

# Second-Party Opinion Whirlpool Corporation Sustainability Bond Framework



## Evaluation Summary

Sustainalytics is of the opinion that Whirlpool Corporation’s Sustainability Bond Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2018, Green Bond Principles 2018, and Social Bond Principles 2020. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds – Eco-efficient Products, Renewable Energy, Energy Efficiency, Green Buildings, Pollution Prevention and Control, Socioeconomic Advancement and Empowerment, and Access to Basic Infrastructure – are aligned with those recognized by the Green Bond Principles and Social Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals (“SDGs”), specifically SDGs 7, 8, 9, 10, 11, and 12.



**PROJECT EVALUATION / SELECTION** Whirlpool Corporation’s ESG Councils, one of which deals with environmental sustainability and the other with social and governance initiatives, will be responsible for the evaluation and selection of Eligible Projects per the criteria defined in the Framework. Sustainalytics considers the project selection process to be in line with market practice.



**MANAGEMENT OF PROCEEDS** Whirlpool Corporation’s Treasury department will be responsible for tracking the allocation of an amount equal to the net proceeds of a bond issuance to Eligible Projects. Whirlpool Corporation intends to achieve full allocation of the amount equal to net proceeds within 36 months from the date of each bond issuance. The unallocated proceeds may be held in cash, cash equivalents or invested in liquid marketable instruments. This is in line with market practice.



**REPORTING** Whirlpool Corporation intends to publish a Sustainable Bond Report to provide allocation reporting on its website on an annual basis until full allocation. The allocation reporting is expected to include category-level details on the Eligible Projects, proportion of financed and refinanced projects, and the balance of unallocated proceeds. In addition, Whirlpool Corporation intends to report on relevant quantitative impact where feasible and has provided indicative metrics within the Framework. Sustainalytics views Whirlpool Corporation’s allocation and impact reporting as aligned with market practice.

<b>Evaluation date</b>	April 21, 2021
<b>Issuer Location</b>	Benton Harbor, U.S.

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## Introduction

Whirlpool Corporation (“Whirlpool”, or the “Company”) is a kitchen and laundry appliance manufacturer headquartered in Michigan, U.S. As of FY2020, the Company operated 57 manufacturing and technology research centers across the globe and reported approximately USD 19 billion in annual sales.<sup>1</sup>

Whirlpool has developed the Whirlpool Corporation Sustainability Bond Framework (the “Framework”) under which it intends to issue one or more sustainability bonds and use an amount equal to the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that are expected to create positive environmental and social impact. The Framework defines eligibility criteria in seven areas:

1. Eco-efficient Products
2. Renewable Energy
3. Energy Efficiency
4. Green Buildings
5. Pollution Prevention and Control
6. Socioeconomic Advancement and Empowerment
7. Access to Basic Infrastructure

Whirlpool engaged Sustainalytics to review the Whirlpool Corporation Sustainability Bond Framework, dated April 2021, and provide a Second-Party Opinion on the Framework's environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2018 (SBG), Green Bond Principles 2018 (GBP), and Social Bond Principles 2020 (SBP).<sup>2</sup> This Framework has been published in a separate document.<sup>3</sup>

### Scope of work and limitations of Sustainalytics' Second-Party Opinion

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent<sup>4</sup> opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework's alignment with the Sustainability Bond Guidelines 2018, Green Bond Principles 2018, and Social Bond Principles 2020, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer's sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.7, which is informed by market practice and Sustainalytics' expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Whirlpool's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Whirlpool representatives have confirmed (1) they understand it is the sole responsibility of Whirlpool to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that 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 Whirlpool.

<sup>1</sup> Whirlpool report, “2020 Sustainability Report” (p5), at: [https://www.whirlpoolcorp.com/2020SustainabilityReport/\\_pdf/whirlpool\\_2020\\_sr.pdf](https://www.whirlpoolcorp.com/2020SustainabilityReport/_pdf/whirlpool_2020_sr.pdf)

<sup>2</sup> The Sustainability Bond Guidelines are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

<sup>3</sup> The Whirlpool Corporation's Sustainability Bond Framework is available on Whirlpool Corporation's website at: <http://whirlpoolcorp.com/>

<sup>4</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.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

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

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

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Whirlpool Corporation Sustainability Bond Framework

Sustainalytics is of the opinion that the Whirlpool Framework is credible, impactful and aligns with the four core components of the GBP, and SBP. Sustainalytics highlights the following elements of Whirlpool's Sustainability Bond Framework:

