

# Second-Party Opinion

## Whitbread Green Bond Framework



### Evaluation Summary

Sustainalytics is of the opinion that the Whitbread Green Bond Framework is credible and impactful and aligns with the Green Bond Principles 2018. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds<sup>1</sup> are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDG 7, 11, and 12.



**PROJECT EVALUATION / SELECTION** Whitbread's internal process in evaluating and selecting projects will be managed by the Sustainable Finance Committee (the "Committee"), which will be chaired by the Group Finance Director and will include members such as the General Counsel, Group Commercial Director and Managing Director Premier Inn and Restaurants, and the Group Operations Director. The Committee will be supported by the sustainability team, finance team, property and construction team, and the procurement team. The Committee will be responsible for final approval of annual updates to the Framework, eligibility of bond issuance, selection of projects, management of projects and reporting of use of proceeds and impact. Sustainalytics considers the project selection process in line with market practice.



**MANAGEMENT OF PROCEEDS** Whitbread's processes for management of proceeds is overseen by the Finance department. Proceeds and eligible projects will be tracked using a register and allocated on a portfolio basis within 36 months. Should any proceeds remain unallocated, the Company will hold or invest the balance in line with its treasury liquidity portfolio or to the extent it repays loans it will not repay any loans which were used for heavily polluting or emission intensive activity. Sustainalytics considers Whitbread's Management of proceeds in line with market practice.



**REPORTING** Whitbread intends to report on allocation of proceeds on its website, on an annual basis, until full bond allocation. The allocation report will include details such as the allocation of net proceed on a project category basis. Where feasible, Whitbread may report on an annual basis on several environmental impact metrics directly associated with the project categories. Sustainalytics views Whitbread's allocation and impact reporting as aligned with market practice.

**Evaluation date** January 28, 2021

**Issuer Location** London, United Kingdom

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**For inquiries, contact the Sustainable Finance Solutions project team:**

**Evan Bruner (Amsterdam)**  
Project Manager  
evan.bruner@sustainalytics.com  
(+31) 20 205 0027

**Cristhian Veintimilla (Amsterdam)**  
Project Support  
cristhian.veintimilla@sustainalytics.com  
(+31) 20 205 0209

**Grace Paranjape (Amsterdam)**  
Project Support  
Grace.paranjape@sustainalytics.com  
(+31) 68 508 4232

**Molly Stern (London)**  
Client Relations  
susfinance.emea@sustainalytics.com  
(+44) 20 3880 0193

<sup>1</sup> Green Buildings, Energy Efficiency, Clean Transportation, Renewable Energy, Pollution Prevention and Control, and Environmentally Sustainable Management of Living Natural Resources and Land Use.

## Introduction

Whitbread PLC (“Whitbread”, the “Issuer”, or the “Company”) is a British hospitality company headquartered in Houghton Regis, England. Whitbread is the owner of several hotels and restaurants primarily located in the United Kingdom and expanding into Germany. Some brands under the Whitbread name include Premier Inn hotels, Beefeater, Brewers Fayre, Table Table, Whitbread Inn, and Bar + Block.

Whitbread has developed the Whitbread Green Bond Framework (the “Framework”) under which it intends to issue a/multiple green bond(s) and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that help the Company reduce their environmental impact through their own operations and to develop energy-efficient infrastructure. The Framework defines eligibility criteria in six areas:

The following are green categories:

1. Green Buildings
2. Energy Efficiency
3. Clean Transportation
4. Renewable Energy
5. Pollution Prevention and Control
6. Environmentally Sustainable Management of Living Natural Resources and Land Use

Whitbread engaged Sustainalytics to review the Whitbread Green Bond Framework, dated January 2021, and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2018 (GBP).<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 Green Bond Principles 2018, 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 1.6.1, 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 Whitbread’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. Whitbread representatives have confirmed (1) they understand it is the sole responsibility of Whitbread 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 Whitbread.

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

<sup>2</sup> The Green Bond Guidelines are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/>

<sup>3</sup> The Whitbread Green Bond Framework is available on Whitbread’s website at: <https://www.whitbread.co.uk/investors/corporate-debt>

<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.

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 Whitbread has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Whitbread Green Bond Framework

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

- Use of Proceeds:
  - The eligible categories – Green Buildings, Energy Efficiency, Clean Transportation, Renewable Energy, Pollution Prevention and Control, Environmentally Sustainable Management of Living Natural Resources and Land Use – are aligned with those recognized by the GBP. Sustainalytics notes that the defined projects and activities will take place in United Kingdom and Germany.
  - Within the Green Buildings category, Whitbread may finance and/or refinance development expenditures that meet the following certification schemes: BREEAM ("Very Good" or above), LEED ("Platinum") and EU Energy Performance Certificate<sup>5</sup> (EPC) "B" or above. Sustainalytics recognizes the LEED and EPC certification schemes to be credible and robust. Additionally, Sustainalytics notes that EPC Label B or above corresponds to the top 15% of energy performing buildings in UK, which is aligned with market practice; the Issuer has excluded the use of EPC labels for its German assets. Furthermore, Sustainalytics notes BREEAM Very Good is in line with market practice in some contexts, while in others BREEAM Excellent is preferred. In any case, Sustainalytics encourages the selection of BREEAM buildings that score high enough in the Energy category to fulfill the requirements for BREEAM Excellent in that category. For Sustainalytics' assessment of green building certification schemes, please refer to Appendix 1. Other eligible green buildings projects include the installation of water recycling greywater systems and water leakage reduction technologies.
  - Under the Energy Efficiency category, Whitbread may finance and/or refinance projects aimed at increasing the energy efficiency of buildings by replacing fossil-fuel powered technologies with electric technology and implementing other energy efficient technologies that are not powered by fossil fuels. Examples of such projects include installation of electric cookers, ground-source or air-source heat pumps, and electric power storage.
  - Under the Clean Transportation category, Whitbread may finance and/or refinance investments into fully electric vehicles and electric charging stations.
  - In the Renewable Energy category, Whitbread may finance and/or refinance the procurement of 100% renewable energy<sup>6</sup> with a duration of three-years in the form of renewable energy certificates (RECs) as well as the installation of solar photovoltaic on rooftops. Sustainalytics notes that, regarding the procurement of renewable energy, long-term PPA's are market preference, while also noting that the Issuer commits to the renewal of its existing short-term contracts on the same sustainability terms, continuing its commitment to renewable energy. Sustainalytics encourages the Issuer to establish longer-term agreements.

<sup>5</sup> European Commission, "Energy Performance Certificates", at [https://ec.europa.eu/energy/content/introduction-11\\_en](https://ec.europa.eu/energy/content/introduction-11_en)

<sup>6</sup> Renewable energy certificates are required to be 100% backed by renewable energy and excludes fossil fuel sources.

