



**SUSTAINABILITY
LINKED**

**FINANCING
FRAMEWORK**

April 2021

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Disclaimer

SUMMARY

Verallia: a global leader in Glass Packaging

With around 10,000 employees and 32 glass production facilities in 11 countries, Verallia is the leading European and the third largest producer globally of glass containers for food and beverages, providing innovative, customized and environmentally friendly solutions to more than 10,000 businesses around the world.

Verallia produced more than 16 billion bottles and jars and achieved revenues of €2.5 billion in 2020. Verallia is listed on compartment A of the Euronext Paris stock exchange (Ticker: VRLA – ISIN: FR0013447729) and belongs to the SBF 120, CAC Mid 60, CAC Mid & Small et CAC All-Tradable indexes. For more information, visit www.verallia.com.

As illustrated below, Verallia operates what we believe is an inherently sustainable business model placing it at the heart of the circular economy. Glass indeed is an infinitely recyclable material and the share of cullet (recycled glass) in the Group's inputs exceeds 50% in 2020. On the other hand, glass making is an energy-intensive operation and, in order to contribute to the world's progressive transition towards a carbon-neutral society, Verallia vows to play a leading role in transforming the glass container production industry.



OUR RESOURCES

EMPLOYEES WHO MAKE VERALLIA

SUCCESSFUL

- Nearly 10,000 employees
- **4 shared values:** care for customers, respect for people, law and the environment, empowerment and accountability, teamwork
- **177 professions**⁽¹⁾
- **475 employees** hired in 2020 including **150 women**
- **10% managers** and senior executives

OCCUPATIONAL SAFETY

- Frequency rate of TF2 workplace accidents: **4,6**⁽²⁾

PARTNERS WHO SHARE OUR VALUES

- FEVE (European Container Glass Federation)
- Ellen MacArthur Foundation
- ABIVIDRO Associação Brasileira das Indústrias de Vidro
- BPI France