- Use of Proceeds:
  - Whirlpool's five green categories are aligned with those recognized by the GBP and the two social categories are aligned with those recognized by the SBP.
  - Whirlpool has established a three-year look-back period for its refinancing activities, which Sustainalytics considers to be in line with market practice.
  - Under the Eco-efficient Products category, Whirlpool intends to finance expenditures related to:
    - The capital expenditures including machine tooling and research and development ("R&D") of products with an aim to improve their energy efficiency and achieve either the EU Energy Label ("C" or above) or ENERGY STAR<sup>5</sup> ecolabel.
      - Sustainalytics notes that the Framework limits financing to just the expenditures that are aimed at minimizing the energy requirements of its products to meet at least the minimum energy thresholds set by the specified ecolabels and considers this criterion to be aligned with market practice.
    - The R&D and procurement of recycled materials for developing products that are either designed to have more than 25% remanufactured, refurbished or reconditioned materials, or made of at least 30% recycled materials such as recycled steel, polypropylene, and polystyrene or material alternatives such as biobased plastics.
      - Sustainalytics considers expenditures towards R&D and procurement of recycled materials specifically targeting improved environmental outcomes as aligned with market practice and supportive of positive environmental impacts.
    - The development, manufacturing, and installation of specific technologies or components for appliances that improve the energy and resource-efficiency profile of Whirlpool's connected appliances.<sup>6</sup>
      - Sustainalytics views favorably the focused investments on select activities that provide positive environmental outcomes and considers the criterion to be aligned with market expectation based on the specific benefits that are anticipated to be achieved.
  - Under the Renewable Energy category, Whirlpool intends to finance expenditures related to renewable energy generation projects, in particular, on-site solar and wind power, and the procurement of renewable energy through long-term (more than seven years) power purchase agreements ("PPAs") or virtual PPAs with solar and wind power projects. Sustainalytics views the criteria to be aligned with market practice.

<sup>5</sup> ENERGY STAR website, "Energy Efficient Products", at: <https://www.energystar.gov/products?s=mega>

<sup>6</sup> Whirlpool website, "Connected Appliances", at: [https://www.whirlpool.ca/en\\_ca/home-innovations/connected-appliances.html](https://www.whirlpool.ca/en_ca/home-innovations/connected-appliances.html)

- Under the Energy Efficiency category, the Framework allows for financing expenditures related to: (i) individual projects that are expected to deliver at least 15% reduction in emissions or energy consumption in Whirlpool's manufacturing processes, (ii) energy efficiency and water saving improvements that comply with Whirlpool's World Class Manufacturing ("WCM") methodologies<sup>7</sup> (more details in Section 2), and (iii) energy-efficient retrofits including automation systems and lighting. Sustainalytics views these investments in energy and resource-efficient upgrades to be aligned with market practice.
- Under the Green Buildings category, Whirlpool intends to finance expenditures related to the construction or improvements of acquired or leased buildings that have achieved or are expected to achieve a nationally or internationally recognized green building certification. Sustainalytics views the schemes specified by the Framework – LEED "Gold" or above, and BREEAM "Excellent" or above – to be credible and the levels selected to be indicative of positive impact and aligned with market practice. For Sustainalytics' assessment of these certifications please refer to Appendix 1.
  - The expenditures may also include the net present value of the long-term (five years or more) operating lease payments for certain buildings that are designed specifically for the Company's own operations and for which the Company is the sole tenant. Since the leases, including options to renew, run beyond the term of the planned bond and since the Company is sole tenant of the buildings in question, Sustainalytics considers the criterion to be aligned with market practice.
- Under the Pollution Prevention and Control category, the Company intends to finance expenditures related to: (i) manufacturing upgrades aimed at reducing material use and reducing waste to landfill sites, (ii) collection, recycling, and reconditioning of waste materials for incorporation into new and remanufactured products; (iii) collection of end-of-life-products, for refurbishment, recycling and Whirlpool's appliance take-back initiatives,<sup>8</sup> (iv) water optimization and efficiency programs at Whirlpool plants, and (v) the phase-out program for substances with negative environmental impact, including refrigerants with high global warming potential ("GWP"), and foam blowing agents that have GWP greater than 15.
  - Sustainalytics recognizes the potential of investments in initiatives that divert waste from landfill and those which help reduce water loss and consider them to be aligned with market practice.
  - For expenditures related to the collection, recycling, and conditioning of waste materials, the Company has confirmed that it has outsourced the collection process to a partner and that the recycling process may use electronic waste ("e-waste") as input. Sustainalytics notes that the Company complies with the regional regulations on recycling e-waste (refer to Section 2 for more details) and encourages Whirlpool to report on its progress in this area in order to provide assurance of the impacts achieved by these investments.
- Under the Socioeconomic Advancement and Empowerment category, Whirlpool intends to finance programs aimed at improving employee diversity at Whirlpool, including through financing programs focused on outreach efforts to marginalized communities that identify themselves as women, Black or Hispanic people, and people with a disability; providing business development training programs for women entrepreneurs in Brazil, in partnership with a local nonprofit institute; and providing business plan development and micro grant funding to black-owned businesses in the U.S.
  - Sustainalytics notes that although allocation of sustainability bond proceeds for philanthropic purposes is not typically aligned with market practice, however, given the alignment of the specified activities with Whirlpool's Racial Equality Pledge,<sup>9</sup> the targeting of these initiatives to marginalized populations and the fact that Whirlpool has confirmed that such expenditures are expected to be a small percentage of total net bond proceeds, Sustainalytics considers these investments to be acceptable.
- Under the Access to Basic Infrastructure category, Whirlpool intends to support disadvantaged groups living below the poverty line and/or impacted by natural disaster through in-kind donation of appliances and financial contributions to Habitat for Humanity<sup>10</sup> ("HfH").
  - Sustainalytics notes that although allocation of sustainability bond proceeds for philanthropic purposes is not typically aligned with market practice, based on the well-

