

REPORT REVIEW

ALD Automotive Green Report

Green and Positive Impact Bond Allocation & Impact Report ALD Automotive

26 October 2023

VERIFICATION PARAMETERS

Type(s) of reporting	<ul style="list-style-type: none">Green Bond Report
Relevant standard(s)	<ul style="list-style-type: none">Harmonized Framework for Impact Reporting (HFIR), updated June 2023, as administered by the International Capital Market Association (ICMA)ALD's Green and Positive Impact Bond Allocation & Impact report (as of October 6, 2023)
Scope of verification	<ul style="list-style-type: none">ALD's Green and Positive Impact Bond Framework (as of May 23, 2022)Bond identification: XS2498554992 / bond maturity 05 July 2027 (bond issuance amount EUR 500 million)
Lifecycle	<ul style="list-style-type: none">Post-issuance verification
Validity	<ul style="list-style-type: none">As long as no changes are undertaken by the Issuer to its Green and Positive Impact Bond Allocation & Impact report as of October 6, 2023

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SCOPE OF WORK

ALD Automotive (“the Issuer” or “ALD”) commissioned ISS Corporate Solutions (ICS) to provide a Report Review¹ on its Green and Positive Impact Bond Allocation & Impact report by assessing:

1. The alignment of the ALD's Green and Positive Impact Bond Allocation & Impact report with the commitments set forth in ALD Automotive Green and Positive Impact Bond Framework (as of May 23, 2022)^{2 3}.
2. ALD's Green and Positive Impact Bond Allocation & Impact report - benchmarked against Harmonized Framework for Impact Reporting (HFIR), updated June 2023 as administered by the International Capital Market Association (ICMA).
3. The disclosure of proceeds allocation and soundness of reporting indicators – whether the impact metrics align with best market practices and are relevant to the Green Bond issued.

¹ A limited or reasonable assurance is not provided on the information presented in ALD's Green and Positive Impact Bond Allocation & Impact report. A review of the use of proceeds' allocation and impact reporting is solely conducted against ICMA's Standards (Green Bond Principles) core principles and recommendations where applicable, and the criteria outlined in the underlying Framework. The assessment is solely based on the information provided in the allocation and impact reporting. The Issuer is responsible for the preparation of the report including the application of methods and internal control procedures designed to ensure that the subject matter information is free from material misstatement.

² The Framework was assessed as aligned with the Green Bond Principles as of May 23, 2022.

³ The post-issuance analysis of the alignment of ALD's use of proceeds categories against the EU Taxonomy was not part of the scope of work of this external review.

ASSESSMENT SUMMARY

REVIEW SECTION	SUMMARY	EVALUATION
<p>Part 1.</p> <p>Alignment with the Issuer's commitments set forth in the Framework</p>	<p>The ALD's Green and Positive Impact Bond Allocation & Impact report meets the Issuer's commitments set forth in the Green and Positive Impact Bond Framework. The proceeds have been used to (re)finance Battery Electric Vehicles in accordance with the eligibility criteria defined in the Framework.</p>	Aligned
<p>Part 2</p> <p>Alignment with the Harmonized Framework for Impact Reporting (HFIR)</p>	<p>The Green and Positive Impact Bond Allocation & Impact report is in line with ICMA's Harmonized Framework for Impact Reporting (HFIR). The Issuer follows core principles and where applicable key recommendations.</p> <p>ALD reports on the Green Bond allocation of proceeds and impact indicators within one year of the issuance. The Issuer provides transparency on the calculation methodology, in line with best market practices.</p>	Aligned
<p>Part 3</p> <p>Disclosure of proceeds allocation and soundness of reporting indicators</p>	<p>The allocation of the bond's proceeds has been disclosed⁴.</p> <p>The ALD's Green and Positive Impact Bond Allocation & Impact report has adopted an appropriate methodology to report the impact generated by providing comprehensive disclosure on data sourcing, calculation methodologies, and granularity reflecting best market practices.</p>	Positive

⁴ The assessment is based on the information provided in the Issuer's report. The Issuer is responsible for the preparation of the report including the application of methods and procedures designed to ensure that the subject matter information is free from material misstatement.