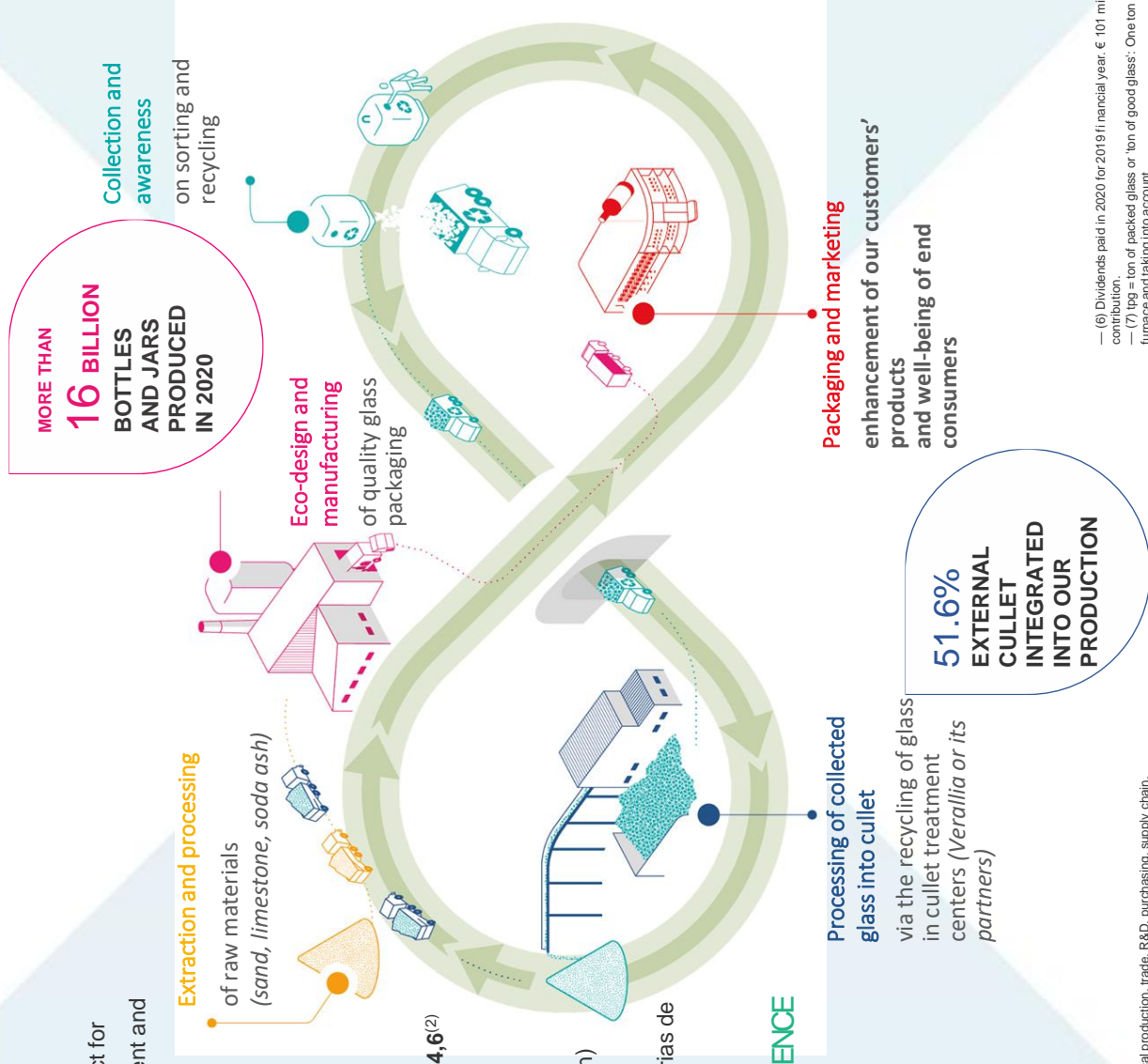
AN INTERNATIONAL INDUSTRIAL PRESENCE IN 11 COUNTRIES

- **32** glass production facilities
- **58** furnaces
- **8** cullet processing centres
- **3** decoration plants
- **5** technical centres
- **13** development centres

A LOCAL PLAYER

- **More than 280 employees** in the sales teams⁽³⁾

OUR SUSTAINABLE BUSINESS MODEL: AT THE HEART OF THE CIRCULAR ECNOMY



RESULTS FOR SHARED GROWTH

A HEALTHY FINANCIAL SITUATION

- Net profit of **€210 million**
- Equity of **€578 million**
- Cash and cash equivalents of **€476 million**
- Operating cash flow of **€442 million**

CLIENTS

- **€2.5 billion** in revenue
- **16.2 billion** bottles and jars produced
- **15.6%** of sales from the Ecova range⁽⁴⁾

EMPLOYEES

- **€492 million** in wages paid (incl. social security contributions)⁽⁵⁾
- Associated costs: **approx. €124m or around 25%**
- An average of **25 hours** of training per employee

SUPPLIERS

- **€1.6 billion** in purchases
- **€250 million** in capital expenditure

INVESTORS

- **€101 million** of dividends paid⁽⁶⁾
- **(€0,85** per share)

SPECIAL ATTENTION PAID TO THE

ENVIRONMENT

- Water consumption: **0.587 m³/tpg** (**-4.4% vs 2019**)⁽⁷⁾
- Energy consumption: **1.89 MWh/tpg**
- Percentage of recycled waste at glass plants: **60%**⁽⁸⁾
- CO₂ emissions: **0.523 tons/tpg scope 1 and 2 (-1.5% vs 2019)**⁽⁹⁾

— (6) Dividends paid in 2020 for 2019 financial year: € 87,490,361.32 in newly issued shares and € 13,144,489.38 in cash contribution.
 — (7) tpg = ton of packed glass or 'ton of good glass': One ton of packed glass corresponds to one ton of pulled glass measured straight out of the furnace and taking into account production losses linked in particular to shutdowns of the furnace or other equipment for maintenance or quality issues.
 — (8) Including waste from furnace reconstructions.
 — (9) Scope 1 "Direct emissions" = CO₂ emissions within the physical boundaries of the plant = carbonated raw materials, heavy and domestic fuel, natural gas (fusion and nonfusion).
 Scope 2 "Indirect emissions" = emissions related to electricity consumption required for the plant's operation.