- Within the Pollution Prevention and Control category, Whitbread intends to finance and/or refinance projects or expenditures related to reduction of waste to landfill, recycling and waste segregation.
- Within the category of Environmentally Sustainable Management of Living Natural Resources and Land Use, Whitbread may finance and/or refinance the procurement of timber products certified by the Forest Stewardship Council (FSC),<sup>7</sup> or the Programme for the Endorsement of Forest Certification (PEFC)<sup>8</sup> and sustainably sourced cotton certified by the Better Cotton Initiative standard (BCI)<sup>9</sup> or an equivalent standard. Sustainalytics notes that the procurement of BCI-certified cotton promotes sustainable practices by providing capacity building and support to farmers. The BCI Standard addresses principles which capture material sustainability issues related to cotton, such as crop protection practices, water stewardship, and labour rights. Through its multi-stakeholder approach, BCI aims to drive positive overall outcomes across the industry; the organization has published data suggesting that, overall, cotton produced under the programme uses less pesticides and synthetic fertilizer (ranging from 5-40%) than comparable non-certified crops.<sup>10</sup> Nevertheless, Sustainalytics notes that, in contrast to most credible certification schemes, BCI does not require adherence to specific performance standards, focusing instead on encouraging the attainment of improved performance over time. Sustainalytics also notes that BCI allows for the use of genetically modified organisms.<sup>11</sup> Notwithstanding these drawbacks, and noting the positive ambition of the BCI scheme, Sustainalytics does not consider the use of BCI as an eligibility criterion that detracts from the credibility of the Framework. For Sustainalytics analysis of FSC, PEFC and BCI certifications, please refer to Appendix 2 and Appendix 3.
- Other eligible projects in the Environmentally Sustainable Management of Living Natural Resources and Land Use category include procurement of sustainable fish that are certified by Marine Stewardship Council<sup>12</sup> (MSC) or Aquaculture Stewardship Council<sup>13</sup> (ASC) or an equivalent certification scheme. Sustainalytics recognizes the above-mentioned schemes as robust, credible certification schemes. For Sustainalytics' assessment of fishery and aquaculture certification schemes, please refer to Appendix 4.
- Sustainalytics notes that the Issuer has established a 36-month look-back period for refinancing.
- Project Evaluation and Selection:
  - Whitbread's internal process in evaluating and selecting projects is managed by the Committee, which will be chaired by the Group Finance Director. The Committee will include members such as the General Counsel, Group Commercial Director and Managing Director Premier Inn and Restaurants, and the Group Operations Director and will be supported by members from the sustainability team, finance team, property and construction team, and the procurement team. The Committee will be responsible for final approval of annual updates to the Framework, eligibility of bond issuance, selection of projects, management of projects and reporting of use of proceeds and impact.
  - Based on the above-mentioned evaluation and selection process, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
  - Whitbread's process for management of proceeds is overseen by the Finance department. Proceeds and eligible projects will be tracked using a register and allocated using a portfolio approach. Sustainalytics notes that the Issuer intends to allocate proceeds within 36 months of issuance. Should any proceeds remain unallocated, the Company will hold or invest the balance in line with its treasury liquidity portfolio or repay loans. Whitbread confirms that the company will not repay any loans which were used for heavily polluting or emission intensive activity.

<sup>7</sup> FSC, "Forest Management Certification", at: <https://fsc.org/en/forest-management-certification>

<sup>8</sup> PEFC, "Standards and Guides", at: <https://pefc.org/standards-implementation/standards-and-guides>

<sup>9</sup> Better Cotton Initiative, Principles and Criteria: <https://bettercotton.org/better-cotton-standard-system/production-principles-and-criteria/>

<sup>10</sup> Better Cotton Initiative, Farmer Results, 2017-2018 season: [https://bettercotton.org/wp-content/uploads/2019/10/BCI-Farmer-Results\\_2017-18\\_Combined.pdf](https://bettercotton.org/wp-content/uploads/2019/10/BCI-Farmer-Results_2017-18_Combined.pdf)

<sup>11</sup> The use of GMO crops is widespread within the cotton sector. Proponents note that higher yields can be attained, while other observers cite the potential dependency imposed upon farmers and the impacts on biodiversity. BCI has "adopted a position of being 'technology neutral' with respect to GM cotton". See: <https://bettercotton.org/about-bci/frequently-asked-questions/>

<sup>12</sup> Marine Stewardship Council, "The MSC Fisheries Standard", at: <https://www.msc.org/standards-and-certification/fisheries-standard>

<sup>13</sup> ASC, "About our certification", at: <https://www.asc-aqua.org/what-you-can-do/get-certified/out-our-certification/>

Based on tracking of proceeds and allocation timeframe, Sustainalytics considers this process to be in line with market practice.

- Reporting:
  - Whitbread intends to report on allocation of proceeds and impact metrics on an annual basis until full bond allocation. The allocation report will be made available on the Company's website and will include details such as the allocation of net proceeds on a project category basis, share of financing vs refinancing and the balance of any unallocated proceeds. Where feasible, Whitbread intends to report on relevant impact metrics associated with the projects, for a list of potential metrics, please refer to Appendix 5.
  - Based on accessibility and content of allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

### **Alignment with Green Bond Principles 2018**

Sustainalytics has determined that the Whitbread Green Bond Framework aligns with the four core components of the GBP. For detailed information please refer to Appendix 5: Green Bond/ Green Bond Programme External Review Form.

## **Section 2: Sustainability Strategy of Whitbread**

### **Contribution of Framework to Whitbread's sustainability strategy**

Sustainalytics notes Whitbread's commitment to sustainability is demonstrated through its Force for Good Strategy, which establishes the Company's approach to respecting people and the planet.<sup>14</sup> The strategy's Responsibility pillar introduces a clear set of targets to enhance Whitbread's efforts in: (i) responsible sourcing, (ii) environmental impact, and (iii) responsible business.<sup>15</sup>

Whitbread has demonstrated strong progress on its commitment to source 100% of critical commodities<sup>16</sup> sustainably.<sup>17</sup> As of 2020, all wild-caught fish were MSC certified and timber products were FSC or PEFC certified, respectively.<sup>18</sup> With respect to carbon emission intensity, Whitbread intends to reduce 50% by 2025 and 100% (net zero) by 2050 in its path to become carbon neutral.<sup>14</sup> As of 2020, Whitbread achieved a 39.8% reduction in carbon emissions intensity.<sup>14</sup> Additionally, Whitbread is committed to eliminate unnecessary single-use plastic by 2025, cut food waste by 50% by 2030, and avoid generated waste from reaching the landfill.<sup>14</sup>

Sustainalytics is of the opinion that the Whitbread Green 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. In particular, green buildings and the purchase of renewable energy can support Whitbread's aim to become carbon neutral, while procurement of certified products with enhance the Company's commitment to 100% sustainable critical commodities.

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

Sustainalytics acknowledges that the Framework will be directed towards eligible projects that have positive environmental impact. However, Sustainalytics also acknowledges such eligible projects could lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects, could include occupational health and safety, land use change, biodiversity issues and waste generated in construction.

