targets-for-its-entire-value-chain-in-line-with-un-goal-of-keeping-global-warming-below-1-5-c/>

The Company will ask all suppliers to report on scope 3 emissions by 2025, while the suppliers that represent 70% of Ahold Delhaize's footprint will be requested to commit to SBTi by 2025.

- The Company plans to reduce its food waste by 50% by 2030.
- The Company collaborates with its outsourced transport providers to reduce their emissions.

In relation to food waste, Ahold Delhaize reported having recycled 76% of the 237,581 tonnes of food waste it produced in 2022; the rest was sent to landfill or incinerating facilities.¹⁸ These results were achieved by: i) reducing food waste across its brands' operations, through initiatives such as "yesterday's bread" at Albert Heijn stores, where leftover but edible bread is sold at very low prices; ii) diverting surplus food to food banks, charities and innovative operations such as restaurants that cook with unsold food; and iii) recycling food that is no longer suitable for human consumption for use as animal feed, feedstock for green energy production or for industrial uses.

Regarding sustainable packaging, Ahold Delhaize is a signatory of the New Plastics Economy Global Commitment,¹⁹ which is an initiative of the Ellen MacArthur Foundation in collaboration with the UN Environment Programme for eliminating problematic and unnecessary plastic packaging. For its own brands, Ahold Delhaize has set a target to achieve 100% of its plastic packaging being easily and safely reused, recycled or composted by 2025.²⁰ Additionally, several of its brands have transitioned from using EPS foam trays to PET rigid, diverting 15 tonnes of foam from landfill or incineration.²¹ In 2021, Albert Heijn was the first supermarket in the Netherlands to stop providing plastic bags for customers to weigh fruits and vegetables.²²

Sustainalytics is of the opinion that the Ahold Delhaize Green Finance Framework is aligned with the Company's overall sustainability strategy and initiatives and will further the Company's action on its key environmental priorities.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the proceeds from the instruments issued under the Framework will be directed towards eligible projects that are expected to have positive environmental impact. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects may include: i) issues involving land use and biodiversity; ii) emissions, effluents and waste; iii) occupational health and safety (OH&S); and iv) adverse impact on local communities.

Sustainalytics is of the opinion that Ahold Delhaize can manage and mitigate potential risks through implementation of the following:

- In relation to risks associated with land use and biodiversity, the Company implements measures to reduce land conversion in its supply chain. Ahold Delhaize participates in the following biodiversity-related forums: Tropical Forest Alliance; Roundtable for Sustainable Palm Oil; Retailer Palm Oil Group; Palm Oil Transparency Coalition; Round Table for Responsible Soy; Retailer Soy Group; Statement of Support for the Cerrado group; Global Roundtable for Sustainable Beef; European Roundtable for Sustainable Beef. In addition, Ahold Delhaize commits to avoiding activities in close proximity to World Heritage areas and IUCN category 1-4 areas.^{23,24}
- In relation to managing emissions, effluents and waste, the Company has communicated to Sustainalytics that it complies with EU regulations, as well as local laws and requirements, such as the Dutch National Building Decree and the EU Waste Framework Directive.
- In relation to risks related to OH&S, Ahold Delhaize's Code of Ethics requires the Company to comply with relevant safety and health laws and regulations, and internal policies and procedures.²⁵ Additionally, Ahold Delhaize requires its suppliers to commit to its Standards of Engagement.²⁶

¹⁸ Ahold Delhaize, "Annual Report 2022", p. 109, at: <https://media.aholddelhaize.com/media/aw5hpnya/annual-report-2022-ahold-delhaize.pdf>

¹⁹ Ellen MacArthur Foundation, "Global Commitment 2021 Signatory Report – Ahold Delhaize", at: <https://ellenmacarthurfoundation.org/global-commitment-2021/signatory-reports/ppu/ahold-delhaize>

²⁰ Ahold Delhaize, "Annual Report 2022", at: <https://media.aholddelhaize.com/media/aw5hpnya/annual-report-2022-ahold-delhaize.pdf>

²¹ Ibid

²² Ibid

²³ Ahold Delhaize, "Biodiversity", at: <https://www.aholddelhaize.com/en/sustainability/our-position-on-societal-and-environmental-topics/biodiversity/>

²⁴ Ahold Delhaize, "Deforestation and Conversion", at: <https://www.aholddelhaize.com/en/sustainability/our-position-on-societal-and-environmental-topics/deforestation-and-conversion/>

