

Second-Party Opinion

Gränges Green and Sustainability-Linked Finance Framework



Evaluation Summary

Use of Proceeds Instruments

Green Bond Principles 2021 and Green Loan Principles 2021

Sustainalytics is of the opinion that the Gränges Green and Sustainability-Linked Finance Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021 and Green Loan Principles 2021 (the “Use of Proceeds Principles”). The eligible categories for the use of proceeds – Sustainable Aluminium Production and Solutions, Energy Intensity, Renewable Energy, and Clean Transportation – are aligned with those recognized by the Use of Proceeds Principles and are expected to reduce the environmental footprint of Gränges’ operations.

Sustainability-Linked Instruments

Sustainability-Linked Bond Principles 2020, Sustainability-Linked Loan Principles 2021

Sustainalytics is of the opinion that the Gränges Green and Sustainability Linked Bond Framework aligns with the Sustainability-Linked Bond Principles 2020 and Sustainability-Linked Loan Principles 2021 (the “Sustainability-Linked Principles”). The table below provides an overview of the defined KPIs and SPTs:

KPI	SPT	Strength of the KPI	Ambitiousness of SPT
Carbon emissions intensity from own operations and purchased energy (scope 1 and 2)	Reduction of scope 1 and 2 emissions intensity by 25% by 2025, compared to a 2017 baseline	Very Strong ¹	Ambitious
Carbon emissions intensity from sourced metal inputs (scope 3)	Reduction of scope 3 emissions intensity by 30% by 2025, compared to a 2017 baseline	Very Strong ¹	Moderately Ambitious
Share of recycled aluminium input	Increase the share of recycled aluminium to 30% of total sourced metal inputs by 2025	Strong	Ambitious

Evaluation Date	September 17, 2021
Issuer Location	Stockholm, Sweden

The UoPs and SPTs contribute to the following SDGs:



¹ Sustainalytics has taken a combined view towards rating KPIs 1 and 2 because they address jointly the issue of GHG emissions from Gränges operations.

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Scope of Work and Limitations

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent² opinion on the alignment of the Gränges Green and Sustainability-Linked Finance Framework, dated September 2021, (the "Framework") with current market standards. As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework's alignment with the Green Bond Principles 2021, Green Loan Principles 2021, Sustainability-Linked Bond Principles 2020, and Sustainability-Linked Loan Principles 2021;^{3, 4}
- The credibility and anticipated positive impacts of the use of proceeds and SPTs; and
- Gränges AB's sustainability strategy, performance and sustainability risk management.

As part of this engagement, Sustainalytics held conversations with various members of the management team of Gränges AB ("Gränges" or the "Company") to understand the sustainability impact of its business processes and the core components of the Framework. Gränges' representatives have confirmed that:

- (1) They understand it is the sole responsibility of Gränges 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 that Framework. Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Gränges.

Sustainalytics' Second-Party Opinion reflects on the alignment of the Framework with market standards but is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. The Second-Party Opinion is valid for issuances aligned with the respective Framework for up to 24 months or until one of the following occurs: (1) a material change to the external benchmarks⁵ against which targets were set; (2) a material corporate action, such as a material M&A or change in business activity which has a bearing on the achievement of the SPTs or the materiality of the KPIs.

For use of proceeds instruments, Sustainalytics relied on its internal taxonomy, version 1.10.1, which is informed by market practice and Sustainalytics' expertise as an ESG research provider. This Second-Party Opinion:

- addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure their actual impact. Measurement and reporting of the impact achieved through projects financed under the Framework are the responsibility of the Framework owner.
- opines on the potential allocation of proceeds but does not guarantee their realized allocation towards eligible activities.

For sustainability-linked instruments, this Second-Party Opinion addresses the anticipated SPTs of KPIs but does not measure KPI performance. KPI measurement and reporting are the responsibility of the respective instrument 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 favor or against the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Gränges has made available to Sustainalytics for the purpose of this Second-Party Opinion.

² 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.

³ The Green Bond Principles and Sustainability-Linked Bond Principles are administered by the International Capital Market Association (ICMA). These principles and their respective guidelines and handbooks are available at: <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/>

⁴ The Green Loan Principles and the Sustainability-Linked Loan Principles are jointly administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association. These principles and their respective guidelines and handbooks are available at: https://www.lsta.org/content/?_industry_sector=guidelines-memos-primary-market

⁵ Benchmarks refers to science-based benchmarks.

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Introduction

Gränges is a designer and manufacturer of value-added aluminium products for the automotive, specialty packaging and heating, ventilation and air conditioning sectors amongst others. Founded in 1896, headquartered in Stockholm and operating in the metal fabrication sector, the Company has production facilities across Europe, Asia and the Americas with a total annual capacity of 560,000 metric tonnes as of June 2021.

Gränges has developed the Gränges Green and Sustainability-Linked Finance Framework, under which it intends to issue use of proceeds green bonds and loans and sustainability-linked bonds and loans. Gränges engaged Sustainalytics to review the Framework and provide a second-party opinion on the Framework's alignment with the Green Bond Principles 2021, Green Loan Principles 2021, and Sustainability-Linked Bond Principles 2020, and Sustainability-Linked Loan Principles 2021. The Framework will be published in a separate document.⁶

Issuance from use of proceeds instruments will finance and refinance, in whole or in part, existing and future projects that are expected to reduce the environmental footprint of Gränges' operations and advance the Company's sustainability strategy. The Framework defines eligibility criteria in four green areas:

1. Sustainable Aluminium Production and Solutions
2. Energy Intensity
3. Renewable Energy
4. Clean Transportation

Under sustainability-linked instruments, the financial characteristics of the bonds and loans (such as coupon, redemption price and margin) are tied to achievement of SPTs for three KPIs, namely KPIs 1 and 2 which measure the reduction in GHG emissions intensity while KPI 3 is related to the share of recycled aluminium as a proportion of total sourced metal inputs.

Tables 1 and 2 below define the KPIs and SPTs Gränges used.

Table 1: KPI Definitions

KPI	Definition
KPI 1: Carbon emissions intensity from own operations and purchased energy (scope 1 and 2)	This KPI is defined as the annual GHG emissions intensity measured in tonnes of CO₂ equivalent (tCO₂e) for both scope 1 and scope 2 emissions divided by the total tonnes of packed products. Emissions intensity is calculated as follows: tCO₂e/t The calculation includes scope 1 emissions from the Company's own operations and scope 2 emissions from purchased electricity. Scope 1 and 2 emissions are calculated in accordance with the Greenhouse Gas Protocol.
KPI 2: Carbon emissions intensity from sourced metal inputs (scope 3)	This KPI is defined as the annual GHG emissions intensity measured in tonnes of CO₂ equivalent for scope 3 emissions divided by the total tonnes of packed products. Emissions intensity is calculated as follows: tCO₂e/t The calculation includes scope 3 emissions from material and services purchased by the Company, calculated in accordance with the Greenhouse Gas Protocol.
KPI 3: Share of recycled aluminium input	This KPI is defined as the share of sourced recycled aluminium as a proportion of total sourced metal inputs. The Company will calculate recycled aluminium input in accordance with the calculation methodology defined by the Global Reporting Initiative (GRI).⁷

⁶ The Gränges Green and Sustainability-Linked Bond Framework is available on Gränges' website at: <https://www.granges.com/>