<sup>7</sup> Whirlpool's World Class Manufacturing methodologies are designed to achieve "zero injuries, zero defects and zero production down time". More details at: <https://www.whirlpoolcorp.com/manufacturing/>

<sup>8</sup> Whirlpool report, "2020 Sustainability Report" (p36), at: [https://www.whirlpoolcorp.com/2020SustainabilityReport/\\_pdf/whirlpool\\_2020\\_sr.pdf](https://www.whirlpoolcorp.com/2020SustainabilityReport/_pdf/whirlpool_2020_sr.pdf)

<sup>9</sup> Whirlpool report, "2020 Sustainability Report" (p58), at: [https://www.whirlpoolcorp.com/2020SustainabilityReport/\\_pdf/whirlpool\\_2020\\_sr.pdf](https://www.whirlpoolcorp.com/2020SustainabilityReport/_pdf/whirlpool_2020_sr.pdf)

<sup>10</sup> Habitat for Humanity is a global nonprofit housing organization working in local communities across all 50 states in the U.S. and in approximately 70 countries. More information at: <https://www.habitat.org/about>

defined target population, the targeting of these initiatives to marginalized populations and the fact that Whirlpool has confirmed that such expenditures are expected to be a small percentage of total net bond proceeds. Sustainalytics considers the criteria to be acceptable.

- Project Evaluation and Selection:
  - Whirlpool's ESG Councils, one of which deals with environmental sustainability and the other with social and governance initiatives, will be responsible for the evaluation and selection of Eligible Projects per the criteria defined in the Framework.
  - Based on the clear delineation of responsibility, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
  - Whirlpool's Treasury department will be responsible for tracking the allocation of an amount equal to the net proceeds of a bond issuance to Eligible Projects, as well as the amounts still unallocated.
  - Whirlpool intends to achieve full allocation of the amount equal to net proceeds within 36 months from the date of each bond issuance. The unallocated proceeds may be held in cash, cash equivalents or invested in short-term marketable securities, in accordance with Whirlpool's liquidity management policy.
  - Based on the management of the bond proceeds and the disclosure on the temporary use of unallocated proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
  - Within one year from the date of the bond issuance and annually thereafter, until full allocation, Whirlpool intends to publish a sustainability bond report on its website to report on the allocation and impact of bond proceeds.
  - The allocation reporting will include project or category-level details on the allocation of an amount equal to the net proceeds of a bond issuance, proportion of financed and refinanced projects, and the balance of unallocated proceeds.
  - Where feasible, the impact reporting will provide reporting on at least one KPI per category for Eligible Projects to which a portion of the amount equal to net proceeds of a Financing are allocated. Exactly which impact metrics will be reported will be determined based on availability of data and may include (i) annual reduction in greenhouse gas ("GHG") emissions (metric tons), (ii) energy intensity reduction (megajoules per product), (iii) percentage increase in zero waste to landfill sites, and (iv) number of people who received access to quality, resource-efficient housing.
  - Based on Whirlpool's commitment to allocation reporting and, where feasible and applicable, impact reporting, Sustainalytics considers this process to be in line with market practice.

