

Second-Party Opinion

JAB Holding Company

Sustainability Linked Bond Framework



Evaluation Summary

- Sustainalytics is of the opinion that the JAB Holding Company Sustainability Linked Bond Framework aligns with the Sustainability-Linked Bond Principles 2020. This assessment is based on the following:
- Selection of Key Performance Indicators (KPIs)** JAB Holding Company Sustainability-Linked Bond Framework includes three KPIs: (i) Absolute scope 1 and 2 GHG emissions, (ii) Percentage of portfolio companies, by invested capital at fair value, that have set SBTi approved targets, and (iii) Percentage of portfolio companies that have at least 30% female representation in their non-executive board of directors (see Table 1). Sustainalytics considers all three KPIs to be strong based on their materiality, relevance, scope of applicability and adequacy to external benchmarking.
- Calibration of Sustainability Performance Targets (SPTs)** Sustainalytics considers the SPTs to be aligned with JAB Holding Company's sustainability strategy. Sustainalytics considers SPT 1 and SPT 2 to be highly ambitious and SPT 3 to be ambitious based on past performance, peer performance and alignment with science.
- Bond Characteristics** JAB Holding Company will link the financial characteristics of its sustainability-linked bonds to the achievement of the SPTs, which may take the form of a coupon adjustment, a margin adjustment or a premium payment. In the case of a trigger event, the premium payment will be tied to the Company's progress on the selected KPIs and SPTs. Sustainalytics considers this process to be aligned with the Sustainability-Linked Bond Principles 2020.
- Reporting** JAB Holding Company commits to report on its performance on the KPIs within its integrated Annual Report, on its website and on an annual basis. JAB Holding Company also commits to disclose relevant information that may affect the KPI or that may enable investors to monitor the progress and ambition of the selected KPIs and SPTs. The reporting commitments are aligned with the Sustainability-Linked Bond Principles.
- Verification** JAB Holding Company commits to have external limited assurance conducted on its KPI performance at the communicated SPT deadline at least once a year, which is aligned with market expectations.

Evaluation Date	March 22, 2022
Issuer Location	Luxembourg City, Luxembourg

The SPTs contribute to the following SDGs:



Overview of KPIs and SPTs

KPI	Baseline	SPT	Strength of the KPI	Ambitiousness of SPT
Absolute scope 1 and 2 GHG emissions	2020	To reduce absolute scope 1 and 2 GHG emissions to 30.1 tCO ₂ e by 2030, representing a 46.2% reduction from the 2020 baseline	Strong	Highly Ambitious
Percentage of portfolio companies, by invested capital at fair value, that have set SBTi approved targets	2021	To reach 95% of portfolio companies, by invested capital at fair value, with SBTi approved targets by 2030	Strong	Highly Ambitious
The percentage of portfolio companies that have at least 30% female representation in their non-executive board of directors	2021	To reach 100% of portfolio companies having at least 30% female representation in their non-executive board of directors by 2025	Strong	Ambitious

Table of Contents

Scope of Work and Limitations	3
Introduction.....	4
Sustainalytics’ Opinion	5
Section 1: Sustainalytics’ Opinion on the Alignment of the JAB Holding Company Sustainability Linked Framework with the Sustainability-Linked Bond Principles.	5
Selection of Key Performance Indicators (KPIs)	5
Calibration of Sustainability Performance Targets (SPTs).....	7
Bond Characteristics.....	10
Reporting	11
Verification.....	11
Section 2: Assessment of JAB Holding’s Sustainability Strategy.....	11
Section 3: Impact of the SPTs chosen.....	13
Conclusion	15
Appendix 1	16

Scope of Work and Limitations

JAB Holding Company has engaged Sustainalytics to review the JAB Holding Company Sustainability Linked Bond Framework and provide an opinion on its alignment with the Sustainability-Linked Bond Principles 2020 (SLBP).¹

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent² opinion on the alignment of the reviewed Framework with the Sustainability-Linked Bond Principles 2020, as administered by ICMA.

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

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

Sustainalytics also reviewed relevant public documents and non-public information. This document contains Sustainalytics' opinion of the Bond Framework and should be read in conjunction with the Framework. Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and JAB Holding Company. Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated SPTs of KPIs but does not measure the KPIs' performance.³ The measurement and reporting of the KPIs is the responsibility of the Bond issuer. No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument either in favor or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that JAB Holding Company has made available to Sustainalytics for the purpose of this Second-Party Opinion.

The Second-Party Opinion is valid for issuances aligned with the respective Framework for which the Second-Party Opinion was written and aligned with the methodology to calculate the KPI performance outlined in the Second-Party Opinion up to 24 months or until one of the following occurs:

- (1) A material change to the external benchmarks⁴ against which targets were set;
- (2) A material corporate action (such as material M&A or change in business activity) which has a bearing on the achievement of the SPTs or the materiality of the KPIs.

For inquiries, contact the Corporate Solutions project team:

Jose Yakoubian (Toronto)

Project Manager
 jose.yakoubian@sustainalytics.com
 (+31) 202 050 053

Debjeet Mukherjee (Mumbai)

debjeet.mukherjee@morningstar.com
 Project Support

Aoife McCarthy (Amsterdam)

Project Support
 aoife.mccarthy@morningstar.com

Nimisha Shah (Mumbai)

nimisha.shah@morningstar.com
 Project Support

Kibii Sisulu (London)

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

¹ The Sustainability-Linked Bond Principles were launched by ICMA in June 2020. They are administered by ICMA and are available at: <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Sustainability-Linked-Bond-Principles-June-2020-100620.pdf>.

² When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics' hallmarks is integrity, another is transparency.

³ Sustainalytics has provided an opinion based on the understanding that the financial characteristics of instruments issued under the Framework will be tied to the achievement of SPTs corresponding to each of the KPIs included in the Framework.

⁴ Benchmarks refers to science based benchmarks

Introduction

JAB Holding Company (“JAB Holding”, the “Company” or the “Issuer”) is a private equity investment firm established in 2012 and headquartered in Luxembourg. JAB Holding has a diversified investment portfolio in consumer goods and services, including coffee and beverage, fast-casual restaurants, pet care, pet health services, beauty and luxury. . The Company has offices in Washington D.C., London, Amsterdam, São Paulo, Luxembourg and Mannheim.

JAB Holding Company intends to issue sustainability-linked bonds whose financial characteristics, such as a coupon adjustment, margin adjustment or premium payment, will be tied to the achievement of SPTs for three KPIs: (i) Absolute scope 1 and 2 GHG emissions, (ii) Percentage of portfolio companies, by invested capital at fair value, that have set SBTi approved targets, and (iii) Percentage of portfolio companies that have at least 30% female representation in their non-executive board of directors.

JAB Holding has engaged Sustainalytics to review the Framework and provide an opinion on its alignment with the Sustainability-Linked Bond Principles.

The KPIs and SPTs used by JAB Holding are defined in Tables 1 and 2 below.

