

# Second-Party Opinion

## Epiroc Sustainability-Linked Finance Framework



### Evaluation Summary

Sustainalytics is of the opinion that the Epiroc Sustainability-Linked Finance Framework aligns with the Sustainability-Linked Bond Principles 2024 and Sustainability-Linked Loan Principles 2023. This assessment is based on the following:

- Selection of Key Performance Indicators** The Epiroc Sustainability-Linked Finance Framework defines the following KPIs: i) KPI 1: Absolute scope 1 and 2 GHG emissions; ii) KPI 2: Absolute scope 3 GHG emissions; and iii) KPI 3: Emission-free product offering for the full product range. Sustainalytics considers KPIs 1 and 2 to be very strong and KPI 3 to be strong based on their materiality, relevance, scope of applicability and comparability to external benchmarks.
- Calibration of Sustainability Performance Targets** Sustainalytics considers the SPTs to be aligned with Epiroc’s sustainability strategy. Sustainalytics further considers SPTs 1.1 to 1.3 to be ambitious, SPTs 2.1 to 2.3 and SPTs 3.1 to 3.3 to be highly ambitious based on the comparison with past performance, peer performance and alignment with science, as applicable.
- Financial Instrument Characteristics** Epiroc has linked the financial characteristics to the achievement of the SPTs. Failure to achieve these SPTs will constitute a trigger event and will lead to a step-up in the coupon rate or an increase in the redemption price.
- Reporting** Epiroc commits to report on an annual basis on its performance on the KPIs in its Sustainability-Linked Finance Progress Report. Epiroc commits to disclose relevant information enabling investors to monitor the level of ambition of the SPTs.
- Verification** Epiroc commits to have an external limited assurance conducted against each SPT for each KPI at least once a year which will be made publicly available on Epiroc’s website.

<b>Evaluation Date</b>	July 16, 2024
<b>Issuer Location</b>	Nacka, Sweden

The SPTs contribute to the following SDGs:



### Overview of KPIs and SPTs

KPI	Baseline	Strength of KPI	SPT	Ambitiousness of SPT
KPI 1: Absolute scope 1 and 2 GHG emissions (ktCO <sub>2e</sub> )	2019	Very Strong	SPTs 1.1 to 1.3: Reduce absolute scope 1 and 2 GHG emissions by 50% by 2028 from the 2019 baseline and maintain the level through increased volumes and acquisitions till 2030.	Ambitious
KPI 2: Absolute scope 3 GHG emissions (ktCO <sub>2e</sub> )	2019	Very Strong	SPTs 2.1 to 2.3: Reduce absolute scope 3 GHG emissions from the use of sold products by 20% by 2028, 36% by 2029 and 50% by 2030, from the 2019 baseline.	Highly Ambitious
KPI 3: Emission-free product offering for the full product range (%)	2021	Strong	SPTs 3.1 to 3.3: Achieve 72% emission-free product offering for the full product range by 2028, 86% by 2029 and 100% by 2030.	Highly Ambitious

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## Scope of Work and Limitations

Epiroc AB (“Epiroc” or the “Company”) has engaged Sustainalytics to review the Sustainability-Linked Finance Framework dated July 2024 (the “Framework”) and provide an opinion on its alignment with the Sustainability-Linked Bond Principles 2024 (SLBP)<sup>1</sup> and Sustainability-Linked Loan Principles 2023 (SLLP).<sup>2</sup>

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>3</sup> opinion on the alignment of the Framework with the SLBP, as administered by the International Capital Market Association (ICMA) and SLLP as administered by the Asia Pacific Loan Market Association (APLMA), the Loan Market Association (LMA) and the Loan Syndications and Trading Association (LSTA).

As part of this engagement, Sustainalytics exchanged information with various members of Epiroc’s management team to understand the sustainability impact of their business processes and SPTs, as well as the reporting and verification processes of aspects of the Framework. Epiroc’s representatives have confirmed that:

- (1) They understand it is the sole responsibility of issuer to ensure that the information provided is complete, accurate and up to date;
- (2) They have provided Sustainalytics with all relevant information; and
- (3) Any provided material information has been duly disclosed in a timely manner.

Sustainalytics also reviewed relevant public documents and non-public information. This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with the Framework. Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Epiroc. 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 SPTs of KPIs but does not measure KPI performance. The measurement and reporting of the KPIs and SPTS is the responsibility of the issuer. 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 Epiroc has made available to Sustainalytics for the purpose of this Second-Party Opinion.

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<sup>1</sup> The Sustainability-Linked Bond Principles are administered by the International Capital Market Association and are available at:

<https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-linked-bond-principles-slbp/>

<sup>2</sup> The loan-related principles and guidelines 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/?\\_industry\\_sector=guidelines-memos-primary-market](https://www.lsta.org/content/?_industry_sector=guidelines-memos-primary-market)

<sup>3</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

## Introduction

Epiroc is a global manufacturer of niche equipment and services used by mining and infrastructure customers. The Company's products include hard rock drilling equipment and excavation technologies for underground and surface mining, as well as servicing and spare parts. Headquartered in Nacka, Sweden, Epiroc employs 18,211 employees.<sup>4</sup>

Epiroc intends to issue sustainability-linked bonds and obtain sustainability-linked loans whose financial characteristics are tied to the achievement of SPTs of three GHG emissions.

