Moody's
INVESTORS SERVICE

ASSESSMENT
14 September 2023

Send Your Feedback

Contacts

Tom Collet
Sustainable Finance Analyst
tom.collet@moodys.com

Teresa Carim
Associate Lead Analyst-SF
teresa.carim@moodys.com

Simon Boemer
Associate Lead Analyst-SF
simon.boemer@moodys.com

Alice Presotto
Associate Analyst
alice.presotto@moodys.com

Krister Koskelo
Associate Analyst
krister.koskelo@moodys.com

Adriana Cruz Felix
VP-Sustainable Finance
adriana.cruzfelix@moodys.com

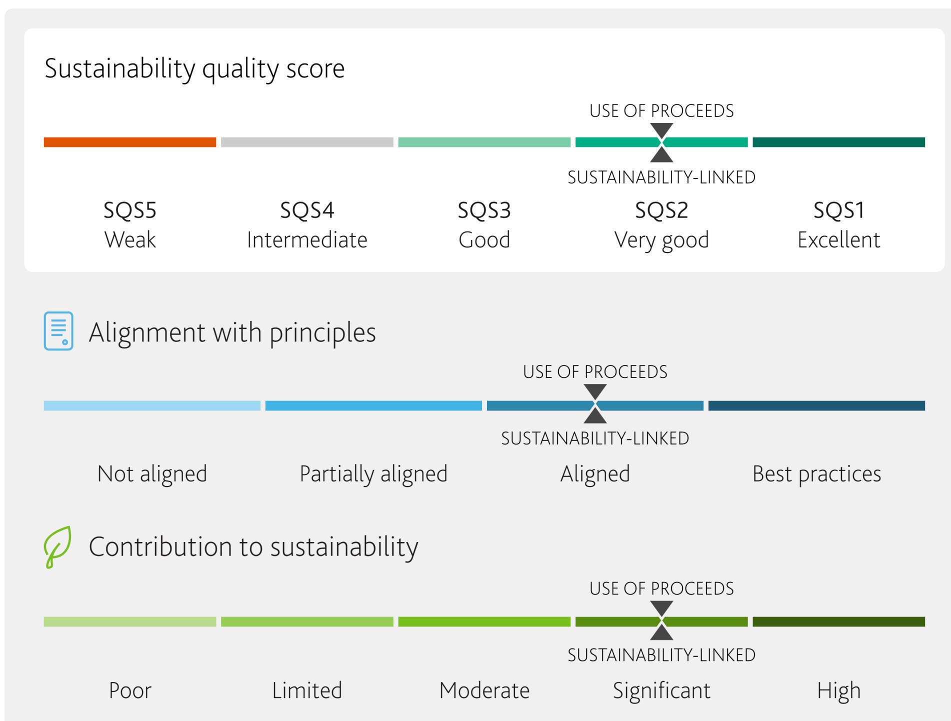
Rahul Ghosh
MD-Sustainable Finance
rahul.ghosh@moodys.com

ELO (Auchan Holding)

Second Party Opinion – Sustainable Finance Framework Assigned SQS2 (Use of Proceeds) and SQS2 (Sustainability-Linked)

Summary

We have assigned an SQS2 sustainability quality score (very good) to the use-of-proceeds (UoP) portion and an SQS2 sustainability quality score (very good) to the sustainability-linked portion of ELO's sustainable finance framework dated 12 September 2023. The framework covers five eligible UoP categories and two key performance indicators (KPIs). For the UoP portion, the framework is aligned with the four core components of the International Capital Market Association's (ICMA) Green Bond Principles (GBP) 2021 (with the June 2022 Appendix 1) and Social Bond Principles (SBP) 2023, and demonstrates a significant contribution to sustainability. For the sustainability-linked portion, the framework is aligned with the five core components of the ICMA's Sustainability-Linked Bond Principles (SLBP) 2023 and demonstrates a significant contribution to sustainability.



Scope

We have provided a Second Party Opinion (SPO) on the sustainability credentials of ELO's sustainable financing framework, including its alignment with the ICMA's GBP 2021 (with the June 2022 Appendix 1), SBP 2023 and SLBP 2023. Under the framework, the company plans to issue UoP green, social or sustainability bonds with the aim of financing projects in four eligible green categories and one eligible social category, as outlined in Appendix 2 of this report. In addition, the company has selected two sustainability KPIs for potential issuance of sustainability-linked bonds — scope 1 and 2 greenhouse gas (GHG) emissions reduction (KPI 1), and scope 3 GHG emissions reduction (KPI 2) — as outlined in Appendix 3 of this report. We have assessed the alignment with principles and contribution to sustainability components of both the UoP and sustainability-linked portions of the financing framework independently, resulting in two separate SQS scores.

Our assessment is based on the last updated version of the framework received on 12 September 2023, and our opinion reflects our point-in-time assessment of the details contained in this version of the framework, as well as other public and non-public information provided by the company.

We produced this SPO based on our Framework to Provide Second Party Opinions on Sustainable Debt, published in October 2022.

Issuer profile

ELO is a French limited liability company with family and employee shareholding, and it is the holding company of three autonomous companies, Auchan Retail, New Immo Holding (NIH) and Oney. Auchan Retail operates supermarkets, hypermarkets and other retail formats in 13 countries, and has around 163,000 employees. NIH is the holding company of Nhood, a mixed-use real estate operator with around €10 billion real estate assets under management in 10 countries, and Ceetrus, a manager of a portfolio of mainly shopping centers in Europe of around €7 billion. Oney, a joint venture in which ELO holds a 49.9% stake, is a payment, credit and insurance solutions service provider that serves around 7.8 million customers in 12 countries. Sustainability strategies are defined at the subsidiary level and entail among others GHG emissions reduction targets, the protection and promotion of biodiversity, and the reduction of plastic pollution and food and nonfood waste.

Strengths

» The selection and evaluation process for eligible UoP projects is traceable, involves relevant expertise and includes continuous monitoring.

» Environmental and social (E&S) risk mitigation processes for eligible UoP projects are robust, and involve continuous monitoring throughout the life of outstanding instruments.