Table 1: KPI Definitions

KPI	Definition
KPI 1 Absolute scope 1 and 2 GHG emissions	Scope 1 and 2 GHG emissions are measured in tonnes of carbon dioxide equivalent (tCO ₂ e). JAB Holding follows the GHG Protocol in calculating the Company's scope 1 and 2 emissions. JAB Holdings' scope 1 and 2 targets are SBTi validated. ⁵
KPI 2 Percentage of portfolio companies, by invested capital at fair value, that have set SBTi approved targets	KPI 2 measures the percentage of JAB Holding's portfolio companies, by invested capital at fair value, that have set SBTi approved targets. JAB Holding follows the SBTi's Private Equity Sector Science-Based Target Guidance ⁶ using the portfolio coverage approach, released on 8 November 2021. The target is based on the financial metric of invested capital at fair value defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Invested capital at fair value is an accepted metric by SBTi. The KPI is calculated as the invested capital at fair value of portfolio companies with SBTi-approved targets as a share of the invested capital at fair value of total investments in subsidiaries and other investments as per financial statements. The SBT Portfolio Coverage approach is an engagement-based approach to support the target setting of portfolio companies whereby a private equity firm commits to a percentage of portfolio companies with SBTs approved by SBTi within a maximum of five years from the date the target is submitted to SBTi for validation. Additionally, SBTi requires firms that use the SBT Portfolio Coverage to include 100% of portfolio companies that meet the shares' and board-seat conditions in the percentages as per the SBT Portfolio Coverage calculation. JAB Holding's scope 3 portfolio coverage target is SBTi approved. ⁸ The SBTi Guidance follows the GHG Protocol Standard to define the scope of GHG emissions and organizations boundaries of institutional GHG inventories.
KPI 3 Percentage of portfolio companies that have at least 30% female representation in their non-executive board of directors	KPI 3 measures the percentage of JAB Holding's portfolio companies that have at least 30% female representation in their board of directors, excluding executive directors. ⁹ JAB Holding defines female representation within the board of directors of portfolio companies by measuring the number of non-executive women on the board of directors divided by the total headcount of non-executive board of directors within portfolio companies.

⁵ JAB Holdings, “JAB Announces Science-Based Targets to Reduce Emissions Across Portfolio”, (2025), at: JAB Announces Science-Based Targets to Reduce Emissions Across Portfolio

⁶ SBTi, “Private Equity Sector Science-Based Target Guidance”, at: <https://sciencebasedtargets.org/resources/files/SBTi-Private-Equity-Sector-Guidance.pdf>

⁷ Buyout and growth capital with at least 25% of the fully diluted shares of the portfolio coverage.

⁸ JAB Holdings, “JAB Announces Science-Based Targets to Reduce Emissions Across Portfolio”, (2025), at: https://www.jabholco.com/documents/6/JABSBTiCommitmentPressRelease_vF.pdf

⁹ JAB Holding communicated to Sustainalytics that executive officers (e.g. CEOs) are excluded from KPI 3. Portfolio companies' board of directors may include executive directors, however, they are not considered for the KPI to prevent double-counting with the executive management diversity goals.

Table 2: SPTs and Past Performance

KPI	2019	2020	2021	SPT 2025	SPT 2030	SPT
KPI 1 Absolute scope 1 and 2 GHG emissions	56 tCO ₂ e	56 tCO ₂ e (Baseline)	53 tCO ₂ e	-	30.1 tCO ₂ e	To reduce absolute scope 1 and 2 GHG emissions to 30.1 tCO ₂ e by 2030, representing a 46.2% reduction from the 2020 baseline
KPI 2 Percentage of portfolio companies, by invested capital at fair value, that have set SBTi approved targets	0	44%	34% (Baseline)	80%	95%	To reach 95% of portfolio companies, ¹⁰ by invested capital at fair value, with SBTi approved targets by 2030
KPI 3 Percentage of portfolio companies having at least 30% female representation in their non-executive board of directors	20%	27%	55% (Baseline)	100%	-	To reach 100% of portfolio companies with at least 30% female representation in their board of directors by 2025

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Alignment of the JAB Holding Company Sustainability Linked Bond Framework with the Sustainability-Linked Bond Principles

Sustainalytics is of the opinion that the JAB Holding Company Sustainability-Linked Bond Framework aligns with the five core components of the Sustainability-Linked Bond Principles 2020.



Selection of Key Performance Indicators (KPIs)

Relevance and Materiality of KPIs

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

Sustainalytics notes that KPIs 1 and 2 collectively address the issue of JAB Holding's GHG emissions and therefore has taken a combined view towards rating these KPIs. Sustainalytics considers KPI 1 (Absolute scope 1 and 2 GHG emissions) and KPI 2 (Percentage of portfolio companies, by invested capital at fair value, that have set SBTi approved targets) to be material and relevant given:

- Financial institutions and private equity firms have a vital role to play in promoting sustainability practices and driving climate targets across the market, particularly when it comes to decarbonizing the economy. As private equity firms make direct investments, they have a unique opportunity to influence their portfolio companies through exerting control over management decisions. In this context, scope 3 GHG emissions, which are also called financed emissions or portfolio climate impact, represent the most

¹⁰ JAB Holding will consider within its portfolio coverage target all companies where it holds >30% of fully diluted shares and board seat(s). As a controlling/anchor shareholder in most investments, this means JAB Holding will include 99% of its current portfolio (by invested capital at fair value) within its target. The number of companies can fluctuate over time so JAB Holding will use invested capital at fair value as the metric for the basis of JAB Holding's portfolio target.

significant part of a financial institution's climate-related risks, as per the GHG Protocol's Technical Guidance.^{11 12}

- Within JAB Holding's ESG Strategy, a materiality assessment ranked climate change and energy as the number one material environmental issue for the Company. Furthermore, JAB Holding identifies Climate Change & Energy to be one of its four material ESG topics. Sustainalytics notes that while scope 1 and 2 GHG emissions by themselves are not considered a highly material ESG issue for the multi-sector holdings sub-industry,¹³ the Company shows commitment in mitigating the vast majority of its climate risks by covering its scope 3 GHG emissions in the form of KPI 2, which Sustainalytics considers to have a high scope of impact.¹⁴
- In terms of applicability, KPI 1 covers scope 1 and 2 GHG emissions which account for less than 1% of JAB Holding's total emissions profile as opposed to KPI 2's coverage of scope 3 GHG emissions, which accounts for over 99% of its total emissions profile (scope 1, 2 and 3). Therefore, since they cover the Company's entire GHG inventory, Sustainalytics considers KPI 1 and KPI 2 to be highly applicable.¹⁵

Regarding KPI 3 (portfolio companies with at least 30% female representation in their non-executive board of directors), Sustainalytics considers this KPI to be material and relevant, based on the following:

- The context of gender gap in leadership roles is an important issue globally and in the financial services industry specifically. In 2020, women held only 19.7% of board seats globally, a 2.8% increase from the previous year.¹⁶ Moreover, the World Economic Forum identifies women representing only 27% of all managerial positions and outlines the global average gender gap issue will take an estimated 135 years to achieve parity.¹⁷ The World Economic Forum also indicates female representation in leadership is a top indicator to increase the proportion of women at all levels.¹⁸ Thus, KPI 3 represents a strategy toward closing the gender gap and increasing female representation across all levels in an organization.
- JAB Holding has identified equality of opportunity, diversity and inclusion as a material ESG issue within its ESG strategy and materiality assessment. JAB Holding's materiality analysis identifies equality of opportunity, diversity and inclusion as the top social issue when assessing importance to external stakeholders and relevance to the Company and its portfolio of investments.
- In terms of applicability, KPI 3 accounts for a limited share of the portfolio companies' total headcounts. However, given that positions covered under the KPI include those employees who have the potential to influence operational and strategic decisions within the Company, Sustainalytics considers the KPI to have an elevated scope of influence.