Sustainalytics is of the opinion that Whitbread can manage and/or mitigate potential risks through implementation of the following:

- Regarding worker health and safety:
  - Whitbread's Health & Safety Policy defines the Company's committed to provide a safe and healthy workplace and environment for all staff, guests and others affected by its operations

<sup>14</sup> Whitbread, "Environmental, Social and Governance Report 2020/21", (2020), at: <https://www.whitbread.co.uk/~media/Files/W/Whitbread/documents/Whitbread%20Environmental%20Social%20and%20Governance%20Report%202021.pdf>

<sup>15</sup> Whitbread, "Responsibility", at: <https://www.whitbread.co.uk/sustainability/our-approach/responsibility>

<sup>16</sup> Including fish, eggs, cotton, and beef.

<sup>17</sup> Accredited against internationally recognized sustainable standards' please.

<sup>18</sup> Whitbread, "Responsibility targets and results", at: <https://www.whitbread.co.uk/sustainability/our-approach/responsibility/responsibility-targets-and-results>

- and activities. Whitbread promotes health and safety through good practice and conduct, and supports initiatives aimed at preventing injuries, diseases, and dangerous occurrences in all managed hotels, restaurants and coffee stores. The responsibility for implementing the Health & Safety Policy lies with all Directors, Managers and Team Members.<sup>19</sup>
- In the UK, the Management of Health and Safety at Work Regulations 1999<sup>20</sup> sets the minimum standards to ensure that employees are protected from harm, employers are responsible for identifying potential hazards, assessing the risk and eliminating the hazard or managing the risk.<sup>21</sup> The Construction (Design and Management) Regulations 2015<sup>22</sup> addresses the risks specific to construction work and details the legal duties of all parties to protect anyone from harm arising from construction work.<sup>23</sup>
  - In Germany, the EU Directive on Worker Health and Safety ensures minimum safety and health requirements throughout Europe. Employers must “ensure the safety and health of workers in every aspect related to the work.” Necessary measures due to be taken by the employers include “prevention of occupational risks and provision of information and training, as well as provision of the necessary organization and means.”<sup>24</sup>
  - The Premier Inn Environmental Policy Statement sets the Company’s approach to manage environmental impacts. A non-exhaustive list of the Company’s commitments within the Policy are: (i) ensure that all applicable environmental legislation and other environmental requirements are complied with, (ii) assess the most significant impacts of its business and set targets for continuous improvement and review at appropriate intervals, (iii) give due consideration to environmental issues and energy performance in location, acquisition, design, construction, refurbishment and operation and (iv) conduct effective dialogue on environmental matters with all stakeholders and other interested parties, as appropriate.<sup>25</sup>
  - The UK has implemented several regulations regarding Environmental Impact Assessment, following the amended EU Directive 2001/42/EC,<sup>26</sup> in order to “protect the environment by ensuring that a local planning authority when deciding whether to grant planning permission for a project, which is likely to have significant effects on the environment, does so in the full knowledge of the likely significant effects, and takes this into account in the decision-making process.”<sup>27</sup>
  - In Germany, projects that may be assessed to pose a risk to the environment must comply with European Union (EU) Environmental Impact Assessment (EIA) Directive for development projects within the EU. The EIA Directive is aimed at ensuring that projects which are likely to have significant impact on the environment are adequately assessed before approval. With respect to biodiversity, the Directive instructs that measures must be taken to “avoid, prevent, reduce and, if possible, offset significant adverse effects on the environment, in particular on species and habitats.”<sup>28</sup>
  - The United Kingdom and Germany are classified as a “Designated Country” under the Equator Principles, implying the presence of robust environment and social governance systems, legislation, and institutional capacity for protecting the environment and communities.<sup>29</sup>

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

<sup>19</sup> Whitbread, “Health & Safety Policy – Statement of Intent”, (2017), at:

[https://www.whitbread.co.uk/~/\\_media/Files/W/Whitbread/documents/sustainability/corporate-policy-statement-of-intent-july-2017.pdf](https://www.whitbread.co.uk/~/_media/Files/W/Whitbread/documents/sustainability/corporate-policy-statement-of-intent-july-2017.pdf)

<sup>20</sup> UK Legislation, “The Management of Health and Safety at Work Regulations 1999”, (1999), at:

<https://www.legislation.gov.uk/ukSI/1999/3242/contents/made>

<sup>21</sup> HSE, “Managing risks and risk assessment at work”, at: [https://www.hse.gov.uk/simple-healthsafety/risk/index.htm?utm\\_source=hse.gov.uk&utm\\_medium=referral&utm\\_campaign=risk&utm\\_content=home-page-inf](https://www.hse.gov.uk/simple-healthsafety/risk/index.htm?utm_source=hse.gov.uk&utm_medium=referral&utm_campaign=risk&utm_content=home-page-inf)

<sup>22</sup> UK Legislation, “The Construction (Design and Management) Regulations 2015”, (2015), at:

<https://www.legislation.gov.uk/ukSI/2015/51/contents/made>

<sup>23</sup> HSE, “What do I need to do?”, at: <https://www.hse.gov.uk/construction/cdm/2015/responsibilities.htm>

<sup>24</sup> 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>

<sup>25</sup> Whitbread, “Premier Inn Environmental Policy Statement”, (2017), at:

[https://www.whitbread.co.uk/~/\\_media/Files/W/Whitbread/Premier%20Inn%20Environmental%20Policy%20Statement.pdf](https://www.whitbread.co.uk/~/_media/Files/W/Whitbread/Premier%20Inn%20Environmental%20Policy%20Statement.pdf)

<sup>26</sup> European Union Law, “Directive 2001/42/EC of the European Parliament and of the Council of 27 June 2001 on the assessment of the effects of certain plans and programmes on the environment”, (2001), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:32001L0042>

<sup>27</sup> Government of the UK, “Environmental Impact Assessment”, at: <https://www.gov.uk/guidance/environmental-impact-assessment>

<sup>28</sup> EU, “Directive 2014/52/EU on the assessment of the effects of certain public and private projects on the environment”, (2014), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32014L0052>

<sup>29</sup> The Equator Principles, “Designated Countries”, at: <https://equator-principles.com/designated-countries/>

## Section 3: Impact of Use of Proceeds

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

### Importance of green buildings in the UK and Germany

Emissions of GHGs from buildings account for 34% of total UK emissions,<sup>30</sup> which is slightly lower than the European average of 36%.<sup>31</sup> Half of the UK emissions from buildings are direct emissions from burning gas for heating, and the other half from electricity usage.<sup>30</sup> According to the Climate Change Committee, a UK government advisory body, the two solutions to this are to increase energy efficiency of the buildings themselves, and increase low-carbon heating options.<sup>30</sup> In 2018 the UK government launched the Clean Growth Strategy (CGS).<sup>32</sup> For energy efficiency of buildings, the UK has improved by 1.6% a year between 2000 and 2017 according to the ODYSSEE energy efficiency index (ODEX), an energy efficiency index, which is better than the EU average of 1.2%.<sup>33</sup>

Germany's real estate sector accounts for 33% of total energy consumption,<sup>34</sup> and 15% of GHG emissions.<sup>35</sup> To address this issue, the Energy Efficiency Strategy for Buildings proposes increased share of renewable energy sources in building's energy consumptions, reduction of primary energy consumptions, and improved energy efficiency of buildings as strategic methods to achieving climate-neutral buildings stock.<sup>36</sup> Germany demonstrates progress in terms of GHG reduction from the building sector as it has declined by 42% from 1990 to 2019.<sup>35</sup> This is in line with the country's roadmap for buildings to be climate neutral by 2050 with an interim target of 67% reduction by 2030 (versus 1990 levels).<sup>37</sup>

Sustainalytics is of the opinion that the assets that may be funded with green financing proceeds are impactful and could contribute to reducing buildings' energy consumption and increasing energy efficiency, as well as assisting the UK and Germany in meeting their energy savings and national GHG emissions targets.