⁷ GRI, "GRI 301: Materials", (2016), at: <https://www.globalreporting.org/standards/media/1008/gri-301-materials-2016.pdf>

Table 2: SPTs and Past Performance

KPI	2016	2017 (baseline)	2018	2019	2020	SPT 2025
Carbon emissions intensity from own operations and purchased energy (scope 1 and 2) (tCO ₂ e/t)	0.83	0.81	0.75	0.82	0.83	Reduction of scope 1 and 2 emissions intensity by 25% by 2025 compared to 2017 levels
Carbon emissions intensity from sourced metal inputs (scope 3) (tCO ₂ e/t)	12.2	11.9	11.2	10.5	9.6	Reduction of scope 3 emissions intensity by 30% by 2025 compared to 2017 levels
Share of recycled aluminium input	13.9%	11.5%	16.7%	19.8%	22.5%	Increase the share of recycled aluminium to 30% of total sourced metal inputs by 2025

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Alignment of the Framework with Relevant Market Standards

Alignment with Use of Proceeds Principles

Sustainalytics is of the opinion that the Gränges Green and Sustainability-Linked Finance Framework is credible, impactful and aligns with the Green Bond Principles 2021 and Green Loan Principles 2021. For detailed information, please refer to Appendix 1: Green Bond / Green Bond Programme External Review Form. Sustainalytics highlights the following elements of the Framework:



Use of Proceeds

Overall Assessment of Use of Proceeds

Use of Proceeds	Activity	Classification	Description and Sustainalytics' Assessment
Sustainable Aluminum Products and Solutions	Recycling of aluminium	Green	Investment in facilities and equipment for the collection, sorting and recycling of aluminium. This is in line with market practice.
	Battery applications	Green	Investment in facilities and equipment for the manufacturing of battery applications, such as cathode foil, battery casing material and battery cooling plates. This is in line with market practice.
	Research and innovation	Green	Investment in research and development related to battery applications, low-carbon primary aluminium and recycled aluminium. Gränges has informed Sustainalytics that such expenditures may include developing designs of alloy with a focus on increasing use of recycled aluminium as an input material. This is in line with market practice.

Energy Intensity	Energy management and buildings	Green	- Investments in energy system efficiency, such as improvements in reuse of excess energy generated during the manufacturing processes. Gränges has confirmed to Sustainalytics that such energy efficiency equipment and technologies will be limited to production facilities primarily powered by renewable energy or electricity. - Expenditures related to the installation of energy-efficient technologies, such as heat pumps, smart control systems, new windows, energy-efficient lighting and costs for enabling renewable energy sources. Heat pumps may include electric heat pumps, including air-source and ground-source and absorption heat pumps driven by geothermal-heated water. Sustainalytics notes that heat pumps offer an energy-efficient heat transfer alternative to conventional systems. Nevertheless, Sustainalytics recommends Gränges to exclude financing of heat pumps with high-GWP refrigerant(s), and promote robust refrigerant leak control, detection and monitoring, while ensuring recovery, reclamation, recycling or destruction of refrigerants at end of life. - For investments in energy-efficient equipment and technologies, Gränges is targeting projects that result in at least 30% energy efficiency improvement. Sustainalytics views positively the Framework's inclusion of a defined energy efficiency threshold on a portfolio basis for the installations of energy-efficient systems, equipment and technologies. - Investments in battery storage, metering systems and other intelligent energy systems aimed at managing renewable energy intermittency. This is in line with market practice. - Financing replacement of fossil energy dependent equipment with electricity or renewable energy powered equipment.
	Research and innovation	Green	R&D expenditures to improve the energy efficiency of products and technologies. Sustainalytics acknowledges the contribution of such investments towards improved environmental performance over the long term but notes that it is challenging to quantify the impact of R&D expenditures. The Company has confirmed that the share of proceeds allocated towards R&D expenditures will be limited to 10% of the net proceeds, which is in line with market practice.
Renewable Energy	Solar and wind energy	Green	Financing of solar and wind power projects including on-site solar photovoltaics, onshore and offshore wind power generation and associated infrastructure is aligned with market practice.
	Hydropower	Green	Investments related to the refurbishment of existing small-scale hydropower plants (<25 MW) and infrastructure to support the transmission of electricity generated from the hydropower plants. This is in line with market practice.
Clean Transportation	Electric vehicles and infrastructure	Green	Investments in zero emission vehicles and machines, such as electric forklifts, and supporting infrastructure, such as electrical charging stations. Sustainalytics considers this to be in line with market practice.



Project Evaluation and Selection

- Gränges has established a Green Finance Committee, comprised of the Company's Senior Vice President Sustainability, Chief Executive Officer, Chief Financial Officer and Vice President Group Treasury. A team of sustainability experts and representatives at Gränges will perform the initial evaluation of the proposed projects in line with the eligibility criteria defined in the Framework. The shortlisted projects are then presented to the Green Finance Committee, which will be responsible for the final review and approval of eligible projects.
- Gränges has in place environmental and social risk management processes which apply to all allocation decisions made under the Framework. Sustainalytics considers these environmental and social risk management systems to be adequate and aligned with market expectation. For additional detail, see Section 2.
- Based on the establishment of a green finance committee and the defined multi-step process to identify eligible projects, Sustainalytics considers this process to be in line with market practice.



Management of Proceeds

- Gränges' treasury and business control teams will be responsible for the management of proceeds. Gränges will track the allocation of net proceeds using a green register.
- The Company intends to allocate all proceeds within 36 months following issuance date. Until allocation, the unallocated proceeds will be held in Gränges' liquidity reserve or may be invested in short-term liquid instruments on a temporary basis. Sustainalytics notes that any investments in fossil energy generation, nuclear energy generation, research and development in weapons and defence, environmentally negative resource extraction, gambling or tobacco will be excluded for such temporary holdings. The Company has established a look-back period of 36 months for its refinancing activities.
- Based on the processes for tracking and the disclosure of temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.



Reporting

- Gränges intends to publish a report on the allocation of proceeds titled Green Bond Report on the Company's website on an annual basis until full allocation. Allocation reporting will include the description of projects financed, category-level details on the allocation of net proceeds to each project, the balance of unallocated proceeds and the share of new financing and refinancing.
- The Company also intends to report on a best-effort basis on relevant impact metrics, such as amount of aluminium recycled in tonnes, annual GHG emissions avoided in tCO₂e, annual energy savings in MWh, installed renewable energy capacity in kW, annual renewable energy generation in kWh, and the number of zero-emission vehicles and charging stations financed.
- Based on the commitment to both allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability-Linked Principles

Sustainalytics is of the opinion that the Gränges Green and Sustainability-Linked Finance Framework aligns with the Sustainability-Linked Bond Principles 2020 and Sustainability-Linked Loan Principles 2021 (the "Sustainability-Linked

Principles"). For detailed information, please refer to Appendix 2: Sustainability-Linked Bond External Review Form. Sustainalytics highlights the following elements of the Framework:



Selection of Key Performance Indicators

Relevance and Materiality of KPIs

In its assessment of materiality and relevance, Sustainalytics considers: i) whether an indicator speaks to a material impact of the issuer's business on environment or social issues, and ii) to what portion of impact the KPI is applicable.

