



SUSTAINABILITY-LINKED BOND FRAMEWORK:  
Greenfood

**PRE-ISSUANCE SECOND-PARTY OPINION**

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### The Issuer

Greenfood SE (“Greenfood” or “the Company”) is one of Northern Europe’s leading food corporations within the segment of healthy foods. The organisation consists of 25 operational companies in seven countries. The Company offers everything from salad bars, complete meals and chopped fruits and vegetables from most parts of the world. Greenfood intends to issue a Sustainability-Linked Bond (the “SLB” or “Bond”) in October 2021. The Group has commissioned The Governance Group to review the Sustainability-Linked Bond Framework (SLBF) and provide an opinion on the alignment of the framework with the ICMA Sustainability-Linked Bond Principles (SLBP).<sup>1</sup>

### The Reviewer

The Governance Group AS (TGG) is an independent analysis and advisory firm based in Oslo, Norway. TGG provides expertise on environmental, social and governance (ESG) risk and compliance. The firm applies leading global ESG standards when conducting company assessments, benchmarking, and gap analysis.

TGG has worked with over 150 public and private entities across all industries, most notably the maritime sector, oil and gas, renewables, defence, real estate, technology, and financial services. TGG also serves as a trusted advisor to public institutions such as the United Nations, the World Bank, and governmental agencies, as well as various NGOs and foundations.

TGG is a member of the Marine Transportation Advisory Group of the Sustainability Accounting Standards Board (SASB), an accredited CDP provider and a Certified Training Partner of the GRI. TGG is a signatory to the principles of the International Capital Market Association (ICMA).<sup>2</sup> TGG applies the International Standard on Quality Control 1 (IQCS) framework required for e.g. ISAE 3000 assignments.



<sup>1</sup> Note that the ICMA SLBP and the Sustainability-Linked Loan Principles (SLLPs) established by the Loan Market Association ([LMA](http://www.lma.com)) in 2018 correspond.

<sup>2</sup> The Secretariat of the Green Bond Principles, International Capital Market Association, includes TGG in its [membership list](#) on the ICMA website.

## SUMMARY

This review was conducted in accordance with ICMA’s external review guidelines<sup>3</sup> using publicly available documentation from Greenfood Group as well as discussions with the company’s senior management. TGG confirms it has in place processes to safeguard professional integrity, objectivity, competence, behaviour and confidentiality.



*The Governance Group AS (TGG) is of the opinion that Greenfood’s Sustainability-Linked Bond Framework (SLBF) is **aligned** with the five core components of the ICMA Sustainability-Linked Bond Principles of June 2020<sup>4</sup> (SLBP).*

**A**

*TGG regards the Key Performance Indicators (KPIs) to have a **very high degree of relevance and materiality** to the Company’s operations (score: 4). The Sustainability Performance Targets (SPTs) are deemed as being **highly ambitious** (score: 4). This constitutes an overall ‘A’ rating of the SLBF.*

TGG’s opinion is based on the following:

### Principle One: Selection of Key Performance Indicators (KPIs)

The Company has selected three KPIs for its Sustainability Linked Bond Framework (SLBF):

- Reduce Scope 1 and Scope 2 emissions<sup>5</sup>
- Define CO2 emission reduction targets and get validated by SBTi
- Food waste reduction

*Overall, TGG has assessed the KPIs to have a very high degree of relevance and materiality.*

### Principle Two: Calibration of Sustainability Performance Targets (SPTs)

*TGG views the SPTs to support the Company’s sustainability strategy (please see section 3 for discussion of the Company’s sustainability strategy). TGG regards the Company’s SPTs to be related to its sustainability strategy and the selected SPTs as being highly ambitious.*

### Principle Three: Security Characteristics

The Company’s Sustainability-Linked Bond contains the characteristics of a conventional bond but with a penalty provision attached.

*TGG notes that the penalty structure is to be in line with comparable sustainability-linked securities in the market.*

### Principle Four: Reporting

The Company commits to report on an annual basis on its performance of the KPIs against the SPTs. The Company will publish an annual Sustainability report, which will contain updated information regarding the development of the SPTs.