REPORT REVIEW ASSESSMENT

PART I: ALIGNMENT WITH COMMITMENTS SET FORTH IN THE GREEN AND POSITIVE IMPACT BOND FRAMEWORK⁵

The following table evaluates the Green and Positive Impact Bond Allocation & Impact report against the commitments set forth in ALD's Framework, which are based on the core requirements of the Green Bond Principles as well as best market practices.

ICMA HFIR	OPINION	ALIGNMENT WITH COMMITMENT
1. Use of Proceeds	<p>ALD confirms to follow the Use of Proceeds' description provided by ALD's Green and Positive Impact Bond Framework. The report is in line with the initial commitments set in the ALD's Green and Positive Impact Bond Framework: Battery Electric Vehicles (BEV)</p> <p>The Issuer's green category aligns with the project category and is in accordance with the eligibility criteria set in the ALD's Green and Positive Impact Bond Framework. Environmental benefits at the category level are described and quantified.</p> <p>ALD confirms that 100% of the proceeds are allocated to refinancing and that the financial and technical exclusion criteria were respected in line with the best market practice.</p>	✓
2. Process for Project Evaluation and Selection	<p>ALD confirms to follow the Process for Project Evaluation and Selection description provided by ALD's Green and Positive Impact Bond Framework. The report is in line with the initial commitments set in the ALD's Green and Positive Impact Bond Framework. A Green and Positive Impact Bond Committee ensures the respect of the Framework and oversees the entire issuance process. Representatives of the Corporate Social Responsibility ("CSR") department, the Finance department, and the Investor Relations department are on the Committee.</p> <p>The projects selected are defined and structured in a congruous manner. The Issuer ensures compliance with the Eligibility Criteria. ESG risks associated with the project categories are identified and managed through an appropriate process.</p>	✓

⁵ ALD's Green and Positive Impact Bond Framework was assessed as aligned with the GBP (as of June 2021) as of June 7, 2022.

	In the context of the project selection and evaluation, ALD defines and confirms the responsibilities and the various stakeholders involved in the process.	
3. Management of Proceeds	<p>ALD Automotive confirms to follow the Process for Management of Proceeds description provided by ALD’s Green and Positive Impact Bond Framework. The report is in line with the initial commitments set in the ALD’s Green and Positive Impact Bond Framework. The proceeds are managed by ALD’s Finance Department.</p> <p>The proceeds collected are equal to the amount allocated to eligible projects, with no exceptions. The proceeds are tracked in an appropriate manner and attested in a formal internal process. The proceeds were 100% allocated at issuance.</p> <p>There was no reallocation period between divesting and investing as the divestment was immediate. ALD discloses the allocation on the portfolio level.</p>	✓
4. Reporting	<p>The ALD Automotive Impact Report is coherent with the Reporting description provided by ALD’s Green and Positive Impact Bond Framework. The report is in line with the initial commitments set in the ALD’s Green and Positive Impact Bond Framework.</p> <p>The sections “Allocation reporting” and “Impact Reporting” of ALD’s Green and Positive Impact Bond Allocation & Impact report comply with the pre-issuance commitment expressed in the Framework. The report is intended to be publicly available.</p> <p><i>Further analysis of this section is available in Part III of this report.</i></p>	✓
5. Verification	ISS ICS has provided a Second Party Opinion (SPO) on ALD’s Green and Positive Impact Bond Framework.	

PART II: ASSESSMENT AGAINST THE ICMA HARMONIZED FRAMEWORK FOR IMPACT REPORTING (HFIR)

FOR GREEN BONDS

Reporting is a core component of the Green Bond Principles and transparency is of particular value in communicating the expected and/or achieved impact of projects in the form of an annual reporting. Green bond Issuers are required to report on both the use of green bond proceeds, as well as the environmental impacts at least on an annual basis until full allocation or maturity of the bond. The Harmonized Framework for Impact Reporting (HFIR) has been chosen as a benchmark for this analysis as it represents the most widely adopted standard.

The table below evaluates ALD Automotive’s GREEN AND POSITIVE IMPACT BOND Allocation & Impact report against ICMA’s HFIR.