²⁵ Ahold Delhaize, "Code of Ethics", at:

https://media.aholddelhaize.com/media/qv0iixj1/20220420_ahold_coe_digi_1920x1080_en.pdf?t=637865820686130000

²⁶ Ahold Delhaize, "Our standards of engagement", at: <https://www.aholddelhaize.com/about/governance/our-standards-of-engagement/#:~:text=Suppliers%20observe%20ethical%20business%20behavior.improper%20monetary%20or%20other%20incentive.>

- The Company also seeks regular feedback from key stakeholders such as community members, non-governmental organizations, customers and government bodies through formal and informal channels, including surveys, meetings and other engagements.²⁷

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Ahold Delhaize has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories

Section 3: Impact of Use of Proceeds

All six use of proceeds categories are aligned with those recognized by GBP and GLP. Sustainalytics has focused on three categories below where the impact is specifically relevant in the local context.

Importance of financing green buildings in the Netherlands, Belgium and the US

The buildings and construction sectors were responsible for approximately 34% global energy demand and 37% of energy- and process-related CO₂ emissions in 2021.²⁸ According to the UN, direct and indirect CO₂ emissions from the building sector would need to decline by 50% and 60% respectively by 2030 to align with the Paris Agreement's 1.5°C scenario.²⁹ In this sense, all new buildings and 20% of the world's existing building stock would need to eliminate carbon emissions by 2030 and the energy consumption of buildings would need to be reduced by 35% by 2030 from a 2020 baseline to reach net zero emissions by 2050.^{30,31}

In the Netherlands, all new buildings must meet the country's BENG (Bijna Energieneutrale Gebouwen) requirements,³² which implement the Dutch NZEB standard under the EU's Energy Performance Buildings Directive.^{33,34} The Netherlands has set targets to reduce national GHG emissions by 49% and 95% by 2030 and 2050 respectively, compared to 1990 levels.³⁵ To achieve these targets, the Netherlands has established a National Climate Agreement under which it has formed sector-specific emissions reduction commitments. Regarding buildings, the agreement aims to enable the transition of 8 million homes and buildings from natural gas heating to renewable heating capability by 2050.³⁶ The Dutch government has also introduced legislation towards making buildings more energy efficient and has established a national goal of improving EPC labels of existing and new office buildings to have an EPC A label by 2030.³⁷

In Belgium, the buildings sector accounted for 26% of the country's energy-related CO₂ emissions in 2020,³⁸ and 32% of the country's final energy consumption in 2019.³⁹ Belgium has committed to a CO₂ emissions reduction target of 35% by 2030 compared to 2005, and carbon neutrality by 2050.⁴⁰ The Government of Belgium intends to achieve a carbon-free energy mix and completely decarbonize the buildings sector by 2050, using retrofits and energy-efficient solutions.⁴¹ As part of its 2021 recovery and resilience plan, Belgium committed to invest EUR 1 billion to renovate public and private buildings to improve energy performance.⁴²

²⁷ Ahold Delhaize, "Annual Report 2022", p. 48-50, at: <https://media.aholddelhaize.com/media/aw5hpnnya/annual-report-2022-ahold-delhaize.pdf>

²⁸ UN Environment Programme, "Global Status Report for Buildings and Construction", (2022) at: https://globalabc.org/sites/default/files/inline-files/2022%20Global%20Status%20Report%20for%20Buildings%20and%20Construction_0.pdf

²⁹ UN Environment Programme, "Building sector emissions hit record high, but low-carbon pandemic recovery can help transform sector", (2020) at: <https://www.unep.org/news-and-stories/press-release/building-sector-emissions-hit-record-high-low-carbon-pandemic>

³⁰ IEA, "Renovation of near 20% of existing building stock to zero-carbon-ready by 2030 is ambitious but necessary", (2022), at: <https://www.iea.org/reports/renovation-of-near-20-of-existing-building-stock-to-zero-carbon-ready-by-2030-is-ambitious-but-necessary>

³¹ IEA, "Buildings", (2022), at: <https://www.iea.org/reports/buildings>

³² Government of the Netherlands, Government information for entrepreneurs, "Building regulations", at: <https://business.gov.nl/regulation/buildingregulations/>

³³ European Commission, "Nearly zero-energy buildings", at: https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/nearly-zeroenergy-buildings_en

³⁴ European Commission, "Energy performance of buildings directive", at: https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficientbuildings/energy-performance-buildings-directive_en

³⁵ IEA, "The Netherlands", at: <https://www.iea.org/countries/the-netherlands>

³⁶ Klimaatakkoord, "National Climate Agreement - The Netherlands", at: <https://www.klimaatakkoord.nl/documenten/publicaties/2019/06/28/national-climate-agreement-the-netherlands>

³⁷ Ibid.