*TGG views this to be in line with the ICMA SLBP.*

### Principle Five: Verification

*TGG is of the opinion that the Company’s verification scheme is in line with the requirements outlined by ICMA in that the Company will commission competent and independent third parties to conduct the assurance.*

<sup>3</sup> <https://www.icmagroup.org/assets/documents/Sustainable-finance/Guidelines-for-GreenSocialSustainability-and-Sustainability-Linked-Bonds-External-Reviews-February-2021-170221.pdf>

<sup>4</sup> <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Sustainability-Linked-Bond-Principles-June-2020-171120.pdf>

<sup>5</sup> Scope 1, 2 and 3 emissions are categories of greenhouse gas (“GHG”) emissions, measured in units of CO2 equivalents (“CO2e”), please see the Company’s SLBF for further information.

## 1. Methodology and rating scale

### Scope of review and responsibilities

The Second-Party Opinion (SPO) reflects TGG's independent opinion on the alignment of the reviewed SLBF framework with the Sustainability-Linked Bond Principles. TGG confirms that it has:

- expertise in SLBF framework requirements;
- assessed the potential sustainability impacts targeted by the SLBF;
- reviewed the Company's alignment with the five core components of the ICMA Principles; and
- evaluated the potential material environmental risks associated with the project identified by the Company.

TGG has relied on information provided by the Company's management team to understand the sustainability impact of their business strategy and SPTs, and the reporting and verification procedures applicable to the SLBF. The Company's representatives have confirmed that:

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

TGG received information through discussions with the Company and reviewed relevant documents published by the Company<sup>6</sup> as well as non-public information to prepare this report<sup>7</sup>. The opinion should be read in conjunction with the Sustainability-Linked Bond Framework<sup>8</sup> and other Bond Documents. TGG's SPO reflects TGG's opinion of the Bond's alignment with current market standards. As such, this SPO is no guarantee of alignment with future versions of relevant market standards. TGG's SPO addresses the defined SPT(s) of the KPI(s) but does not measure the KPI(s). The measurement and reporting of the KPI(s) are the sole responsibility of the Issuer.

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

### Alignment and rating scale

#### Alignment

When conducting a SPO review, TGG assesses whether the proposed framework can be said to be *aligned* or *not aligned* with the Sustainability-Linked Bond Principles issued by International Capital Market Association (ICMA). Where evidence is found that the said principles are covered, TGG deems a framework to be *aligned*.

#### Materiality and relevance

When reviewing the materiality and relevance of the Key Performance Indicator(s) (KPI(s)), TGG applies the following ratings, where the Issuer:

Rationale	Degree of materiality	Score
Has applied a recognized and quantifiable method of identifying KPIs material to the business model and sustainability effects.	Very high degree of relevance and materiality	4
Has employed a structured approach when identifying KPIs material to the company.	High degree of relevance and materiality	3
Explains with limited quantifiable evidence the materiality of its KPIs.	Medium degree of relevance and materiality	2
Has insufficient explanation of the materiality of its KPIs.	Low level of relevance and materiality	1
Has no explanation of the materiality of its KPIs.	Clearly lacking relevance and materiality.	0

<sup>6</sup> E.g. [Greenfood Sustainability Report 2020](#)

<sup>7</sup> E.g. Greenfood Group Sustainability Strategy (incl. appendix), Greenfood's competitor analysis, Greenfood Code of Conduct employees, Greenfood Supplier Code of Conduct

<sup>8</sup> Greenfood, Sustainability-Linked Bond Framework, 30 September 2021

### Level of ambition

When reviewing the ambition level of the Sustainability Performance Targets (SPTs), TGG has applied the following ratings, where the Issuer:

Rationale	Degree of ambition	Score
Provides an absolute and a relative benchmark of sustainability impact.	Highly ambitious	4
Provides evidence that the sustainability impact is material to society at large.	Fairly ambitious	3
Describes how the target is important to the sustainable operation of the company, but not the effect on its surroundings.	To some degree ambitious	2
Provides insufficient description and evidence of the sustainability impact.	Low level of ambition	1
Provides no description and/or evidence of the sustainability impact.	Lacking ambition	0

### Overall rating

By combining the scores on materiality and level of ambition, TGG arrives at an overall score ranging from E (lowest rating) to A (highest rating). Generally, a 'D' or 'E' rating indicates that the issuer should refrain from using the term sustainability-linked. A 'C' rating means that the basic requirements for a sustainability-linked framework have been met. The two top level ratings (A and B) indicate that the issuer has a sustainability-linked framework that is fairly or highly material and ambitious.