### Importance of increasing energy generation from renewable energy sources

The UK has made meaningful progress over the past year in decarbonizing its electrical mix. In the third quarter of 2019, for the first time since the Industrial Revolution, there was more electricity supplied from renewable sources than from fossil fuels.<sup>38</sup> Renewable electricity capacity has more than doubled since 2013,<sup>39</sup> with renewables accounting for 44% of electricity supplied in the second quarter of 2020.<sup>40</sup> Consequently, the power sector has seen its emissions reduced by 67% from 2008 to 2019.<sup>41</sup> Growing renewable energy capacity will further require increasing system flexibility,<sup>42</sup> further supported by increasing energy storage capabilities.

<sup>30</sup> Committee on Climate Change, "Factsheet: Buildings", at: <https://www.theccc.org.uk/wp-content/uploads/2014/08/Fact-sheet-buildings-updated-July-2015.pdf>

<sup>31</sup> EURIMA, "A Climate Neutral Building Stock", at:

[https://www.eurima.org/uploads/ModuleXtender/Publications/182/Climate\\_Neutral\\_Building\\_Stock\\_position\\_paper\\_11\\_2019.pdf](https://www.eurima.org/uploads/ModuleXtender/Publications/182/Climate_Neutral_Building_Stock_position_paper_11_2019.pdf)

<sup>32</sup> Department for Business, Energy and Industrial Strategy, "Clean Growth Strategy: executive summary",

<https://www.gov.uk/government/publications/clean-growth-strategy/clean-growth-strategy-executive-summary>

<sup>33</sup> Odyssee-Mure, "United Kingdom Profile", at: <https://www.odyssee-mure.eu/publications/efficiency-trends-policies-profiles/united-kingdom-country-profile-english.pdf>

<sup>34</sup> German Environmental Agency, "Indicator: Energy Consumption for buildings", (2020), at: <https://www.umweltbundesamt.de/en/indicator-energy-consumptionfor-buildings#environmental-importance>

<sup>35</sup> Clean Energy Wire, "Germany's greenhouse gas emissions and energy transition targets", (2020), at:

<https://www.cleanenergywire.org/factsheets/germanys-greenhouse-gas-emissions-and-climate-targets>

<sup>36</sup> German Ministry for Economic Affairs and Energy, "Energy Efficiency Strategy for Buildings. Methods for achieving a virtually climate-neutral building stock", (2015), at: [https://www.bmwi.de/Redaktion/EN/Publikationen/energy-efficiency-strategy-buildings.pdf?\\_\\_blob=publicationFile&v=7](https://www.bmwi.de/Redaktion/EN/Publikationen/energy-efficiency-strategy-buildings.pdf?__blob=publicationFile&v=7)

<sup>37</sup> German Federal Ministry for the Environment, Nature Conservation, and Nuclear Safety, "Climate Action Plan 2050", at:

<https://www.bmu.de/en/topics/climate-energy/climate/national-climate-policy/greenhouse-gas-neutral-germany-2050/>

<sup>38</sup> MIT Technology Review, "The UK just got more power from renewables than fossil fuels for the first time", (2019), at:

<https://www.technologyreview.com/2019/10/15/132624/the-uk-just-got-more-power-from-renewables-than-fossil-fuels-for-the-first-time/>

<sup>39</sup> Department for Business, Energy & Industrial Strategy, "Digest of United Kingdom Energy Statistics 2018", (2018), at:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/736148/DUKES\\_2018.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/736148/DUKES_2018.pdf)

<sup>40</sup> Government of the UK, "Section 5 – UK Electricity April to June 2020" (2020), at:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/920610/Electricity\\_September\\_2020.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/920610/Electricity_September_2020.pdf)

<sup>41</sup> Committee on Climate Change, "Reducing UK emissions – 2020 Progress Report to Parliament", (2020), at:

<https://www.theccc.org.uk/publication/reducing-uk-emissions-2020-progress-report-to-parliament/>

<sup>42</sup> IRENA, "Power system flexibility for the energy transition", (2018), at: <https://www.irena.org/publications/2018/Nov/Power-system-flexibility-for-the-energy-transition>

In 2010, Germany launched the 'Energiewende' initiative for energy transition with the goal to transform the energy system, making it reliant on renewable energy resources.<sup>43</sup> Implementation of the Energiewende will reduce Germany's GHG emissions by 80-95% by 2050, with at least 60% of energy consumed and 80% of electricity used sourced from renewable energy.<sup>43</sup> As of 2019, 42% of electricity, 15% of heating and cooling and 5.6% of transport energy was sourced from renewable energy. In aggregate terms, the share of renewable energy in the final energy consumption reached 17.4% in 2029 in Germany.<sup>44</sup>

Whitbread's expenditures for purchase of renewable energy will support the implementation of the UK's Smart Systems and Flexibility Plan<sup>45</sup> and Germany's Energiewende to enable the energy system to transition away from fossil fuels. As such, Sustainalytics is of the opinion that Whitbread's investments in procurement of renewable energy can help the UK and Germany meet their renewable energy and climate related targets.