» The issuer commits to always use both sustainability-linked bond (SLB) KPIs together, ensuring the coverage of more than 90% of the company's carbon footprint.

» Science Based Targets initiative (SBTi) verification has been undertaken for both 2030 Sustainability Performance Targets (SPTs).

Challenges

» Benefits related to the socioeconomic advancement and empowerment category are broadly defined and not measurable.

» ELO has not disclosed three years of verified historical data for the KPIs, constraining the business-as-usual (BaU) analysis.

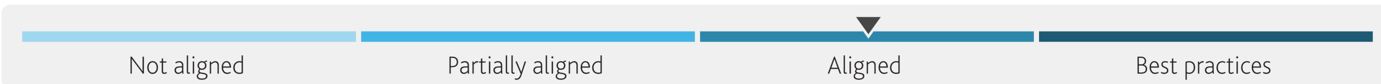
» Market-based accounting approach and the use of renewable energy certificates (RECs) reduce the ability of KPI 1 to track energy consumption and incentivize further increase in renewable energy installed capacity.

Alignment with principles - Use of proceeds

ELO's sustainable finance framework is aligned with the four core components of the ICMA's GBP 2021 (with the June 2022 Appendix 1) and SBP 2023:

- [x] Green Bond Principles (GBP)
- [x] Social Bond Principles (SBP)
- [ ] Green Loan Principles (GLP)
- [ ] Social Loan Principles (SLP)
- [ ] Sustainability-Linked Bond Principles (SLBP)
- [ ] Sustainability Linked Loan Principles (SLLP)

Use of proceeds



Clarity of the eligible categories – BEST PRACTICES

ELO has clearly communicated the nature of expenditures, which will be capital spending, operating expenditures and cost of goods sold. The company has further clearly defined the eligibility and exclusion criteria for all eligible categories. The locations of eligible assets or projects are defined at the country level, namely France, Spain, Luxembourg, Portugal, Poland, Romania, Hungary, Ukraine, Senegal and Italy.

Clarity of the environmental or social objectives – BEST PRACTICES

The company has clearly outlined relevant E&S objectives associated with each of the eligible categories, which are coherent with international standards. The objectives are climate change mitigation, pollution prevention and control, and decent work. The framework has referenced relevant United Nations' (UN) Sustainable Development Goals (SDGs), environmental objectives in the European Union (EU) taxonomy and the European Commission's objective on the promotion of decent work to articulate the eligible category objectives.

Clarity of expected benefits – ALIGNED

ELO has clearly identified the environmental benefits of most eligible categories. These benefits are measurable and will be quantified in the reporting. The social benefits related to the category "Socioeconomic advancement and empowerment" are broadly defined and not measurable. The issuer has stated that a targeted minimum share of new financing versus refinancing will be disclosed before issuance. Eligible green and social capital and operating expenditures shall qualify for refinancing with a three-year lookback period.

Best practices identified - use of proceeds

» Eligibility criteria are clearly defined for all project categories

» Objectives set are defined, relevant and coherent for all project categories

» Benefits are measurable and quantified for most projects, either ex-ante with clear baselines or with a commitment to do so in future reporting

» Commitment to transparently disclose the share of proceeds used for refinancing where feasible

» Commitment to transparently communicate the associated lookback period where feasible

Process for project evaluation and selection

Not aligned	Partially aligned	Aligned	Best practices ▼

Transparency and quality of the process for defining eligible projects – BEST PRACTICES
ELO has established a clear process for evaluating and monitoring eligible projects, formalized in its publicly available framework. The roles and responsibilities for project evaluation and selection are clearly defined, and include relevant expertise. A Sustainable Finance Working Group (SFWG), which is chaired by the treasurer of Auchan Retail, has been established, and consists of representatives of Auchan retail functions (finance, sustainability, accounting, capital spending, financial control) and representatives of NIH (finance and sustainability functions) as and when relevant. The SFWG will monitor the portfolio at least twice a year throughout the life of the instruments to ensure continued compliance with the framework. Projects that no longer meet the eligibility criteria will be removed from the eligible project portfolio.

Environmental and social risk mitigation process – BEST PRACTICES
The E&S risk mitigation processes applied are publicly disclosed via formalized policies and guidelines. The process implemented includes a combination of identification, management, mitigation, monitoring and control measures. Identifying significant risks from the negative social and environmental impact of eligible projects is one of the responsibilities of the SFWG and ELO's Corporate Social Responsibility group department, with the help of the risk and internal control and compliance departments, if needed. This includes assessment against international standards and agreements, such as the EU taxonomy's Do No Significant Harm (DNSH) criteria. The monitoring will be carried out continuously throughout the life of the instrument.

Best practices identified - process for project evaluation and selection

» The roles and responsibilities for project evaluation and selection are clearly defined and include relevant expertise

» There is evidence of continuity in the selection and evaluation process through the life of the financial instrument(s), including compliance verification and procedures to undertake mitigating actions when needed

» The process for project evaluation and selection is traceable

» Material environmental and social risks for most project categories are identified

» Presence of corrective measures to address environmental and social risks across projects

» ESG controversies are monitored

Management of proceeds

Not aligned	Partially aligned	Aligned	Best practices ▼

Allocation and tracking of proceeds – BEST PRACTICES
ELO has defined a clear process for the management and allocation of instrument proceeds in the framework. The company's investment and commitment committee will establish internal tracking systems to monitor and account for the allocation of proceeds. The balance of the eligible proceeds will be adjusted annually. The maximum allocation period is 24 months, in line with market best practice.

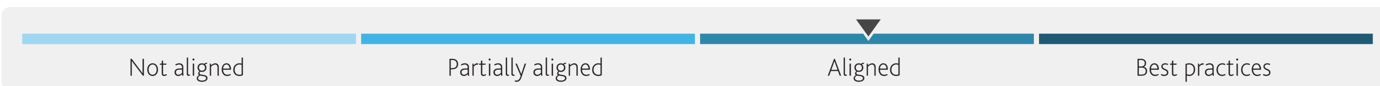
Management of unallocated proceeds – BEST PRACTICES
Temporarily unallocated proceeds will be managed in accordance with the company's treasury management policy, will be pooled at the group level, and will be held in cash and cash-equivalent products only. The framework contains a formalized commitment to

not invest temporary unallocated proceeds in defined controversial activities. In case of postponement of or divestment of an eligible project, the issuer has confirmed that it will reallocate proceeds to other projects eligible under the framework.