For the Company and its Sustainability-Linked Bond Framework, TGG assessed the KPIs to have a *very high degree of relevance and materiality* (score: 4) to the Company and the SPTs as being *highly ambitious* (score: 4). This constitutes an overall 'A' rating of the instrument.

Combined score	Rating
8	A
7	B+
6	B
5	C+
4	C
3	D
2	D-
0-1	E

## 2. Alignment with core principles

TGG is of the opinion that the Company's Sustainability-Linked Bond Framework is *aligned* with the five core elements of the Sustainability-Linked Bond Principles (SLBP) of June 2020. The KPIs and SPTs employed by the Company are described in Table 1 and Table 2 below.

**Table 1: KPI definition**

<b>Key Performance Indicators</b>	<b>Definition</b>
<b><i>KPI 1: Reduce Scope 1 and 2 CO2 emissions</i></b>	The Company aims to reduce Scope 1 and 2 emissions measured by Scope 1 and 2 emissions per tonnes sold food.
<b><i>KPI 2: Commit to and get targets validated by SBTi</i></b>	The Company is committing to the Science Based Targets Initiative (SBTi). By doing this, Greenfood will calculate its emissions according to the Science Based Target criteria and will set ambitious targets in line with the Paris Agreement (1.5 C) and have the targets validated by the SBTi.
<b><i>KPI 3: Reduce food waste</i></b>	The Company's aims to reduce food waste from a 2019-base year.

**Table 2: SPT**

<b>Sustainability Performance Targets</b>	<b>Details</b>
<b><i>SPT 1: Reduce emissions by 55 percent</i></b>	By the Target Observation Date, the Company targets to reduce its Scope 1 and 2 CO2 emission by 55 percent per tonnes sold food from year 2020.
<b><i>SPT 2: Science Based Targets on the highest level (1.5 C) validated by SBTi</i></b>	The Company will calculate its emissions according to the Science Based Target criteria and will set ambitious targets in line with the Paris Agreement (1.5 C) and get the targets validated by the SBTi. The SPT will be aligned with the SBTi targets for 2024 and 2025.
<b><i>SPT 3: Reduce food waste by 20% by 2025 from a 2019-base year</i></b>	By the Target Observation date, the Company aims to reduce food waste by 20% from a 2019-baseline year.

## Principle One

# Selection of Key Performance Indicators (KPIs)

### Definition and methodology

The Company's Sustainability-Linked Bond Framework includes three KPIs:

#### **KPI 1: Reduce Scope 1&2 CO2 emissions**

The Company aims to reduce Scope 1 and 2 emissions, measured by Scope 1 and 2 emissions per tonnes sold food from 2020 to 2025.

TGG is of the view that Scope 1 and Scope 2 emissions as defined by the GHG Protocol<sup>9</sup> are internationally accepted as the standard approach to account for and report on corporate CO2 emissions. The methodology of using a relative measure of GHG emissions, e.g. as an intensity ratio based on CO2 emissions per tonnes of sold food, is widely accepted and used by index providers such as MSCI. Since companies with higher carbon intensity are likely to face more exposure to carbon related market and regulatory risks, this metric indicates an exposure to potential climate change-related risks relative to others.<sup>10</sup>

#### **KPI 2: Commit to and get targets validated by SBTi**

The Company has monitored their Scope 1, 2 and 3 emissions and Scope 3 emissions (emissions from the supply chain) accounts for >90% of the total Greenfood CO2 emissions. Scope 3 emissions are thus the largest part of the Company's total CO2 emissions.