³⁸ IEA, "Belgium – Energy Policy Review", (2022), at: https://iea.blob.core.windows.net/assets/638cb377-ca57-4c16-847dea4d96218d35/Belgium2022_EnergyPolicyReview.pdf

³⁹ IEA, "Belgium 2022 Energy Policy Review", (2022), at: https://iea.blob.core.windows.net/assets/638cb377-ca57-4c16-847dea4d96218d35/Belgium2022_EnergyPolicyReview.pdf

⁴⁰ Government of Belgium, "National burden sharing 2021-2030", at: <https://klima.be/klimaatbeleid/belgisch/nationaal/lastenverdeling>

⁴¹ Government of Belgium, "Vision and strategic workstreams for a decarbonised Belgium by 2050", (2020), at: <https://climat.be/doc/visionandstrategicworkstreamsforadecarbonisedbelgiumby2050.pdf>

⁴² Europa Nu, "NextGenerationEU: European Commission endorses Belgium's €5.9 billion recovery and resilience plan", (2021), at: https://www.europeanu.nl/id/vljwcz6satsi/nieuws/nextgenerationeu_european_commission?ctx=vgaXlcr0e008&se=vhduxbdwqrzwhhttps://commission.europa.eu/business-economy-euro/economic-recovery/recovery-and-resilience-facility/belgiums-recovery-and-resilience-plan_en

In the US, buildings were responsible for 39% of the country's primary energy consumption in 2021.⁴³ Under its Nationally Determined Contribution, the US has committed to reduce the country's GHG emissions by 50-52% by 2030, compared to a 2005 baseline and to achieve carbon neutrality by 2050.⁴⁴ As part of this commitment, the US federal government announced the Climate Smart Buildings Initiative in August 2021, which aims to attract USD 8 billion of private sector investments in energy efficiency projects and avoid up to 2.8 million tonnes of GHG emissions from buildings annually by 2030.⁴⁵

Based on the above, Sustainalytics is of the opinion that Ahold Delhaize's investments in green buildings in the Netherlands, Belgium and the US are expected to contribute to decarbonizing the building stock in these countries and contribute more broadly to their climate goals.

Importance of financing refrigerant projects in the Netherlands, Belgium and the US

The refrigeration services industry was responsible for more than 10% of global GHG emissions in 2021.⁴⁶ An estimated 3.6 billion cooling appliances were in use globally in 2020, with up to 10 devices added per second.⁴⁷ The increase in demand for space cooling and the capacity of facilities and equipment to refrigerate perishable products is expected to triple by 2050.^{48,49} Additionally, refrigeration alone accounts for an estimated 35% of the world's consumption of GWP-weighted hydrofluorocarbons,⁵⁰ with some of these refrigerants having global warming potentials thousands of times greater than CO₂.⁵¹

In view of the increase in refrigerants' use, the Kigali Amendment to the Montreal Protocol regulates the use of HFC refrigerants to cut their consumption and production by 80% by 2047 in relation to 2016.⁵² In the European Union, the 2006 F-gas Regulation and the MAC Directive establish a framework intended to reduce sales of refrigerants by 80% by 2030 in relation to 2014.⁵³

Likewise in the US, new EPA rules introduced in 2021 mandate an 85% phasedown in HFC refrigerants over the next 15 years, as part of the implementation of the American Innovation and Manufacturing Act of 2020.⁵⁴

Based on the above, Sustainalytics expects Ahold Delhaize's expenditures related to upgrading refrigeration equipment to contribute to reducing the use of high-GWP refrigerants and more broadly to GHG emissions reduction in the European Union and the US.