Best practices identified - management of proceeds

- » Broad disclosure of a clearly articulated and comprehensive management of proceeds policy to external stakeholders; bondholders or lenders at a minimum
- » Short allocation period, for example typically less than 24 months
- » Disclosure on temporary placement and presence of exclusion criteria toward environmentally friendly or socially harmful activities
- » Commitment to reallocate proceeds to projects that are compliant with the framework

Reporting



Transparency of reporting – ALIGNED

ELO will publicly report on the allocation of proceeds and the E&S impact of its eligible projects at the category level on an annual basis and in case of any significant developments or controversies. The reports will be available on the company's website. Reporting will be produced until the full allocation of proceeds, but not necessarily until maturity of any instrument issued under the framework. The selected reporting indicators are clear, relevant and exhaustive. The methodologies and assumptions used to report on the E&S impact of eligible projects will be publicly disclosed in the impact reporting.

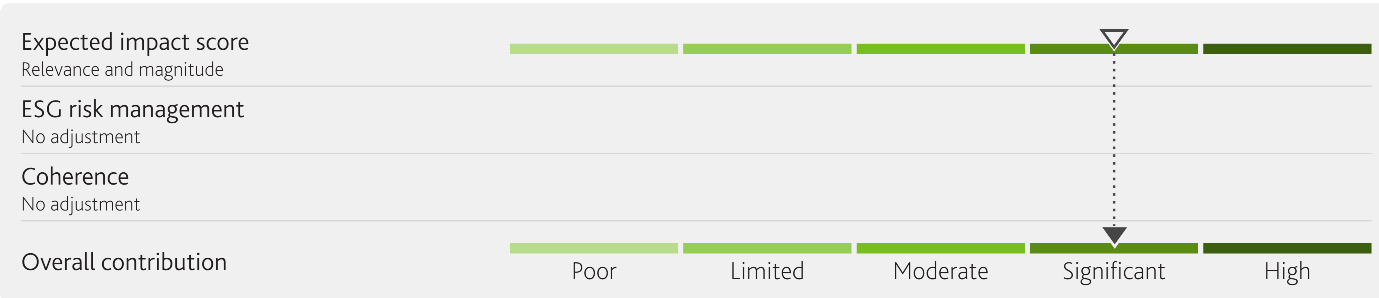
ELO's allocation reports will be reviewed by an external auditor annually and in case of a change in allocation and an associated revision of the report. While ELO commits to providing illustrative case studies, the company's impact report will not be verified externally.

Best practices identified - reporting

- » Reporting covers material developments and issues related to the projects or assets
- » Reporting on allocation of proceeds and benefits done at least at eligible category level
- » Exhaustive allocation reporting – balance or % of unallocated funds, types of temporary investments (e.g., cash or cash equivalent) and share of financing vs re-financing
- » Clear and relevant indicators to report on the expected environmental/social impact of all the projects, where feasible, or eligible categories
- » Disclosure of reporting methodology and calculation assumptions to bondholders or lenders at a minimum
- » Independent audit of the tracking and allocation of funds at least until full allocation and in case of material changes

Contribution to sustainability - Use of proceeds

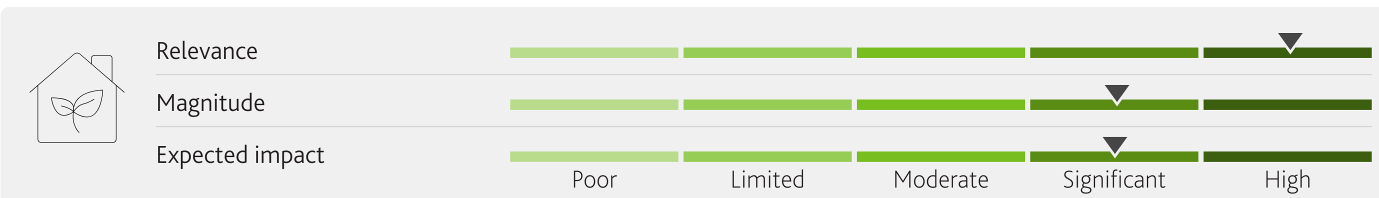
The UoP portion of the framework demonstrates a significant overall contribution to sustainability.



Expected impact - Use of proceeds

The expected impact of the eligible projects on the environmental and social objectives is significant. Based on information provided by the issuer, we have used the actual proceeds allocation to weight the categories, with the categories green buildings and energy efficiency together accounting for the vast majority of expected allocation. A detailed assessment by eligible category is provided below.

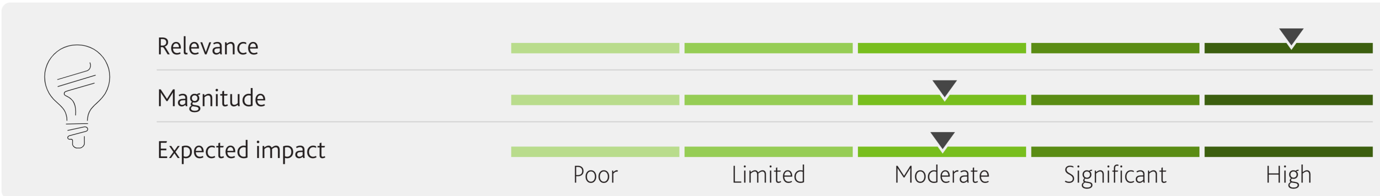
Green buildings



This category encompasses the acquisition and ownership of stores, offices or warehouses. The issuer reports that all eligible buildings fall under NIH, one of the ELO group companies, and mainly under the NIH subsidiary Foncière Ceetrus. The buildings are located mostly in Europe, across the following countries: France, Spain, Italy, Luxembourg, Portugal, Poland, Romania, Hungary, Ukraine and Senegal. In the EU, buildings account for more than 40% of energy consumption, making them the single most important energy-consuming sector, and are responsible for 36% of energy-related GHG emissions[1]. For a company in the real estate sector, such as NIH, ensuring the environmental performance of buildings is a highly relevant issue.