(1) Categories: technical production, trade, R&D, purchasing, supply chain, Environment/Hygiene/Safety, internal audit and internal control, finance.
 (2) TF2 refers to the ratio of the number of accidents with and without time off work per million hours worked.
 (3) Functions identified in the sales and marketing channels.
 (4) Proportion of total sales from the Ecova and EGO ranges.
 (5) €492m including employee benefit (profit sharing) excluding temporary staff

Verallia's Purpose: Re-imagine glass for a sustainable future

In line with the above objective and following a one-year work stream involving all of the group's stakeholders (employees, customers, suppliers, trade associations, public bodies, NGOs and investors), Verallia unveiled its Purpose in October 2020: "Re-imagine glass for a sustainable future".

In response to the environmental challenges facing the planet, as well as changes in consumption, this approach marks the Group's desire to be a driving force in the transformation of the packaging sector and to go even further, even more quickly, by enhancing the circular and positive aspect of glass packaging.

By means of its purpose, the Group is hoping to redefine how glass is produced, reused and recycled in order to make it one of the most sustainable packaging materials.

Glass, an ancestral material made by man, is obtained using a manufacturing process that has remained more or less unchanged over the centuries. However, it is necessary to rethink the entire value chain in order to turn glass into one of the most sustainable materials. This transformational process requires us to be open to new ideas and models in terms of production, reusing and recycling of glass packaging. Innovation and creation in particular will play a decisive role.

This is how the Group, with its partners, will re-imagine glass for a sustainable future.

In order to implement its purpose, Verallia intends to:

STEP UP THE PACE OF INNOVATION IN ITS VALUE CHAIN:

The Group is committed to using ever more innovative solutions to reduce carbon emissions from the design to the transportation of its products and thereby helping its customers to reduce their own impact on the environment.

MAKE RE-USE A WINNING SOLUTION FOR THE PLANET AND GLASS PACKAGING:

The Group wants to support and ensure the continuation of initiatives aiming to re-use glass packaging in order to address the growing expectations of its customers and consumers.

TAKE ACTION TO INCREASE THE USE OF RECYCLED GLASS:

The Group wants to collaborate with its partners to improve collection and recycling systems in all its markets.

VERALLIA'S APPROACH TO SUSTAINABILITY

Sustainability strategy

2020 marked a turning point for Verallia with the redefinition of its Sustainable Development strategy, which has been adjusted as the natural continuation of our purpose "Re-imagine glass for a sustainable future".

Glass, a material with exceptional qualities, 100% and infinitely recyclable, with no alteration regardless of the number of times it is recycled, is one of the most sustainable materials. Our priority at present is therefore to produce healthy and sustainable packaging while also having a positive impact on the environment.



In a world that is moving towards a carbon-neutral society, we want to be a driving force in the transformation of the packaging sector. By going even further and even more quickly, we are enhancing the circular and positive aspect of glass packaging.

Michel Giannuzzi

Chairman and Chief Executive Officer

This strategy, further detailed as Verallia rolled out its ESG roadmap in January 2021, is based on quantified targets that aim to reduce our environmental impact as well as that of the glass industry. Centered around three core pillars, which are considered as key material issues, this will guide our internal transformation over the next five to ten years:



1

ENHANCE THE CIRCULARITY OF GLASS PACKAGING

We firmly believe that glass is one of the most sustainable materials. The **circular economy is central to our strategy** and in the light of this, our work is centered around three main priorities:

Increasing glass recycling

Optimizing the use of cullet

Developing the re-use of our packaging



2

SIGNIFICANTLY REDUCE OUR CO₂ EMISSIONS FROM OUR OPERATIONS

Aware of the climate emergency, we have decided to make **reducing our carbon footprint** a key focus of our Sustainable Development strategy. Our bottles and jars production process entails a high level of energy consumption and CO₂ emissions. We therefore involve all our staff in a process of constant innovation in order to reduce these at each stage of our value chain, from using raw materials like cullet, to optimizing the efficiency of our furnaces and recycling our waste.