### Contribution of ecolabel certifications to promote responsible production and consumption

The Johannesburg Plan of Implementation of the World Summit on Sustainable Development called on all countries to develop and adopt, on a voluntary basis, consumer information tools relating to sustainable production and consumption.<sup>46</sup> Ecolabels are one such tool to promote long-term sustainable production and consumption via influencing behaviour of market participants.<sup>47</sup> Ecolabels assist: 1) consumers' product and service selection according to specific environmental and social criteria preferences, and 2) businesses to communicate the environmental performance and credentials of their product or service.<sup>47</sup> There are in excess of 457 ecolabels in 199 countries, and 25 industry sectors.<sup>48</sup> While the abundance of ecolabels does not necessarily translate to improved consumer awareness, particularly of lesser known labels,<sup>49</sup> it can potentially drive innovation and market consolidation leading to higher-quality schemes and improving environmental effectiveness and impact.<sup>50</sup>

By purchasing certified products, Whitbread can contribute positively to the promotion of sustainable products and the good impact they are capable of delivering. ASC incentivizes aquaculture farms to follow best environmental and social processes.<sup>51</sup> ASC certified farms deliver a cleaner seabed, cleaner water and healthier fish; preserve the diversity of the species and wild population; adhere to strict feed requirements and ensure social responsibility.<sup>52</sup> Another impactful ecolabel is MSC, a certification that is helping to grow and maintain the number of sustainable fish populations.<sup>53</sup> By 2017, 12% of global marine wild catch was MSC certified, 94% of MSC certified fisheries have made at least one improvement of their practices, and stocks targeted by MSC certified fisheries show sustainable levels of stock biomass and in many regions stocks show higher biomass after MSC certification occurred.<sup>54</sup> The FSC certification promotes a socially beneficial, environmentally appropriate and economically viable forest management.<sup>55</sup> Since its founding until 2019, FSC certified forest area reached 200.74 million hectares in 82 countries in every continent.<sup>56</sup> Independent local studies demonstrate that FSC certified forests achieved lower levels of deforestation. For example, FSC certified forests in the island of Borneo have reduced deforestation by 5% compared to similar non-FSC certified forest.<sup>57</sup> Similarly, the PEFC is a global alliance of national forest certification systems, it promotes

<sup>43</sup> European Commission, "Mission-oriented R&I policies: In-depth case studies. Case Study Report Energiewende", (2018), at: [https://ec.europa.eu/info/sites/info/files/mission\\_oriented\\_r\\_and\\_i\\_policies\\_case\\_study\\_report\\_energiewende-de.pdf](https://ec.europa.eu/info/sites/info/files/mission_oriented_r_and_i_policies_case_study_report_energiewende-de.pdf)

<sup>44</sup> German Environmental Agency, "Renewable energies in figures", (2020), at: <https://www.umweltbundesamt.de/en/topics/climate-energy/renewable-energies/renewable-energies-in-figures>

<sup>45</sup> Government of the UK, "Upgrading our energy system: smart systems and flexibility plan", (2017), at: <https://www.gov.uk/government/publications/upgrading-our-energy-system-smart-systems-and-flexibility-plan>.

<sup>46</sup> UN, "Plan of Implementation of the World Summit on Sustainable Development", (2002), at: [https://www.un.org/esa/sustdev/documents/WSSD\\_POI\\_PD/English/WSSD\\_PlanImpl.pdf](https://www.un.org/esa/sustdev/documents/WSSD_POI_PD/English/WSSD_PlanImpl.pdf)

<sup>47</sup> UNEP, "Eco-labeling", at: <https://www.unenvironment.org/explore-topics/resource-efficiency/what-we-do/responsible-industry/eco-labelling>

<sup>48</sup> Ecolabel Index, "Who's deciding what's green?", at: <http://www.ecolabelindex.com/>

<sup>49</sup> Song, L., et al (2019), "Ecolabel's role in informing sustainable consumption: A naturalistic decision making study using eye tracking glasses", Journal of Cleaner Production, at: <https://www.sciencedirect.com/science/article/pii/S0959652619303105>

<sup>50</sup> OECD, "Environmental labelling and information schemes", (2016), at: <https://www.oecd.org/env/policy-perspectives-environmental-labelling-and-information-schemes.pdf>

<sup>51</sup> ASC, "Our Approach", at: <https://www.asc-aqua.org/what-we-do/our-approach/>

<sup>52</sup> ASC, "The need for responsible aquaculture", at: [https://www.asc-aqua.org/wp-content/uploads/2017/07/ASC\\_flyer\\_Need-for\\_MQ\\_20nov.pdf](https://www.asc-aqua.org/wp-content/uploads/2017/07/ASC_flyer_Need-for_MQ_20nov.pdf)

<sup>53</sup> MSC, "Our collective impact", at: <https://www.msc.org/what-we-are-doing/our-collective-impact>

<sup>54</sup> MSC, "Global Impacts Report 2017", (2017), at: <https://www.msc.org/docs/default-source/default-document-library/what-we-are-doing/global-impact-reports/msc-global-impacts-report-2017-interactive.pdf>

<sup>55</sup> FSC, "General information and guidelines for relevant and robust FSC-related scientific research", (2020), at: [https://fsc.org/sites/default/files/2020-11/FSC\\_General%20information%20and%20guidelines%20for%20relevant%20and%20robust%20FSC-related%20scientific%20research.pdf](https://fsc.org/sites/default/files/2020-11/FSC_General%20information%20and%20guidelines%20for%20relevant%20and%20robust%20FSC-related%20scientific%20research.pdf)

<sup>56</sup> FSC, "FSC Annual Report 2019", (), at: <https://fsc.org/sites/default/files/2020-11/FSC%20ANNUAL%20REPORT%202019%20ENGLISH%20web.pdf>

<sup>57</sup> WWF, "What is FSC certification—and is it working?", at: <https://www.worldwildlife.org/stories/what-is-fsc-certification-and-is-it-working>

sustainable forest management through independent third-party certification.<sup>58</sup> As of 2020, over 320 million hectares for forest area are managed in compliance with PEFC, or 75% of all certified forests globally.<sup>59</sup>

The BCI has the goal to improve cotton farmers lives, while protecting and restoring the ecosystems where cotton is farmed.<sup>60</sup> The BCI has delivered enhanced profitability of cotton farmers<sup>61</sup> and a Life-Cycle Analysis shows that BCI cotton performs better in primary energy demand, water consumption, eutrophication potential and global warming potential when compared to conventional cotton.<sup>62</sup>

Sustainalytics is of the opinion that expenditures in certified products funded by green bonds proceeds are impactful and could contribute to responsible production and consumption and deliver positive impact throughout the value chain.

### 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 Whitbread Sustainable Bond Framework advances the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Green Buildings	11. Sustainable Cities and Communities	11.3 Ensure inclusive and sustainable urbanization, planning and management
Energy Efficiency	7. Affordable and Clean Energy	7.4 By 2030, double the global rate of improvement in energy efficiency
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Pollution Prevention and Control	12. Responsible consumption and production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Environmentally Sustainable Management of Living Natural Resources and Land Use	12. Responsible consumption and production	12.2 By 2030, achieve the sustainable management and efficient use of natural resources

### Conclusion

Whitbread has developed the Whitbread Green Bond Framework under which it intends to issue green bonds and use the proceeds to finance projects such as developing energy efficient hotel and restaurant infrastructure, procuring certified sustainable products, and sourcing renewable energy. Sustainalytics considers that the expenditures funded by the green bond proceeds are expected to provide positive environmental impact.