The issuer has set eligibility criteria that generally adhere to stringent market standards, such as reaching energy performance of 10% below the Nearly Zero Energy Building level or being in the top 15% of the national building stock based on Primary Energy Demand. The issuer further reports that all eligible assets under this category meet the EU taxonomy criteria under activity 7.7. on "Acquisition and ownership of buildings," including substantial contribution criteria, do no significant harm criteria, and minimum social safeguards. The EU taxonomy criteria under 7.7. are considered a stringent threshold in terms of the energy consumption of buildings. However, 7.7 only focuses on the operational phase impact of buildings, and lacks specific criteria ensuring that high environmental standards are implemented throughout the life cycle of buildings, including the construction and demolition stages and not just the operational stage. Finally, as regards the eligible category as a whole, acquisition and ownership of buildings is considered to be less impactful than refurbishment because on a global scale, addressing the entire building stock (including improving the energy performance of older buildings) is important for supporting the low-carbon transition. These factors, taken together, result in our assessment of a significant magnitude for the category and a significant overall expected impact.

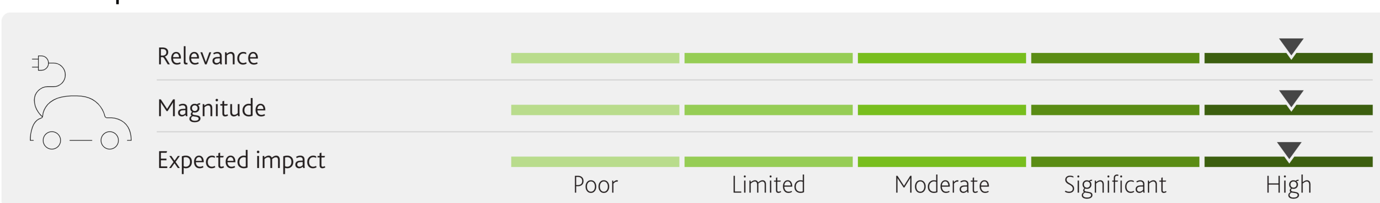
Energy efficiency



Under this category, the company plans to finance projects in line with activities 7.3 and 7.5 in the EU taxonomy, including investments in improved lighting or insulation, heat pumps, installation of doors or curtains on cooling cabinets (in grocery stores) and upgrading refrigeration equipment. Improving the energy efficiency of equipment, such as refrigerators, and of entire buildings is highly relevant for the retail and real estate sectors, resulting in our assessment of a high relevance score for the category.

With regard to magnitude, despite conforming to the EU taxonomy criteria under activities 7.3 and 7.5 (including substantial contribution, DNSH and minimum social safeguards), the two economic activities in question are among the least well specified of the taxonomy. Notably, activity 7.3 on the installation of energy-efficient equipment only requires equipment to be in the highest two classes of energy efficiency, without any further thresholds. The issuer has not provided any additional technical criteria, quantitative thresholds or details that would provide greater specificity about projects financed under this category and allow us to determine whether significant energy-efficiency improvements will be achieved, and whether the best-available technologies will consistently be used. All these factors combined result in our assessment of a moderate magnitude for the category.

Clean transportation

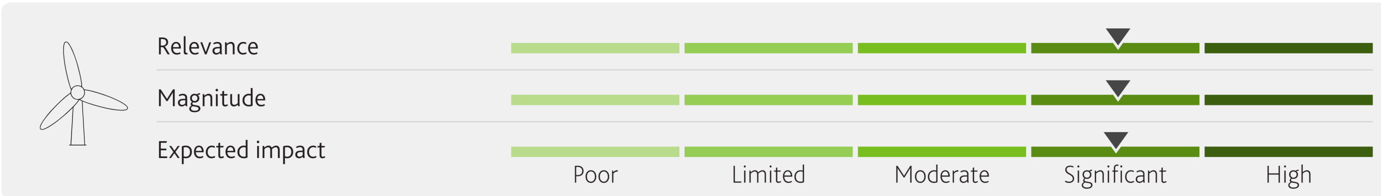


This category includes the purchase of zero-emissions vehicles and the installation of infrastructure for supporting electric vehicles (EVs) and hydrogen vehicles, notably the installation of EV charging points and hydrogen fueling stations in the parking areas of ELO's stores. According to global data from the International Energy Agency, transport emissions have risen faster than any other end-use sector over the last 30 years, and GHG emissions from the sector must fall by about 3% per year to 2030 to align with a Net Zero by 2050 scenario[2]. Thus, activities related to the decarbonization of the vehicle fleet by incentivizing the uptake of zero-emission vehicles play an important role in ensuring a sustainable low-carbon transition.

The retail sector, because of the volume of goods transported (for example, from warehouses to stores), relies on vehicles, and thus decarbonization of the vehicle fleet is highly relevant for this sector. Contributing to a broader transition in transport by facilitating access to EV charging points is also considered relevant.

In terms of magnitude, this category is exclusively for zero-emission vehicles, EV charging points and hydrogen fueling points, which will likely have a high impact. Zero-tailpipe emissions vehicles such as battery-electric vehicles are considered to be the best available technology in the transport sector. The issuer has further reported that any eligible investments will comply with the substantial contribution criteria of activity 6.5 under the EU taxonomy on "Transport by motorbikes, passenger cars and light commercial vehicles." Although the criteria under 6.5. allow for low-emissions vehicles until year-end 2025, this category will not include any vehicles with direct emissions, and thus avoids lock-in effects.