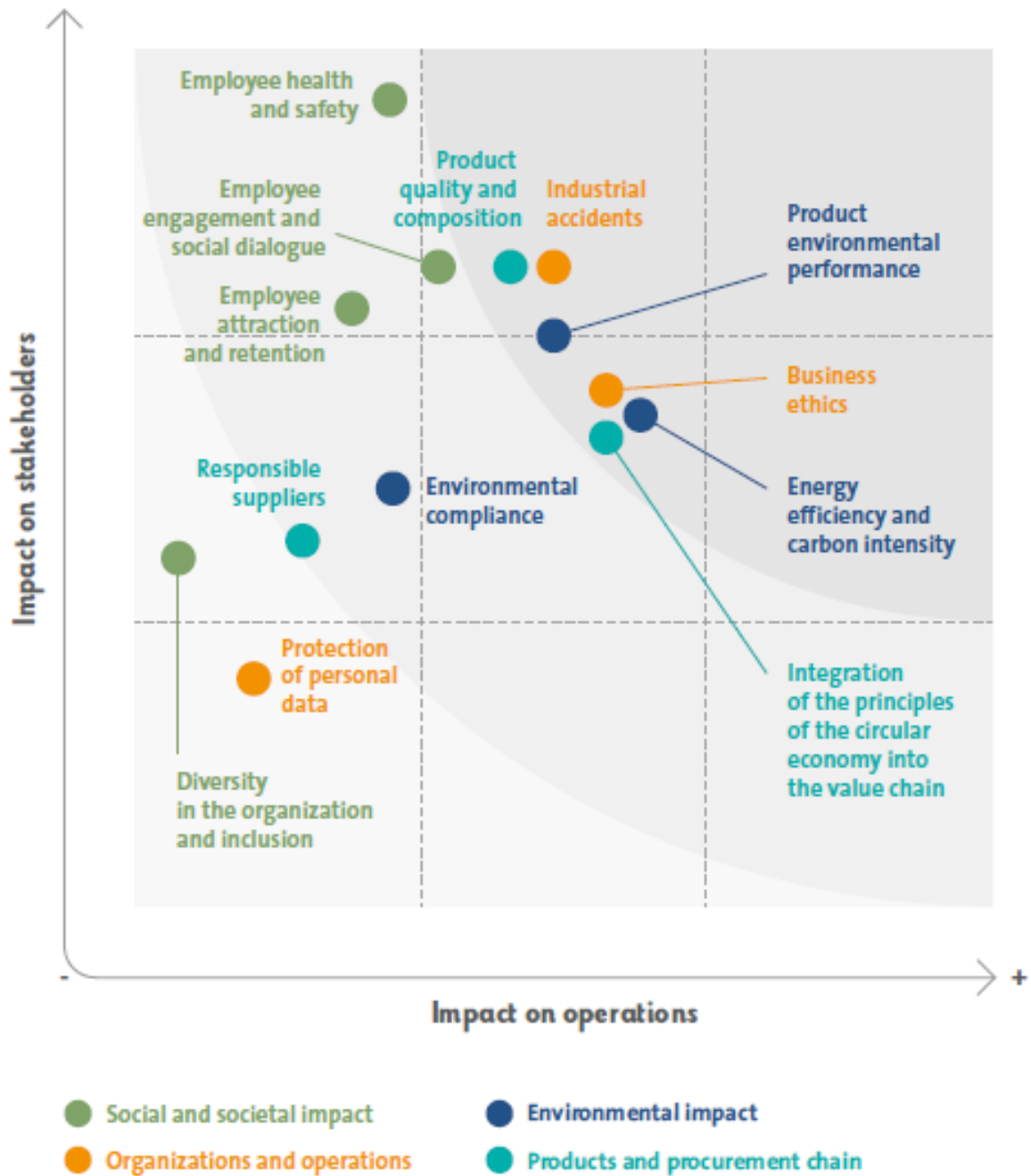
3

PROVIDE A SAFE AND INCLUSIVE PLACE TO WORK

We want to offer our staff a **safe and inclusive working environment**. Making safety a constant concern for all employees, so that they protect themselves and their colleagues, is one of the Group's priority objectives. The same applies to inclusion, which is key. This involves pursuing our goal of equality between men and women and promoting diversity in terms of education, experience and nationality, which enrich the Group on a day-to-day basis. It also involves encouraging as much as possible the recruitment and well-being of disabled workers.

Materiality matrix

The materiality matrix reflects the Group's identity as well as the specific issues relating to its activities and local presence. It also made it possible to highlight seven key sustainable development risks and opportunities for the Group within its priority issues.



Indicators for monitoring these risks have been defined in order to measure their development and the achievement of the improvement targets set by Group management. The materiality matrix will be updated regularly to consider changes in the expectations of our various stakeholders and changes in the environment, factoring in climate change, declining resources availability, evolution of regulation and the impact on biodiversity.

Governance

Monitoring and measuring progress over the years, in total transparency, is critical to ensure action plans are delivering to achieve what we have promised. Therefore, Verallia has defined in 2019 its Sustainable Development Governance.

OUR SUSTAINABLE DEVELOPMENT GOVERNANCE

The Board of Directors

- **Role in terms of Sustainable Development:**
monitors progress made in terms of the Sustainable Development strategy

- **Subjects reviewed during the year and discussed by the Board in 2020:**

Approval of the purpose

Approval of the Sustainable Development targets

Number of meetings:
7

Attendance rate
88%

The Executive Committee

- **Role in terms of Sustainable Development:** Responsible for the Company's performance relative to the targets of the sustainable development strategy

- **Subjects reviewed during the year and discussed by the Board in 2020:**

Preparation of the purpose

Preparation of the Sustainable Development targets