The Company has provided documentation of the absolute emissions from the Company's supply chain and has applied a proven methodology in defining its main sources of emissions according to Scope 1-3 in the GHG Protocol. The Company is currently in the process of deepening its understanding of emissions from Scope 3 emissions and the emissions figures related to e.g. purchased goods in salad bars are currently estimates based on a pre-study. The Company will develop their climate accounting for scope 3 further, with a systematic follow-up of purchased goods, to be able to set a Science Based Target (and to be validated by SBTi).

#### **KPI 3: Reduce food waste**

The Company aims to reduce their food waste by 20% by 2025 from a 2019 base year.

TGG is of the opinion that the KPI is clearly defined and in line with the targets set in the Sustainable Development Goal (SDG) 12.3.

### Relevance and materiality of KPIs

In 2018, the Company conducted a materiality mapping, based on internal and external stakeholders' perspectives on relevant sustainability issues to the sector. The following stakeholders were included in the materiality mapping: Employees; Customers; Suppliers; Partners; Owners; and other key players.

The materiality mapping identified a number of highly material issues in the area of environmental sustainability such as packaging, carbon footprint, healthy food, food waste, social responsibility in the supply chain, water-use, food security and working conditions in their own organisation. Some of the Company's industry peers, such as Total Produce<sup>11</sup> do report on CO2 emissions from own operations (i.e., Scope 1 and Scope 2), while others do not, such as BAMA<sup>12</sup>. Many of the Company's industry peers do report on food waste and/or food waste reduction goals, such as Total Produce and BAMA.

Greenfood operates within the Agricultural Products industry and the Food Retailers & Distributors industry. The Sustainability Accounting Standards Board (SASB)<sup>13</sup> has included Scope 1 emissions as material to companies within the Agricultural Products industry. SASB has also included a Scope 3 related indicator, 'Fleet fuel consumed, percentage renewable', for both the Agricultural Products industry and the Food Retailers & Distributors industry. Food waste management is included as material for companies within the Food Retailers & Distributors industry.

In conclusion, TGG is of the view that GHG emissions and food waste are deemed to be of very high materiality and relevance to the sector in which the Company operates.

<sup>9</sup> The Greenhouse Gas Protocol, A Corporate Accounting and Reporting Standard, Revised Edition, WBCSD and WRI

<sup>10</sup> MSCI index carbon footprint metrics, definitions, accessed May 13 2021

<sup>11</sup> <https://sustainability.totalproduce.com/content/uploads/2020/11/Total-Produce-Sustainability-Report.pdf>

<sup>12</sup> <https://sustainability.totalproduce.com/content/uploads/2020/11/Total-Produce-Sustainability-Report.pdf>

<sup>13</sup> [https://www.sasb.org/wp-content/uploads/2018/11/Agricultural\\_Products\\_Standard\\_2018.pdf](https://www.sasb.org/wp-content/uploads/2018/11/Agricultural_Products_Standard_2018.pdf)



**KPI 1: Reduce Scope 1&2 CO2 emissions**

The Company aims to have an overall positive impact on the climate. To achieve this, the Company is starting with its own operations, e.g. to reduce the carbon footprint of its facilities. The Company has 24 locations (whereof 9 warehouses, 6 production plants, 2 restaurants, and 7 separate office buildings) and operates over 2 000 salad bars. Its Scope 1 and Scope 2 emissions amounted to 4 540 tonnes of CO2 in 2020.

In TGG's opinion, given the outcome of the materiality mapping and that Scope 1 and Scope 2 emissions are tracked and managed by peers, the KPI is deemed to be of a *very high degree of relevance and materiality*.

**KPI 2: Define CO2 emission reduction targets and get the targets validated by SBTi**

The Company's Scope 3 emissions from suppliers and upstream and downstream value chain amount to 48 900 metric tonnes compared to a combined total of 4 540 metric tonnes from Scope 1 and Scope 2. The currently verified Scope 3 emissions excludes purchased goods, which are estimated to be the largest scope of emissions based on pre-studies. Based on this, systematic follow up of purchased goods will be needed to set a Science Based Target.