The Whitbread Green Bond 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 Whitbread Green Bond Framework is aligned with the

<sup>58</sup> PEFC, "What is PEFC", at: <https://www.pefc.org/discover-pefc/what-is-pefc>

<sup>59</sup> PEFC, "Facts and figures", at: <https://www.pefc.org/discover-pefc/facts-and-figures>

<sup>60</sup> BCI, "About Better Cotton", at: <https://bettercotton.org/about-better-cotton/>

<sup>61</sup> Solidaridad Network, "Better Cotton Initiative Benefits Sector", at: <https://www.solidaridadnetwork.org/case-studies/better-cotton-initiative-benefits-sector>

<sup>62</sup> Shah, P. et al, (2018), "Life Cycle Assessment of Organic, BCI and Conventional Cotton: A Comparative Study of Cotton Cultivation Practices in India", Designing Sustainable Technologies, Products and Policies, at: [https://link.springer.com/chapter/10.1007/978-3-319-66981-6\\_8](https://link.springer.com/chapter/10.1007/978-3-319-66981-6_8)



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overall sustainability strategy of the company and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 7, 11, and 12. Additionally, Sustainalytics is of the opinion that Whitbread 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 Whitbread is well-positioned to issue green bonds and that that Whitbread Green Bond Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles (2018).

## Appendices

### Appendix 1: Sustainalytics Assessment of Green Building Certifications

	BREEM	LEED <sup>63</sup>
<b>Background</b>	BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK. Used for new, refurbished and extension of existing buildings.	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.
<b>Certification levels</b>	Pass Good Very Good Excellent Outstanding	Certified Silver Gold Platinum
<b>Areas of Assessment</b>	Energy Land Use and Ecology Pollution Transport Materials Water Waste Health and Wellbeing Innovation	Energy and Atmosphere Sustainable Sites Location and Transportation Materials and Resources Water efficiency Indoor Environmental Quality Innovation in Design Regional Priority
<b>Requirements</b>	Prerequisites depending on the levels of certification + Credits with associated points  This number of points is then weighted by item <sup>64</sup> 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.  BREEAM has two stages/ audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.	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).
<b>Performance display</b>		
<b>Qualitative considerations</b>	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.	Widely recognised internationally, and strong assurance of overall quality.

<sup>63</sup> USGBC, LEED, at: [www.usgbc.org/LEED](http://www.usgbc.org/LEED)

<sup>64</sup> BREEAM weighting: Management 12%, Health and wellbeing 15%, Energy 19%, Transport 8%, Water 6%, Materials 12.5%, Waste 7.5%, Land Use and ecology 10%, Pollution 10% and Innovation 10%. One point scored in the Energy item is therefore worth twice as much in the overall score as one point scored in the Pollution item

## Appendix 2: Sustainalytics Assessment of Forestry Certification

	Forest Stewardship Council (FSC) <sup>65</sup>	Programme for the Endorsement of Forest Certification (PEFC) <sup>66</sup>
<b>Background</b>	The Forest Stewardship (FSC) is a non-profit organization established in 1993 that aims to promote sustainable forest management practice by evaluating forest management planning and practices independently against FSC's standards.	Founded in 1999, the Programme for the Endorsement of Forest Certification (PEFC) is a non-profit organization that promotes sustainable forest management through independent third-party certification, this includes assessments, endorsements and recognition of national forest certification systems. PEFC was created in response to the specific requirements of small- and family forest owners as an international umbrella organization.
<b>Basic Principles</b>	<ul style="list-style-type: none"> <li>• Compliance with laws and FSC principles</li> <li>• Tenure and use rights and responsibilities</li> <li>• Indigenous peoples' rights</li> <li>• Community relations and workers' rights</li> <li>• Benefits from the forests</li> <li>• Environmental impact</li> <li>• Management plans</li> <li>• Monitoring and assessment</li> <li>• Special sites – high conservation value forests (HCVF)</li> <li>• Plantations</li> </ul>	<ul style="list-style-type: none"> <li>• Maintenance and appropriate enhancement of forest resources and their contribution to the global carbon cycle</li> <li>• Maintenance and enhancement of forest ecosystem health and vitality</li> <li>• Maintenance and encouragement of productive functions of forests (wood and no-wood)</li> <li>• Maintenance, conservation and appropriate enhancement of biological diversity in forest ecosystems</li> <li>• Maintenance and appropriate enhancement of protective functions in forest management (notably soil and water)</li> <li>• Maintenance of socioeconomic functions and conditions</li> <li>• Compliance with legal requirements</li> </ul>
<b>Types of standards/benchmarks</b>	<ul style="list-style-type: none"> <li>• Forest Management certification (for single/multiple applicant(s) – industrial or private forest owners, forest license holders, community forests, and government-managed forests)</li> <li>• Small and Low Intensity Management Forests (SLIMFs) program (for small forests and forests that are managed at low intensity would be eligible)</li> <li>• Chain of Custody (CoC) certification (for supply chain companies' planning, practices and products – all operations that want to produce or make claims related to FSC-certified products must possess this certificate)</li> <li>• Controlled Wood verification (for assurance that 100% virgin fiber mixed with FSC-certified and recycled fiber originates from a verified and approved source)</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainable Forest Management benchmark – international requirements for sustainable forest management. National forest management standards must meet these requirements in order to obtain PEFC endorsement</li> <li>• Group Forest Management Certification – outlines the requirements for national forest certification systems who have group forest management certification</li> <li>• Standard Setting – covers the processes that must be adhered to during the development, review and revision of national forest management standards</li> <li>• Chain of Custody – outlines the conditions for obtaining CoC certification for forest-based products</li> <li>• PEFC logo Usage Rules – outlines the requirements entities must abide by when using the PEFC logo</li> <li>• Endorsement of National Systems – outlines the process that national systems must go through to achieve PEFC endorsement</li> </ul>
<b>Governance</b>	The General Assembly is comprised of all FSC members and constitutes the highest decision-making body. Members can apply to join one of three chambers – environmental, social, or economic – that are further divided into northern and southern sub-chambers. Each chamber maintains 33.3% of the weight in votes, and votes are weighted so that the North and South hold an equal portion of authority in each chamber, to ensure influence is shared equitably between	PEFC's governance structure is formed by the General Assembly (GA) which is the highest authority and decision-making body. It is made up of all PEFC members, including national and international stakeholders. In general, PEFC's governance structure is more representative of industry and government stakeholders than of social or environmental groups. Members vote on key decisions including endorsements, international standards, new members, statutes and budgets. All national members have between

<sup>65</sup> Forest Stewardship Council, FSC Principles and Criteria for Forest Stewardship: <https://ca.fsc.org/preview.principles-criteria-v5.a-1112.pdf>