KPI 1: Carbon Emissions Intensity (scope 1 and 2) and KPI 2: Carbon Emissions Intensity (scope 3)

Sustainalytics has taken a combined view towards rating KPIs 1 and 2, which collectively address the issue of GHG emissions from Gränges' operations, namely from purchased energy and sourced metal inputs and services. Sustainalytics considers the KPIs to be material and relevant based on the following.

The metal fabrication process is energy intensive and generates significant direct GHG emissions, with the aluminium industry accounting for 2% of global carbon emissions.⁸ Additionally, scope 3 emissions for manufacturers of value-added aluminium products account for a significant proportion of their total emissions because of the energy needed to produce primary aluminium, which is a key raw material for the Company. In addition, the manufacture and fabrication processes themselves, which include aluminium recycling, casting and rolling, are inherently power intensive, which further contributes to GHG emissions.

Sustainalytics' ESG Risk Ratings identifies "Carbon - Own Operations"⁹ and "Emissions, Effluents and Waste"¹⁰ as material ESG issues (MEIs) for the Company as well as its sub-industry.¹¹ Additionally, the Sustainability Accounting Standards Board (SASB) identifies GHG emissions as a relevant topic to track and disclose for the metals and mining industry.¹²

In 2018, Gränges conducted a materiality assessment which identified reduction in the carbon intensity of Gränges' own operations, purchased energy, and purchased materials and services to be a material environmental issue for the Company and a focal point of its strategy.

In terms of applicability, Sustainalytics notes that 92% of Gränges' total carbon footprint in 2020 related to scope 3 emissions from purchased materials and services (scope 3) whereas 8% of its footprint resulted from emissions from its own operations and purchased energy (scope 1 and 2).

KPI 3: Share of recycled aluminium input

Sustainalytics considers KPI 3 to be material and relevant based on the following:

Recycled aluminium requires 95% less energy to repurpose and reuse relative to the production of new aluminium and therefore has the potential to contribute towards decarbonizing the aluminium sector. Sustainalytics' ESG Risk Ratings identify "Carbon - Own Operations"⁹ as a material ESG issue for the diversified metals sub-industry as well as for the Company specifically. SASB also identifies energy management as a material issue for the metals and mining industry, therefore, a relevant topic to track and disclose. Additionally, in 2018, Gränges

⁸ World Economic Forum, "Why addressing the aluminium industry's carbon footprint is key to climate action", (2020), at: <https://www.weforum.org/agenda/2020/11/the-aluminium-industry-s-carbon-footprint-is-higher-than-most-consumers-expect-heres-what-we-must-do-next/>

⁹ Sustainalytics' Carbon - Own Operations MEI refers to a company's management of risks related to its own operational energy and GHG emissions (scope 1 & 2). It also includes parts of scope 3 emissions, such as product use, fuel and energy related emissions.

¹⁰ Sustainalytics' Emissions, Effluents and Waste MEI focuses on the management of emissions and releases from a company's own operations to air, water and land, excluding GHG emissions.

¹¹ Sustainalytics Industry Report, Diversified Metals, (2020)

¹² SASB, "Metals and Mining", (2018), at: https://www.sasb.org/wp-content/uploads/2018/11/Metals_Mining_Standard_2018.pdf

conducted a materiality assessment where sourced recycled aluminium was identified as a material topic for the Company within the “responsible and sustainable sourcing” pillar.¹³

In terms of applicability, this KPI defines the share of recycled aluminium as a proportion of total sourced metal inputs used by the Company. On this basis, Sustainalytics considers the applicability of the KPI to Gränges’ overall raw material inputs as significant and highly material.

KPI Characteristics

In its assessment of the KPI characteristics, Sustainalytics considers: i) whether a clear and consistent methodology is used; ii) whether the issuer follows an externally recognized definition; iii) whether the KPIs are a direct measure of the issuer’s performance on a material environmental or social issue; and, if applicable, iv) whether the methodology can be benchmarked to an external, contextual benchmark.¹⁴

KPI 1: Carbon Emissions Intensity (scope 1 and 2) and KPI 2: Carbon Emissions Intensity (scope 3)

KPIs 1 and 2 speak to the carbon intensity of the Company’s operations, which Sustainalytics considers to be directly related to the Company’s emissions intensity performance. Further, Sustainalytics considers Gränges’ definition and methodology to calculate KPIs 1 and 2 to be clear and consistently applied across the years under observation. Gränges calculates its GHG emissions in accordance with the GHG Protocol standards and the methodology used is also consistent with the definitions provided by the Global Reporting Initiative (GRI).¹⁵ Sustainalytics notes the presence of contextual benchmarks for carbon intensity within the aluminium sector, but also challenges in making direct comparisons given the variations in factors such as the composition of the alloy manufactured and the raw material manufacturing process.

KPI 3: Share of recycled aluminium input

This KPI measures the share of sourced recycled aluminium as a proportion of the total sourced metal inputs used by Gränges. Sustainalytics considers Gränges’ definition and methodology to calculate performance for KPI 3 to be clear and consistently applied and reported on by the Company historically. The methodology used is also aligned with the approach used by the Global Reporting Initiative (GRI).⁷ KPI 3 relates to raw material inputs used by the Company for its manufacturing processes, being therefore directly related to the Company’s sustainability performance. Sustainalytics notes that there is no external benchmark available to enable comparison against performance on this KPI.

Overall Assessment

Sustainalytics considers all three KPIs chosen to be relevant and material. Sustainalytics considers KPIs 1 and 2 to be very strong given that they: (i) represent a direct measure of GHG emissions from Gränges’ own operations and purchased material; (ii) represent a material environmental issue for the sector and the Company; and (iii) are defined following clear and consistent definitions as per the GHG Protocol standards.

Sustainalytics considers KPI 3 to be strong given that it speaks to a material environmental issue for the metals industry and is a direct measure of Gränges’ performance on the issue. KPI 3 also has a clear and consistent methodology that is aligned with the definition used by the GRI.

Carbon emissions intensity from own operations and purchased energy (scope 1 and 2)	Not Aligned	Adequate	Strong	Very strong
Carbon emissions intensity from sourced metal inputs (scope 3)	Not Aligned	Adequate	Strong	Very strong
Share of recycled aluminium input	Not Aligned	Adequate	Strong	Very strong

¹³ Gränges, “Materiality analysis and topic boundaries”, (2018), at: <https://www.granges.com/sustainability/a-strong-commitment-to-sustainability/materiality-analysis/>

¹⁴ External contextual benchmarks provide guidance on the alignment with ecological system boundaries. This criterion is not applied to social KPIs or impact areas for which such contextual benchmarks are not available.

¹⁵ GRI, “GRI 305: Emissions”, (2016), at: <https://www.globalreporting.org/standards/media/1012/gri-305-emissions-2016.pdf>



Calibration of Sustainability Performance Targets

Alignment with Issuer's Sustainability Strategy

Gränges has set the following SPTs for its KPIs:

- Reduction of scope 1 and 2 emissions intensity by 25% by 2025, compared to a 2017 baseline.
- Reduction of scope 3 emissions intensity by 30% by 2025, compared to a 2017 baseline.
- Increase the share of recycled aluminium to 30% of total sourced metal inputs by 2025, compared to a 2017 baseline.