Scope 3 emissions accounts for >90% of the total Greenfood CO2e emissions. To address these emissions in a structured way, Greenfood is committing to the Science Based Targets Initiative (SBTi). By doing this, Greenfood will calculate its emissions according to the Science Based Target criteria and will set ambitious targets in line with the Paris Agreement (1.5 C) and get the targets validated by the SBTi. Greenfood's supply chain includes over 1 500 food products that is sourced from over 40 countries all over the world. A deeper understanding of scope 3 GHG emissions will enable Greenfood to create a clear roadmap for how to reach substantial GHG emission reductions in line with the 1,5 C target.

In TGG's opinion considering the Company's business model and the outcome of the materiality mapping Scope 3 emissions, which includes the Company's supply chain emissions, are of a *very high degree of relevance and materiality* to the Company. Defining CO2 reduction targets in line with SBTi and the Paris Agreement (1.5 C) and get these targets validated by the SBTi is the most ambitious and reliable way to create a clear roadmap for how to reach substantial GHG emission reductions in line with the 1,5 C target.

**KPI 3: Food waste reduction**

In 2019, Greenfood wasted ~8 200 tonnes of food within its operations. Food waste accounts for 60% of all of the Company's waste and is the single largest waste category in their operations. Greenfood wants to significantly improve this metric as it is a prerequisite to feed more people (SDG 2), save money for Greenfood and key stakeholders (SDG 12) and reduce climate footprint as resources are better used (SDG 13).

TGG is of the view that reducing food waste is of a *very high degree of relevance and materiality* to the Company's sustainability efforts. SASB has included food waste indicators for the food retailers & distributors industry. The Company has also provided quantifiable evidence of the materiality of this KPI, i.e. what food waste accounts for in terms of financial costs and GHG emissions, and also as a share of total waste.

**Ability to be benchmarked**

KPI 1: may be benchmarked as GHG emissions reduction targets can easily be compared with companies in the same industry, e.g. industry peers Total Produce, Bama and Sweetgreen.

KPI 2: may be benchmarked with comparable companies only to a limited degree. Information about peers' commitment to reducing scope 3 emissions is limited as targets are either not set by the Company's peers or the information about the targets not available.

KPI 3: may to a certain degree be benchmarked with comparable companies and on an aggregate level. However, the measuring units often deviate between the different actors in the sector.

**ASSESSMENT**

Overall, TGG has assessed the KPIs to have a *very high degree of relevance and materiality*. The KPIs 1, 2 and 3 can be regarded as highly relevant and material to the operational characteristics of the Company's business areas, and further quantifiable evidence on the business model's potential impact on sustainability have been provided.



## Principle Two

# Calibration of Sustainability Performance Targets (SPTs)

## Alignment with the Company's sustainability strategy

SPT	Strategy to achieve the SPT
<b>1: Reduce total Scope 1 and Scope 2 CO2e emissions by 55%</b>	The Company is working to reduce total Scope 1 and Scope 2 CO2e emissions by 55% per tonnes sold food from 2020 to 2025.
<b>2: Science Based Targets on the highest level (1.5 C) validated by SBTi</b>	The Company will calculate its emissions according to the Science Based Target criteria and will set ambitious targets in line with the Paris Agreement (1.5 C) and get the targets validated by the SBTi. The SPT will be aligned with the SBTi targets for 2024 and 2025.
<b>3: Reduce food waste by 20%</b>	The Company aims to reduce food waste by 20% by 2025 from a 2019 base year. The 20% reduction target (2019 - 2025) is equivalent to 4 percent reduction per year.

TGG views the SPTs as supporting the Company's sustainability strategy (please see section 3 for discussion of the Company's sustainability strategy).

### Level of ambition, Baseline and Benchmarks

The targets (SPTs) established are based on the Company internal priorities.

#### SPT 1

Scope 1 and scope 2 emissions from the Company accounted for 4540 tonnes of CO<sub>2</sub> in 2020. These emissions represent emissions that Greenfood could control with targeted activities. Greenfood has set a reduction target to reduce the direct emissions by at least 55% per tonnes sold food from 2020 to 2025.