Epiroc has engaged Sustainalytics to review the Framework and provide an opinion on the alignment of the Framework with the Sustainability-Linked Bond Principles 2024 and Sustainability-Linked Loan Principles 2023. The Framework will be published in a separate document.<sup>5</sup>

Tables 1 and 2 below describe the KPIs and SPTs defined by Epiroc:

**Table 1: KPI Definitions**

KPI	Definition
KPI 1: Absolute scope 1 and 2 GHG emissions (ktCO <sub>2</sub> e)	<p>This KPI is defined as the absolute amount of scope 1 and scope 2 GHG emissions measured in kilotons of CO<sub>2</sub> equivalent (ktCO<sub>2</sub>e).</p> <p>Epiroc follows the GHG Protocol standard in measuring and reporting its scope 1 and 2 GHG emissions.<sup>6</sup> Scope 1 emissions represent the direct GHG emissions from Epiroc's own operations and scope 2 emissions represent indirect GHG emissions from the consumption of purchased electricity, heat or steam.</p>
KPI 2: Absolute scope 3 GHG emissions (ktCO <sub>2</sub> e)	<p>This KPI is defined as the absolute amount of scope 3 emissions measured in kilotons of CO<sub>2</sub> equivalent (ktCO<sub>2</sub>e).</p> <p>Epiroc follows the GHG Protocol standard in measuring and reporting its scope 3 emissions. Scope 3 GHG emissions covered by KPI 2 represents the emissions from the use of sold products.<sup>7</sup></p>
KPI 3: Emission-free product offering for the full product range (%)	<p>The KPI is defined as the percentage of products in the Company's entire product portfolio that have an emission-free product alternative. Emission-free products have zero direct tailpipe emissions<sup>8</sup> and are defined as solutions that do not emit exhaust gas or other pollutants from the onboard source of power.</p>

<sup>4</sup> Epiroc, "About the Group", at: <https://www.epirocgroup.com/en/about-epiroc/about-the-group>

<sup>5</sup> Epiroc, "Sustainability Linked Finance Framework", at: <https://www.epirocgroup.com/en/investors/debt>

<sup>6</sup> Greenhouse Gas Protocol, "Corporate Standard", at: <https://ghgprotocol.org/corporate-standard>

<sup>7</sup> Products carrying its own energy source on-board (diesel engine, electrical motor and compressor) are included.

<sup>8</sup> Epiroc adheres to the technical screening criteria set out in the EU Climate Delegated Act to define "zero direct tailpipe emissions".

**Table 2: SPTs and Past Performance**

KPI	2019 (baseline)	2020	2021	2022	2023 <sup>9</sup>	SPT 2028	SPT 2029	SPT 2030
KPI 1: Absolute scope 1&2 GHG emissions (ktCO <sub>2</sub> e)	28	36	33	26	28	SPT 1.1: Reduce absolute scope 1 and 2 GHG emissions by 50% by 2028 from the 2019 baseline	SPT 1.2: Maintain the achieved absolute scope 1 and 2 GHG emissions reduction (50% from the 2019 baseline) through increased volumes and acquisitions	SPT 1.3: Maintain the achieved absolute scope 1 and 2 GHG emissions reduction (50% from the 2019 baseline) through increased volumes and acquisitions
KPI 2: Absolute scope 3 GHG emissions (ktCO <sub>2</sub> e)	5,327.00	4,238.00	4,825.00	5,186.00	5,653.00	SPT 2.1: Reduce absolute scope 3 GHG emissions from the use of sold products by 20% by 2028 from the 2019 baseline	SPT 2.2: Reduce absolute scope 3 GHG emissions from the use of sold products by 36% by 2029 from the 2019 baseline	SPT 2.3: Reduce absolute Scope 3 GHG emissions from the use of sold products by 50% by 2030 from the 2019 baseline

KPI	2021 (baseline)	2022	2023	SPT 2028	SPT 2029	SPT 2030
KPI 3: Emission-free product offering for the full product range (%)	35%	39%	42%	SPT 3.1: Achieve 72% emission-free product offering for the full product range by 2028	SPT 3.2: Achieve 86% emission-free product offering for the full product range by 2029	SPT 3.3: Achieve 100% emission-free product offering for the full product range by 2030

<sup>9</sup> Epiroc has communicated to Sustainalytics that the Company's emissions data has been recalculated to reflect the change in operational boundaries due to recent acquisitions.

## Sustainalytics' Opinion

### Section 1: Alignment with Relevant Market Standards

Sustainalytics is of the opinion that the Sustainability-Linked Finance Framework aligns with the five core components of the Sustainability-Linked Bond Principles 2024 and Sustainability-Linked Loan Principles 2023.



#### Selection of Key Performance Indicators

##### Relevance and Materiality of KPIs

In assessing the materiality and relevance of a KPI, Sustainalytics considers: i) whether the indicator speaks to a material impact of the issuer's activities on environmental or social issues; and ii) to what extent the KPI is applicable.

KPI 1: Absolute scope 1 and 2 GHG emissions (ktCO<sub>2</sub>e)

KPI 2: Absolute scope 3 GHG emissions (ktCO<sub>2</sub>e)

KPI 3: Emission-free product offering for the full product range (%)

Sustainalytics assessed KPIs 1, 2 and 3 jointly because they collectively address the issue of GHG emissions. Sustainalytics considers KPIs 1, 2 and 3 to be material, relevant and have a high scope of applicability, given that:

- Sustainalytics' ESG Risk Rating Report for the Company identifies "Carbon – Products and Services"<sup>10</sup> as a material ESG issue (MEI) for Epiroc.<sup>11</sup> Additionally, the Sustainability Accounting Standards Board (SASB) identifies "Product Design & Lifecycle Management" in particular "fuel economy and emissions in use-phase", as a material issue for Epiroc and the Industrial Machinery and Goods industry.<sup>12</sup>
- The KPIs' applicability is assessed jointly, as KPIs 1, 2 and 3 are an integral part of the Company's decarbonization strategy, collectively addressing a significant part of Epiroc's scope 1, 2 and 3 GHG emissions. In 2023, scope 1 and 2 accounted for approximately 1% of Epiroc's emissions while scope 3 accounted for 99%. The boundary of KPIs 2 and 3 are limited to the scope 3 emissions from use of sold products, responsible for 83% of the Company's total GHG emissions. Furthermore, KPI 3's boundary covers Epiroc's products that carry its own on-board energy source, that contributes to Epiroc's scope 3 emissions from use of sold products. Hence, Sustainalytics notes that the KPIs together have an applicability of about 84%.