Sustainalytics considers the SPTs to be aligned with Gränges' sustainability strategy (please refer to Section 2 for an analysis of the credibility of Gränges' sustainability strategy).

Strategy to Achieve the SPTs

Gränges intends to achieve the SPTs through the following strategy:

SPT 1: Reduction of scope 1 and 2 emissions intensity by 25% by 2025, compared to a 2017 baseline

To reduce the carbon emissions intensity of scope 1 and 2 emissions stemming from the fuels and electricity used in the Company's manufacturing processes, Gränges aims to increase the energy efficiency and the use of renewable energy in its own operations. The Company performs regular energy audits and relies on best available technology to ensure the continuous improvement of energy efficiency. Gränges' energy efficiency measures are targeted towards improving metal yield, thermal processes and recovery of waste heat. Moreover, in 2021 the Company introduced a target to increase its share of renewables to 20% by 2025, which will further contribute to the decarbonization of Gränges' operations.

SPT 2: Reduction of scope 3 emissions intensity by 30% by 2025, compared to a 2017 baseline and SPT 3: Increase the share of recycled aluminium to 30% of total sourced metal inputs by 2025

To achieve a reduction in carbon emissions intensity from scope 3 emissions, Gränges focuses on increasing the share of recycled aluminium and low-carbon primary aluminium in input materials. With regards to increasing the share of low-carbon primary aluminium, the Company will engage with its suppliers to grow its purchase of primary aluminium produced using renewable energy. Gränges also collaborates with its suppliers to increase the share of recycled metal in raw materials and implements measures to recirculate aluminium used in its own operations. Additionally, the Company intends to implement measures focused on closing the loop by sourcing recycled aluminium from customers and reusing it in its production process. Gränges further intends to make changes to its own product profile with a focus on the design and development of alloys produced with a higher share of recycled aluminium, enabling more efficient end-of life recycling as well as increased rates of recycled aluminium.

Ambitiousness, Baseline and Benchmarks

To determine the ambitiousness of the SPTs, Sustainalytics considers: i) whether the SPTs go beyond business-as-usual trajectory, ii) how the SPTs compare to targets set by peers, iii) and how the SPTs compare with science.¹⁶

Gränges has set the baseline for the SPTs in 2017, having set its original targets related to reduction in carbon emissions and increase in the share of recycled aluminium relative to a 2017 baseline. As a result, Gränges considers the 2017 baseline data to be more reflective of the long-term trend and suitable for comparison of the KPI performance.

SPT 1: Reduction of scope 1 and 2 emissions intensity by 25% by 2025, compared to a 2017 baseline

¹⁶ We refer here to contextual benchmarks that indicate the alignment of targets with ecosystem boundaries.

Sustainalytics was able to use the following benchmarks to assess ambitiousness: past performance and peer performance. The carbon emissions intensity from Gränges' scope 1 and 2 emissions increased by approximately 2% between 2017 and 2020. To achieve the SPT, the Company will need to reduce its scope 1 and 2 carbon emissions intensity by an implied average annual rate of approximately 5.4% per year between 2020 and 2025. Sustainalytics notes that this SPT indicates a significant improvement in comparison to historical performance on Scope 1 and 2 emissions from its operations.

Based on Sustainalytics' analysis of its peer group, Gränges' SPT 1 is aligned with scope 1 and 2 emissions intensity reduction targets in the metals industry.¹⁷ Additionally, Sustainalytics notes that the number of companies with publicly available targets for scope 1 and 2 emissions is limited.

SPT 2: Reduction of scope 3 emissions intensity by 30% by 2025 compared to 2017 levels

Sustainalytics was able to use the following benchmark to assess ambitiousness: past performance. Gränges has consistently reduced its scope 3 carbon emissions intensity with historical performance demonstrating an average annual decline of 5.5% between 2016 and 2020. Achieving the SPT would imply an average annual reduction of approximately 2.6% between 2020 and 2025. Sustainalytics notes that SPT 2 is aligned with the downward trend observed in the Company's historical performance albeit the rate of reduction between 2020 and 2025 is lower than the reduction achieved in 2016-2020.

SPT 3: Increase the share of recycled aluminium to 30% of total sourced metal inputs by 2025

Sustainalytics was able to use the following benchmarks to assess ambitiousness: past performance and peer performance. In 2019, Gränges set a target to increase its share of recycled aluminium as a proportion of total sourced metal inputs to 20% by 2025, compared to a 2017 baseline. However, the target was subsequently revised to a 30% share of recycled aluminium by 2025. Between 2016 and 2020, Gränges increased its share of recycled aluminium by 8.4%, representing an average annual growth of 2.3%. To achieve the SPT, the Company commits to increase its share of recycled aluminium by an implied average annual rate of 1.8% per year between 2021 and 2025. Therefore, Sustainalytics considers the SPT to be aligned with Gränges' historical rate of increase in the share of recycled aluminium.

Gränges' SPT 3 is aligned with the targets set by sub-industry peers and industry best practice, based on the analysis Sustainalytics has conducted on Gränges' peer group.¹⁷ Sustainalytics notes that within the peer group considered, other than Gränges, no other company has set public targets for the share of recycled metal in their products. Sustainalytics further notes that Gränges' product line of advanced aluminium products designed for specific applications in the automotive industry requires alloys with specific composition preferences, which are difficult to modify, as opposed to the composition of other products, such as cans and aluminium foil. Additionally, the increasing focus on circularity and sustainability of materials, as well as the long life cycle of aluminium products may affect the availability and prices of recycled aluminium. Sustainalytics acknowledges that these factors may limit Gränges' ability to source recycled aluminium that is more readily available.

Overall Assessment

Sustainalytics considers the SPTs to align with Gränges' sustainability strategy. Sustainalytics further considers Gränges' SPT 1 to be ambitious given that it presents a material improvement compared to past performance and aligns with industry best practice.

Sustainalytics considers Gränges' SPT 2 to be moderately ambitious given that it presents a continued reduction relative to past performance, however the rate of reduction is slower compared to historical performance.

Sustainalytics considers Gränges' SPT 3 to be ambitious given that it represents a continued growth in the Company's share of recycled aluminium and is aligned with industry best practice.

Reduction of scope 1 and 2 emissions intensity by 25% by 2025 compared to 2017 levels – carbon emissions intensity from own operations and purchased energy (scope 1 and 2)	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
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¹⁷ The peer group considered for comparison included a set of companies that are members of the Aluminium Stewardship Initiative and are involved in the production of value-added aluminium products.

Reduction of scope 3 emissions intensity by 30% by 2025 compared to 2017 levels – carbon emissions intensity from sourced metal inputs (scope 3)	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
Increase the share of recycled aluminium to 30% of total sourced metal inputs by 2025 (Share of Recycled aluminium input)	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious



Sustainability-Linked Instruments Characteristics

Gränges has disclosed that it will link the financial characteristics of all sustainability-linked instruments issued under the Framework to achievement of the SPTs. The financial characteristics for a bond may include a step-up in the coupon rate or the redemption price, as applicable, if Gränges fails to meet the stated SPTs at the target observation date in 2025. With regards to financial instruments other than sustainability-linked bonds, the Company will also tie the financial characteristics to interim annual targets for the SPTs stated in this Framework. Additionally, penalties will apply if the Company is unable to fulfill the verification and reporting requirements on a timely basis. Gränges has confirmed that the exact value of the adjustments will be provided in the specific documentation. Sustainalytics positively notes that each of the SPTs need to be met to avoid an increase in the coupon rate¹⁸; however, Sustainalytics does not opine on the adequacy of the penalty imposed for not achieving the set SPTs.