Renewable energy

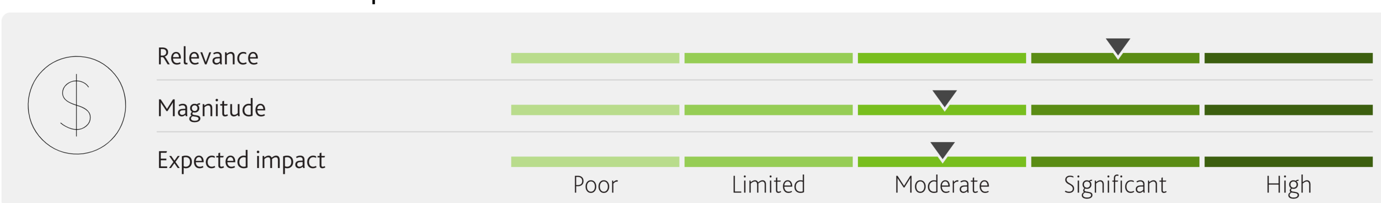


This category comprises renewable energy projects using wind and solar (photovoltaic [PV] panels only). The company has specified that eligible projects will not be directly operated by ELO, but instead will be operated by partners and managed through power-purchase agreements (PPA). The issuer states that on-site installations, even if implemented through a PPA, are considered eligible expenditure. Off-site PPAs are not considered eligible expenditures at this time according to internal policies, but these are subject to change, and the financing of off-site PPAs using proceeds under this framework remains a possibility.

We consider this category to be of significant relevance. Although decarbonization of energy is a sustainability challenge, it is not the most important climate change mitigation challenge for the retail or real estate sector. The projects are expected to be located in countries where ELO has operations, which include countries with a relatively high proportion of zero-carbon energy in the grid, notably France.

As for magnitude, the specific solar and wind projects use the most advanced technologies and avoid any potential negative lock-in effects. However, the indirect nature of PPAs and the uncertainty around whether they genuinely lead to greater overall renewable installed capacity result in our assessment of a significant magnitude.

Socioeconomic advancement and empowerment



The relevance of projects and activities financed under this category is significant. ELO aims to contribute to the European Commission's objective of "Decent Work" — significant challenges in achieving this objective remain on a global level although to different degrees depending on the local context. The most significant challenges like informal employment, inadequate social protection and poor working conditions are predominantly present in developing countries. However, in the EU, EU labor laws, which formalize minimum requirements in terms of working conditions, ensure comparatively high levels of employment and social protection. Although challenges with regard to precarious employment, income inequality, job insecurity or insufficient work-life balance remain, the project locations under this category are generally assessed to offer employees better working conditions, reflected in a significant relevance overall in the local context.

Proceeds will be allocated to the procurement of sustainably produced products sourced directly from the producers, via the company's "Filières" approach. This responsible supply chain management approach entails the exclusion of intermediaries as well as efforts to limit the negative environmental externalities of the company's supply chain activities. Purchases financed under this category are only those from eligible producers, including agricultural cooperatives and SMEs as defined by the European Commission. Since these types of entities are expected to make up a very large share of the company's pool of suppliers we view the target population to be somewhat broadly defined and not necessarily limited to the most vulnerable producers. In terms of eligibility criteria, the purchase price of products eligible under this framework category needs to be at least 10% higher than that of a comparable benchmark product. We assess this increase in purchase price to be a direct benefit to the producers, fostering their financial stability, but note that the minimum increase might not lead to responsible purchasing for all products equally and under all circumstances. However, we positively factor in that the purchase price mark ups may at times be significantly higher than the minimum threshold, as indicated by the issuer in private documentation. On a stand-alone basis we view the expected benefits of such price adjustments to be of short-term nature without necessarily addressing all underlying challenges for producers including market access constraints, but acknowledge its potential to serve as an enabling activity for measures to empower suppliers with stronger bargaining positions. This ultimately results in an assessment of a moderate magnitude.

ESG risk management - Use of proceeds

We have not applied a negative adjustment for environmental, social and governance risk management to the expected impact score. ELO has drafted and implemented several internal policies and guidelines to ensure all of its projects are assessed against environmental, social and governance risks. Among the initiatives to ensure environmental sustainability are environmental and energy performance monitoring systems that are based on the ISO 50001 standard, a list of blacklisted ingredients not to be used in its products, or the application of the Food and Agriculture Organization of the United Nations' Good Agricultural Practices in the guidelines for its supplier networks. Social responsibility and adequate governance are managed via an extensive list of policies in Auchan Retail's Ethics Charter, which includes, among others, guidelines for basic rights, working conditions, whistle-blowing mechanisms, human rights, anti-corruption measures and compliance. The company's supply chain management is based on external guidelines such as the Initiative for Compliance and Sustainability, or the amfori Business Social Compliance Initiative code of conduct, which is in turn based on the principles established by the ILO, the UN's Universal Declaration of Human Rights, the UN's Global Compact and the OECD guidelines for multinational companies. In addition, the group commits to adherence to the EU taxonomy's Minimum Social Safeguards.

Coherence - Use of proceeds

We have not applied a negative adjustment for coherence to the expected impact score. The projects financed under the framework align with the sustainability priorities of ELO, which focus on reducing food waste, plastic pollution and the company's carbon footprint. This involves, among other activities, the establishment of systematic food recovery processes, an increase in the share of recyclable packaging, and the promotion of energy efficiency in the company's facilities and production processes. Furthermore, ELO has defined GHG emissions reduction targets for scopes 1, 2 and 3 until 2030.

Alignment with principles - Sustainability-linked

The sustainability-linked component of ELO's sustainable finance framework is aligned with the five core components of the ICMA's SLBP 2023:

- ○ Green Bond Principles (GBP)
- ○ Social Bond Principles (SBP)
- ○ Green Loan Principles (GLP)
- ○ Social Loan Principles (SLP)
- ✓ Sustainability-Linked Bond Principles (SLBP)
- ○ Sustainability Linked Loan Principles (SLLP)

Selection of key performance indicators

Not aligned | Partially aligned | **Aligned** ▼ | Best practices

Definition – ALIGNED

ELO has clearly detailed the characteristics of the KPIs, including the units of measurement, the rationale and process to select the KPIs, the calculation methodologies and the scope. These details will be disclosed in the company's annual report. KPIs are limited to Auchan Retail, and are not applicable to the entire ELO group. The company has selected KPIs covering scope 1 and 2 (KPI 1), and scope 3 (KPI 2) absolute emissions. KPI 1 is measured using a market-based approach, and both KPIs are calculated in terms of percentage reduction in tons of carbon dioxide equivalent (tCO_2e) (see Appendix 3 for more details).