KPI Characteristics

In its assessment of the KPI characteristics, Sustainalytics considers: i) whether a clear and consistent methodology is used, ii) whether the issuer follows an externally recognized definition, iii) whether the KPI is a direct measure of the performance of the issuer on the material environmental or social issue, and iv) if applicable, whether the methodology can be benchmarked to an external contextual benchmark.¹⁹

¹¹ GHG Protocol, "Technical Guidance for Calculating Scope 3 Emissions", at:

https://ghgprotocol.org/sites/default/files/standards_supporting/Chapter15.pdf

¹² PCAF, "The Global GHG Accounting Standard for the Financial Industry", (2020), at:

<https://carbonaccountingfinancials.com/files/downloads/PCAF-Global-GHG-Standard.pdf>

¹³ SASB, "Asset Management & Custody Activities", (2021), at: https://www.sasb.org/wp-content/uploads/2018/11/Asset_Management_Custody_Activities_Standard_2021.pdf

¹⁴ JAB Holding, "Our Environmental, Social and Governance Approach", (2022) at: <https://www.jabholco.com/our-esg-approach>

¹⁵ Sustainalytics notes that KPI 1 and KPI 2 cover JAB Holding's total emissions profile only in combination. KPI 1 includes scope 1 and 2 emissions which account for less than 1% of JAB Holding's emissions. Without the inclusion of scope 3 emissions in KPI 2, which accounts for over 99% of JAB Holding's emissions, KPI 1 would not be assessed to the same strength.

¹⁶ Deloitte Global, "Women in the boardroom report", (2022), at: <https://www2.deloitte.com/global/en/pages/about-deloitte/press-releases/women-in-the-boardroom-report.html>

¹⁷ World Economic Forum, "Global Gender Gap Report 2021", at: <https://www.weforum.org/reports/global-gender-gap-report-2021>

¹⁸ World Economic Forum, "The key to closing the gender gap? Putting more women in charge", (2017), at:

<https://www.weforum.org/agenda/2017/11/women-leaders-key-to-workplace-equality-closing-the-gender-gap/>

¹⁹ External contextual benchmarks provide guidance on alignment with ecological system boundaries. This criterion is not applied to social KPIs or impact areas for which such contextual benchmarks are not available.

KPI 1 (Absolute scope 1 and 2 GHG emissions) and KPI 2 (Percentage of portfolio companies, by invested capital at fair value, that have set SBTi approved targets)

Sustainalytics considers JAB Holding’s definition and methodology to calculate KPI 1 and KPI 2 performance to be clear and consistent, based on SBTi’s Private Equity Sector Guidance through the Portfolio Coverage approach,²⁰ which follows the GHG Protocol’s Corporate Standard. This approach supports benchmarking against external emissions reduction trajectories.

The applicability of KPI 1 on its own is very small, comprising scope 1 and 2 emissions which account for less than 1% of JAB Holding’s GHG emissions, while KPI 2 covers scope 3 emissions that account for more than 99% of JAB Holding’s GHG inventory. Therefore, KPI 1 is assessed as strong in combination with KPI 2 which together cover the Company’s entire emissions profile.

Sustainalytics considers KPI 1 to be direct and KPI 2 to be indirectly linked to JAB Holding’s climate performance.

KPI 3 (portfolio companies with at least 30% female representation in their non-executive board of directors):

Sustainalytics notes that KPI 3 does not have an externally defined methodology and does not lend itself to be benchmarked based on its nature as a social KPI. However, the methodology used to do calculate gender diversity at board level is clear and consistent based on ease of calculation and replicability. In addition, given that JAB Holding is a controlling/anchor shareholder in most investments, Sustainalytics considers KPI 3 to be a direct measure of JAB Holding’s performance.

Overall Assessment

Sustainalytics considers KPI 1 and KPI 2 to be strong given that they: (i) represent primarily indirect measures of JAB Holding’s climate performance; (ii) represent a material ESG issue for the sector and the Company; (iii) are defined following clear and consistent definitions as per the GHG Protocol Standard which supports benchmarking against external emissions reduction strategies.

Sustainalytics considers KPI 3 to be strong given that it directly measures a highly material ESG issue with a high scope of applicability. The KPI addresses relevant and material issues which can be clearly calculated but cannot be externally defined nor are comparable to an external benchmark.

KPI 1 Absolute scope 1 and 2 GHG emissions	Not Aligned	Adequate	Strong	Very strong
KPI 2 Percentage of portfolio companies, by invested capital at fair value, that have set SBTi approved targets	Not Aligned	Adequate	Strong	Very strong
KPI 3 The percentage of portfolio companies that have at least 30% female representation in their board of directors	Not Aligned	Adequate	Strong	Very strong



Calibration of Sustainability Performance Targets (SPTs)

Alignment with Issuer’s Sustainability Strategy

JAB Holding has set the following SPTs for its KPIs:

- SPT 1: To reduce absolute scope 1 and 2 GHG emissions to 30.1 tCO₂e by 2030, representing a 46.2% reduction from the 2020 baseline
- SPT 2: For 95% of portfolio companies, by invested capital at fair value, to achieve SBTi approved targets by 2030 against a 2021 baseline
- SPT 3: For 100% of portfolio companies having at least 30% female representation in their non-executive board of directors by 2025 against a 2021 baseline

²⁰ SBTi, “Private Equity Sector Science-Based Target Guidance”, at: <https://sciencebasedtargets.org/resources/files/SBTi-Private-Equity-Sector-Guidance.pdf>

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

- Regarding SPT 1, JAB Holding has prioritized key ESG topics within its ESG strategy, such as Climate Change & Energy and ESG Management & Accountability, based on an in-depth materiality analysis conducted in consultation with key stakeholders.
- Regarding SPT 2, the Company actively engages with portfolio companies to embed ESG priorities into their strategies and operations. ESG is overseen at the board level for all investments, with each business reporting to the Company's board at least once per year on priority topics, including climate.
- Regarding SPT 3, Equality of Opportunity, Diversity & Inclusion has been identified as a priority topic within the Issuer's ESG strategy. JAB Holding identifies and eliminates systemic barriers in executive leadership composition along the entire employee experience, as part of their strategy on diversity, to create a diverse and inclusive workplace in the Company and its portfolio companies.

Strategy to Achieve the SPTs

SPT 1 - To reduce absolute scope 1 and 2 GHG emissions to 30.1 tCO₂e by 2030, representing a 46.2% reduction from the 2020 baseline

JAB Holding intends to achieve SPT 1 through the following strategies:

- JAB Holding has created a carbon reduction programme to mitigate its offices' emissions through a shift to renewable energy including solar, wind, hydro, tidal, geothermal and biomass energy (biogas) in line with SBTi guidance. Currently, 78% of the Issuer's total electricity consumed in 2021 was green electricity.
- JAB Holding started measuring and reducing business travel emissions by air and offsetting the total through a Verra²¹ certified reforestation project. The Company is further reducing business travel by air, and by supporting employees to adopt low emission modes of transportation, such as cycling.