### Alignment with Sustainability Bond Guidelines 2018

Sustainalytics has determined that Whirlpool Corporation's Sustainability Bond Framework aligns with the four core components of the GBP and SBP. For detailed information please refer to Appendix 2: Sustainability Bond/ Sustainability Bond Programme External Review Form.

## Section 2: Sustainability Performance of Whirlpool

### Contribution of framework to Whirlpool Corporation's sustainability strategy

Sustainalytics is of the opinion that Whirlpool demonstrates a commitment to sustainability in its product offerings, internal operations, and supply chain. The Company's sustainability approach involves linking its goal to improve homes, communities and its operations, through management of material Environmental, Social and Governance issues.<sup>11</sup>

A notable feature of Whirlpool's sustainability strategy is its emission reduction target, which has been approved by the Science-Based Targets Initiative as aligned with the 2-degree Celsius global warming scenario. Under this initiative, the Company has committed to reduce its absolute Scope 1 and 2 GHG emissions from its plants by 50% in 2030 from a 2016 base year. It also commits to reduce absolute Scope 3 GHG emissions from the use of sold products by 20% over the same timeframe.<sup>12</sup> As of FY2020, the Company had achieved a reduction of 20% in its Scope 1 and 2 emissions and 15% in Scope 3 emissions from 2016.<sup>13</sup> Some other key environmental goals and achievements are highlighted below:

<sup>11</sup> Whirlpool report, "2020 Sustainability Report"(p8), at: [http://www.whirlpoolcorp.com/2020SustainabilityReport/\\_pdf/whirlpool\\_2020\\_sr.pdf](http://www.whirlpoolcorp.com/2020SustainabilityReport/_pdf/whirlpool_2020_sr.pdf)

<sup>12</sup> Science Based Targets website, "Companies Taking Action", available at: <https://sciencebasedtargets.org/companies-taking-action#table>

<sup>13</sup> Whirlpool website, "ESG Scorecard", at: <https://www.whirlpoolcorp.com/2020Annual/environment-social-governance/esg-scorecard.php>

- The Company entered into its first virtual PPA in 2020, to procure renewable energy from wind plants in the U.S. Starting late 2021, this is expected to cover 50% of its Scope 2 emissions in the U.S and reduce its global carbon footprint in operations by 15%. The Company has also invested in 5,200 kW of onsite solar capacity at two of its plants in India, covering 13-15% of each plant's daily energy demand.<sup>14</sup>
- Whirlpool uses a lifecycle approach to assess the environmental impacts of its products and focuses on the "make", "use" and "end of life" stages. It is working with the World Business Council for Sustainable Development to develop the Circular Transition Indicators tool, a framework to establish and track progress towards circular products during the make stage. For example, Whirlpool currently has a target to have 18% recycled plastic content across all its products in the EMEA region by 2025 and is in the process of developing targets for its global operations. During the use phase, it reduces the environmental impact of its products by offering repair services, setting up return centers (that in the U.S. alone processed 205,000 appliances in 2020)<sup>15</sup> and through service offerings such as product rentals that help lengthen usable life and keep products out of waste streams. During the end of life, Whirlpool works with regional take-back programs or works with retailers and other third parties to recycle and reuse appliances.
- Whirlpool has adopted the WCM methodologies to improve its energy and water efficiency and reduce waste in its manufacturing sites. It has set a target to achieve at least 3% reduction in energy intensity and 1% reduction in water intensity every year. In 2020, energy intensity decreased by 3% (from 137.8 megajoules/product to 133.4 megajoules/product) and water intensity by 12% (from 0.0854 cubic meters/product to 0.0755 cubic meters/ product) from 2019 levels. Whirlpool also plans to have zero waste to landfill in all its manufacturing sites by 2022. As of 2019, over 70% of its manufacturing sites are zero waste to landfill and 96% of its total manufacturing waste has been recycled.<sup>16</sup>

In addition to its environmental goals, Whirlpool also has the following key social sustainability strategies to support the growth and safety of its employees and uplift communities.

- In 2020, Whirlpool announced a Racial Equality Pledge that commits it to drive sustainable positive impact for all current and future Black employees and local communities. Whirlpool's Chairman and CEO also became one of the founding members of OneTen, a coalition of leading executives with a mission to train, hire and advance one million Black Americans over the next 10 years.
- Whirlpool has long-term partnerships with community organizations to maintain strong connections with local communities in which it conducts business. For example, it has been working with Instituto Consulado da Mulher since 2002 to support low-income women entrepreneurs in Brazil. In 2020, as businesses started getting affected by pandemic-related lockdowns, Whirlpool offered mentorship programs, online classes, and business management training for over 460 women. Whirlpool has also been working with HfH in the U.S. and has helped over 109,000 families access quality housing and improve their life at home. Whirlpool has announced a target to double its impact with HfH over the last 20 years by 2025.