- The Company plans to implement several initiatives to reach these targets, as described below:
- The Company is investing in a new food and logistics facility. The facility will be at the forefront of energy and environmental efficiency with efficient cooling systems and modern heat recovery as well as solar cells covering parts of the energy need.
- The Company will work further to reduce energy usage at all facilities and achieve a transition to a higher share of renewable electricity. The Company will also continue the transition towards a more electrified company car fleet. This will include switching current leases of cars and trucks that run partially or fully on fossil fuels to vehicles that run on electricity.

TGG is of the opinion the Company's reduction targets for scope 1 and scope 2 emissions are *highly ambitious*. The Company has reduction targets, measured at annual reduction rates, 1.7-2.2 times the reduction rate of their peers<sup>14</sup>.

#### SPT 2

Scope 3 emissions accounts for >90% of the total Greenfood CO<sub>2</sub>e emissions and is thus the biggest emission source for the Company.

For Greenfood to set and get approval of a Science Based Target, Greenfood needs to further deepen the understanding of emissions from Scope 3 Purchased goods and services that constitute most of the total emissions. Greenfood's supply chain includes over 1500 food products that is sourced from over 40 countries all over the world. A deeper understanding of scope 3 GHG emissions will enable Greenfood to create a clear roadmap for how to reach substantial GHG emission reductions in line with the 1,5 C target. This roadmap will also contain GHG emission reduction plans for Scope 1, Scope 2, and Scope 3 beyond the SPT in 2025.

In TGG's opinion considering the Company's business model and the outcome of the materiality mapping Scope 3 emissions, which includes the Company's supply chain emissions, setting reduction targets in line with the Paris

<sup>14</sup> Ref. Greenfood's competitor analysis

Agreement (1.5 C) is *highly ambitious*.

### SPT 3

Greenfood aims to reduce food waste by 20% by 2025 from a 2019-base year. Greenfood measures food waste as 'Total Purchased Volume' less 'Total Sold Volume'. This includes the part of the supply chain in which Greenfood itself has control. The definition means that all food waste, including non-edible is measured. Non-edible food includes food waste that was never meant to be eaten, such as fruit and vegetable peels.

To reach the food waste reduction target, Greenfood has initiatives ongoing in different areas of operations, including technology improvements (such as AI) to enable better demand planning, product development focus on maximizing raw material yield, and increased collaboration with suppliers and charity organizations to enable all edible food to be eaten. The main improvements are expected to stem from how Greenfood manages to reduce the non-edible food waste that constitute most of the food waste in the group today.

TGG notes that non-edible food waste is also the most difficult type of food waste to reduce<sup>15</sup>. Including non-edible food in the calculations, also gives a lower annual and total reduction rate compared to annual reduction rates that excludes non-edible food.

Greenfood's food waste reduction target implies an annual reduction rate of 3,3%. Excluding non-edible food would have implied an annual reduction rate of approximately 5%. The annual reduction target is above one of the Company's peers, and slightly above the annual reduction rate implied by the reduction target in SDG 12.3 (55% food waste reduction per capita within 2030)<sup>16</sup>. Greenfood's reduction rate is also at approximately the same level as the food waste reduction rate in the countries with the largest food waste reductions<sup>1718</sup>.

In TGG's opinion a food waste reduction target of 20% within 2025 from a 2019-base year is *fairly ambitious*.

### ASSESSMENT

Overall, TGG regards the Company's SPTs related to its sustainability strategy and the selected SPTs as being *highly ambitious*.

### Principle Three

#### Securities Characteristics<sup>19</sup>

The Company's Sustainability-Linked Bond framework contains the characteristics of a conventional bond but with a penalty provision attached.

Should the Company fail to meet the SPTs by the Target Observation Date, the principal repayment on the Maturity Date (or as the case may be, the Call Option Repayment Date) will increase by 0,5 per cent of the Nominal Amount. For the avoidance of doubt, for the bond characteristics to remain unchanged, the Company must (i) reach the applicable SPTs at the Target Observation Date, and (ii) provide and make public relevant reporting and verification (as per the reporting section of the Framework).