Reporting

Gränges commits to report on an annual basis on its performance on the KPIs and to publish the relevant figures in its sustainability report, which is accessible on its website. The Company also commits to disclose other relevant information, such as potential recalculations of the baselines, updates to the Company's strategy and governance structure which have the potential to impact the KPIs and the SPTs. In addition, a separate sustainability-linked progress report will provide a list of sustainability-linked instruments outstanding and, where feasible, an illustration of the positive impact of performance improvement and an explanation of key contributing factors. For financial instruments other than bonds, Gränges may choose to provide relevant information to the respective lenders and counterparts on a public or non-public basis. Gränges' reporting commitments are aligned with the recommendations of the Sustainability-Linked Principles.



Verification

Gränges commits to have an external verifier provide limited assurance on the published KPI performance figures for each fiscal year. The Company will disclose the outcome of the verification in the limited assurance annual report on its website. This is aligned with the Sustainability-Linked Principles on verification.

¹⁸ Sustainalytics has provided an opinion based on the understanding that the financial characteristics of the instruments issued under this Framework will be tied to the achievement of SPTs corresponding to all three KPIs included in the Framework.

Section 2: Assessment of Gränges' Sustainability Strategy

Credibility of Gränges' Sustainability Strategy

According to Sustainalytics' ESG rating, Gränges is considered an outperformer on ESG issues compared to its industry peers.¹⁹ Sustainalytics' analysis is based on Gränges' overall performance in environmental, social and governance issues. Gränges began disclosing its sustainability performance and setting corresponding targets in 2015.²⁰

The Company has established a sustainability strategy with underpinned by five pillars and thirteen material topics, as follows:

- (i) Sustainable Innovation and Sales (sustainable innovation, product stewardship);
- (ii) Responsible and Sustainable Sourcing (responsible sourcing, sourced recycled aluminium, energy, emissions and climate impact);
- (iii) Sustainable Operations (workplace safety, water management, waste management, energy, emissions and climate impact);
- (iv) Diverse and High Performing Teams (career and leadership development, diversity and inclusion, employee well-being);
- (v) Ethical Business Practices (ethics and anti-corruption).

Each of the five pillars is governed by a member of Gränges management, which is responsible for overseeing the Company's progress on sustainability issues across regions, advancing the sustainability agenda and reporting to Gränges' Board of Directors.²¹

As part of its commitment to reduce its environmental footprint, Gränges has increased the share of recycled aluminium in its total metal inputs, which has contributed to reducing the Company's total emissions intensity. For each of the five pillars listed above, the Company has set 2025 targets, including: the SPTs set above, reducing energy intensity by 17% from 2017 levels, achieving at least 20% renewable energy in the energy mix and having third-party sustainably sourced verifications for 100% of Gränges' products.²⁰²⁰

Since 2016, the Company has been a signatory to the United Nations Global Compact and has been supporting its Ten Principles, demonstrating Gränges' long-term commitment to operating in a manner that protects human rights, eliminating unfair labour practices, and promoting environmental sustainability.²²

Sustainalytics considers Gränges to have a strong sustainability strategy and considers that the instruments eventually issued or obtained under the Framework will further advance Gränges' sustainability strategy.

Gränges' Environmental and Social Risk Management

According to Sustainalytics' ESG Risk Rating, Gränges' overall management of Material ESG Issues (MEI) is aligned with industry peers. Sustainalytics' assessment is based on Gränges' overall performance in environmental, social and governance issues.²³ Sustainalytics also recognizes that Gränges' defined targets are impactful, but acknowledges that achieving the SPTs bears environmental and social risks related to waste and effluents, carbon emissions from own operations, health and safety, community relations, and supply chain risks.

Sustainalytics comments below on specific aspects of Gränges' ability to mitigate such potential risks.

- The Company has implemented a set of policies and codes of conduct, namely its Environment, Health and Safety Policy, overarching Code of Conduct, Supplier Code of Conduct, Responsible Sourcing Policy and Anti-Corruption Policy to

¹⁹ This assessment has been derived from Sustainalytics' ESG Risk Rating

²⁰ Gränges, "Sustainability Report", at: <https://www.granges.com/newsroom/press-releases/2016/granges-publishes-annual-report-for-2015/>

²¹ Gränges, "Sustainability Governance", at: <https://www.granges.com/sustainability/a-strong-commitment-to-sustainability/sustainability-governance/>

²² Gränges, "A strong commitment to sustainability", at: <https://www.granges.com/sustainability/a-strong-commitment-to-sustainability/>

²³ This assessment has been derived from Sustainalytics' ESG Risk Rating.

strengthen its governance, promote positive community relations, and ensure management of its environmental and social risks.²⁴

- Gränges' global Environment, Health and Safety Policy outlines principles, basic requirements and guidance on environmental procedures and workplace safety. The policy discusses the measures the Company has taken for natural resource conservation and pollution prevention (from emissions and waste) – including hazard identification and risk assessment, environmental reporting and environmental training. Gränges has also developed an internal life-cycle assessment tool to assess and report product-level environmental impact, using carbon footprint as an input. The adopted methodology is in accordance with ISO 14040:2006 and ISO 14044:2006 standards as well as ISO 14067:2018 related to life cycle assessments.²⁵ Gränges' production sites in Finspång (Sweden), Huntingdon (US), Salisbury (US) and Shanghai (China) are certified in accordance with ISO 14001 for environmental management systems.²⁶
- Regarding occupational health and safety, the EU Directive on Worker Health and Safety ensures minimum safety and health requirements throughout the European Union.²⁷ Employers must "ensure the safety and health of workers in every aspect related to the work" and take measures for the "prevention of occupational risks and provision of information and training, as well as provision of the necessary organization and means".²⁸ Additionally, the Company has adopted an integrated health management and occupational safety strategy through its Environment, Health and Safety Policy, which is in accordance with OHSAS 18001 standard.²⁹
- Gränges joined the Aluminium Stewardship Initiative (ASI) as a Production & Transformation member in 2019 and has received certification to the ASI Performance Standard for responsible production, sourcing and stewardship of aluminium in its Shanghai (China) and Finspång (Sweden) production facilities.³⁰ The ASI certification covers material issues such as GHG emissions, waste management, material stewardship, biodiversity, human rights and sustainable procurement. Gränges aims to certify all its facilities against ASI's Performance Standard by 2025.³¹
- To ensure mitigation of environmental and social risks across Gränges' supply chain, the Company requires compliance with its Supplier Code of Conduct from all suppliers.³² Gränges conducts annual assessments of significant suppliers for potential environmental, social and corruption risks, rating and categorizing them according to their risk level. Suppliers identified with medium or high level of risk are further subject to an evidence-based third-party desktop sustainability assessment.³³

Sustainalytics notes that it has not found evidence of significant environmental or social controversies related to Gränges. Overall, Sustainalytics considers that Gränges has strong management programmes and policies to mitigate risks that are material to the Company's sub-industry.