Sustainalytics is of the opinion that Whirlpool's Sustainability Bond Framework is aligned with the Company's overall sustainability strategy and initiatives and will further the Company's action on its key environmental priorities.

#### **Well-positioned to address common environmental and social risks associated with the projects**

While Sustainalytics recognizes that amounts equal to the net proceeds from the bond(s) issued under the Framework will be directed towards eligible projects that are expected to have positive environmental impact, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects could include employee health and safety, environmental impacts of business operations, supply chain risks, electronic waste management and product safety and quality.

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

- Whirlpool has in place a Global Environment, Health, Safety and Sustainability ("EHSS") Policy and the WCM system to protect its employees from workplace injuries and foster their participation in

<sup>14</sup> Whirlpool report, "2020 Sustainability Report" (p40-41), at: [http://www.whirlpoolcorp.com/2020SustainabilityReport/\\_pdf/whirlpool\\_2020\\_sr.pdf](http://www.whirlpoolcorp.com/2020SustainabilityReport/_pdf/whirlpool_2020_sr.pdf)

<sup>15</sup> Whirlpool report, "2020 Sustainability Report" (p36), at: [http://www.whirlpoolcorp.com/2020SustainabilityReport/\\_pdf/whirlpool\\_2020\\_sr.pdf](http://www.whirlpoolcorp.com/2020SustainabilityReport/_pdf/whirlpool_2020_sr.pdf)

<sup>16</sup> Whirlpool report, "2020 Sustainability Report" (p34), at: [http://www.whirlpoolcorp.com/2020SustainabilityReport/\\_pdf/whirlpool\\_2020\\_sr.pdf](http://www.whirlpoolcorp.com/2020SustainabilityReport/_pdf/whirlpool_2020_sr.pdf)

EHSS processes. It also continues to secure and maintain recognition for its EHSS implementation with 69% of manufacturing plants OHSAS 18001 certified.<sup>17</sup>

- Whirlpool monitors and reports its sustainability performance and climate-related risks and opportunities against the Sustainability Accounting Standards Board standard since FY2019 and the Task Force on Climate Related Disclosures starting in 2020. It has also started including external limited assurance of key sustainability metrics in its 2020 sustainability report.<sup>18</sup>
- All suppliers are required to comply with Whirlpool's Supplier Code of Conduct that includes steps to identify risks through risk assessment surveys and audits, mitigate risks through annual training, and remediate risks through tracking progress against corrective action plans. The audits cover environmental assessments to check compliance with local environmental regulations and eliminate the use of harmful materials, compliance with human and labor rights laws and policies and conduct due diligence for responsible sourcing of conflict minerals (in line with the due-diligence framework developed by Organization for Economic Co-operation and Development). In 2020, Whirlpool moved its EMEA supplier base to its new Global Material Compliance Portal which allows it to request full material disclosure from suppliers on substances of concern. It aims to complete global deployment of this portal by 2021.
- The Company has confirmed compliance with regulations and policies around the management of electronic waste in several large markets in which it operates. For example, 25 states in the U.S. currently have legislations around electronic waste recycling.<sup>19</sup> In Brazil, Whirlpool adheres to the Brazilian Association for the Recycling of Electronic Waste and Appliances to comply with mandatory regulations for collection and recycling of home appliances.<sup>20</sup>
- Product safety at Whirlpool is managed through its Global Product Safety system which defines roles and responsibilities, pre-market risk assessments, post-sale safety monitoring, communication protocols and product safety standards that exceed industry standards. As of FY2020, 73% of its manufacturing sites are ISO 9001-2015 certified.<sup>21</sup>

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

### Section 3: Impact of Use of Proceeds

All seven use of proceeds categories are aligned with those recognized by the GBP. Sustainalytics has focused on two below where the impact is specifically relevant in the industry context.