CORE PRINCIPLES		
ICMA HFIR	GREEN AND POSITIVE IMPACT BOND Allocation & Impact report	ASSESSMENT
Reporting on an annual basis	ALD has reported within one year from issuance and all the proceeds have been fully allocated at issuance. The report will be available on ALD’s website ⁶ .	✓
Illustrating the environmental impacts or outcomes	<p>The assessment and measurement of the impacts generated by ALD Automotive Green Bond(s) covered the following areas:</p> <p>Battery Electric Vehicles (BEV)</p> <ul style="list-style-type: none"> a. Absolute emissions (scopes 1, 2 and 3 at portfolio level) annually, over the duration of the contract (average 44 months) and for the vehicle lifetime (12 years) (teq CO₂) b. Avoided emissions at portfolio level (% reduction vs baseline scenario calculated on contract duration of average 44 months or vehicle lifetime of 12 years) c. Number of vehicles d. Geographical distribution of vehicles (% of portfolio value) 	✓
ESG Risk Management	The Issuer confirms that it has respected its ESG risk management process in line with its framework.	✓

⁶ ALD’s website [ALD Automotive > Investor relations > Debt > Debt Investors](https://www.ald.com/en/Investor-relations/Debt/Debt-Investors)

	ALD ensured all activities complied with its Corporate Social Responsibility (CSR) requirements explained in its Universal Registration Document and followed Environmental and Social Risk Management principles for its sourcing strategy ⁷ . Also, ALD's Sustainability Policies and Guidelines defined minimum standards for the business processes that were respected.	
Allocation of proceeds - Transparency on the currency	Allocated proceeds have been reported in a single currency (EUR).	✓

RECOMMENDATIONS

ICMA HFIR	REPORT_NAME	ASSESSMENT
Define and disclose period and process for Project Evaluation and Selection	<p>The entirety of proceeds has been allocated to Green Assets. Assets were removed from the eligible asset portfolio when they didn't comply with the eligibility criteria and were replaced by new assets that comply with the eligibility criteria.</p> <p>The Issuer followed a transparent process for selection and evaluation of Eligible Green Assets. Assets refinanced through the Green Bond issued under the Green and Positive Impact Bond Framework were evaluated and selected based on compliance with the Eligibility Criteria as laid out in the Framework.</p>	✓
Disclose total amount of proceeds allocated to eligible disbursements	A total of EUR 500 million has been raised through the Issuer's Green Bond. 100% of the proceeds has been allocated to Green Assets.	✓
Formal internal process for the allocation of proceeds and to report on the allocation of proceeds	The Issuer followed a transparent process for the allocation of proceeds, as defined in its Green Bond Framework.	✓
Report at project or portfolio level	The Green and Positive Impact Bond Allocation & Impact report includes the total amount of proceeds allocated to the eligible project category at portfolio level.	✓

⁷ ALD's Universal Registration Document, [Our ESG commitments | Ayvens](#)

Describe the approach to impact reporting	Not applicable as the impact indicators are at a portfolio level and there is only one category. Impact reporting is done for the eligible category at portfolio level.	-
Report the estimated lifetime results and/or project economic life (in years)	The Issuer reports on the average portfolio lifetime results or economic life (average of 44 months and 12 years) for the eligible project category, on the annual results, and on the results over the contract duration.	✓
Ex-post verification of specific projects	The Issuer does not conduct an ex-post verification of specific projects.	-
Report on at least a limited number of sector specific core indicators	The ALD Automotive reports on GHG emissions avoided, which is a core indicator for the Clean Transportation sector. The Issuer also reports on absolute emissions and the number of electric vehicles.	✓
If there is no single commonly-used standard, Issuers may follow and disclose their own calculation methodologies	The Issuer uses a methodology developed with Société Générale to calculate the emissions (more details in part III)	✓
Disclosure on the conversion approach (if applicable)	Not applicable because none of the reported units needed to be converted.	-
Projects with partial eligibility	Not applicable because there are no projects with partial eligibility	-
When the expected impacts of different project components may not be reported separately, Issuers may use (and disclose) the attribution approach	The impact of ALD's assets is reported separately per category on an aggregated basis.	-