Section 3: Impact of the UoPs and SPTs Selected

The Importance of reducing the emissions intensity of aluminium in the transition towards a low-carbon economy

Aluminium has the potential to be one of the key drivers of the global transition towards a low-carbon, circular economy,³⁴ being a circular material that can be recycled multiple times without affecting the metal's original properties.**Error! Bookmark not defined.** As a result of this characteristic, 75% of the 1.5 billion tonnes of aluminium ever produced globally continue to be in use today.³⁵ In addition to its recycling capability, aluminium is also lightweight, durable, conductive and formable, characteristics that also promote its use to achieve the emission reduction targets for other emissions intensive sectors.**Error! Bookmark not defined.**

²⁴ Gränges, "Policies", at: <https://www.granges.com/sustainability/policies/>

²⁵ Gränges, "Product Stewardship", at: <https://www.granges.com/sustainability/sustainable-innovation-and-sales/>

²⁶ Gränges, "Certificates", at: <https://www.granges.com/sustainability/certificates/>

²⁷ European Agency for Safety and Health at work, "European directives on safety and health at work" at: <https://osha.europa.eu/en/safety-and-health-legislation/european-directives>

²⁸ EU, "Directive 89/391/EEC on the introduction of measures to encourage improvements in the safety and health of workers at work", (1989), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:31989L0391&from=FR>

²⁹ Gränges, "Certificates", at: <https://www.granges.com/sustainability/certificates/>

³⁰ Aluminium Stewardship Initiative, "GRÄNGES", at: <https://aluminium-stewardship.org/about-asi/asi-members/granges/>

³¹ Gränges, "A strong commitment to sustainability", at: <https://www.granges.com/sustainability/a-strong-commitment-to-sustainability/>

³² Gränges, "Certificates", at: <https://www.granges.com/sustainability/policies/>

³³ Gränges, "Responsible sourcing", at: <https://www.granges.com/sustainability/sustainable-innovation-and-sales/>

³⁴ European Aluminium, "Circular Aluminium Action Plan", at: <https://www.european-aluminium.eu/policy-areas/recycling-circular-economy/>

³⁵ World Aluminium, "Aluminium Recycling", at: https://www.world-aluminium.org/media/filer_public/2020/10/20/wa_factsheet_final.pdf

Aluminium use is projected to grow in the future, partly driven by an increased focus on sustainability and the growing need for more sustainable alternatives to replace materials such as plastic, wood, steel and copper. The transition to circularity in the aluminium industry through increasing the recycling input rate is expected to play an important role in controlling global emissions and contributing towards achievement of climate targets set under the Paris Agreement.³⁶

Aluminium recycling requires a minimal 5% of the total energy that is used for the production of primary aluminium. **Error! Bookmark not defined.** European Aluminium, which represents the aluminium industry in Europe, estimates that the replacement of carbon-intensive primary aluminium with scrap from the production process and end-of-life scrap has the potential to reduce CO₂ emissions by approximately 39 million tonnes per year in Europe. **Error! Bookmark not defined.** The global recycling efficiency rate of aluminium stands at 76%, while the collection rate of new scrap is 95% and that of old scrap is 71%.³⁷ Despite the high percentage of recycling and collection rates, the global recycling input has remained constant at around 32% over the last 20 years.³⁷

An increased share of secondary aluminium in aluminium production offers significant potential for energy intensity reductions.³⁷ According to the International Energy Agency (IEA), the combined share of aluminium produced from new³⁸ and old³⁹ scrap should reach 40% by 2030 to be in line with the Sustainable Development Scenario.³⁷ The IEA also highlights the industry's need to reduce emissions intensity of both primary and secondary aluminium production by 1.2% to align with the Sustainable Development Scenario.³⁷

Based on the above context, Gränges' efforts to increase the share of recycled aluminium and reduce the carbon emissions intensity of its operations will contribute towards the decarbonization of the aluminium industry and the global climate goals.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. The Gränges Green and Sustainability-Linked Finance Framework advances the following SDG goals and targets:

UoP Category and KPI	SDG	SDG Target
Sustainable Aluminium Production and Solutions	8. Decent Work and Economic Growth	8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high value added and labor-intensive sectors
	12. Responsible Production and Consumption	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Energy Intensity	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
	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
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

³⁶ European Aluminium, "Vision 2050", at: https://www.european-aluminium.eu/media/2545/sample_vision-2050-low-carbon-strategy_20190401.pdf

³⁷ IEA, "Aluminium", at: <https://www.iea.org/reports/aluminium>

³⁸ New scrap refers to scrap arising from the various production stages of aluminium products, before the aluminium product is sold to the final user, for more information please see: https://www.aluminium.org/sites/default/files/GAG_Terms_and_Definitions_-Edition_2009-01_-March_2009.pdf

³⁹ Old scrap refers to scrap arising from products after use, for more information please see: https://www.aluminium.org/sites/default/files/GAG_Terms_and_Definitions_-Edition_2009-01_-March_2009.pdf

		vulnerable situations, women, children, persons with disabilities and older persons
KPI 1: Carbon emissions intensity from own operations and purchased energy (scope 1 and 2)	9. Industrial 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
KPI 2: Carbon emissions intensity from sourced metal inputs (scope 3)	9. Industrial 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
KPI 3: Share of recycled aluminium input	12. Responsible Production and Consumption	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

Conclusion

Gränges has developed the Gränges Green and Sustainability-Linked Finance Framework, under which it may issue use of proceeds and sustainability-linked bonds and loans.

Under the green bonds and loans, use of proceeds may finance projects related to sustainable aluminium production and solutions, energy intensity, renewable energy and clean transportation. Sustainalytics considers that the projects eventually funded by the use of proceeds bond and loans are expected to reduce the environmental footprint of Gränges' operations. The Gränges Green and Sustainability-Linked Finance Framework outlines a process to track, allocate and manage proceeds, and makes commitments to report on the allocation of proceeds and their impact.

Under the sustainability-linked instruments, Gränges intends to tie the financial characteristics of the bonds and loans to achievement of the following SPTs:

- (1) Reduction of scope 1 and 2 emissions intensity by 25% by 2025, compared to a 2017 baseline
- (2) Reduction of scope 3 emissions intensity by 30% by 2025, compared to a 2017 baseline
- (3) Increase the share of recycled aluminium to 30% of total sourced metal inputs by 2025

Sustainalytics considers the KPIs chosen to be relevant, material and aligned with Gränges' sustainability strategy.

Sustainalytics considers KPI 1 – Carbon emissions intensity from own operations and purchased energy (scope 1 and 2) – and KPI 2 – Carbon emissions intensity from sourced metal inputs (scope 3) – to be very strong. KPI 3 – Share of recycled aluminium input – is considered strong. SPT 1 and SPT 3 are considered to be ambitious, and SPT 2 is considered to be moderately ambitious. Furthermore, Sustainalytics considers reporting and verification commitments to be aligned with market expectations.

Furthermore, Sustainalytics believes that the Gränges Green and Sustainability-Linked Finance Framework is aligned with the overall sustainability strategy of the company and that Gränges' ESG risk management is aligned with peers.