#### Importance of eco-efficiency for household appliances

Global electricity consumption from household appliances reached 3,000 terawatt-hours in 2019, accounting for a quarter of the electricity consumption in buildings.<sup>22</sup> The U.S. sees a similar scenario with major household appliances such as refrigerators, cooking appliances, and laundry machines accounting for 24% of household electricity consumption in 2015.<sup>23</sup> The contribution of major appliances to the overall household electricity demand has dropped globally to 33% in 2019 from 46% in 2000, driven primarily by countries such as the U.S. regulating energy efficiency improvements in major appliances.<sup>24</sup> With its Design for Environment program, Whirlpool has been working to drive energy efficiency across all its products and has won over 25

<sup>17</sup> Whirlpool report, "2020 Sustainability Report" (p52), at: [http://www.whirlpoolcorp.com/2020SustainabilityReport/\\_pdf/whirlpool\\_2020\\_sr.pdf](http://www.whirlpoolcorp.com/2020SustainabilityReport/_pdf/whirlpool_2020_sr.pdf)

<sup>18</sup> Whirlpool report, "2020 Sustainability Report" (p8), at: [http://www.whirlpoolcorp.com/2020SustainabilityReport/\\_pdf/whirlpool\\_2020\\_sr.pdf](http://www.whirlpoolcorp.com/2020SustainabilityReport/_pdf/whirlpool_2020_sr.pdf)

<sup>19</sup> National Center for Electronics Recycling website, "Laws", at: [https://www.electronicrecycling.org/?page\\_id=39](https://www.electronicrecycling.org/?page_id=39)

<sup>20</sup> Whirlpool report, "2020 Sustainability Report" (p36), at: [http://www.whirlpoolcorp.com/2020SustainabilityReport/\\_pdf/whirlpool\\_2020\\_sr.pdf](http://www.whirlpoolcorp.com/2020SustainabilityReport/_pdf/whirlpool_2020_sr.pdf)

<sup>21</sup> Whirlpool report, "2020 Sustainability Report" (p13), at: [http://www.whirlpoolcorp.com/2020SustainabilityReport/\\_pdf/whirlpool\\_2020\\_sr.pdf](http://www.whirlpoolcorp.com/2020SustainabilityReport/_pdf/whirlpool_2020_sr.pdf)

<sup>22</sup> International Energy Agency website, "Appliances and Equipment", at: <https://www.epa.gov/facts-and-figures-about-materials-waste-and-recycling/durable-goods-product-specific-data#MajorAppliances>

<sup>23</sup> U.S Energy Information Administration website, "Use of energy explained: Energy use in homes", at: <https://www.eia.gov/energyexplained/use-of-energy/homes.php>

<sup>24</sup> International Energy Agency website, "Appliances and Equipment", at: <https://www.epa.gov/facts-and-figures-about-materials-waste-and-recycling/durable-goods-product-specific-data#MajorAppliances>

awards from the U.S. Environmental Protection Agency's ENERGY STAR for its commitment to energy efficiency.<sup>25</sup>

Manufacturers of household appliances are also designing products with connected devices to encourage energy consumption during off-peak periods, as well as manufacturing their products with recycled and/or refurbished materials. According to the Association of Home Appliance Manufacturers, almost 90% of the appliances that reach end of life in the U.S enter the recycling stream.<sup>26</sup> However, not all of it gets fully recycled. For example, in 2018, 5.3 million tons of major appliances were picked up as part of municipal solid waste in the U.S. Of that, around 3.1 million tons of ferrous material was recovered, leaving 2.1 million tons to be landfilled.<sup>27</sup>

Based on the above, Sustainalytics is of the opinion that Whirlpool's efforts to improve eco-efficiency through increasing energy efficiency and using remanufactured, refurbished and recycled materials in its products are expected to deliver positive environmental impacts.

#### **Importance of green buildings**

In 2019 CO<sub>2</sub> emissions from the operations of buildings globally reached a record of 10 gigatons of CO<sub>2</sub> or 28% of global energy-related emissions. The electricity consumption in buildings accounts for 55% of global electricity consumption.<sup>28</sup> In the U.S., the buildings sector accounts for about 76% of electricity use and 40% of GHG emissions.<sup>29</sup> Yet, according to the World Green Building Council ("WGBC"), the decarbonization process in the building sector is slowing down globally (almost halved from 2016 to 2019) and all actors globally need to redouble their efforts to achieve WGBC's Net Zero Carbon Buildings Commitment for all buildings to be net-zero carbon by 2050. As of 2017 Whirlpool had 15 LEED-Certified facilities in the U.S, totaling more than 9.4 million square feet of area<sup>30</sup> and it is planning to add more LEED or BREEAM certified manufacturing, warehouse, office and research facilities.

Based on the above, Sustainalytics is of the opinion that Whirlpool's activities towards improving its building performance are expected to have positive environmental benefits.