OPINION

The ALD Automotive follows ICMA's Harmonized Framework for Impact Reporting (HFIR) core principles and key recommendations. The Issuer provides transparency on the level of expected reporting as well as on the frequency, scope, and duration, aligned with best practices. ALD has clearly reported on the green bond's use of proceeds as well as on the expected impacts

PART III: DISCLOSURE OF PROCEEDS ALLOCATION AND SOUNDNESS OF THE IMPACT REPORTING INDICATORS

Use of Proceeds Allocation

Use of Proceeds allocation reporting is key to put the impacts into perspective with the number of investments allocated to the respective Use of Proceeds' categories. The post-issuance analysis of the alignment of ALD's use of proceeds categories against the EU Taxonomy was not part of the scope of work of this external review.

The Use of Proceeds allocation reporting occurred within one year from the issuance, after the full allocation of the proceeds.

The Issuer also disclosed transparently the amount of unallocated proceeds and the temporary investments.

Proceeds allocated to eligible assets

The proceeds' allocation is provided at the eligible category level. All assets financed are Battery Electric Vehicles (BEV). The Issuer has provided details about the type of projects included in the portfolio.

The report provides information about assets that were removed from the allocation register, due to vehicles coming off lease since the issuance, and vehicles being funded by country affiliates that were divested to fulfill the antitrust requirements from the EU regulator to complete the Leaseplan acquisition. In total, the vehicles replaced were worth a Net Investment Value of EUR 158m (32% of the portfolio value).

The allocation report section of the GREEN AND POSITIVE IMPACT BOND Allocation & Impact report of ALD Automotive aligns with best-market practices by providing information on:

- The number of assets (re)financed
- The total amount of proceeds in million euros
- The geographical distribution of the portfolio

Impact Reporting Indicators

The table below presents an independent assessment of the Issuer’s report and disclosure on the output, outcome, and/or impact of projects/assets using impact indicators.

ELEMENT	ASSESSMENT
<p>Relevance</p>	<p>The impact indicators chosen by the Issuer for this bond are the following:</p> <ul style="list-style-type: none"> a) Absolute emissions scopes 1,2 and 3 at portfolio level annually, over the duration of the contract (average 44 months) and for the vehicle lifetime (12 years) (teq CO₂) b) Avoided emissions at portfolio level, annually, over the duration of the contract (average 44 months) and for the vehicle lifetime (12 years) (% reduction) c) Number of vehicles funded: 13.605. <p>These indicators are qualitative and material to the Use of Proceeds categories financed through this bond and in line with the Suggested Impact Reporting metrics for Clean Transportation Assets by the ICMA Harmonized Framework for Impact Report for Environmental Bonds. This aligns with best market practices.</p> <p>The impact indicators show the environmental impact at category level.</p>
<p>Data sourcing and methodologies of quantitative assessment</p>	<p>For its impact indicator(s), the Issuer uses a methodology developed with Société Générale to calculate the “avoided emissions” from a life cycle perspective. To calculate the emissions, a reference scenario was established comparing the emissions with internal combustion engines of equivalent size to the electric vehicles. The avoided emissions were calculated by comparing the emissions generated by the baseline scenario and the low-carbon solution.</p> <p>Emissions avoided (in kgCO₂e) = [emissions during the manufacture and recycling of the electric vehicle, battery included (in kgCO₂) + emissions during the use of the electric vehicle (in kgCO₂)] – [emissions during the manufacture and recycling of the thermal vehicle (in kgCO₂e) in kgCO₂) + emissions when using the thermal vehicle (in kgCO₂)]</p> <p>To calculate the emissions throughout the life cycle, the Issuer used emissions from the International Energy Agency⁸ (for data on the production of electricity), the French Agency for Ecological Transition (ADEME)⁹ (for data on the production of electricity), and the International Council on Clean Transportation (ICCT)¹⁰ (for its study on life cycle emissions in Europe, China, India, and the US).</p>

⁸ IEA – International Energy Agency





⁹ Home page - The French Agency for Ecological Transition (ademe.fr)

¹⁰ Home - International Council on Clean Transportation (theicct.org)

Baseline selection	The impact data is compared with the baseline of a scenario created by the Issuer, comparing the emissions of vehicles with internal combustion engines with electric vehicles of equivalent size.
Scale and granularity	The impact data is presented aggregated at the Use of proceed category level.