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the Ahold Delhaize Green Finance Framework are expected to help advance the following SDGs and targets:

| Use of Proceeds Category | SDG | SDG target |
|--------------------------|---|--|
| Green Buildings | 9. Industry, innovation and Infrastructure. | 9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound |

⁴³ US Energy Information Administration, "How much energy is consumed in U.S. building?", (2022), at: <https://www.eia.gov/tools/faqs/faq.php?id=86&t=1>

⁴⁴ US Department of Energy, "U.S. Nationally Determined Contribution", (2021), at: <https://www.energy.gov/policy/articles/us-nationally-determinedcontribution>

⁴⁵ The White House, "FACT SHEET: White House Takes Action on Climate by Accelerating Energy Efficiency Projects Across Federal Government", (2022), at: <https://www.whitehouse.gov/briefing-room/statements-releases/2022/08/03/fact-sheet-white-house-takes-action-on-climate-by-accelerating-energy-efficiency-projects-across-federal-government/>

⁴⁶ Dong, Yabin, et al., (2021), "Greenhouse Gas Emissions from Air Conditioning and Refrigeration Service Expansion in Developing Countries", Annual Reviews, at: <https://www.annualreviews.org/doi/10.1146/annurev-environ-012220-034103>

⁴⁷ IEA, "Cooling Emissions and Policy Synthesis Report: Benefits of cooling efficiency and the Kigali Amendment", (2020), at: https://iea.blob.core.windows.net/assets/71c8db7e-1137-41ef-99c3-8f2c8d3a5d86/Cooling_Emissions_and_Policy_Synthesis_Report.pdf

⁴⁸ Dong, Yabin, et al., (2021), "Greenhouse Gas Emissions from Air Conditioning and Refrigeration Service Expansion in Developing Countries", Annual Reviews, at: <https://www.annualreviews.org/doi/10.1146/annurev-environ-012220-034103>

⁴⁹ IEA, "Cooling Emissions and Policy Synthesis Report: Benefits of cooling efficiency and the Kigali Amendment", (2020), at: https://iea.blob.core.windows.net/assets/71c8db7e-1137-41ef-99c3-8f2c8d3a5d86/Cooling_Emissions_and_Policy_Synthesis_Report.pdf

⁵⁰ IEA, "Cooling Emissions and Policy Synthesis Report: Benefits of cooling efficiency and the Kigali Amendment", (2020), at: https://iea.blob.core.windows.net/assets/71c8db7e-1137-41ef-99c3-8f2c8d3a5d86/Cooling_Emissions_and_Policy_Synthesis_Report.pdf

⁵¹ IEA, "Space Cooling", (2022), at: <https://www.iea.org/reports/space-cooling>

⁵² Ibid.

⁵³ European Commission, "Climate Action EU legislation to control F-gases", at: https://climate.ec.europa.eu/eu-action/fluorinated-greenhouse-gases/eu-legislation-control-f-gases_en

⁵⁴ US Environmental Protection Agency, "Protecting Our Climate by Reducing Use of HFCs", at: <https://www.epa.gov/climate-hfcs-reduction>

| | | |
|--------------------------------|--|---|
| | | technologies and industrial processes, with all countries taking action in accordance with their respective capabilities |
| Energy Efficiency | 7. Affordable and Clean Energy | 7.3 By 2030, double the global rate of improvement in energy efficiency |
| Renewable Energy | 7. Affordable and Clean Energy | 7.2 By 2030, increase substantially the share of renewable energy in the global energy mix |
| Clean Transportation | 11. Sustainable Cities and Communities | 11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons |
| Pollution Prevention & Control | 12. Responsible Consumption and Production | 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse |

Conclusion

Ahold Delhaize has developed the Ahold Delhaize Green Finance Framework under which it may issue green bonds and loans, private debt placements and commercial papers and use the proceeds to finance or refinance, in whole or in part, existing or future projects related to Green Buildings, Energy Efficiency, Renewable Energy, Clean Transportation and Pollution Prevention and Control. Sustainalytics is of the opinion that the projects funded by the green bond and loan proceeds are expected to create positive environmental impact.

The Ahold Delhaize Green Finance Framework outlines a process for tracking, allocating and managing proceeds, and makes commitments for Ahold Delhaize to report on their allocation and impact of the use of proceeds. Furthermore, Sustainalytics is of the opinion that Ahold Delhaize Green Finance Framework is aligned with the overall sustainability strategy of the Company and that the use of proceeds are expected to contribute to the advancement of the UN Sustainable Development Goals 7, 9, 11 and 12. Additionally, Sustainalytics is of the opinion that Ahold Delhaize has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that Ahold Delhaize is well positioned to issue or obtain green bonds, loans, private debt placements and commercial papers and that the Ahold Delhaize Green Finance Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021 and Green Loan Principles 2023.