Measurability, verifiability and benchmark – ALIGNED

The KPIs selected by the company are measurable and are externally verifiable. The calculation methodologies are consistent, and the company commits to inform investors in case of any future changes. The definitions of both KPIs 1 and 2 are based on recognized metrics commonly used by the market to monitor and report on GHG emissions, allowing the KPIs to be benchmarked. However, ELO has not disclosed three years of verified historical data for any of the KPIs, constraining the BaU analysis.

Relevance and materiality – ALIGNED

The selected KPIs reflect relevant sustainability challenges of the company's sector, as well as a relevant, core and important issue to the issuer's sustainability and business strategy. KPI 1 addresses a small share of the company's carbon footprint (less than 3% of scope 1 and 2 emissions), but shall only be used in conjunction with KPI 2, which covers more than 90% of ELO's GHG emissions. The "carbon impact of products" is identified as a significant topic in ELO's sustainability materiality matrix. The level of relevance and the significance of the KPIs are analyzed in detail in the "Contribution to sustainability" section.

Best practices identified - selection of key performance indicators

» There is continuity or traceability, with independent verifiers, in case of a change in the methodology used to measure KPIs

» The KPIs definitions explicitly rely on external references, allowing them to be benchmarked

Calibration of sustainability performance targets

Not aligned | Partially aligned | Aligned | **Best practices** ▼

Consistency and ambition – BEST PRACTICES

The issuer's sustainability performance targets are consistent with ELO's sustainability strategy. The targets of both KPIs 1 and 2 demonstrate a positive trend compared with the company's BaU scenario, although the lack of historical data limits the ability to evaluate whether emission reduction constitutes an additional effort compared with the pre-issuance trend. All the SPTs have been benchmarked against external references and the 2030 target has been validated by SBTi. The level of ambition is analyzed in detail in the "Contribution to sustainability" section.

The means for achieving the SPTs, as well as any other key factors beyond the issuer's direct control that may affect the achievement of the SPTs, are disclosed in the annual report. The means are considered credible and are analyzed in detail in the "Contribution to sustainability" section.

Disclosure – BEST PRACTICES

The timeline, baselines and trigger events will be disclosed in the company's annual report, the issuer has set relevant intermediary targets allowing sufficient visibility on the KPI performance. For each of the KPIs and instruments to be issued, the issuer will choose a unique SPT allowing reasonable visibility to investors. The issuer has shared the rationale for choosing the baselines years for both KPIs. The selected baselines are relevant and reliable.

Best practices identified - calibration of sustainability performance targets

» Disclosure of the means for achieving the SPTs as well as any other key factors beyond the issuer's direct control that may affect the achievement of the SPTs

» The means for achieving the SPTs are credible

» Disclosure of the timeline, baseline and trigger events, including relevant intermediate targets

» The selected baselines are relevant and reliable

Instrument characteristics

Not aligned | Partially aligned | Aligned

Variation of structural characteristics – ALIGNED

The financial variation structure of the issuances is disclosed by the company and clearly defined. ELO has confirmed that sustainability-linked instruments issued under its finance framework will feature a step-up of the coupon if the selected KPI does not meet the SPTs at the observation date. The exact step-ups will be detailed for each issuance in the corresponding financing instrument documentation (that is, bond documentation). Although the framework refers to commercial paper, the company has stated that this kind of instrument shall not be used. The issuer commits to always using KPI 1 in conjunction with KPI 2.

Reporting

Not aligned | Partially aligned | Aligned

Transparency of reporting – ALIGNED

The issuer has committed to report annually, but only from 2025 for scope 3 emissions. Any significant change will also be reported, independent of whether it triggers a change in financial characteristics or not. The intended scope and granularity of the reporting are clear and cover the required elements, including information on the performance of the KPIs and any relevant information that enables investors to monitor the level of ambition of the SPTs. All KPIs will be reported in the annual report, and the financial variation will be disclosed in the bond documentation to the investors.

Verification

Not aligned | Partially aligned | Aligned | Best practices

Verification process – BEST PRACTICES

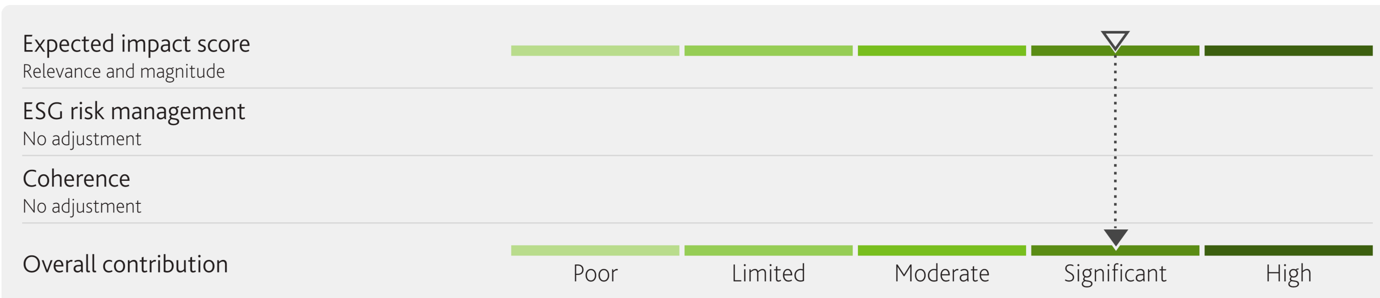
The performance of each KPI against its SPT will be externally verified on an annual basis and in case of significant changes. The annual report will be audited by an independent external auditor, verifying the performance of the KPIs, until the instrument's maturity.