##### KPI Characteristics

In assessing a KPI's characteristics, Sustainalytics considers: i) whether it uses a clear and consistent methodology; ii) whether it follows an externally recognized definition; iii) whether the KPI is a direct measure of the issuer's performance on a material environmental or social issue;<sup>13</sup> and iv) whether the methodology can be compared against an external contextual benchmark.<sup>14</sup>

KPI 1: Absolute scope 1 and 2 GHG emissions (ktCO<sub>2</sub>e)

Sustainalytics considers Epiroc's definition and methodology to calculate KPI 1 performance to be clear and consistent with the Company's historical disclosures on scope 1 and scope 2 emissions. KPI 1 follows the GHG Protocol Standard<sup>15</sup> and supports benchmarking against external GHG emissions reduction trajectories such as

<sup>10</sup> The "Carbon – Products and Services" MEI refers to the company's management of the energy efficiency and GHG emissions of its services and products during the use phase.

<sup>11</sup> Sustainalytics, "Epiroc AB, ESG Risk Rating Report", (2023).

<sup>12</sup> SASB, "Epiroc AB", at: <https://sasb.ifrs.org/standards/materiality-finder/find/>

<sup>13</sup> A direct measure refers to a metric selected for the KPI that shows a specific indicator of performance or an outcome on the material ESG issue.

<sup>14</sup> External contextual benchmarks are standards or points of reference established by recognized third-party organizations to facilitate comparability.

<sup>15</sup> Greenhouse Gas Protocol, "A Corporate Accounting and Reporting Standard revised edition", at: <https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf>

Science Based Targets initiative’s (SBTi) cross-sector absolute contraction approach.<sup>16</sup> Sustainalytics considers KPI 1 to be directly linked to Epiroc’s performance on the material environmental issue of GHG emissions.

**KPI 2: Absolute scope 3 GHG emissions (ktCO<sub>2</sub>e)**

Sustainalytics considers Epiroc’s definition and methodology to calculate KPI 2 performance to be clear and consistent with the Company’s historical disclosures on scope 3 emissions. KPI 2 follows the GHG Protocol standard and supports benchmarking against external GHG emissions reduction trajectories such as SBTi’s cross-sector absolute contraction approach.<sup>17</sup> Sustainalytics considers KPI 2 to be directly linked to Epiroc’s performance on the material environmental issue of GHG emissions.

**KPI 3: Emission-free product offering for the full product range (%)**

Sustainalytics considers Epiroc’s definition and methodology for calculating progress on the KPI to be clear and consistent with the Company’s historical disclosure. However, the KPI does not follow an externally defined methodology. Sustainalytics considers KPI 3 to be directly linked to the Company’s performance and transition plan, given that the KPI is a direct measure of the expansion of emissions-free products in Epiroc’s product range, which addresses about 83% of its scope 3 emissions from the use of sold products. Furthermore, Sustainalytics notes that there are no external contextual benchmarks currently available to assess progress on the KPI over the bond or loan period.

**Overall Assessment**

Sustainalytics considers KPI 1 to be very strong given that it: i) represents a direct measure of Epiroc’s performance on a relevant and material environmental issue; ii) has a high scope of applicability in combination with KPI 2 and 3; iii) follows a clear and consistent methodology that is externally defined; and iv) supports benchmarking against external GHG emissions reduction trajectories.

Sustainalytics considers KPI 2 to be very strong given that it: i) represents a direct measure of Epiroc’s performance on a relevant and material environmental issue; ii) has a high scope of applicability in combination with KPI 1 and 3; iii) follows a clear and consistent methodology that is externally defined; and iv) supports benchmarking against external GHG emissions reduction trajectories.

Sustainalytics considers KPI 3 to be strong, given that it: i) is a direct measure of Epiroc’s performance on a relevant and material environmental issue; ii) has a high scope of applicability in combination with 1 and 2; iii) follows a clear and consistent methodology that is not externally defined; but iv) does not lend itself to be benchmarked against external contextual benchmarks.

KPI	Strength of KPI			
	Not Aligned	Adequate	Strong	Very strong
KPI 1: Absolute scope 1 and 2 GHG emissions (ktCO <sub>2</sub> e)	Not Aligned	Adequate	Strong	Very strong
KPI 2: Absolute scope 3 GHG emissions (ktCO <sub>2</sub> e)	Not Aligned	Adequate	Strong	Very strong
KPI 3: Emission-free product offering for the full product range (%)	Not Aligned	Adequate	Strong	Very strong



**Calibration of Sustainability Performance Targets**

**Alignment with Epiroc’s Sustainability Strategy**

Epiroc has set the following SPTs for its KPIs:

- SPTs 1.1 to 1.3: Reduce absolute scope 1 and 2 GHG emissions by 50% by 2028 from the 2019 baseline and maintain the level through increased volumes and acquisitions till 2030.

<sup>16</sup> SBTi, “SBTi Corporate Net-zero Standard”, at: <https://sciencebasedtargets.org/resources/files/Net-Zero-Standard.pdf>

<sup>17</sup> Ibid.

- SPTs 2.1 to 2.3: Reduce absolute scope 3 GHG emissions from the use of sold products by 20% by 2028, 36% by 2029 and 50% by 2030, from the 2019 baseline.
- SPTs 3.1 to 3.3: Achieve 72% emission-free product offering for the full product range by 2028, 86% by 2029 and 100% by 2030.