Climate emergency Interactive training workshop on climate change

Number of meetings:
11

The Sustainable Development Committee

- **Members:** the Sustainable Development committee is made up of five members, including the Chairman of the Board of Directors, the two employee representatives with seats on the Board of Directors and one member appointed from among the independent members of the Board of Directors. At 31 December 2020, the Sustainable Development committee had five members, including one independent member: Virginie Hélias (Chair and independent director), Michel Giannuzzi (Chairman of the Board of Directors) and Bpifrance Investissements, represented by Sébastien Moynot (director), Dieter Müller and Sylvain Artigau, employee representatives.

- **Duties:** the Sustainable Development committee is a specialist committee of the Board of Directors, the main duties of which are to ensure that subjects relating to social and environmental responsibility are taken into account in the Group's strategy and in the implementation thereof, to review the report required under Article L. 225-102-1 of the French Commercial Code concerning sustainable development and to review the Group's commitments in terms of sustainable development in the light of the challenges faced in terms of its operations and its targets.

- **Activities and work in 2020:**

Review of the Statement Extra-Financial Performance

Review of the purpose

Review of the Sustainable Development targets (inclusion, disability, climate change, eco-design)

Number of meetings:
5

The Sustainable Development department and its network

The Group's head of Sustainable Development works on a day-to-day basis in coordination with the network of **eight Sustainable Development correspondents from each country** (e.g. Germany, France, Italy) or region (e.g. Iberia = Spain and Portugal) in order to respond to specific demands from customers, investors etc. The diversity of correspondents' functions (HR, EHS, Marketing) and skills allow experience to be shared on a variety of issues relating to the company's social responsibility. A conference call is organised every two months to discuss progress made and difficulties, and to check that the Group's strategy is being rolled out accordingly on a local level.