Based on the above, Sustainalytics is confident that Gränges is well positioned to issue green use of proceeds bonds and loans and sustainability-linked bonds and loans, and that the Gränges Green and Sustainability-Linked Bond Framework is in alignment with the Green Bond Principles 2021, Green Loan Principles 2021, Sustainability-Linked Bond Principles 2020, and Sustainability-Linked Loan Principles 2021.

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

Section 1. Basic Information

Issuer name:	Gränges AB
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Gränges Green and Sustainability-Linked Finance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	September 17, 2021
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

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

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

- | | |
|--|--|
| ☒ Use of Proceeds | ☒ Process for Project Evaluation and Selection |
| ☒ Management of Proceeds | ☒ Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| ☒ Consultancy (incl. 2 nd opinion) | ☐ Certification |
| ☐ Verification | ☐ Rating |
| ☐ Other <i>(please specify)</i> : | |

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)*:

Sustainalytics is of the opinion that the Gränges Green and Sustainability-Linked Finance Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021 and Green Loan Principles 2021 (the “Use of Proceeds Principles”). The eligible categories for the use of proceeds – Sustainable Aluminium Production and Solutions, Energy Intensity, Renewable Energy, and Clean Transportation – are aligned with those recognized by the Use of Proceeds Principles and are expected to reduce the environmental footprint of Gränges’ operations.

Use of proceeds categories as per GBP:

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

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section *(if applicable)*:

- Gränges has established a Green Finance Committee, comprised of the Company’s Senior Vice President Sustainability, Chief Executive Officer, Chief Financial Officer and Vice President Group Treasury. A team of sustainability experts and representatives at Gränges will perform the initial evaluation of the proposed projects in line with the eligibility criteria defined in the Framework. The shortlisted projects are then presented to the Green Finance Committee, which will be responsible for the final review and approval of eligible projects.
- Gränges has in place environmental and social risk management processes which apply to all allocation decisions made under the Framework. Sustainalytics considers these environmental and social risk management systems to be adequate and aligned with market expectation. For additional detail, see Section 2.
- Based on the establishment of a green finance committee and the defined multi-step process to identify eligible projects, Sustainalytics considers this process to be in line with market practice.

Evaluation and selection

- | | |
|---|---|
| ☒ Credentials on the issuer’s environmental sustainability objectives | ☒ Documented process to determine that projects fit within defined categories |
|---|---|



- | | |
|--|--|
| ☒ Defined and transparent criteria for projects eligible for Green Bond proceeds | ☐ Documented process to identify and manage potential ESG risks associated with the project |
| ☒ Summary criteria for project evaluation and selection publicly available | ☐ Other (<i>please specify</i>): |

Information on Responsibilities and Accountability

- | | |
|--|--|
| ☒ Evaluation / Selection criteria subject to external advice or verification | ☐ In-house assessment |
| ☐ Other (<i>please specify</i>): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

- Gränges' Treasury and Business Control teams will be responsible for the management of proceeds. Gränges will track the allocation of net proceeds using a Green Register.
- The Company intends to allocate all proceeds within 36 months following the issuance date. Until allocation, the unallocated proceeds will be held in Gränges' liquidity reserve on a temporary basis. Sustainalytics notes that Gränges excludes any investments in fossil energy generation, nuclear energy generation, research and/or development within weapons and defence, environmentally negative resource extraction, gambling or tobacco will be excluded for such temporary holdings. The Company has established a look-back period of 36 months for its refinancing activities.
- Based on the processes for tracking and the disclosure of temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.

Tracking of proceeds:

- | |
|---|
| ☒ Green Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| ☒ Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| ☐ Other (<i>please specify</i>): |

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 (<i>please specify</i>): share of financing vs. refinancing |

4. REPORTING

Overall comment on section (if applicable):

- Gränges intends to publish a report ("Green Bond Report") on the allocation of proceeds on the Company's website on an annual basis until full allocation. Allocation reporting will include the description of projects financed, category-level details on the allocation of net proceeds to each project, the balance of unallocated proceeds and the share of new financing and refinancing.
- The Company also intends to report on relevant impact metrics on a best effort basis such as amount of aluminium recycled (tonnes), annual GHG emissions avoided (tonnes of CO₂e), annual energy savings (MWh), installed renewable energy capacity (kW), annual renewable energy generation (kWh) and the number of zero emission vehicles and charging stations financed.
- Based on the commitment to both allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Use of proceeds reporting:

- | | |
|--|--|
| ☐ Project-by-project | ☒ On a project portfolio basis |
| ☐ Linkage to individual bond(s) | ☐ Other (<i>please specify</i>): |

Information reported:

- | | |
|---|--|
| ☒ Allocated amounts | ☐ Green Bond financed share of total investment |
| ☐ Other (<i>please specify</i>):
description of projects financed | |

Frequency:

- | | |
|---|--------------------------------------|
| ☒ Annual | ☐ Semi-annual |
| ☐ Other (<i>please specify</i>): | |

Impact reporting:

- | | |
|--|--|
| ☐ Project-by-project | ☒ On a project portfolio basis |
| ☐ Linkage to individual bond(s) | ☐ Other (<i>please specify</i>): |

Information reported (expected or ex-post):

- | | |
|---|---|
| ☒ GHG Emissions / Savings | ☒ Energy Savings |
| ☐ Decrease in water use | ☐ Other ESG indicators (<i>please specify</i>): installed renewable energy capacity (kW), annual renewable energy generation (kWh) and the number of zero emission vehicles and charging stations financed |

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):
☐ 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 INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

- i. Second-Party Opinion: An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green 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 Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental 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 environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally 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 Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green 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 Bond Scoring/Rating: An issuer can have its Green Bond, associated Green 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 performance data,

the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

Appendix 2: Sustainability-Linked Bonds - External Review Form

Section 1. Basic Information

Issuer name: Gränges

Sustainability-Linked Bond ISIN:

Independent External Review provider's name for second party opinion pre-issuance (sections 2 & 3): Sustainalytics

Completion date of second party opinion pre-issuance: September 17, 2021

Independent External Review provider's name for post-issuance verification (section 4):

Completion date of post issuance verification:

At the launch of the bond, the structure is:

☒ a step-up structure

☐ a variable redemption structure

Section 2. Pre-Issuance Review

2-1 SCOPE OF REVIEW

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

The review:

- | | |
|--|--|
| ☒ assessed all the following elements (complete review) | ☐ only some of them (partial review): |
| ☒ Selection of Key Performance Indicators (KPIs) | ☒ Bond characteristics (acknowledgment of) |
| ☒ Calibration of Sustainability Performance Targets (SPTs) | ☒ Reporting |
| ☒ Verification | |
| ☒ and confirmed their alignment with the SLBP. | |

2-2 ROLE(S) OF INDEPENDENT EXTERNAL REVIEW PROVIDER

- | | |
|--|---|
| ☒ Second Party Opinion | ☐ Certification |
| ☐ Verification | ☐ Scoring/Rating |

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

2-3 EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

Under the sustainability-linked instruments, Gränges intends to tie the financial characteristics of the bonds and loans to the achievements of the following SPTs:

(1) Reduction of scope 1 and 2 emissions intensity by 25% by 2025, compared to a 2017 baseline.

- (2) Reduction of scope 3 emissions intensity by 30% by 2025, compared to a 2017 baseline.
(3) Increase the share of recycled aluminium to 30% of total sourced metal inputs by 2025.