SPT 2 – To reach 95% of portfolio companies, by invested capital at fair value, with SBTi approved targets by 2030

JAB Holding intends to achieve SPT 2 through the following strategies:

- JAB Holding will encourage its portfolio companies to incorporate emission reduction and climate risk mitigation measures in their strategy, targets, and objective settings where needed and to the extent appropriate or not yet covered.
- JAB Holding engages with its portfolio companies through a proxy voting approach using shareholder voting to address climate issues and allow the Company to influence its portfolio companies, in addition to engagement initiatives to influence ESG target setting and topics covered in its Responsible Investment & Stewardship Policy.²²
- In some cases, the Issuer may be a minority shareholder²³ and as such will have limited power and authority to influence or access portfolio companies. However, the Company expects its responsible investment and asset management approach to stimulate its portfolio companies to adequately integrate ESG in business practices.

SPT 3 - To reach 100% of portfolio companies having at least 30% female representation in their non-executive board of directors by 2025

JAB Holding intends to achieve SPT 3 through the following strategies:

- JAB Holding and its portfolio companies maintain an inclusive culture and a diverse team as part of the Company's policy on diversity, with the ambition of long-term sustainable compounding returns through better decision making, equal pay based on function level and geography, and a work environment conducive to high job satisfaction and low turnover.

²¹ Verra, at: <https://verra.org/>

²² JAB Holding Company, "RESPONSIBLE INVESTMENT & STEWARDSHIP POLICY", (2021), at: https://www.jabholco.com/img/pdf/JAB_Responsible_Investment_Policy.pdf

²³ JAB Holding has communicated to Sustainalytics that it owns most shares in a large majority of its portfolio companies.

- JAB exerts significant influence over its portfolio companies as a controlling or anchor shareholder.^{24,25} For example, 45% of JAB Holding's portfolio companies have at least 30% female representation in their board of directors. As of 2021, each of JAB Holding's portfolio company's board of directors had at least one female representative, and an average of 31% of board of directors' positions were held by females.²⁶

Ambitiousness, Baseline and Benchmarks

To determine the ambitiousness of the SPTs, Sustainalytics considers: i) whether the SPTs go beyond a business-as-usual trajectory, ii) how the SPTs compare to targets set by peers, iii) and how the SPTs compare with science.²⁷

JAB Holding has set baselines for SPT 1 in 2020 and for both SPT 2 and SPT 3 in 2021.

SPT 1 - To reduce absolute scope 1 and 2 GHG emissions to 30.1 tCO₂e by 2030, representing a 46.2% reduction from the 2020 baseline

Sustainalytics was able to use the following benchmarks to assess ambitiousness: past performance, peer performance and alignment with science.

JAB Holding's share of absolute scope 1 and 2 GHG emissions decreased at an average annual rate of approximately 3% between 2019 and 2021. To achieve SPT 1, JAB Holding must reduce this figure further by approximately 46% by 2030, implying an average annual decrease of approximately 6%. Therefore, Sustainalytics notes that the targeted rate of decrease in absolute scope 1 and 2 GHG emissions is above JAB Holding's historical performance.

Based on Sustainalytics assessment of JAB Holding's peer group, SPT 1 implies an average annual percentage decrease which is above similar absolute scope 1 and 2 GHG emissions targets set by most of its peers. Therefore, Sustainalytics considers JAB Holding's SPT 1 to be above peer performance.

For the comparison against science-based targets, Sustainalytics notes that JAB Holding's targets for scope 1 and 2 are SBTi approved and consistent with a 1.5°C aligned scenario.

SPT 2 - To reach 95% of portfolio companies, by invested capital at fair value, with SBTi approved targets by 2030

Sustainalytics was able to use the following benchmarks to assess ambitiousness: past performance, peer performance and alignment with science.

JAB Holding's share of portfolio companies with SBTs increased from 0% in 2019 to 34% in 2021, despite a slight dip²⁸ between 2020 and 2021.²⁹ To achieve SPT 2, JAB Holding will need to increase this figure by 179% by the final observation date in 2030. This implies a compound annual increase of approximately 3% between 2021 and 2030. Therefore, Sustainalytics notes that SPT 2 is above JAB Holding's historical performance.

Based on Sustainalytics' assessment of JAB Holding's peer group, SPT 2 implies an average annual percentage increase which is similar to the targets set by most of its peers. Therefore, Sustainalytics considers JAB Holding's SPT 2 to be aligned with the industry's peers.

For the comparison against science-based targets, Sustainalytics notes that JAB Holding's targets for SPT 2 are SBTi approved and consistent with a 1.5°C aligned scenario.³⁰

²⁴ The SBTi Private Equity SBT Guidance states that a private equity firm shall categorize its investments by asset class to apply asset specific criteria. If a portfolio company is a conglomerate involved in both manufacturing and real estate activities, it may be more suitable to cover the portfolio within the SBT portfolio coverage target, given the method is sector-agnostic. For more information (p. 38): <https://sciencebasedtargets.org/resources/files/SBTi-Private-Equity-Sector-Guidance.pdf>

²⁵ JAB Holding is a controlling or anchor shareholder in 100% of its portfolio companies, meaning it has 30% or more of fully diluted shares and board seats (aligned with SBTi guidance). Only 2 out of the 10 portfolio companies are minority owned, meaning under 50% ownership.

²⁶ JAB Holding Company, "Extended Annual Report 2021", (2021), provided to Sustainalytics by JAB Holding Company

²⁷ We refer here to contextual benchmarks that indicate the alignment of targets with ecosystem boundaries.

²⁸ The decrease between 2020 and 2021 happened due to increased diversification of the portfolio, since the number of companies with SBTi approved targets remained the same.

²⁹ JAB Holding Company has confirmed that as of December 2020 and December 2021 the only company in its portfolio with SBTi approved targets was Keurig Dr. Pepper. The decrease in metric from 44% in 2020 to 34% in 2021 came from KDP becoming less relevant in JAB Holding Company's overall portfolio.

³⁰ Sustainalytics notes that currently some of JAB Holding's portfolio companies may have SBTi's approved targets aligned with well below 2°C. However, well below 2°C targets will be gradually phased out from the SBTi's target validation framework for companies and financial institutions. Thus, companies that had targets approved in 2020 or earlier will have until 2025 as per the current SBTi criteria to update their targets.

SPT 3 - To reach 100% of portfolio companies having at least 30% female representation in their board of directors by 2025

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

JAB Holding’s share of portfolio companies having at least 30% female representation in their board of directors increased at an average annual rate of approximately 66% between 2019 and 2021, from 20% to 55%. To achieve SPT 3 (100% by 2025), this figure must increase by 82% by the final observation date in 2025. This implies a compound annual increase of approximately 16% between 2021 and 2025. Therefore, Sustainalytics notes that the targeted SPT 3 figure is below JAB Holding’s historical performance.