Sustainalytics considers the SPTs to be aligned with Epiroc's overall sustainability strategy. Sustainalytics reviewed Epiroc's sustainability strategy and notes that Epiroc has identified responsible and efficient use of resources as one of its four strategic focus areas.<sup>18</sup> Under this focus area, Epiroc has also set relevant emissions reduction targets to address emissions from its products, operations, transport, and supply-chain management. Further, Epiroc commits to i) develop more resource efficient products and battery-electric equipment that support low-carbon alternatives, ii) contributing to upgrading infrastructure and retrofitting industries to make them more sustainable, iii) use natural resources efficiently, iv) generate less waste through elimination, reduction, recycling and reuse in its own operations, and v) reduce the reliance on fossil fuels and increase renewable energy usage in its operations.<sup>19</sup> Please refer to Section 2 for an analysis of the credibility of Epiroc's sustainability strategy.

### **Strategy to Achieve the SPTs**

Epiroc intends to achieve SPTs 1.1 to 1.3 through the following strategy:

- Follow the energy-efficiency program launched in 2019 which aims to increase the level of renewable energy in Epiroc's operations through investments in facility structures and alternative energy sources.<sup>20</sup>
- Transition to renewable energy and energy efficiency initiatives, including to increase its own production solar power, through solar panel installation in Epiroc's facilities.
- Include all acquired companies in Epiroc's energy-efficiency program.

Epiroc intends to achieve SPTs 2.1 to 2.3 and 3.1 to 3.3 through the following strategy:

- Transition towards offering products with lower CO<sub>2</sub> emissions through biofuel adaptation and other energy efficiency improvements such as more efficient engines and cable-connected machines.
- Offer all equipment with an emissions-free alternative for underground operations by 2025 and for surface operations by 2030.
- Invest in battery technology and cable-connected equipment.
- Achieve the zero-emission products through battery conversion from diesel to electric.

### **Ambitiousness, Baseline and Benchmarks**

To determine the ambitiousness of an SPT, Sustainalytics considers: i) whether the SPT goes beyond a business-as-usual trajectory; ii) how the SPT compares to targets set by peers; and iii) how the SPT compares with science-based trajectories.<sup>21</sup>

Epiroc has set the baseline for SPTs 1 and 2 at 2019 because it is consistent with its SBTi approved targets, and SPT 3 at 2021 to be aligned with publicly disclosed targets.

**SPTs 1.1 to 1.3:** Sustainalytics was able to use the following benchmarks to assess ambitiousness: past performance, peer performance, science-based trajectories.

Regarding past performance, Sustainalytics notes that between 2019 and 2023 Epiroc has reduced its scope 1 and scope 2 emissions by 49%. Achieving SPT 1.1 to 1.3 would only imply a reduction of 1% between 2023 and 2030. Therefore, Sustainalytics considers the targeted performance required to achieve SPT 1.1 to 1.3 to be below the historical performance. However, Epiroc communicated to Sustainalytics that Epiroc's innovation strategy involves acquiring large companies, which could have significant negative contributions to Epiroc's scope 1 and 2 emissions portfolio. Additionally, Epiroc confirmed that some of these acquisition companies may also be located in regions where sourcing of renewable energy may be challenging. Though the target is close to being achieved, Sustainalytics considers the SPTs 1.1 to 1.3 to represent continuous material improvement as Epiroc's

<sup>18</sup> Epiroc, "Annual and Sustainability Report", (2023), at: <https://www.epirocgroup.com/content/dam/corporate/cision/reports/english/Epiroc%20Annual%20and%20Sustainability%20Report%202023.pdf>

<sup>19</sup> Ibid.

<sup>20</sup> Ibid.

<sup>21</sup> We refer here to contextual benchmarks that indicate the alignment of targets with ecosystem boundaries.

planned acquisitions represent an inherent challenge for the Company to reach 50% reduction by 2028 and maintaining the same levels through the observation dates in 2029 and 2030.<sup>22</sup>

Sustainalytics has analyzed the performance of seven of Epiroc's industry peers and found the Company's target to exceed similar targets set by peers. Therefore, Sustainalytics considers SPTs 1.1 to 1.3 to be above peer performance.

Sustainalytics notes that Epiroc's emissions reduction targets have been validated by SBTi and the SPT implies approximately a 4.5% average annual reduction in absolute scope 1 and 2 GHG emissions between 2019 and 2030, which exceeds the minimum average annual reduction of 4.2% defined in the SBTi's cross-sector absolute contraction approach for alignment with the 1.5°C decarbonization pathway.<sup>23</sup> Sustainalytics considers the annual targets for 2028 and 2029 as integral parts of its decarbonisation strategy for achieving the final 2030 target. This approach aligns with the SBTi's 1.5°C scenario using the absolute contraction approach. As a result, SPTs 1.1 to 1.3 yield the same assessment outcome as the final SPT.

**SPTs 2.1 to 2.3:** Sustainalytics was able to use the following benchmarks to assess ambitiousness: past performance, peer performance, science-based trajectories.

Regarding past performance, Sustainalytics notes that between 2019 and 2023, Epiroc's scope 3 emissions from use of sold products increased by approximately 1%. Achieving SPT 2.1 to 2.3 implies a reduction in the Company's absolute scope 3 GHG emissions at an average annual rate of approximately 4.20% between 2023 and 2028, 6.17% between 2023 and 2029, and 7.29% between 2023 and 2030. Therefore, Sustainalytics considers the targeted performance required to achieve SPTs 2.1 to 2.3 to be significantly above the Company's historical performance on absolute scope 3 GHG emissions.

Sustainalytics has analyzed the performance of seven of Epiroc's industry peers. It found that a majority of the peers have not set scope 3 emissions reduction targets and that the Company's target exceeds similar targets set by the remaining peers. Therefore, Sustainalytics considers SPTs 2.1 to 2.3 to be best in class among peers.

Regarding comparison with science-based references, SPT 2.1 to 2.3 implies a 4.5% average annual reduction in absolute scope 3 GHG emissions between 2019 and 2030, which exceeds the minimum average annual reduction of 4.2% defined in the SBTi's cross-sector absolute contraction approach for alignment with the 1.5°C decarbonization pathway.<sup>24</sup> Sustainalytics considers the annual targets for 2028 and 2029 as integral parts of its decarbonisation strategy for achieving the final 2030 target. This approach aligns with the SBTi's 1.5°C scenario using the absolute contraction approach. As a result, SPTs 2.1 to 2.3 yield the same assessment outcome as the final SPT.