Best practices identified - verification

- Verification will be conducted until maturity of the bond

Contribution to sustainability - Sustainability-linked

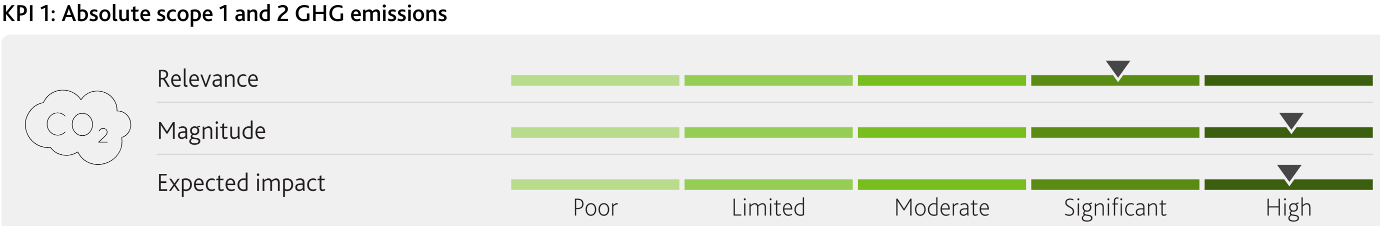
The sustainability-linked portion of the framework demonstrates a significant overall contribution to sustainability.



Expected impact - Sustainability-linked

The expected impact of the KPIs and their SPTs on the sustainability objectives is significant. Given the fact that both KPIs shall always be used together and that we lack information on how the KPIs will be weighted for individual issuances, we assume that both KPIs are equally weighted in the issuer's framework. However, we consider KPI 2 to cover a more important sustainability challenge for ELO. A detailed assessment is provided below.

KPI 1: Absolute scope 1 and 2 GHG emissions

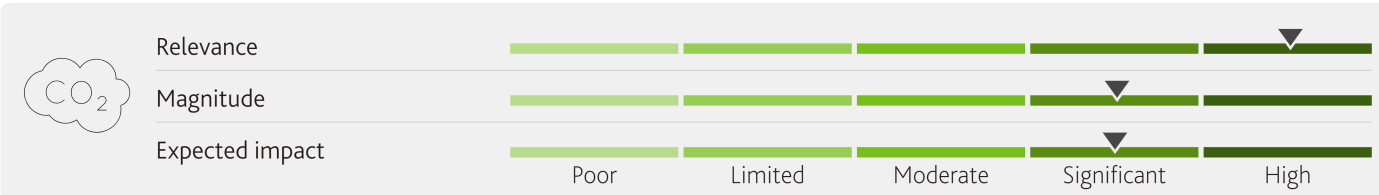


Reducing GHG emissions is one of the key sustainability challenges in the retail sector. ELO's materiality matrix identifies the "carbon impact of products" as one of the most significant topics of the company's strategic challenges. Scope 1 and 2 account for 2.8% of Auchan Retail's carbon footprint, and scope 3 accounts for 97.2% of total emissions. The issuer has committed to use this KPI always in conjunction with KPI 2, therefore covering more than 90% of the company's total carbon footprint. While the company reports on both location-based and market-based emissions in its scope 2 emissions, KPI 1 applies a market-based approach. The application of a market-based approach does not necessarily reflect the actual energy usage of the company, nor does it capture the increase in renewable energy installed capacity, leading to overall significant relevance.

The magnitude of the SPT, which reflects its ambition, is considered high based on a combination of benchmarking approaches. The lack of historical data (available only for the baseline years of 2019 and 2021) limits the ability of a BaU analysis, although the SPT demonstrates a positive trend with an average annual variation of negative 5.5%. ELO's target of a 46% reduction by 2030 appears to be slightly less ambitious than some sector peers. ELO has also set intermediary targets for 2026, 2027, 2028 and 2029, with reductions of -34%, -37%, -40% and -43%. ELO has committed to SBTi 1.5°C alignment criteria for its 2030 target, which were validated in April 2023.

ELO's means for achieving the SPT are considered credible. The company's strategy includes, among other initiatives, improvements in fugitive emissions, energy efficiency and on-site generation, and acquisitions of renewable energy, although PPAs and RECs will also be used. According to the issuer, 17% of the decarbonization road map refers to Renewable Energy Certificate (i-RECs) to be acquired by its Russian stores. The use of RECs by companies may lead to inflated estimates of the effectiveness of mitigation measures[3] and entails significant limitations in terms of effectiveness in facilitating real GHG emission reduction.

KPI 2: Absolute scope 3 emissions from purchased goods and services, upstream and downstream transportation, and use of sold products of Auchan Retail



KPI 2 addresses a highly relevant sustainability issue for Auchan Retail's current and future operations, and for its industry sector. KPI 2 is related to the company's scope 3 emissions, which account for more than 90% of the issuer's total carbon footprint. The reduction in scope 3 emissions is reflected in the fact that ELO's materiality matrix identifies the "carbon impact of products" as one of the most significant topics of the company's sustainability challenges. Included in scope 3 are emissions from purchased goods and services, upstream and downstream transportation, and use of sold products of Auchan Retail. The company has informed that scope 3 emissions from all oil sold in its gas stations are included in KPI 2.

The SPT's magnitude is considered significant, based on a combination of benchmarking approaches. The BaU analysis was limited because of a lack of historical data, although the SPT represents a positive trend in the company's performance, with an annual average reduction of 2.8% in scope 3 emissions. We consider the issuer in line with its competitors, which typically have the same observation year (2030) and similar annual variation targets. Compared with international standards, the issuer's target for scope 3 was evaluated and reviewed by SBTi as part of the validation process for scope 1 and 2 temperature alignment. The issuer has also set intermediary targets for 2026, 2027, 2028 and 2029, with respective reductions of -15%, -18%, -20% and -23%. Following SBTi criteria, as Auchan Retail received a validation for 1.5°C scenario for scope 1 and 2 targets, scope 3 targets are considered in line with at least a well-below 2°C scenario for its 2030 target.