Based on Sustainalytics’ assessment of JAB Holding’s peer group, SPT 3 implies an average annual percentage increase which is above similar targets set by most of its peers. Therefore, Sustainalytics considers JAB Holding’s SPT 3 to be above peer performance.

Overall Assessment

Sustainalytics considers SPT 1 to align with JAB Holding’s sustainability strategy and considers JAB Holding’s SPT 1 to be highly ambitious given that it: (i) represents an improvement over JAB Holding’s historical performance on absolute scope 1 and 2 GHG emissions, (ii) is above most peer targets and performance, and (iii) is SBTi approved and consistent with a 1.5°C aligned scenario.

Sustainalytics considers JAB Holding’s SPT 2 to be highly ambitious given that it: (i) represents an improvement over JAB Holding’s historical performance on the share of its portfolio companies to set SBTs, (ii) is above most peer targets and performance, and (iii) is SBTi approved and consistent with a 1.5°C aligned scenario.

Sustainalytics considers JAB Holding’s SPT 3 to be ambitious given that it: (i) is above most peer targets and performance, but (ii) does not represent an improvement in JAB Holding’s historical performance on the percentage of portfolio companies having at least 30% female representation in their board of directors.

SPT 1 To reduce absolute scope 1 and 2 GHG emissions to 30.1 tCO ₂ e by 2030, representing a 46.2% reduction from the 2020 baseline	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
SPT 2 To reach 95% of portfolio companies, by invested capital at fair value, with SBTi approved targets by 2030	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
SPT 3 To reach 100% of portfolio companies having at least 30% female representation in their non-executive board of directors by 2025	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious



Bond Characteristics

JAB Holding Company has disclosed that the financial characteristics of any security issued under the Framework will include a description of the selected KPIs, SPTs, step-up margin amount or premium payment amount as applicable, all of which will be specified in the relevant documentation of the specific transaction, for example, in an offering memorandum of the relevant bond.

JAB Holding has further disclosed that the bonds’ characteristics will be impacted by various trigger events depending on achievement or failure to achieve the SPTs. The occurrence of a trigger event will result in a coupon step-up accruing from the date specified in the relevant bond, or an increase of the premium. The relevant timing of the potential coupon step-up will be specified in the bond documentation.

A step-up of the coupon shall be triggered if: (i) a KPI has not achieved the SPT on the target observation date; (ii) the verification of the SPTs has not been provided and made public by the time of the notification date, as defined in the bond documentation; or (iii) the Issuer fails to provide satisfaction notice as of the notification date related to achieving the SPT, each as defined in the bond documentation.

Failure to achieve any of the three targets will result in an adjustment in the coupon rate of the bond. The penalty will be divided among the three KPIs. Each target penalty will operate independently from the others. The penalty amount will be specified in the bond documentation.

Sustainalytics notes that the relevant characteristics of bonds and loans are aligned with the SLBP.



Reporting

JAB Holding commits to report on an annual basis on its performance on the KPIs and expects to include the relevant figures in the sustainability section of its integrated Annual Report, available on its website. JAB Holding further commits to disclose relevant information that enables investors to monitor the level of ambition of the SPTs. Sustainalytics considers this process to be aligned with the SLBP.



Verification

JAB Holding commits to have an external verifier provide limited assurance against each SPT for each KPI at least once a year, which is aligned with the SLBP.

Section 2: Assessment of JAB Holding's Sustainability Strategy

Credibility of JAB Holding sustainability strategy

JAB Holding's ESG strategy is based on four key pillars: (i) Climate Change & Energy, (ii) Equality of Opportunity, Diversity & Inclusion, (iii) Business Ethics and (iv) ESG Management & Accountability. In 2021, the Company integrated the following policies into its ESG strategy: Responsible Investment and Stewardship Policy, Environmental Policy and Environmental Management System among others. Additionally, in 2021 the Company started implementing the recommendations of the Task Force on Climate-Related Financial Disclosures and published the related actions and progress in its Integrated Annual Report.³¹ In addition, JAB Holding enables portfolio companies to share best practices through its ESG collaboration forum, as part of the Company's continued engagement with portfolio companies. The collaboration forum provides portfolio companies with the opportunity to jointly discuss progress and challenges experienced in the execution of their ESG agendas.

To meet its second pillar, Equality of Opportunity, Diversity & Inclusion, JAB Holding aims to achieve gender balance, eliminate gender pay gaps and promote gender diversity within the board and senior leadership team. In 2019, JAB Holding engaged with the G7 Business for Inclusive Growth coalition³² to advance human rights throughout its value chains, build inclusive workplaces and strengthen diversity and inclusion within the Company. Furthermore, to target ESG Management and Accountability, JAB Holding follows the UN's Principles for Responsible Investment ("PRI") and is a signatory of the PRI since 2020. In addition, within the Business Ethics pillar, the Company follows the Integrated Reporting guidelines, the Global Reporting Initiative Standards and sets KPIs for each of the four priority ESG pillars since 2021 to strengthen governance disclosures and transparency. Furthermore, the Company became a signatory to the United Nations Global Compact in 2021 and incorporates its Ten Principles into its strategy, policies and procedures.³³ The Company also reported that it supported 82% of its portfolio companies in developing their own ESG strategies in 2021.³⁴

Based on JAB Holding's ESG strategy, emissions reduction targets, and diversity and inclusion goals, Sustainalytics considers JAB Holding to have a strong sustainability strategy and considers the Framework will further support JAB Holding's efforts.

³¹ JAB Holding Company, "Extended Annual Report 2021", (2021), provided to Sustainalytics by JAB Holding Company

³² OECD, "Business for Inclusive Growth", accessed 4 March 2022, at: <https://www.oecd.org/inclusive-growth/businessforinclusivegrowth/>

³³ JAB Holding Company, "Extended Annual Report 2021", (2021), provided to Sustainalytics by JAB Holding Company

³⁴ JAB Holding Company, "Extended Annual Report 2021", (2021), provided to Sustainalytics by JAB Holding Company

JAB Holding's environmental and social risk management

Overall, Sustainalytics notes that the ESG risk management of JAB Holding is considered strong. Sustainalytics' analysis is based on JAB Holding's overall performance in environmental, governance and social issues.³⁵ Sustainalytics also acknowledges that while JAB Holding's defined targets are impactful, but notes that achieving the SPTs bears environmental and social risks related to material ESG issues, including the integration of ESG financials, human capital and business ethics.

Sustainalytics comments below on JAB Holding's ability to mitigate such potential risks.