**SPTs 3.1 to 3.3:** Sustainalytics was able to use the following benchmarks to assess ambitiousness: past performance and peer performance.

Regarding historical performance, Sustainalytics notes that Epiroc's emission-free product offering has increased from 35% in 2021 to 42% in 2023. Achieving SPT 3.1 to 3.3 implies reaching 72% by 2028, 86% by 2029 and 100% by 2030 compared to 2021 as a baseline. Therefore, Sustainalytics considers the targeted performance required to achieve SPT 3 to be significantly above the historical performance.

Sustainalytics has analyzed the performance of seven of Epiroc's industry peers. Sustainalytics notes that a majority of the peers have not targets to offer emissions-free alternatives in their product range and that the Company's target exceeds similar targets set by the remaining peers. Therefore, Sustainalytics considers SPTs 3.1 to 3.3 to be best in class among peers.

Regarding comparisons with science-based trajectories, Sustainalytics is of the opinion that relevant contextual benchmarks are not available and as such SPT 3 cannot be compared against any external trajectories.

<sup>22</sup> Epiroc, "Annual and Sustainability Report", (2023), at: <https://www.epirocgroup.com/content/dam/corporate/cision/reports/english/Epiroc%20Annual%20and%20Sustainability%20Report%202023.pdf>

<sup>23</sup> The absolute contraction approach is a method for companies to set emissions reduction targets that are aligned with the global annual emissions reduction rate that is required to meet the 1.5°C or well-below 2°C targets.

<sup>24</sup> The absolute contraction approach is a method for companies to set emissions reduction targets that are aligned with the global annual emissions reduction rate that is required to meet the 1.5°C or well-below 2°C targets.

**Overall Assessment**

Sustainalytics considers the SPTs to align with Epiroc’s sustainability strategy and the SPTs 1.1 to 1.3 to be ambitious given that they are: i) close to being achieved and below historical performance, however it represents an inherent challenge to achieve the targets in light of planned acquisitions; ii) above the targets set by Epiroc’s peers; and iii) aligned with SBTi’s 1.5°C scenario under the cross-sector absolute contraction approach.

Sustainalytics considers Epiroc’s SPTs 2.1 to 2.3 to be highly ambitious given that they are: i) significantly above historical performance; ii) best in class among peers; and iii) aligned with SBTi’s 1.5°C scenario under the cross-sector absolute contraction approach.

Sustainalytics considers Epiroc’s SPTs 3.1 to 3.3 to be highly ambitious given that the targets are: i) significantly above past performance; ii) best in class among peers; but iii) relevant contextual benchmarks are not available and as such the SPT cannot be compared against any external trajectories.

SPT	Ambitiousness of SPT			
SPTs 1.1 to 1.3: Reduce absolute scope 1 and 2 GHG emissions by 50% by 2028 from the 2019 baseline and maintain the level through increased volumes and acquisitions till 2030	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
SPTs 2.1 to 2.3: Reduce absolute scope 3 GHG emissions from the use of sold products by 20% by 2028, 36% by 2029 and 50% by 2030, from the 2019 baseline.	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
SPTs 3.1 to 3.3: Achieve 72% emission-free product offering for the full product range by 2028, 86% by 2029 and 100% by 2030.	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious



**Financial Instrument Characteristics**

The financial characteristics of the sustainability-linked bonds issued and sustainability-linked loans obtained under the Framework will be linked to the achievement of all three SPTs. Failure to achieve these SPTs will constitute a trigger event and will lead to a step-up in the coupon rate or an increase in the redemption price. For each instrument, Epiroc will disclose in the respective securities documentation which mechanism will be used. The KPIs and SPTs are assessed on a combined basis, as three KPIs are an integral part of the Company’s decarbonization strategy. The combined approach is valid for transactions where all three KPIs/SPTs are selected under the Framework. Epiroc has confirmed that all SPTs will be individually assessed and that all financial instruments executed under the Framework will include all the KPIs and SPTs in the Framework. Sustainalytics considers the financial characteristics of the sustainability-linked bonds and loans to be aligned with the SLBP and SLLP, but does not opine on the adequacy of the magnitude of the financial penalty.



**Reporting**

Epiroc commits to report on an annual basis on its progress on the KPIs and expects to include the relevant figures in a Sustainability-Linked Finance Progress Report on its website. Epiroc further commits to disclose relevant information enabling investors to monitor the level of ambition of the SPTs. The reporting commitments are aligned with the SLBP and SLLP.



## Verification

Epiroc commits to have one or more external verifiers provide limited assurance against each SPT for each KPI at least once a year, which is aligned with the SLBP and SLLP on verification.

## Section 2: Assessment of Epiroc's Sustainability Strategy

### Credibility of Epiroc Sustainability Strategy

Sustainalytics is of the opinion that the Framework aligns with Epiroc's sustainability strategy, which focuses on the following areas: i) use of resources responsibly and efficiently; ii) investment in safety and health; iii) growth of people and leaders and iv) promotion of ethical standards.