### ASSESSMENT

TGG notes that the penalty structure is in line with other comparable sustainability-linked securities in the market.

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<sup>15</sup> [Food waste measurement \(europa.eu\)](http://europa.eu)

<sup>16</sup> <http://www.fao.org/sustainable-development-goals/indicators/1231/en/>

<sup>17</sup> [Food-waste-reduction-in-Norway-2020.pdf \(matvett.no\)](http://matvett.no)

<sup>18</sup> [Denmark cuts food waste by 25% | FAO](http://www.fao.org)

## Principle Four Reporting

The Company commits to regular impact reporting on the sustainability KPIs as long as it has Sustainability-Linked Bonds outstanding.

On an annual basis, Greenfood commits to publish and keep up to date information regarding the development of the SPTs. Moreover, in any case for any date/period relevant for assessing the trigger of the SPT performance leading to a potential adjustment in the call price of the bond, i.e., a step up of the Sustainability Linked Bond financial characteristics, such information will be made accessible on Greenfood's website and in the Group's Sustainability Annual Report.

Greenfood commits to make available the following

- Any relevant information enabling investors and others to monitor the progress of the SPTs (including the baseline if relevant)
- An annual verification assurance report relative to the KPIs outlining the performance against the SPTs and the related impact, including the timing of such impact.
- Any relevant information enabling investors to monitor the progress of the SPTs

### ASSESSMENT

TGG views the reporting structure to be in line with the ICMA principles.

## Principle Five Verification

To confirm the transparency and robustness of the Company's Sustainability-Linked Bond Framework, the Company is to annually seek independent and external verification of its performance level against the SPTs for the stated KPIs by a qualified external verifier. A verification report provided by the external verifier will be published on the Company's website.

### ASSESSMENT

TGG is of the opinion that the Company's verification scheme is in line with the requirements outlined by ICMA in that the Company will commission independent and external verification to conduct the assurance.

Alignment with Sustainability-Linked Bond Principles of June 2020

### CONCLUSION

*TGG finds that the Company's May 2021 SLBF is aligned with the five core elements of the ICMA Sustainability-Linked Bond Principles.*

### 3. Alignment with strategy

#### Objectives of the Company's sustainability strategy and ESG risk management

Greenfood is one of Northern Europe's leading food corporations within the segment of healthy foods. The Company looks at sustainability from three areas: food, people, and the planet. The Company aims to make food healthier, tastier, and more available for everyone, be a responsible employer and vendor, and reducing their environmental impact globally. The Company has a focus on plant-based products, more efficient production, better transport solutions, minimising food waste and minimising own emissions.

In 2019, the Company implemented a group sustainability strategy and identified working methods and a framework for risk calculation models as well as action plans for their eight focus areas. The eight focus areas are packaging, carbon footprint, healthy food, food waste, social responsibility in the supply chain, water-use, food security, and working conditions in their own organization.

The Company works with everything from packaging projects to contribute to a lower carbon footprint, reducing food waste by making new products from production leftovers, optimising their transport by seeking optimal routes, co-ordinating deliveries with different companies within the group and increasing the use of climate-smart fuel.

Since 2020, one of the Company's prioritised areas has been to measure their carbon footprint and start up work to create action plans that will eventually reduce it. The Company is conscious that its largest opportunity to reduce CO<sub>2</sub> emissions comes through enabling their suppliers and transporters to reduce their emissions. Other focus areas have been to create a new packaging policy to help the transition to more environmentally friendly packaging, to get an overview of their water-use and to measure how much waste their products create.

Priority areas in the Company's sustainability strategy	SLBF KPI/SPT
1. The Company has prioritised to measure their carbon footprint and start up work to create action plans that will reduce it.	1/2
2. The Company has a clear ambition to reduce food waste, and this is one of their focus areas. The Company's ambition is to always use food waste to develop alternative products that can be sold to consumers, avoiding the waste going to our current main alternative, biofuel.	3

Given Greenfood's quantitative goals, corporate-wide strategy and past performance, TGG is of the view that Greenfood has a suitable sustainability strategy and that its performance is on track to achieve the established objectives.