- JAB Holding's Responsible Investment and Stewardship Policy sets out key principles and obligations with respect to responsible investment and asset management activities. This policy provides a framework for ESG integration and sets a procedure for investment strategies to analyze ESG issues at every stage of an investment process. The Company conducts an ESG risk assessment and the findings are incorporated into the overall investment analysis. As an overarching principle, prospective portfolio investments that do not comply with this policy, international conventions, internationally recognized frameworks, and applicable laws or other regulations are excluded from investment.³⁶
- JAB Holding's Environmental Policy and Environmental Management System outlines the Company's approach towards environmentally sustainable business practices. The Environmental Management System provides an organizational framework for monitoring, detecting and reporting non-compliance and JAB Holding's approach to incorporating its environmental objectives in its day-to-day activities.³⁷
- The Human Rights Policy sets out the key principles, commitments, responsibilities and outlines the activities the Company undertakes with respect to human rights. JAB Holding applies the following principles throughout its operations: UN Guiding Principles on Business and Human Rights,³⁸ ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy,³⁹ OECD Guidelines for Multinational Enterprises,⁴⁰ the OECD Due Diligence Guidance for Responsible Business Conduct.⁴¹ The policy also enlists with international human rights standards, processes in place to address and prioritize human rights issues throughout its value chain, among other factors as part of its due diligence process of potential portfolio investments.⁴²
- In relation to risks associated with business ethics, the Company has formal policies and procedures in place, namely the Compliance Program, the Anti-Bribery and Corruption Program, the Whistleblower Policy and the Business Ethics Program. These programmes are intended to promote ethical conduct and to ensure JAB Holding's compliance with the applicable laws, regulations, rules and obligations as well as with the policies developed by the Company.⁴³ The Whistleblower policy sets out an appropriate reporting system to report misconduct, breaches of the Company's policies and procedures, and regulatory requirements. This policy is applicable to JAB Holding's employees as well as its external stakeholders.
- In addition, the Company's Code of Conduct includes guidelines on anti-bribery, anti-corruption, insider dealings, involvement in conflict of interest activities, data privacy rules, among others.⁴⁴
- The Issuer's Anti-Money Laundering Policy aims to substantially prevent, manage and mitigate the risk of JAB Holding and its employees becoming directly or indirectly involved in actual or potential money laundering activities, or terrorist financing activities. The policy sets out key principles and obligations for identifying and assessing money laundering

³⁵ This assessment has been derived from Sustainalytics' ESG Risk Ratings on April 14, 2021.

³⁶ JAB Holding Company, "Responsible Investment and Stewardship Policy", (2021), at: https://www.jabholco.com/img/pdf/JAB_Responsible_Investment_Policy.pdf

³⁷ JAB Holding Company, "Environmental Policy and Environmental Management System" (2022), provided to Sustainalytics by JAB Holding Company

³⁸ UN, Global Compact, "UN Guiding Principles on Business and Human Rights", (2011), at: https://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf

³⁹ International Labour organization, "Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy", (2017), at: <https://www.ilo.org/empent/areas/mne-declaration/lang-en/index.htm>

⁴⁰ OECD, "OECD Guidelines for Multinational Enterprises", (2011), at: <https://www.oecd.org/daf/inv/mne/48004323.pdf>

⁴¹ OECD, "OECD Due Diligence Guidance For Responsible Business Conduct", (2018), at: [OECD-Due-Diligence-Guidance-for-Responsible-Business-Conduct.pdf](https://www.oecd.org/daf/inv/mne/48004323.pdf)

⁴² JAB Holding Company, "Human Rights Policy", (2021), at: https://www.jabholco.com/img/pdf/JAB_Human_Rights_Policy.pdf

⁴³ JAB Holding Company, "Compliance Program, including Anti-Bribery and Corruption Program, Whistleblower Program and Business Ethics Program", (2021), at: http://www.jabholco.com/img/pdf/JAB_Compliance_Program.pdf

⁴⁴ JAB Holding Company, "Code of Conduct, including Anti-Bribery & Anti-Corruption Policies", (2021), at: http://www.jabholco.com/img/pdf/JAB_Code_of_Conduct_and_ABC.pdf



and terrorism financing risks to which JAB may be exposed. The Compliance and Risk Management team is responsible for monitoring and enforcing compliance with the Anti-Money Laundering Policy.⁴⁵

In addition to the above, Sustainalytics notes that it has found no evidence of any major environmental or social controversies related to JAB Holding. Overall, Sustainalytics considers that JAB Holding has strong management programmes and policies to mitigate risks that could emerge from the Company's investment processes.

Section 3: Impact of the SPTs Chosen

Role of private equity in achieving climate action goals

Global GHG emissions need to decline by 7.6% each year between 2020 and 2030 in order to be aligned with the goals under the Paris Agreement, as per the UNEP Emissions Gap Report.⁴⁶ The financial sector has a critical role in enabling the transition to a low-carbon and resilient economy and in the transition to a net zero economy, as physical and transitional climate risks pose significant threats to a wide range of business sectors.⁴⁷ Private equity firms are particularly well positioned to drive Paris-aligned decarbonization pathways and help minimize barriers to emissions reductions through investment strategies and shareholding influence.⁴⁸ For instance, between 2015 and 2020 ESG-focused investments from private capital totalled nearly EUR 363 billion, growing by more than 30% per year, according to SBTi.^{49,50} Additionally, a 2020 progress report by SBTi noted that corporates setting SBTi validated targets reduced their combined large-scale emissions by 25% since 2015, which is the equivalent of 302 million tonnes of CO₂ emissions.⁵¹

Financial institutions are showing increasing interest in integrating ESG issues into mainstream investment decisions. In 2021, nearly 90 private equity firms signed up to the Initiative Climate International ahead of COP26 recognizing the important role the private equity industry plays in the transition to a net zero economy.⁵² Furthermore, several existing initiatives, such as Mainstreaming Climate in Financial Institutions,⁵³ the Investor Agenda,⁵⁴ Climate Action 100+⁵⁵ among others, enable and support financial institutions to integrate climate change considerations across their strategies and emphasize the importance of the role of the financial sector in financing investments and assets that are necessary for transitioning to a low-carbon economy.⁵⁶

Based on the above, Sustainalytics is of the opinion that JAB Holding's efforts towards decarbonizing its portfolio are aligned with its efforts towards climate change and are expected to contribute to the transition to a low-carbon economy.

Importance of gender equality, diversity and inclusion in the workplace

While women are entering the workforce in increasing numbers, gender diversity in leadership roles is not yet prominent.⁵⁷ The global average of women on boards in 2021, for instance, was 19.7%, an increase of just 2.8 percentage points from 2019, according to Deloitte.⁵⁸ According to the UN, the proportion of women in managerial decision-making positions has remained

⁴⁵ JAB Holding Company, "The Anti-Money Laundering Policy", (2021), at: http://www.jabholco.com/img/pdf/JAB_AML_Policy.pdf

⁴⁶ UNEP, "Emissions Gap Report", (2019), at: <https://www.unep.org/emissions-gap-report-2020>

⁴⁷ Financial Times, "The role of business in climate change" (2020), accessed 4 March, 2022, at: <https://www.ft.com/content/7ab0bfb0-b37c-463d-b132-0944b6fe8e8b>

⁴⁸ Regulation Asia, "SBTi Issues Climate Target-Setting Guidance for Private Equity", (2021), at: <https://www.regulationasia.com/sbti-issues-climate-target-setting-guidance-for-private-equity/>

⁴⁹ Science Based Targets initiative, "Private Equity Sector Science Based Target Setting Guidance, Draft for Public Consultation V1", (2021), at: https://sciencebasedtargets.org/resources/files/SBTi-PE-Sector-Guidance_1st-draft-for-public-consultation.pdf

⁵⁰ McKinsey & Company, "A Year of Disruption in the Private Markets" (2021), at: <https://www.mckinsey.com/~/media/mckinsey/industries/private%20equity%20and%20principal%20investors/our%20insights/mckinseys%20private%20markets%20annual%20review/2021/mckinsey-global-private-markets-review-2021-v3.pdf>

⁵¹ Ibid.