Epiroc has set 2030 targets for addressing its scope 1, 2 and 3 emissions: i) reducing absolute scope 1 and scope 2 GHG emissions by 50% in 2030 from a 2019 base year; ii) reducing absolute Scope 3 GHG emissions from use of sold products by 50% from a 2019 base year; iii) achieving the use of 90% renewable energy in operations; iv) reducing the CO<sub>2</sub>e emissions from transport and machines sold by half and vi) reducing CO<sub>2</sub>e emissions from relevant suppliers by 50%. Epiroc received validation from SBTi for its scope 1, 2 and 3 emissions reduction targets in November 2021.<sup>25</sup> To achieve these targets Epiroc has developed specific strategies including: i) to perform a life cycle analysis to identify areas of improvement for resource use and emissions reductions; ii) regarding transport emissions, where Epiroc has established regional distribution centers, reduced road freight and increased sea freight, and commits to transition to electric trucks; and iii) to engage with suppliers to reduce their overall carbon footprint. In 2023, Epiroc has partnered with SSAB<sup>26</sup> to secure fossil-free steel to use to produce the Company's mining equipment.<sup>27</sup>

The implementation of Epiroc's sustainability strategy is coordinated at the Group-level. Epiroc's Group Management is responsible for formulating and integrating the Company's sustainability commitments, and more specifically the oversight of the decarbonization plan.<sup>28</sup> Epiroc's CEO is accountable for delivering results in accordance with the sustainability strategies and targets. Furthermore, Epiroc reports its sustainability impacts and performance in accordance with the Global Reporting Initiative,<sup>29</sup> the requirements of Sweden's legislation on sustainability reporting of the Annual Accounts Act<sup>30</sup> and Task Force on Climate-related Financial Disclosures.<sup>31</sup> The environmental data covers all production units and distribution centers, and is reported at a local operating unit level, aggregated to division and Group-levels.<sup>32</sup> Furthermore, Epiroc aims for all of its unit to achieve a triple-certification for ISO 9001:2015<sup>33</sup> for quality management, ISO 14001:2015<sup>34</sup> for environmental management and ISO 45001:2018<sup>35</sup> for occupational health and safety, and new acquisitions to be certified within a two-year period. As of 2023, 64% of the major operating units have triple certification in place by the end of the year.<sup>36</sup>

<sup>25</sup> Epiroc, "Annual and Sustainability Report", (2023), at: <https://www.epirocgroup.com/content/dam/corporate/cision/reports/english/Epiroc%20Annual%20and%20Sustainability%20Report%202023.pdf>

<sup>26</sup> SSAB: "Fossil-free steel", at: <https://www.ssab.com/en/fossil-free-steel/ssab-zero>

<sup>27</sup> Epiroc, "Annual and Sustainability Report", (2023), at: <https://www.epirocgroup.com/content/dam/corporate/cision/reports/english/Epiroc%20Annual%20and%20Sustainability%20Report%202023.pdf>

<sup>28</sup> Epiroc, "Annual and Sustainability Report", (2023), at: <https://www.epirocgroup.com/content/dam/corporate/cision/reports/english/Epiroc%20Annual%20and%20Sustainability%20Report%202023.pdf>

<sup>29</sup> Global Reporting Initiative: <https://www.globalreporting.org/>

<sup>30</sup> Government Offices Sweden: <https://www.government.se/government-agencies/swedish-accounting-standards-board/>

<sup>31</sup> TCFD: <https://www.fsb-tcfd.org/>

<sup>32</sup> Epiroc, "Annual and Sustainability Report", (2023), at: <https://www.epirocgroup.com/content/dam/corporate/cision/reports/english/Epiroc%20Annual%20and%20Sustainability%20Report%202023.pdf>

<sup>33</sup> ISO 9001:2015, at: <https://www.iso.org/standard/62085.html#:~:text=ISO%209001%20is%20a%20globally,demonstrate%20their%20commitment%20to%20quality>.

<sup>34</sup> ISO 14001:2015, at: <https://www.iso.org/standard/60857.html>

<sup>35</sup> ISO 45001:2018, at: <https://www.iso.org/standard/63787.html>

<sup>36</sup> Epiroc, "Annual and Sustainability Report", (2023), at: <https://www.epirocgroup.com/content/dam/corporate/cision/reports/english/Epiroc%20Annual%20and%20Sustainability%20Report%202023.pdf>

In 2022, Epiroc issued its first green bonds of SEK 2.0 billion (EUR 173 million) followed by two bonds in May and September of 2023 of SEK 1.5 billion (EUR 129 million) and SEK 0.5 billion (EUR 43 million) respectively. As of 2023, 70% of Epiroc's long-term financing is green or sustainability linked.<sup>37</sup>

Epiroc leads the Global Mining Guidelines Group, which aims to enhance the safety, innovation, and sustainability of the global mining community by facilitating and accelerating collaboration among industry stakeholders.<sup>38</sup> It also coordinates the project NEXGEN SIMS, which works with mining companies, equipment and system suppliers and universities to support new technologies, methods and processes to enable a more efficient carbon-neutral mining operation.

Sustainalytics considers Epiroc's sustainability strategy as credible and considers that instruments issued under the Framework will further support decarbonization of its operations and value chain.

### **Epiroc's Environmental and Social Risk Management**

Sustainalytics acknowledges that Epiroc's defined targets are impactful, but achieving the SPTs bears environmental and social risks, primarily related to product governance<sup>39</sup>, business ethics<sup>40</sup> and human capital<sup>41</sup>.

Sustainalytics is of the opinion that Epiroc is able to manage or mitigate potential risks through implementation of the following:

- Regarding product governance, Epiroc has developed processes to mitigate risks regarding product development and quality as part of its overall risk management, including to: i) invest in research and development in order to meet the productivity, quality, functionality, safety and environmental needs of client expectations; ii) design products with reduced emissions and increased recycling potential; iii) perform standardization of process for quality and control; and iv) to ensure the same level of quality assurance for vendors and suppliers.<sup>42</sup> Furthermore, Epiroc has a conflict mineral program built on: i) the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas;<sup>43</sup> and ii) the tools of the Responsible Minerals Initiative, in which suppliers are required to identify and declare the origin of certain minerals present in products and components to ensure responsible sourcing within the supply chain.<sup>44</sup> The Company also has a list of substances which are prohibited in its products and its internal and outsourced processes due to their negative impact on health and the environment.<sup>45</sup> Regarding product safety, Epiroc has a complete lifecycle product safety process in place which includes: i) products delivered with safety instructions and warnings; ii) customer training for safe handling of products; and iii) safety campaigns on safety issues on already delivered products.<sup>46</sup>
- For business ethics, Epiroc's Code of Conduct outlines the business conduct and expected behaviour of the Group, and its employees.<sup>47</sup> The code includes principles regarding anti-corruption, anti-money laundering, third party due diligence, trade compliance, fair dealing, health safety and labour conditions and human rights. Additionally, regarding its suppliers Epiroc has an evaluation system in place to examine labour issues, environmental performance regarding managing waste, minimizing emissions and reducing consumption of natural resources, and

<sup>37</sup> Ibid.