<sup>66</sup> PEFC, Standards and Implementation: <https://www.pefc.org/standards-implementation>

	interest groups and countries with different levels of economic development.	one and seven votes, depending on membership fees, while international stakeholder members have one vote each.
<b>Scope</b>	FSC is a global, multi-stakeholder owned system. All FSC standards and policies are set by a consultative process. There is an FSC Global standard and for certain countries FSC National standards. Economic, social, and environmental interests have equal weight in the standard setting process. FSC follows the ISEAL Code of Good Practice for Setting Social and Environmental Standards.	Multi-stakeholder participation is required in the governance of national schemes as well as in the standard-setting process. Standards and normative documents are reviewed periodically at intervals that do not exceed five years. The PEFC Standard Setting standard is based on ISO/IEC Code for good practice for standardization (Guide 59) <sup>67</sup> and the ISEAL Code of Good Practice for Setting Social and Environmental Standards.
<b>Chain-of-Custody</b>	<ul style="list-style-type: none"> <li>• The Chain-of-Custody (CoC) standard is evaluated by a third-party body that is accredited by FSC and compliant with international standards</li> <li>• CoC standard includes procedures for tracking wood origin</li> <li>• CoC standard includes specifications for the physical separation of certified and non-certified wood, and for the percentage of mixed content (certified and non-certified) of products</li> <li>• CoC certificates state the geographical location of the producer and the standards against which the process was evaluated. Certificates also state the starting and finishing point of the CoC</li> </ul>	<ul style="list-style-type: none"> <li>• Quality or environmental management systems (ISO 9001:2008 or ISO 14001:2004 respectively) may be used to implement the minimum requirements for chain-of-custody management systems required by PEFC</li> <li>• Only accredited certification bodies can undertake certification</li> <li>• CoC requirements include specifications for physical separation of wood and percentage-based methods for products with mixed content.</li> <li>• The CoC standard includes specifications for tracking and collecting and maintaining documentation about the origin of the materials</li> <li>• The CoC standard includes specifications for the physical separation of certified and non-certified wood</li> <li>• The CoC standard includes specifications about procedures for dealing with complains related to participant's chain of custody</li> </ul>
<b>Non-certified wood sources</b>	<p>FSC's Controlled Wood Standard establishes requirements to participants to establish supply-chain control systems, and documentation to avoid sourcing materials from controversial sources, including:</p> <ol style="list-style-type: none"> <li>Illegally harvested wood, including wood that is harvested without legal authorization, from protected areas, without payment of appropriate taxes and fees, using fraudulent papers and mechanisms, in violation of CITES requirements, and others,</li> <li>Wood harvested in violation of traditional and civil rights,</li> <li>Wood harvested in forests where high conservation values are threatened by management activities,</li> <li>Wood harvested in forests being converted from forests and other wooded ecosystems to plantations or non-forest uses,</li> <li>Wood from management units in which genetically modified trees are planted.</li> </ol>	<p>The PEFC's Due Diligence System requires participants to establish systems to minimize the risk of sourcing raw materials from:</p> <ol style="list-style-type: none"> <li>forest management activities that do not comply with local, national or international laws related to: <ul style="list-style-type: none"> <li>- operations and harvesting, including land use conversion,</li> <li>- management of areas with designated high environmental and cultural values,</li> <li>- protected and endangered species, including CITES species,</li> <li>- health and labour issues,</li> <li>- indigenous peoples' property, tenure and use rights,</li> <li>- payment of royalties and taxes.</li> </ul> </li> <li>genetically modified organisms,</li> </ol> <p>forest conversion, including conversion of primary forests to forest plantations.</p>

<sup>67</sup> ISO, ISO/IEC Guide 59:2019: <https://www.iso.org/standard/23390.html>

<p><b>Accreditation/verification</b></p>	<p>FSC-accredited Certification Bodies (CB) conduct an initial assessment, upon successful completion companies are granted a 5-year certificate. Companies must undergo an annual audit and a reassessment audit every 5 years. Certification Bodies undergo annual audits from Accreditation Services International (ASI) to ensure conformance with ISO standard requirements.</p>	<p>Accreditation is carried out by an accreditation body (AB). In the same way that a certification body checks that a company meets the PEFC standard, the accreditation body checks that a certification body meets specific PEFC and ISO requirements. Through the accreditation process, PEFC has assurance that certification bodies are independent and impartial, that they follow PEFC certification procedures.</p> <p>PEFC does not have their own accreditation body. Like with the majority of ISO based certifications, PEFC relies on national ABs under the umbrella of the International Accreditation Forum (IAF). National ABs need to be a member of the IAF, which means they must follow IAF's rules and regulations.</p>
<p><b>Qualitative considerations</b></p>	<p>Sustainalytics views both FSC and PEFC as being robust, credible standards that are based on comprehensive principles and criteria that are aligned with ISO. Both schemes have received praise for their contribution to sustainable forest management practices<sup>68</sup> and both have also faced criticism from civil society actors.<sup>69,70</sup> In certain instances, these standards go above and beyond national regulation and are capable of providing a high level of assurance that sustainable forest management practices are in place. However, in other cases, the standards are similar or equal to national legislation and provide little additional assurance. Ultimately, the level of assurance that can be provided by either scheme is contingent upon several factors including the certification bodies conducting audits, national regulations and local context.</p>	

<sup>68</sup> FESPA, FSC, PEFC and ISO 38200: <https://www.fespa.com/en/news-media/blog/fsc-pefc-and-iso-38200>

<sup>69</sup> Yale Environment 360, Greenwashed Timber: How Sustainable Forest Certification Has Failed: <https://e360.yale.edu/features/greenwashed-timber-how-sustainable-forest-certification-has-failed>

<sup>70</sup> EIA, PEFC: A Fig Leaf for Stolen Timber: <https://eia-global.org/blog-posts/PEFC-fig-leaf-for-stolen-timber>

### Appendix 3: Sustainalytics Assessment of Better Cotton Initiative certification scheme

	Better Cotton Initiative (BCI)
<b>Background</b>	The Better Cotton Initiative (BCI) is a global non-profit cotton sustainability program that seeks to (i) reduce the environmental impact of cotton products, (ii) improve livelihoods and economic development in cotton producing areas, (iii) improve commitment to and flow of Better Cotton through supply chain, and iv) ensure credibility and sustainability of the Better Cotton Initiative.
<b>Clear positive impact</b>	Transforming cotton production worldwide by developing 'Better Cotton' as a sustainable mainstream commodity.
<b>Minimum standards</b>	In order to receive a license to grow 'Better Cotton', farmers must comply with a set of minimum requirements and "improvement" criteria across seven key principles: crop protection, water stewardship, soil health, biodiversity enhancement & land use, fibre quality, decent work and effective management. The principles and criteria form the global definition of what is considered 'Better Cotton'. In recognition of the differences in production methods and workforces, BCI distinguishes between the minimum requirements for three categories of farmers (smallholders, medium farms and large farms).
<b>Directly addressing social and environmental risk</b>	BCI addresses key risks through its requirements, including human rights, child labour, biodiversity use, water stewardship and pesticide use.
<b>Verification of standards and risk mitigation</b>	BCI conducts supply chain monitoring and audits to ensure that companies sourcing cotton as Better Cotton comply with relevant Chain of Custody requirements, and to ensure continuous improvement.
<b>Third party expertise and multi-stakeholder process</b>	The WWF founded the Better Cotton Initiative in 2005. BCI partners with the following standards, which are all recognized by BCI as being equivalent to the Better Cotton Standard System: myBMP (My Best Management Practice) in Australia, ABRAPA (Associação Brasileira dos Produtores de Algodão) in Brazil, 'Cotton made in Africa' (CmiA) and 'Smallholder Cotton Standard' (SCS) of Aid by Trade Foundation (AbTF).
<b>Performance Display</b>	
<b>Accreditation</b>	Standard setting is aligned with the ISEAL Standard Setting Code.
<b>Qualitative considerations</b>	Global recognition across 21 countries. In 2018, 2 million licensed BCI Farmers produced 5.1 metric tonnes of Better Cotton, accounting for 19% of global cotton product. Some observers have cited the BCI's lack of commitment to a full phase out of synthetic chemicals among other social and environmental challenges.