⁵² Principles of Responsible Investment, "Nearly 90 private equity firms representing \$700 billion AUM have signed up to a global climate initiative ahead of COP26", (2021), at: <https://www.unpri.org/news-and-press/nearly-90-private-equity-firms-representing-700-billion-aum-have-signed-up-to-a-global-climate-initiative-ahead-of-cop26/7383.article>

⁵³ Mainstreaming Climate in Financial Institutions, at:

<https://www.unepfi.org/fileadmin/documents/FinancialInstitutionsTakingActionOnClimateChange.pdf>

⁵⁴ The Investor Agenda, "Accelerating action for a Net-Zero Emissions Economy", (2022), at: <https://theinvestoragenda.org/>

⁵⁵ Climate Action 100+, accessed 4 March 2022, at: <https://www.climateaction100.org/>

⁵⁶ Climate Action in Financial Institutions, "Principles for Mainstreaming Climate Action", accessed 4 March, 2022, at:

<https://www.un.org/pga/71/wp-content/uploads/sites/40/2017/06/IDFC-Climate-Action-in-Financial-Institutions-Initiative-Flyer.pdf>

⁵⁷ Fyle, D., (2020), "Diversity wins- how inclusion matters", McKinsey & Company, at: <https://www.mckinsey.com/featured-insights/diversity-and-inclusion/diversity-wins-how-inclusion-matters>

⁵⁸ Deloitte, "Women in Boardroom a Global Perspective", (2022), at: <https://www2.deloitte.com/global/en/pages/risk/articles/women-in-the-boardroom-a-global-perspective-seventh-edition.html>

relatively constant at 28% between 1995 and 2019.⁵⁹ In 2021, the Generation Equality Forum held in Paris announced a global five-year action plan to accelerate gender equality by 2026,⁶⁰ subscribed by EUR 36 billion in policy and programme commitments from governments, multilateral bodies and the private sector.⁶¹

Gender parity is fundamental to how economies and societies thrive,⁶² and is equally important in business. The benefits of diversity and inclusion in the workforce include improved resourcing of talented personnel, enhancement of corporate image, improved creativity and problem-solving, better decision making, innovation and improved organizational performance, among others.⁶³ In both developing and developed economies, companies with more diversity in their leadership teams report greater returns in innovation and earnings.⁶⁴ In addition, a McKinsey & Company 2020 report suggests that companies in the top quartile of gender diversity in their Boards are 25% more likely to outperform their peers financially.⁶⁵

In this context, Sustainalytics is of the opinion that JAB Holding’s efforts to increase women representation in the boards of its portfolio companies are aligned with its efforts towards diversity and inclusion and are expected to contribute to improving gender equality, diversity and inclusion in the workplace in the countries where JAB Holding’s portfolio companies operate.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by the year 2030. The sustainability-linked bonds issued under the Framework are expected to help advance the following SDG goals and targets:

KPI	SDG	SDG Target
Absolute scope 1 and 2 GHG emissions	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Percentage of portfolio companies, by invested capital at fair value, that have set SBTi approved targets	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
Percentage of portfolio companies that have at least 30% female representation in their non-executive board of directors	5. Gender Equality	5.5 Ensure women’s full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life
	10. Reduced Inequalities	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

⁵⁹ UN, “The World’s Women 2020: Trends and Statistics”, (2020), at: <https://www.un.org/en/desa/world%20E2%80%99s-women-2020>

⁶⁰ Generation Equality Forum, “Generation Equality Forum”, accessed on 4 March, 2022, at:

<https://forum.generationequality.org/news/generation-equality-forum-concludes-paris-announcement-revolutionary-commitments-and-global>

⁶¹ Ibid.

⁶² World Economic Forum, Gender Gap Report, 2020, (2020), at: <https://reports.weforum.org/global-gender-gap-report-2020/#:~:text=Gender%20parity%20is%20fundamental%20to%20whether%20and%20how.competitiveness%20and%20future-readiness%20of%20economies%20and%20businesses%20worldwide>

⁶³ Rohwerder, B. (2017), “Impact of diversity and inclusion within organisations”, Institute of Development Studies, at: https://assets.publishing.service.gov.uk/media/5ba51175e5274a54d5c39c19/109_Diversity_and_inclusion_within_organisations.pdf

⁶⁴ Boston Consulting Group, “How Diverse Leadership Teams Boost Innovation”, (2018), at: <https://www.bcg.com/en-us/publications/2018/how-diverse-leadership-teams-boost-innovation>

⁶⁵ McKinsey & Company, “Diversity Wins- How Inclusion Matters”, (2020), at: <https://www.mckinsey.com/featured-insights/diversity-and-inclusion/diversity-wins-how-inclusion-matters>. These findings emerge from data collected from 15 countries and more than 1,000 large companies.

Conclusion

JAB Holding Company has developed the JAB Holding Company Sustainability Linked Bond Framework under which it intends to issue sustainability-linked bonds tying their financial characteristics, such as coupon adjustment, margin adjustment or premium payment, to the achievement of the following SPTs:

- (1) To reduce absolute scope 1 and 2 GHG emissions to 30.1 tCO₂e by 2030, representing a 46.2% reduction from the 2020 baseline
- (2) To reach 95% of portfolio companies, by invested capital at fair value, with SBTi approved targets by 2030
- (3) To reach 100% of portfolio companies having at least 30% female representation in their non-executive board of directors by 2025

The JAB Holding Company Sustainability Linked Bond Framework defines three KPIs: (1) Absolute scope 1 and 2 GHG emissions, (2) Percentage of portfolio companies, by invested capital at fair value, that have set SBTi approved targets, and (3) Percentage of portfolio companies that have at least 30% female representation in their non-executive board of directors. Sustainalytics considers all three KPIs to be strong based on their materiality, relevance, scope of applicability and adequacy to external benchmarking. Sustainalytics considers the SPTs to be aligned with JAB Holding Company's sustainability strategy. Sustainalytics considers SPT 1 and SPT 2 to be highly ambitious and SPT 3 to be ambitious based on past performance, peer performance and alignment with science. Furthermore, Sustainalytics considers the Framework's reporting and verification commitments to be aligned with market expectations.

Based on the above, Sustainalytics considers the JAB Holding Company Sustainability Linked Bond Framework to be in alignment with the five core components of the Sustainability-Linked Bond Principles 2020 and the prospective achievement of the SPTs to be impactful.