<sup>38</sup> Ibid.

<sup>39</sup> Sustainalytics' MEI "Product Governance" focuses on how companies manage responsibilities to their clients. Emphasis is put on quality management systems, marketing practices, fair billing and post-sales responsibility.

<sup>40</sup> Sustainalytics' MEI "Business Ethics" focuses on the management of ethical considerations applicable to most or all sectors, such as taxation and accounting, anti-competitive practices and intellectual property issues.

<sup>41</sup> Sustainalytics' MEI "Human Capital" focuses on the management of risks related to scarcity of skilled labour as well as labour relations, such as non-discrimination, working hours and minimum wages.

<sup>42</sup> Epiroc, "Annual and Sustainability Report", (2023), at:

<https://www.epirocgroup.com/content/dam/corporate/cision/reports/english/Epiroc%20Annual%20and%20Sustainability%20Report%202023.pdf>

<sup>43</sup> OECD, "Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas", at:

<https://www.oecd.org/daf/inv/mne/OECD-Due-Diligence-Guidance-Minerals-Edition3.pdf>

<sup>44</sup> Epiroc, "Annual and Sustainability Report", (2023), at:

<https://www.epirocgroup.com/content/dam/corporate/cision/reports/english/Epiroc%20Annual%20and%20Sustainability%20Report%202023.pdf>

<sup>45</sup> Epiroc, "Prohibited List", at: [https://www.epirocgroup.com/content/dam/epiroc/corporate/documents/prohibited-and-declarable-lists/4673\\_Epiroc%20Prohibited\\_List\\_Oct\\_2018\\_%20\\_D2.pdf](https://www.epirocgroup.com/content/dam/epiroc/corporate/documents/prohibited-and-declarable-lists/4673_Epiroc%20Prohibited_List_Oct_2018_%20_D2.pdf)

<sup>46</sup> Epiroc, "Annual and Sustainability Report", (2023), at:

<https://www.epirocgroup.com/content/dam/corporate/cision/reports/english/Epiroc%20Annual%20and%20Sustainability%20Report%202023.pdf>

<sup>47</sup> Epiroc, "Code of Conduct", at: [https://www.epiroc.com/content/dam/epiroc/local-countries/greece/documents/Epiroc%20Code%20of%20Conduct%20English\\_2021.pdf](https://www.epiroc.com/content/dam/epiroc/local-countries/greece/documents/Epiroc%20Code%20of%20Conduct%20English_2021.pdf)

human rights issues in its operations before engaging.<sup>48</sup> Epiroc's suppliers must adhere to Epiroc's Business and Business Partner Code of Conduct which outlines minimal behavioural requirements involving quality of goods and services and ethical standards.<sup>49</sup>

- Regarding human capital, Epiroc has a system in place for risk assessment, incident reporting and safety inspections which complies with ISO 45001:2008.<sup>50</sup> Work-related injuries are reported and worked on at a local and Group level, and safety training is provided to all employees. Epiroc's suppliers and contractors must commit to the Business Partner Code of Conduct and audits are performed to ensure compliance.<sup>51</sup> Additionally, contractors must adhere to the Company's safety procedures and routines as employees.<sup>52</sup> Furthermore, Epiroc is committed to integrating human rights across its business operations in accordance with UN Guiding Principles on Business and Human Rights.<sup>53</sup>

Based on the above, Sustainalytics is of the opinion that Epiroc has implemented adequate measures, and is well positioned to manage and mitigate environmental and social risks commonly associated with its operation.

## Section 3: Impact of the SPTs

### Importance of financing industrial decarbonization

In 2023, the light industry sector<sup>54</sup>, which includes machinery production, accounted for 8% of total industrial emissions.<sup>55</sup> Between 2010 and 2020, light industry GHG emissions declined at an average annual rate of 1.8%. In order to align with the Net Zero Emissions (NZE) by 2050 scenario, annual emissions reduction from the sector should accelerate to approximately 6% between 2023 and 2030.<sup>56</sup> In the NZE Scenario, the share of electricity increases by approximately 3% per year, to make up 55% of total energy consumption by 2030, alongside the continuous increase in adoption of renewable energy technologies. As a result, fossil fuels are used for less than a quarter of the final energy consumption.<sup>57</sup>

Compared to heavy industries, light industries often have lower process heat requirements, making them more amenable to adopting cleaner technologies like electrification and renewable heat sources. Given the potential for electrification in the light industry, this sector holds an advantageous position for emissions reduction compared to other industries. In order to support the electrification using renewable sources, policies are needed to ensure that the necessary investment in, planning for, and deployment of renewable energy production capacity and distribution systems takes place. The global drive for net zero emissions is leading to a major push for more efficient electric motors across the machinery industry. By 2030, the NZE Scenario anticipates that 90% of global motor sales will be at least International Efficiency 3 ("IE3") class, representing a considerable improvement over the current 75% sales contribution from IE2 class or lower. Furthermore, the global expansion of Minimum Energy Performance Standards (MEPS) for industrial motors has seen significant growth, with 53% of global motors now under these standards in 2022, up from 5% in 2000, across 62 countries.<sup>58</sup> Countries are promoting industrial energy efficiency through various national initiatives. In Germany, substantial subsidies support the installation of energy-efficient technologies.<sup>59</sup> Similarly, Denmark offers financial assistance for projects that enhance energy optimization in process plants.<sup>60</sup> Brazil's PotencializEE programme<sup>61</sup>