Appendix 1

Appendix 1: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

| | |
|---|--|
| Issuer name: | Koninklijke Ahold Delhaize NV |
| Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable: | Ahold Delhaize Green Finance Framework |
| Review provider's name: | Sustainalytics |
| Completion date of this form: | March 6, 2023 |
| Publication date of review publication: | Update to 2019 Sustainalytics SPO, published |
| Original publication date [please fill this out for updates]: | in June 2019 |

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP and SBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (please specify): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (if applicable):

The eligible categories for the use of proceeds – Green Buildings, Energy Efficiency, Renewable Energy, Clean Transportation and Pollution Prevention and Control – are aligned with those recognized by the Green Bond Principles and Green Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impact and advance the UN Sustainable Development Goals, specifically SDGs 7, 9, 11 and 12.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input checked="" type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify): |

If applicable please specify the environmental taxonomy, if other than GBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Ahold Delhaize's Green Finance Committee is responsible for evaluating and selecting eligible projects in line with the Framework's eligibility criteria. Ahold Delhaize has in place internal environmental and social risk management systems to assess and manage risks associated with eligible projects and assets. Sustainalytics considers the project evaluation and selection process and risk management systems in place to be in line with market practice.

Evaluation and selection

- | | |
|---|--|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification
- In-house assessment
- Other (please specify):

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

Ahold Delhaize's Green Finance Committee will be responsible for the management of proceeds and will track the proceeds using an internal tracking system. Ahold Delhaize has communicated to Sustainalytics that it intends to achieve full allocation of net proceeds as soon as possible post issuance. Pending allocation, proceeds will be temporarily managed according to the Company's treasury management policy and may be used for other cash management purposes. Sustainalytics considers this process to be in line with market practice.

Tracking of proceeds:

- Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (please specify):

Additional disclosure:

- Allocations to future investments only
- Allocations to both existing and future investments
- Allocation to individual disbursements
- Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds
- Other (please specify):

4. REPORTING

Overall comment on section (if applicable):

Ahold Delhaize intends to report on allocation of proceeds and corresponding impact in its allocation and impact report on an annual basis until full allocation. Allocation reporting will include the outstanding amount, the amount of proceeds allocated to each category, the balance of unallocated proceeds and the share of financing versus refinancing. Sustainalytics views Ahold Delhaize's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- Project-by-project
- On a project portfolio basis

- Linkage to individual bond(s) Other (please specify):

Information reported:

- Allocated amounts Green Bond financed share of total investment
- Other (please specify): The balance of unallocated proceeds and the share of financing vs refinancing

Frequency:

- Annual Semi-annual
- Other (please specify):

Impact reporting:

- Project-by-project On a project portfolio basis
- Linkage to individual bond(s) Other (please specify):

Information reported (expected or ex-post):

- GHG Emissions / Savings Energy Savings
- Decrease in water use Number of beneficiaries
- Target populations Other ESG indicators (please specify):

| Eligible Projects | Expected KPIs |
|----------------------------------|--|
| Renewable Energy | <ul style="list-style-type: none"> • total energy consumption in kWh • % renewable electricity of total electricity consumed |
| Energy efficiency | <ul style="list-style-type: none"> • Annual GHG emissions reduced/avoided in tonnes of CO₂ equivalent • Annual energy savings in kWh (electricity) • Annual energy savings in MWh (electricity) and GJ (other energy savings) • Average GWP refrigerant charge • Refrigerant leak rate |
| Green buildings | <ul style="list-style-type: none"> • LEED, BREEAM, or equivalent environmental certification scores |
| Clean transportation | <ul style="list-style-type: none"> • Annual GHG emissions reduced/avoided in tonnes of CO₂ equivalent |
| Pollution Prevention and Control | <ul style="list-style-type: none"> • % of total food waste recycled • Tonnes of food waste reduced • Tonnes of waste recycled |

- | | |
|--|---|
| | <ul style="list-style-type: none"> • Tonnes of plastic reduced • Tonnes of virgin plastic reduced from primary own brand plastic product packaging • % of post-consumer recycled content in primary own brand plastic product packaging • % recycled, reused, composted primary own brand plastic product packaging |
|--|---|

Frequency:

- Annual
 Semi-annual
- Other (please specify):

Means of Disclosure

- Information published in financial report
 Information published in sustainability report
- Information published in ad hoc documents
 Other (please specify): Allocation and Impact report to be published on the website
- Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE****Type(s) of Review provided:**

- Consultancy (incl. 2nd opinion)
 Certification
- Verification / Audit
 Rating
- Other (please specify):

Review provider(s):**Date of publication:****ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP**

- i. Second-Party Opinion: An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.

-
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
 - iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
 - iv. **Green, Social and Sustainability Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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For more information, visit www.sustainalytics.com

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