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<sup>25</sup> Whirlpool Corporation website, "Whirlpool Corporation Receives 2017 ENERGY STAR® Partner of the Year Award from EPA", at: <https://www.whirlpoolcorp.com/whirlpool-corporation-receives-2017-energy-star-partner-of-the-year-award-from-epa/>

<sup>26</sup> Association of Home Appliance Manufacturers website, "Americans Recycling 90% of Steel Appliances", at: <https://blog.aham.org/Americans-Recycling-90-of-Steel-Appliances/>

<sup>27</sup> U.S Environmental Protection Agency website, "Facts and Figures about Materials, Waste and Recycling", at: <https://www.epa.gov/facts-and-figures-about-materials-waste-and-recycling/durable-goods-product-specific-data#MajorAppliances>

<sup>28</sup> United Nations Environment Programme report, "Global Status Report 2020", at: [https://globalabc.org/sites/default/files/inline-files/2020%20Buildings%20GSR\\_FULL%20REPORT.pdf](https://globalabc.org/sites/default/files/inline-files/2020%20Buildings%20GSR_FULL%20REPORT.pdf)

<sup>29</sup> U.S Department of Energy report, "Quadrennial Technology Review: An Assessment of Energy Technologies and Research Opportunities", at: <https://www.energy.gov/sites/prod/files/2017/03/f34/qtr-2015-chapter5.pdf>

<sup>30</sup> Whirlpool Corporation website, "Whirlpool Corporation Awarded Gold, Silver LEED® Green Building Certifications", at: <https://www.whirlpoolcorp.com/whirlpool-corporation-awarded-gold-silver-leed-green-building-certifications/>

### Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The bond(s) issued under the Sustainability Bond Framework advances the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Eco-Efficient Products	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.
Energy Efficiency		7.3 By 2030, double the global rate of improvement in energy efficiency.
Green Buildings	9. Industry, innovation and infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Pollution Prevention and Control	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Socio-Economic Advancement	8. Decent Work and Economic Growth 10. Reduced Inequalities	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services  10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status
Affordable Basic Infrastructure	11. Sustainable Cities and Communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums

## Conclusion



Whirlpool has developed the Whirlpool Sustainability Bond Framework under which it may issue one or more sustainability bonds and use amounts equal to the proceeds to finance and/or refinance a range of environmental projects associated with renewable energy, green buildings, pollution prevention and control, energy and resource efficiency, and social projects that aim to advance socioeconomic development and enhance access to basic infrastructure for the target populations. Sustainalytics considers that the projects funded by the sustainability bond proceeds are expected to provide positive environmental and social impact.

The Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Framework is aligned with the overall sustainability strategy of the company and that the use of proceed categories will contribute to the advancement of the UN SDGs 7, 8, 9, 10, 11, and 12. Additionally, Sustainalytics is of the opinion that Whirlpool has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that Whirlpool Corporation is well-positioned to issue sustainability bonds and that the Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles (2018) and Social Bond Principles (2020).

## Appendices

### Appendix 1: Summary of the Referenced Green Building Certification Schemes

	LEED <sup>31</sup>	BREEAM <sup>32</sup>
<b>Background</b>	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.	BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990.  Based in the UK, BREEAM can be used for new, refurbished and extension of existing buildings.
<b>Certification Levels</b>	<ul style="list-style-type: none"> <li>• Certified</li> <li>• Silver</li> <li>• Gold</li> <li>• Platinum</li> </ul>	<ul style="list-style-type: none"> <li>• Pass</li> <li>• Good</li> <li>• Very Good</li> <li>• Excellent</li> <li>• Outstanding</li> </ul>
<b>Areas of Assessment</b>	<ul style="list-style-type: none"> <li>• Energy and Atmosphere</li> <li>• Sustainable Sites</li> <li>• Location and Transportation</li> <li>• Materials and Resources</li> <li>• Water Efficiency</li> <li>• Indoor Environmental Quality</li> <li>• Innovation in Design</li> <li>• Regional Priority</li> </ul>	<ul style="list-style-type: none"> <li>• Energy</li> <li>• Land Use and Ecology</li> <li>• Pollution</li> <li>• Transport</li> <li>• Materials</li> <li>• Water</li> <li>• Waste</li> <li>• Health and Wellbeing</li> <li>• Innovation</li> </ul>
<b>Requirements</b>	Prerequisites (independent of level of certification) + Credits with associated points.  These points are then added together to obtain the LEED level of certification.  There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).	Prerequisites depending on the levels of certification. Credits with associated points.  This number of points is then weighted by item and gives a BREEAM level of certification, which is based on the overall score obtained (expressed as a percentage). Majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their BREEAM performance score.
<b>Performance Display</b>		
<b>Accreditation</b>	LEED AP BD+C LEED AP O+M	BREEAM International Assessor BREEAM AP BREEAM In Use Assessor

<sup>31</sup> USGBC, “LEED rating system”, at: [www.usgbc.org/LEED](http://www.usgbc.org/LEED).