Sustainalytics considers the KPIs chosen to be relevant and material and aligned with Gränges' sustainability strategy.

Sustainalytics considers KPI 1 – Carbon emissions intensity from own operations and purchased energy (scope 1 and 2) and KPI 2 – Carbon emissions intensity from sourced metal inputs (scope 3) to be very strong. KPI 3 – Recycled aluminium input (%) is considered strong. SPT 1 and SPT 3 are considered to be ambitious, and SPT 2 is considered to be moderately ambitious. Furthermore, Sustainalytics considers reporting and verification commitments to be aligned with market expectations.

Furthermore, Sustainalytics believes that the Gränges Green and Sustainability-Linked Finance Framework is aligned with the overall sustainability strategy of the company and that Gränges has average ESG risk management.

Based on the above, Sustainalytics is confident that Gränges is well-positioned to issue green use of proceeds bonds and loans and sustainability-linked bonds and loans and that Gränges Green and Sustainability-Linked Bond Framework is in alignment with the Green Bond Principles 2021, Green Loan Principles 2021, Sustainability-Linked Bond Principles 2020, and Sustainability-Linked Loan Principles 2021.

Section 3. Detailed pre-issuance 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.

3-1 SELECTION OF KEY PERFORMANCE INDICATORS (KPIs)

Overall comment on the section (if applicable): Sustainalytics considers all three KPIs chosen to be relevant and material. Sustainalytics considers KPIs 1 and 2 to be very strong given that they (i) represent a direct measure of GHG emissions from Gränges' own operations and purchased material, (ii) represent a material environmental issue for the sector and the Company, and (iii) are defined following clear and consistent definitions as per GHG Protocol standards. Sustainalytics considers KPI 3 to be strong given that it speaks to a material environmental issue for the metals industry and is a direct measure of Gränges' performance on the issue. It has a clear and consistent methodology that is aligned with the definition used by the GRI.

List of selected KPIs:

- Carbon emissions intensity from own operations and purchased energy (scope 1 and 2)
- Carbon emissions intensity from sourced metal inputs (scope 3)
- Recycled aluminium input (%)

Definition, Scope, and parameters

- | | |
|--|---|
| ☒ Clear definition of each selected KPIs | ☒ Clear calculation methodology |
| ☐ Other (please specify): | |

Relevance, robustness, and reliability of the selected KPIs

- | | |
|--|---|
| ☒ Credentials that the selected KPIs are relevant, core and material to the issuer's sustainability and business strategy. | ☐ Evidence that the KPIs are externally verifiable |
| ☒ Credentials that the KPIs are measurable or quantifiable on a consistent methodological basis | ☐ Evidence that the KPIs can be benchmarked |

☐ Other (please specify):

3-2 CALIBRATION OF SUSTAINABILITY PERFORMANCE TARGETS (SPTs)

Overall comment on the section (if applicable): Sustainalytics considers the SPTs to align with Gränges' sustainability strategy and considers Gränges' SPT 1 to be ambitious given that it presents a material improvement compared to past performance and aligns with industry best practice.

Sustainalytics considers Gränges' SPT 2 to be moderately ambitious given that it presents a continued reduction relative to past performance.

Sustainalytics considers Gränges' SPT 3 to be ambitious given that it represents a continued growth in the Company's share of recycled aluminium and is aligned with industry best practice.

Rationale and level of ambition

- | | |
|--|--|
| ☒ Evidence that the SPTs represent a material improvement | ☐ Credentials on the relevance and reliability of selected benchmarks and baselines |
| ☒ Evidence that SPTs are consistent with the issuer's sustainability and business strategy | ☒ Credentials that the SPTs are determined on a predefined timeline |
| | ☐ Other (please specify): |

Benchmarking approach

- | | |
|--|--|
| ☒ Issuer own performance | ☒ Issuer's peers |
| ☐ reference to the science | ☐ Other (please specify): |

Additional disclosure

- | | |
|---|--|
| ☒ potential recalculations or adjustments description | ☒ issuer's strategy to achieve description |
| ☒ identification of key factors that may affect the achievement of the SPTs | ☐ Other (please specify): |

3-3 BOND CHARACTERISTICS

Overall comment on the section (if applicable): Gränges has disclosed that it will link the financial characteristics of all sustainability-linked instruments issued under the Framework to the achievement of the SPTs. The financial characteristics for a bond may include a step-up in the coupon rate or the redemption price as applicable if Gränges fails to meet the stated SPTs at the target observation date in 2025. With regards to financial instruments other than sustainability-linked bonds, the Company will also tie the financial characteristics to interim annual targets for the SPTs stated in this Framework. Additionally, the penalties will be applicable if the Company is unable to fulfill the verification and reporting requirements on a timely basis. Gränges has confirmed that the exact value of the adjustments will be provided in the specific documentation. Sustainalytics positively notes that each of the SPTs need to be met to avoid an increase in the coupon rate ; however, it does not opine on the adequacy of the penalty imposed for not achieving the set SPTs.

Financial impact:

- ☒ variation of the coupon

- ☒ margin adjustment
- ☐ Other (*please specify*): variation in redemption price

Structural characteristic:

- ☐ ...
- ☐ ...
- ☐ Other (*please specify*):

3-4 REPORTING

Overall comment on the section (*if applicable*): Gränges commits to report on an annual basis on its performance on the KPIs and to publish the relevant figures in its Sustainability Report accessible on its website. The Company also commits to disclose other relevant information such as potential recalculations of the baselines, updates to the Company's strategy and governance structure which have the potential to impact the KPIs and the SPTs and a list of sustainability-linked instruments outstanding in a separate Sustainability-Linked Progress Report. The progress report may also include, where feasible, an illustration of the positive impact of the performance improvement and an explanation of the key contributing factors for the improvement in performance. For financial instruments other than bonds, Gränges may choose to provide relevant information to the respective lenders and counterparts on a public or non-public basis. Gränges' reporting commitments are aligned with the recommendations of the SLBP and SLLP.

Information reported:

- | | |
|--|---|
| ☒ performance of the selected KPIs | ☒ verification assurance report |
| ☒ level of ambition of the SPTs | ☐ Other (<i>please specify</i>): |

Frequency:

- | | |
|---|--------------------------------------|
| ☒ Annual | ☐ Semi-annual |
| ☐ Other (<i>please specify</i>): | |

Means of Disclosure

- | | |
|--|--|
| ☐ Information published in financial report | ☒ Information published in sustainability report |
| ☐ Information published in ad hoc documents | ☐ Other (<i>please specify</i>): |
| ☐ Reporting reviewed (<i>if yes, please specify which parts of the reporting are subject to external review</i>): | |

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

Level of Assurance on Reporting

- | | |
|---|---|
| ☒ limited assurance | ☐ reasonable assurance |
| ☐ Other (<i>please specify</i>): | |

USEFUL LINKS (*e.g. to review provider methodology or credentials, to issuer's documentation, etc.*)

Section 4. Post-issuance verification

Overall comment on the section (*if applicable*):

Information reported:

- | | |
|--|--|
| ☐ limited assurance | ☐ reasonable assurance |
| | ☐ Other (please specify): |

Frequency:

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

Material change:

- | | |
|---|--|
| ☐ Perimeter | ☐ KPI methodology |
| ☐ SPTs calibration | |

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