ESG risk management - Sustainability-linked

We have not applied a negative adjustment for ESG risk management to the expected impact score. As detailed in the UoP ESG risk management section, ELO has policies in place that ensures that E&S risks related to the KPIs are taken into account in all its projects. with due diligence processes in terms of environmental laws, human rights, fight against corruption, compliance with competition rules and tax legislation.

Coherence - Sustainability-linked

We have not applied a negative adjustment for coherence to the expected impact score. The company's sustainability strategy is aligned with the targets set under the sustainable finance framework. Both KPIs are part of ELO's sustainability matrix, and are therefore among the company's top priorities.

Appendix 1 - Mapping eligible categories and KPIs to the United Nations' Sustainable Development Goals

ELO's framework is likely to contribute to five of the UN SDGs. The five eligible UoP categories are likely to contribute to five SDGs, while the two sustainability-linked KPIs are likely to contribute to one SDG, namely:

UN SDG 17 Goals	Eligible Category / KPI	SDG Targets
GOAL 2: Zero Hunger	Socioeconomic Advancement and Empowerment	2.4: Ensure sustainable food production systems that improve productivity and support ecosystems and climate change adaptation
GOAL 7: Affordable and Clean Energy	Renewable Energy	7.2: Increase substantially the share of renewable energy in the global energy mix
	Energy Efficiency	7.3: Double the global rate of improvement in energy efficiency
GOAL 9: Industry, Innovation and Infrastructure	Clean Transportation	9.1: Develop sustainable infrastructure to support economic development and human well-being, focusing on equitable access
GOAL 11: Sustainable Cities and Communities	Clean Transportation	11.2: Provide access to safe, affordable, accessible and sustainable transport systems for all
GOAL 13: Climate Action	Green Buildings	13.2: Integrate climate change measures into national policies, strategies and planning
	Energy Efficiency	
	KPI 1: Absolute Scope 1 and 2 Emissions	
	KPI 2: Absolute scope 3 GHG emissions	

The UN's SDGs mapping in this SPO takes into consideration the eligible project categories and KPIs and associated sustainability objectives/benefits documented in the issuer's financing framework, as well as resources and guidelines from public institutions, such as the ICMA SDG Mapping Guidance, and the UN SDG targets and indicators.

Appendix 2 - Summary of eligible UoP categories in ELO's framework

Eligible Project Category	Description	Sustainability Objectives	Impact Reporting Metrics
Green buildings	Acquisition and ownership of stores, offices, or warehouses: • Buildings built before 31st December 2020 with an EPC label ≥ “A” • Buildings built before 31st December 2020 belonging to the top 15% of the national building stock based on primary energy demand (PED) • Buildings built after 31st December 2020 with energy performance at least 10% better than the threshold for Nearly Zero-Energy Building (“NZEB”) in the local market	Climate Change Mitigation	- Estimated annual reduced and/or avoided GHG emissions [tCO2e/year] - Estimated annual energy consumption [kWh/year] - Estimated annual reduced and/or avoided energy consumption [kWh/year] - Share of buildings with Energy Performance Certificate (EPC) [%]
Energy efficiency	Projects that substantially contribute to EU Economic Activity 7.3 or 7.5 in the Climate Delegated Act (in line with ELO Taxonomy reporting)	Climate Change Mitigation	- Estimated annual GHG emissions reduced/avoided in tonnes of CO2 equivalent - Estimated annual energy savings in KWh (electricity) - Estimated annual GHG emissions reduced/avoided in tonnes of CO2 equivalent - Estimated annual energy savings in MWh (electricity) and GJ (other energy savings)
Clean transportation	Projects associated with establishment, acquisition, expansion, upgrades, maintenance, and operation of zero emissions vehicles and/or related infrastructure: • Zero-emissions vehicles: battery electric vehicles (BEV), hydrogen or otherwise zero-emission passenger and/or light/heavy-duty vehicles • Infrastructure to support zero-emissions vehicles: EV charging stations and hydrogen fueling stations Exclusion criteria: transport or storage of fossil fuels	Climate Change Mitigation	- Number of EVs owned or leased by Auchan and related estimated annual GHG emissions avoided in tonnes of CO2 equivalent (compared to a combustion engine vehicle baseline) - Number of electric charging stations installed
Renewable energy	Projects related to the construction, development, acquisition, maintenance, and operation of renewable energy (including PPAs where reported as EU taxonomy-aligned expenditures) • Solar power: Photovoltaics (PV) • Wind power: onshore and offshore	Climate Change Mitigation	- Total energy consumption in kWh - Share of renewable electricity out of total electricity consumed - Annual GHG emissions reduced/avoided in tonnes of CO2 equivalent
Socioeconomic Advancement and Empowerment	Procurement of sustainably produced products directly from the producers including: • Agricultural raw materials, meat, seafood, and other products that comply with the quality requirements for the development of Responsible Filières products - purchased from an agricultural cooperative, or - purchased from a company fulfilling the EU Commission definition of an SME, - and for which the purchase price exceeds the purchase price of a comparable non-filière product by at least 10% where a benchmark is available <u>Target population</u>: Producers, livestock farmers and processors of the food chain, including in emerging markets	Decent work	- Number of Responsible Filières and split by country - Quantity of goods purchased from sources meeting Auchan’s stringent selection criteria for its Responsible Filières and year-on-year evolution

Appendix 3 - Summary of KPIs in ELO's framework

KPI	SPTs	Sustainability Objectives	Unit
Absolute Scope 1 and 2 GHG emissions	46% reduction by 2030, compared to 2019 (intermediate targets, -34% in 2026, -37% in 2027; -40% in 2028 and -43% in 2029)	Climate Change Mitigation	tCO2eq
Absolute Scope 3 emissions	25% reduction by 2030, compared to 2020 (intermediate targets, -15% in 2026, -18% in 2027; -20% in 2028 and -23% in 2029)	Climate Change Mitigation	tCO2eq

Source: ELO's Framework

Endnotes

1 European Commission, In Focus: Energy Efficiency in Buildings, 2020.

2 International Energy Agency, Transport, September 2022.

3 Carbon Offset Guide: Renewable energy certificates (RECs).

REPORT NUMBER 1379167