<sup>48</sup> Epiroc, "Business Partner Code of Conduct", at: <https://www.epirocgroup.com/en/sustainability/highest-ethical-standards/responsible-supply-chain>

<sup>49</sup> Epiroc, "Annual and Sustainability Report", (2023), at: <https://www.epirocgroup.com/content/dam/corporate/cision/reports/english/Epiroc%20Annual%20and%20Sustainability%20Report%202023.pdf>

<sup>50</sup> ISO 45001:2018: <https://www.iso.org/standard/63787.html>

<sup>51</sup> Epiroc, "Business Partner Code of Conduct", at: <https://www.epirocgroup.com/en/sustainability/highest-ethical-standards/responsible-supply-chain>

<sup>52</sup> Ibid.

<sup>53</sup> Ibid.

<sup>54</sup> Light industry is formed of sectors with lower absolute energy use than heavy industry such as steel and cement. This includes the production of food (30% of light-industry emissions), construction (21%), mining (18%), machinery (16%), textiles (7%), vehicles (6%) and timber (3%).

<sup>55</sup> IEA, "Light Industry", (2023), at: <https://www.iea.org/energy-system/industry/light-industry>

<sup>56</sup> Ibid.

<sup>57</sup> Ibid.

<sup>58</sup> IEA, "Light Industry", (2023), at: <https://www.iea.org/energy-system/industry/light-industry>

<sup>59</sup> Ibid.

<sup>60</sup> Ibid.

<sup>61</sup> Government of Brazil, "PotencializEE", at: <https://www.programa-potencializee.com.br/o-programa/>

focuses on training experts to implement efficient technologies, and Chile has established a collaborative network aimed at boosting productivity and sustainability in the mining sector.<sup>62</sup>

Based on the above, Sustainalytics is of the opinion that Epiroc’s efforts to reduce scope 1, 2 and 3 GHG emissions are expected to positively contribute to reducing its environmental footprint and support the overall industrial decarbonization.

**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 Framework is expected to help advance the following SDG and targets:

KPI	SDG	SDG Target
KPI 1: Absolute scope 1 and 2 GHG emissions (ktCO <sub>2e</sub> )	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
KPI 2: Absolute scope 3 GHG emissions (ktCO <sub>2e</sub> )		7.3 By 2030, double the global rate of improvement in energy efficiency
KPI 3: Emission-free product offering for the full product range (%)	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 technologies and industrial processes, with all countries taking action in accordance with their respective capabilities

**Conclusion**

Epiroc intends to issue sustainability-linked bonds and obtain sustainability-linked loans tying the coupon rate or redemption price adjustment to the achievement or non-achievement of the following SPTs:

- (1) SPTs 1.1 to 1.3: Reduce absolute scope 1 and 2 GHG emissions by 50% by 2028 from the 2019 baseline and maintain the level through increased volumes and acquisitions till 2030.
- (2) SPTs 2.1 to 2.3: Reduce absolute scope 3 GHG emissions from the use of sold products by 20% by 2028, 36% by 2029 and 50% by 2030, from the 2019 baseline.
- (3) SPTs 3.1 to 3.3: Achieve 72% emission-free product offering for the full product range by 2028, 86% by 2029 and 100% by 2030.

Sustainalytics considers KPI 1 to be very strong given that it: i) represents a direct measure of Epiroc’s performance on a relevant and material environmental issue; ii) has a high scope of applicability in combination with KPI 2; iii) follows a clear and consistent methodology that is externally defined; and iv) supports benchmarking against external GHG emissions reduction trajectories. Sustainalytics considers KPI 2 to be very strong given that it: i) represents a direct measure of Epiroc’s performance on a relevant and material environmental issue; ii) has a high scope of applicability in combination with KPI 1; iii) follows a clear and consistent methodology that is externally defined; and iv) supports benchmarking against external GHG emissions reduction trajectories. Sustainalytics considers KPI 3 to be strong, given that it: i) is a direct measure of Epiroc’s performance on a relevant and material environmental issue; ii) it has a high scope of applicability; iii) it follows a clear and consistent methodology that is not externally defined; but iv) it does not lend itself to be benchmarked against external contextual benchmarks.

Sustainalytics considers the SPTs to align with Epiroc’s sustainability strategy and SPTs 1.1 to 1.3 to be ambitious given that it is: i) close to being achieved and below historical performance, however it represents an inherent challenge to achieve the targets in light of planned acquisitions; ii) above the targets set by Epiroc’s peers and iii) aligned with SBTi’s 1.5°C scenario under the cross-sector absolute contraction approach. Sustainalytics considers Epiroc’s SPTs 2.1 to 2.3 to be highly ambitious given that it is: i) significantly above historical performance; ii) best in class among set by Epiroc’s peers and iii) aligned with SBTi’s 1.5°C scenario under the cross-sector absolute contraction approach. Sustainalytics considers Epiroc’s SPTs 3.1 to 3.3 to be highly ambitious

<sup>62</sup> IEA, “Light Industry”, (2023), at: <https://www.iea.org/energy-system/industry/light-industry>

given that i) the targets significantly above past performance; ii) the targets are best in class among peers but iii) relevant contextual benchmarks are not available and as such the SPT cannot be compared against any external trajectories.

Additionally, Sustainalytics considers the reporting and verification commitments to be aligned with the Sustainability-Linked Bond Principles and Sustainability-Linked Loan Principles.

Based on the above, Sustainalytics considers the Sustainability Linked Finance Framework to be in alignment with the five core components of the Sustainability-Linked Bond Principles 2024 and the Sustainability-Linked Loan Principles 2023, and the prospective achievement of the SPTs to be impactful.

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