High-level mapping of the impact indicators with the UN Sustainable Development Goals

Based on the project categories financed and refinanced by the bonds as disclosed in the Issuer’s GREEN AND POSITIVE IMPACT BOND Allocation & Impact report, the impact indicator(s) adopted by ALD for its Green Bond can be mapped to the following SDGs, according to the ICMA “A High -Level Mapping to the Sustainable Development Goals”¹¹.

IMPACT INDICATORS	SUSTAINABLE DEVELOPMENT GOALS
a) Absolute emissions scopes 1,2 and 3 at portfolio level annually, over the duration of the contract (average 44 months) and for the vehicle lifetime (12 years) (teq CO2)	 
b) Avoided emissions at portfolio level, annually, over the duration of the contract (average 44 months) and for the vehicle lifetime (12 years) (% reduction)	 

OPINION

The allocation of the bond’s proceeds has been disclosed, with information aggregated at Use of proceeds category level as proposed in the Framework and the ALD’s Green and Positive Impact Bond Allocation & Impact report has adopted an appropriate methodology to report the impact generated by providing comprehensive disclosure of data sourcing, calculations methodologies, and granularity reflecting best market practices. Besides, the impact indicators used align with best market practices using ICMA’s recommended metrics, in the HFIR.

¹¹ [ICMA’s Mapping-SDGs-to-Green-Social-and-Sustainability-Bonds](#)

DISCLAIMER

1. Validity of the External Review ("External Review"): Valid for the bond report issued on 05.07.2022.
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The parent company of Institutional Shareholder Services ("ISS"), ISS HoldCo Inc., has since February 2021 been principally owned by Deutsche Börse AG ("DB") with the remainder owned by Genstar Capital ("Genstar") and ISS management. In April 2023, DB announced its intention to combine ISS with Qontigo,

another entity controlled by DB, with General Atlantic to become the sole minority shareholder of the combined entity. The combination is expected to be completed in the third quarter of 2023. In July 2023, the stakes of Genstar and ISS management in ISS HoldCo Inc. were acquired by DB. The

non-interference and similar policies implemented by ISS related to Genstar are no longer applicable and disclosures regarding Genstar and ISS management's ownership of ISS are withdrawn.

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ANNEX 1: Methodology

Review of the post-issuance Reports

The ICS Report Review provides an assessment of labelled transactions reporting against international standards using ICS proprietary methodology. For more information, please visit: <https://www.issgovernance.com/file/publications/SPO-Report-Reviews.pdf>

High-level mapping to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method based on ICMA's Green, Social and Sustainability Bonds: A High-Level Mapping to the Sustainable Development Goals, the extent to the Issuers reporting and project categories contribute to related SDGs is identified.

ANNEX 2: Quality management processes

ISSUER'S RESPONSIBILITY

Issuer's responsibility was to provide information and documentation on:

- Green and Positive Impact Bond Allocation & Impact report
- Green and Positive Impact Bond Framework
- Proceeds Allocation
- Reporting Impact Indicators
- Methodologies, and assumptions for data gathering and calculation
- ESG Risk Management

ICSS ESG's VERIFICATION PROCESS

Since 2014, ISS Group, of which ICS is part, has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

This independent Report Review has been conducted by following the ICMA Guidelines for Green, Social, Sustainability and Sustainability-Linked Bonds External Reviews, and its methodology, considering, when relevant, the ISAE 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information.

The engagement with ALD took place in October 2023.

ICS' BUSINESS PRACTICES

ICS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About this Report Review

Companies turn to ISS Corporate Solutions (ICS) for expertise in designing and managing governance, compensation, sustainability and cyber risk programs that align with company goals, reduce risk, and manage the needs of a diverse shareholder base by delivering best-in-class data, tools, and advisory services.

We assess alignment with external principles (e.g. the ICMA Green Bond Principles, Social Bond Principles and Sustainable Bond Guidelines), analyze the sustainability quality of the assets and review the sustainability performance of the Issuer themselves. Following these three steps, we draw up an independent Report Review so that investors are as well informed as possible about the quality of the bond/loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

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