Assessment of the SLBF based on the Company's sustainability strategy

#### CONCLUSION

The selected sustainability topics chosen are deemed as relevant to the Company's operations based on its sustainability strategy. Formalising the targets as outlined in the SLBF will strengthen the Company's governance of selected ESG topics.

*In sum, TGG regards the KPIs and SPTs to reflect main elements of the Company's sustainability strategy.*

## 4. Impact of the defined SPTs

Greenfood is a large group, with 25 operational companies and approximately 1 360 employees.<sup>20</sup> The services and products provided by the Company have the potential of impacting the environment and humans as the company distributes and provides food products and solutions to a large number of companies at many locations. More specifically, the Company's business model can have a negative effect on the environment through emissions, food waste, etc., and a positive effect on humans through the offer of healthy, nutritious food and on the environment when offering food products with a low carbon footprint.

The food sector is responsible for approximately 26% of global GHG emissions<sup>21</sup>. Crop production<sup>22</sup> accounts for 27% of food emissions and supply chains (food processing, transport, packaging etc.) account for 18% of food emissions. The sector in which Greenfood operates is thus a key contributor to global GHG emissions.

In the case of the Company and its SLBF, the impacts of SPTs 1-2 are linked to climate action, and the monitoring and reduction of the Company's carbon footprint, including scope 3 targets (which will include both the supply chain emissions and emissions from purchased goods). For SPT 1, it is noted that in absolute terms, a 55 percent decrease in emissions per tonnes food sold, would result in about 2 200-3 000 tonnes reduced CO2 emissions, dependent on the estimated growth rate for food sold.

The impact of SPT 2 is not measurable at this stage. However, TGG would like to underline the importance of decision-makers in companies understanding that their mitigation and other actions influence Scope 3 emissions: ignoring Scope 3 impacts might lead to the promotion of technologies that do not yield the expected emission reductions. The Company has rightly identified Scope 3 emissions from their supply chain and purchased goods as important, and it is to be expected that future reductions will surpass those measured in SPT 1.

When it comes to SPT 3, the Company states that they will reach the target through initiatives in different areas of operations, including technology improvements (such as AI) to enable better demand planning, product development focus on maximizing raw material yield, and increased collaboration with suppliers and charity organizations to enable all edible food to be eaten. Food waste is a major challenge for the entire food industry. Around one third of all food that is produced is not eaten, and approximately 1,3 billion tonnes of edible food is wasted<sup>23</sup>. In 2019, Greenfood wasted around 8 200 tonnes of food within its operations. For SPT1, it is noted that in absolute terms, a reduction of food waste of 20% will reduce Greenfood's food waste with around 1 600 tonnes of food.

In sum, TGG notes that the impact of SPT 1-3 is quantified where possible, and TGG is confident that the impact will be impactful, given the scope and nature of the Company's operations.

### The Company's alignment with and contribution to the UN SDGs

The UN Sustainable Development Goals (SDGs) were launched in September 2015 and represent an agenda for achieving sustainable development by the year 2030. Global challenges – ranging from climate change, depletion of natural resources to poverty and inequality – are in need of solutions that the private sector can contribute to. To achieve results, it is important that companies wanting to contribute to the SDGs link action to their core operations and business strategy. The Company has identified SDG 2, SDG 8, SDG 12, and SDG 13 as relevant to their operations.

Sustainability impact of the defined SPT

### CONCLUSION

Taking into account the nature and scope of the Company's operations, TGG regards the SPTs to be impactful.

<sup>20</sup> [https://www.greenfood.se/sites/default/files/inline-files/Greenfood\\_EN\\_sustainability\\_2020\\_final.pdf](https://www.greenfood.se/sites/default/files/inline-files/Greenfood_EN_sustainability_2020_final.pdf)

<sup>21</sup> <https://ourworldindata.org/food-ghg-emissions>

<sup>22</sup> In Greenfood's case this will materialize as emissions from purchased goods

<sup>23</sup> <http://www.fao.org/news/story/en/item/196402/icode/>

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