## Appendix 4: Sustainalytics Assessment of Fishery and Aquaculture Certifications

	Marine Stewardship Council <sup>71</sup>	Aquaculture Stewardship Council <sup>72</sup>
<b>Background</b>	Marine Stewardship Council (MSC) is a non-profit organization founded in 1996, that issues eco-label certifications for fisheries which are sustainable and well-managed.	The Aquaculture Stewardship Council (ASC) is an independent, international NGO that manages the ASC certification and labelling program for responsible aquaculture.
<b>Clear positive impact</b>	Promoting sustainable fisheries practices.	Promoting sustainable aquaculture practices.
<b>Minimum standards</b>	A minimum score must be met across each of the performance indicators.  As a condition to certification, low-scoring indicators must be accompanied by action plans for improvement.	Quantitative and qualitative thresholds which are designed to be measurable, metric- and performance-based.  Certification may be granted with a “variance” to certain requirements of the standard. This variance is designed to allow the standard to adapt to local conditions but has been criticized for weakening the standard and overriding the consultations involved in the standard-setting process.
<b>Scope of certification or programme</b>	The MSC standard consists of a fisheries standard and a chain of custody standard.  The Fishery Standard assesses three core principles: sustainable fish stocks, minimising environmental impact, and effective fisheries management; collectively these account for the major environmental and social impacts.  The Chain of Custody standard addresses certified sourcing, product identification, separation, traceability and records, and good management.	ASC encompasses nine farm standards, covering 15 fish species as well as the harvest of seaweed. These farm standards lay out minimum requirements regarding both environmental and social performance.  Additionally, a Chain of Custody Standard is mandatory for all supply chain actors in order to ensure traceability.
<b>Verification of standards and risk mitigation</b>	Third-party conformity assessment bodies (CABs), certified by Accreditation Service International (ASI) carry out assessments in line with the MSC standard and ISO 17065.  Certification is valid for up to five years.	Third-party conformity assessment bodies (CABs), certified by Accreditation Service International (ASI) carry out assessments in line with the ASC standard and ISO 17065.  Major non-compliances must be remedied within three months.
<b>Third party expertise and multi-stakeholder process</b>	Aligned with the UN Code of Conduct for Responsible Fishing, and further informed by the Global Sustainable Seafood Initiative (GSSI), World Trade Organization (WTO), and International Social and Environmental Accreditation and Labelling (ISEAL)	Developed in line with United Nation’s Food and Agriculture Organization (UN FAO) and International Labour Organization (ILO) principles.  Managed in accordance with the International Social and Environmental Accreditation and Labelling (ISEAL) Codes of Good Practice.
<b>Performance display</b>		
<b>Qualitative considerations</b>	The MSC label is the most widely recognized sustainable fisheries label worldwide and is generally accepted to have positive impacts on marine environments.	Widely recognized and modeled on the successful MSC certification.

<sup>71</sup> <https://www.msc.org/standards-and-certification/fisheries-standard>

<sup>72</sup> <https://www.asc-aqua.org/what-we-do/our-standards/farm-standards/>

	<p>Proponents of the label cite the transparent science-based process for approval and its successful engagement with industry groups. Criticism from various observers include lack of focus on preventing by-catch, protecting marine mammals and endangered species, follow-up on conditions, crew safety, and live tracking of supply chains.</p>	<p>Some criticism has been focused on the ability to certify with a “variance”, in which certain aspects of the standard can be interpreted or waived during the audit procedure.</p> <p>While a reputable certification overall, the standard does not fully mitigate all the risks associated with aquaculture.</p>
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## Appendix 5: Green Bond / Green Bond Programme - External Review Form

### Section 1. Basic Information

Issuer name:	Whitbread
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Whitbread Green Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	January 28, 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:

- |  |  |
|--|--|
| <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 are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDG 7, 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 checked="" type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation   | <input checked="" type="checkbox"/> Clean transportation  |
| <input type="checkbox"/> Sustainable water and wastewater management   | <input type="checkbox"/> Climate change adaptation  |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes                             | <input checked="" type="checkbox"/> Green buildings   |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify):  |

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

**2. PROCESS FOR PROJECT EVALUATION AND SELECTION**

Overall comment on section (if applicable):

Whitbread’s internal process in evaluating and selecting projects will be managed by the Sustainable Finance Committee (the “Committee”), which will be chaired by the Group Finance Director and will include members such as the General Counsel, Group Commercial Director and Managing Director Premier Inn and Restaurants, and the Group Operations Director. The Committee will be supported by the sustainability team, finance team, property and construction team, and the procurement team. The Committee will be responsible for final approval of annual updates to the Framework, eligibility of bond issuance, selection of projects, management of projects and reporting of use of proceeds and impact. Sustainalytics considers the project selection process in line with market practice.

**Evaluation and selection**

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

### Information on Responsibilities and Accountability

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

### 3. MANAGEMENT OF PROCEEDS

Overall comment on section *(if applicable)*:

Whitbread's processes for management of proceeds is overseen by the Finance department. Proceeds and eligible projects will be tracked using a register and allocated on a portfolio basis within 36 months. Should any proceeds remain unallocated, the Company will hold or invest the balance in line with its treasury liquidity portfolio or to the extent it repays loans it will not repay any loans which were used for heavily polluting or emission intensive activity. Sustainalytics considers Whitbread's Management of proceeds in line with market practice.

#### Tracking of proceeds:

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

#### Additional disclosure:

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

### 4. REPORTING

Overall comment on section *(if applicable)*:

Whitbread intends to report on allocation of proceeds on its website, on an annual basis, until full bond allocation. The allocation report will include details such as the allocation of net proceed on a project category basis. Where feasible, Whitbread may report on an annual basis on several environmental impact metrics directly associated with the project categories. Sustainalytics views Whitbread'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):

**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:**

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

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## About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world's foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2020, Climate Bonds Initiative named Sustainalytics the "Largest Approved Verifier for Certified Climate Bonds" for the third consecutive year. The firm was also recognized by Environmental Finance as the "Largest External Reviewer" in 2020 for the second consecutive year. For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com).



**Named**  
2015: Best SRI or Green Bond Research or Rating Firm  
2017, 2018, 2019: Most Impressive Second Opinion Provider