<sup>32</sup> BREEAM, “How certification works” at: <https://www.breeam.com/discover/how-breeam-certification-works/>.

<p><b>Qualitative Considerations</b></p>	<p>Widely recognised internationally, and strong assurance of overall quality.</p>	<p>Used in more than 70 countries: Good adaptation to the local normative context. Predominant environmental focus. BREEAM certification is less strict (less minimum thresholds) than HQE and LEED certifications.</p>
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## Appendix 2: Sustainability Bond / Sustainability Bond Programme - External Review Form

### Section 1. Basic Information

Issuer name: Whirlpool Corporation

Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable: Sustainability Bond Framework

Review provider's name: Sustainalytics

Completion date of this form: April 21, 2021

Publication date of review publication:

### Section 2. Review overview

#### SCOPE OF REVIEW

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

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

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

#### ROLE(S) OF REVIEW PROVIDER

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

The eligible categories for the use of proceeds – Eco-efficient Products, Renewable Energy, Energy Efficiency, Green Buildings, Pollution Prevention and Control, Socioeconomic Advancement and Empowerment, and Access to Basic Infrastructure – are aligned with those recognized by the Green Bond Principles and Social Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals (“SDGs”), specifically SDGs 7, 8, 9, 10, 11, and 12.

### Use of proceeds categories as per GBP:

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

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

### Use of proceeds categories as per SBP:

- |   |   |
|---|---|
| <input type="checkbox"/> Affordable basic infrastructure  | <input type="checkbox"/> Access to essential services                                   |
| <input checked="" type="checkbox"/> Affordable housing  | <input type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security  | <input checked="" type="checkbox"/> Socioeconomic advancement and empowerment           |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input type="checkbox"/> Other (please specify):  |

If applicable please specify the social taxonomy, if other than SBP:

## 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Whirlpool Corporation's ESG Councils, one of which deals with environmental sustainability and the other with social and governance initiatives, will be responsible for the evaluation and selection of Eligible Projects per the criteria defined in the Framework. Sustainalytics considers the project selection process to be in line with market practice.

#### Evaluation and selection

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

#### Information on Responsibilities and Accountability

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify):   |  |

### 3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

Whirlpool Corporation's Treasury department will be responsible for tracking the allocation of an amount equal to the net proceeds of a bond issuance to Eligible Projects. Whirlpool Corporation intends to achieve full allocation of the amount equal to net proceeds within 36 months from the date of each bond issuance. The unallocated proceeds may be held in cash, cash equivalents or invested in liquid marketable instruments. This is in line with market practice.

#### Tracking of proceeds:

- |   |
|---|
| <input checked="" type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (please specify):  |

#### Additional disclosure:

- |   |   |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements          |

- Disclosure of portfolio balance of unallocated proceeds       Other (please specify):

**4. REPORTING**

Overall comment on section (if applicable):

Whirlpool Corporation intends to publish a Sustainable Bond Report to provide allocation reporting on its website on an annual basis until full allocation. The allocation reporting is expected to include category-level details on the Eligible Projects, proportion of financed and refinanced projects, and the balance of unallocated proceeds. In addition, Whirlpool Corporation intends to report on relevant quantitative impact where feasible and has provided indicative metrics within the Framework. Sustainalytics views Whirlpool Corporation’s allocation and impact reporting as aligned with market practice.

**Use of proceeds reporting:**

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

**Information reported:**

- Allocated amounts       Sustainability Bond financed share of total investment
- Other (please specify):

**Frequency:**

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

**Impact reporting:**

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

**Information reported (expected or ex-post):**

- GHG Emissions / Savings       Energy Savings
- Decrease in water use       Number of beneficiaries
- Target populations       Other ESG indicators (please specify): Percentage increase in Black employees, and Percentage increase in zero waste to landfill sites

**Frequency:**

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

**Means of Disclosure**

- |   |  |
|---|--|
| <input type="checkbox"/> Information published in financial report  | <input type="checkbox"/> Information published in sustainability report                |
| <input type="checkbox"/> Information published in ad hoc documents  | <input checked="" type="checkbox"/> Other (please specify): Sustainability Bond Report |
| <input type="checkbox"/> 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:**

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

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

- i. **Second-Party Opinion:** An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
- iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green, Social and Sustainability Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance

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

## Disclaimer

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