Appendix 1: Sustainability-Linked Bonds – External Review Form

Section 1. Basic Information

Issuer name: JAB Holding Company

Sustainability-Linked Bond ISIN: not known at time of publication

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

Completion date of second party opinion pre-issuance: March 22, 2022

Independent External Review provider’s name for post-issuance verification (section 4): not known at time of publication

Completion date of post issuance verification:

At the launch of the bond, the structure is:

- a step-up structure a variable redemption structure

Section 2. Pre-Issuance Review

2-1 SCOPE OF REVIEW

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

The review:

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

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

- Second Party Opinion Certification
- Verification Scoring/Rating

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

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

JAB Holding Company intends to issue Sustainability-Linked Bonds tying their financial characteristics, such as coupon adjustment, margin adjustment, or premium payment to the achievements of the following SPTs:

- (1) To reduce absolute scope 1 and 2 GHG emissions to 30.1 tCO₂e by 2030, representing a 46.2% reduction from the 2020 baseline
- (2) To reach 95% of portfolio companies, by invested capital at fair value, with SBTi approved targets by 2030
- (3) To reach 100% of portfolio companies having at least 30% female representation in their non-executive board of directors by 2025

In addition, the JAB Holding Company Sustainability Linked Bond Framework also includes three KPIs: (i) Absolute scope 1 and 2 GHG emissions, (ii) Percentage of portfolio companies, by invested capital at fair value, that have set SBTi approved targets, and (iii) The percentage of portfolio companies that have at least 30% female representation in their non-executive board of directors. Sustainalytics considers all three KPIs to be strong based on their materiality, relevance, scope of applicability and adequacy to external benchmarking. Sustainalytics considers the SPTs to be aligned with JAB Holding Company’s sustainability strategy. Sustainalytics considers SPT 1 and SPT 2 to be highly ambitious and SPT 3 to be ambitious based on past performance, peer performance, and alignment with science. Furthermore, Sustainalytics considers reporting and verification commitments to be aligned with market expectations.

Based on the above, Sustainalytics considers JAB Holding Company’s SLB Framework to be in alignment with the five core components of the Sustainability-Linked Bond Principles 2020 and the prospective of achievement of the SPTs to be impactful.

Section 3. Detailed pre-issuance review

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

3-1 SELECTION OF KEY PERFORMANCE INDICATORS (KPIs)

Overall comment on the section (if applicable): JAB Holding Company Sustainability Linked Bond Framework includes three KPIs: (i) Absolute scope 1 and 2 GHG emissions, (ii) Percentage of portfolio companies, by invested capital at fair value, that have set SBTi approved targets, and (iii) The percentage of portfolio companies that have at least 30% female representation in their non-executive board of directors (see Table 1). Sustainalytics considers all three KPIs to be strong based on their materiality, relevance, scope of applicability and adequacy to external benchmarking.

List of selected KPIs:

- Absolute scope 1 and 2 GHG emissions (tCO₂e)
- Percentage of portfolio companies, by invested capital at fair value, that have set SBTi approved targets (%)
- The percentage of portfolio companies that have at least 30% female representation in their non-executive board of directors (%)

Definition, Scope, and parameters

- | | |
|--|---|
| <input checked="" type="checkbox"/> Clear definition of each selected KPIs | <input checked="" type="checkbox"/> Clear calculation methodology |
| <input type="checkbox"/> Other (please specify): | |

Relevance, robustness, and reliability of the selected KPIs

- | | |
|--|--|
| <input checked="" type="checkbox"/> Credentials that the selected KPIs are relevant, core and material to the issuer’s sustainability and business strategy. | <input checked="" type="checkbox"/> Evidence that the KPIs are externally verifiable |
| <input checked="" type="checkbox"/> Credentials that the KPIs are measurable or quantifiable on a consistent methodological basis | <input type="checkbox"/> Evidence that the KPIs can be benchmarked |
| <input type="checkbox"/> Other (please specify): | |

3-2 CALIBRATION OF SUSTAINABILITY PERFORMANCE TARGETS (SPTs)

Overall comment on the section (if applicable): Sustainalytics considers the SPTs to be aligned with JAB Holding Company's sustainability strategy. Sustainalytics considers SPT 1 and SPT 2 to be highly ambitious and SPT 3 to be ambitious based on past performance, peer performance, and alignment with science.

Rationale and level of ambition

- | | |
|--|---|
| <input checked="" type="checkbox"/> Evidence that the SPTs represent a material improvement | <input checked="" type="checkbox"/> Credentials on the relevance and reliability of selected benchmarks and baselines |
| <input checked="" type="checkbox"/> Evidence that SPTs are consistent with the issuer's sustainability and business strategy | <input checked="" type="checkbox"/> Credentials that the SPTs are determined on a predefined timeline |
| | <input type="checkbox"/> Other (please specify): |

Benchmarking approach

- | | |
|--|--|
| <input checked="" type="checkbox"/> Issuer own performance | <input checked="" type="checkbox"/> Issuer's peers |
| <input checked="" type="checkbox"/> reference to the science | <input type="checkbox"/> Other (please specify): |

Additional disclosure

- | | |
|--|---|
| <input type="checkbox"/> potential recalculations or adjustments description | <input type="checkbox"/> issuer's strategy to achieve description |
| <input type="checkbox"/> identification of key factors that may affect the achievement of the SPTs | <input type="checkbox"/> Other (please specify): |

3-3 BOND CHARACTERISTICS

Overall comment on the section (if applicable): JAB Holding Company will link the financial characteristics of its sustainability-linked bonds to the achievement of the SPTs, which may take the form of a coupon adjustment, a margin adjustment or a premium payment. In the case of a trigger event, the premium payment will be tied to the Company's progress on the selected KPIs and SPTs. Sustainalytics considers this process to be aligned with the Sustainability-Linked Bond Principles 2020.

Financial impact:

- variation of the coupon
- premium payment
- Other (please specify): margin adjustment

Structural characteristic:

- Other (please specify):

3-4 REPORTING

Overall comment on the section (if applicable): JAB Holding Company commits to have external limited assurance conducted on its KPI performance at the communicated SPT deadline at least once a year, which is aligned with market expectations.

Information reported:

- performance of the selected KPIs
- verification assurance report
- level of ambition of the SPTs
- Other (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): website
- Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

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

Level of Assurance on Reporting

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

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

Section 4. Post-issuance verification

Overall comment on the section (if applicable):

Information reported:

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

Frequency:

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

Material change:

- Perimeter
- KPI methodology
- SPTs calibration

Disclaimer

Copyright ©2022 Sustainalytics. All rights reserved.

The information, methodologies and opinions contained or reflected herein are proprietary of Sustainalytics and/or its third party suppliers (Third Party Data), and may be made available to third parties only in the form and format disclosed by Sustainalytics, or provided that appropriate citation and acknowledgement is ensured. They are provided for informational purposes only and (1) do not constitute an endorsement of any product or project; (2) do not constitute investment advice, financial advice or a prospectus; (3) cannot be interpreted as an offer or indication to buy or sell securities, to select a project or make any kind of business transactions; (4) do not represent an assessment of the issuer's economic performance, financial obligations nor of its creditworthiness; and/or (5) have not and cannot be incorporated into any offering disclosure.

These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

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. For more than 25 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics 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. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. With 17 offices globally, Sustainalytics has more than 800 staff members, including more than 300 analysts with varied multidisciplinary expertise across more than 40 industry groups.

For more information, visit www.sustainalytics.com

Or contact us contact@sustainalytics.com