Moreover, in order to raise awareness on the importance of sustainable development, Verallia's Executive Committee has decided to link all the executives' bonuses to environmental indicators. In 2020 the selected indicator was the reduction in the Group's carbon dioxide emissions; in 2021, the indicator is the increase in external cullet usage in our productions.

With the launch of this framework, Verallia commits to monitoring these two KPIs at least:




- On a monthly basis as part of the Executive Committee;
- On a yearly basis as part of the Sustainable Development Committee; and
- On a quarterly basis as part of the CO₂ Steering Committee, which gathers representatives from all teams involved in projects aimed at reducing the Group's CO₂ emissions and increasing the external cullet usage in our productions.

These meetings will make it possible to:

- Oversee the correct implementation of the Framework in any relevant financing transaction;
- Monitor the publication of the annual reporting as defined in the Framework and in any outstanding Sustainability Linked financings' legal documentation;
- Stay abreast of developments in Sustainable Finance Markets in order to always be in line with market best practices;
- Manage any future updates of the Framework, including supervising the engagement of the independent company that will provide an updated Second Party Opinion

Recognition

In line with its commitments and targets, and considering the importance of sustainability for its stakeholders, Verallia has chosen to liaise with a number of rating agencies, to demonstrate our willingness to build lasting relationships with them. In particular, our customers, suppliers and investors evaluate our performance through the following ratings and assessments.

 <p>EcoVadis is a collaborative platform, which allows companies to assess their environmental and social performance as well as those of their suppliers. Verallia first assessment was performed as early as 2013.</p> <p>Verallia is incorporating EcoVadis in its supplier chain assessment¹.</p>	 <p>CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. CDP is one of the most credible ratings. Verallia's first assessment on CDP Climate Change was performed in 2020 with the A- rating.</p>	 <p>Science Based Targets initiative (SBTi) encourages an ambitious climate action in the private sector enabling firms to set targets on emissions reduction based on science. Verallia presented its targets in 2020 and SBTi publicly confirmed on March 31st, 2021, that the submitted target(s) have been approved and the scope 1 and 2 portion of Verallia's targets are aligned with a well-below 2°C pathway.</p>
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^[1] Our entire supplier base is checked systematically using the Afnor risk mapping tool. For all new supplier, we determined the CSR level of risk, and the results of this mapping are used to target more specifically suppliers presenting a high risk and requiring an assessment of their CSR performance. In order to calibrate assessments as best possible, we have chosen to use two different tools depending on the size of the targeted entities, which includes EcoVadis for suppliers with more than 250 employees.

RATIONALE FOR FRAMEWORK

Verallia formalized its commitment to a more sustainable future through the unveiling of its Purpose in late 2020 and the roll-out of its ESG Roadmap in January 2021. It now aims to go one step further by putting in place a Sustainability-Linked Financing Framework that connects its funding with its sustainability objectives.

Transparency is critical. Verallia discloses a vast amount of relevant information to its clients, investors and stakeholders, enabling them to monitor its objectives and achievements each year, and sharing with them the data they need:

Our customers who have set targets on their CO₂ emissions wish to get information about their scope 3 emissions (indirect emissions that occur in the value chain, such as emissions from purchased goods for example);

Every year, we publish an extra-financial statement on our [website](#);

We also rolled out our ESG strategy in January 2021 based on clear targets and a detailed action plan and this document is also available on our website. We will regularly publish and make available to the public related, up-to-date information and figures

Having set itself ambitious targets and timelines to deliver on its sustainability objectives, Verallia sees this SLF Framework as a way to:

- ◉ Further underline its commitment to these objectives as it ties its funding cost performance to indicators that are relevant, core, and material to its business;
- ◉ Engage further stakeholders on the Group's path towards a more sustainable future by helping progress the evolution of sustainable capital and loan markets.

Verallia's SLF Framework is aligned with the five core components of the Sustainability-Linked Bond Principles published by the International Capital Markets Association (ICMA) in June 2020 and considers the Sustainability Linked Loan Principles, as published by the Loan Markets Association (LMA) in May 2020:

1. SELECTION OF KEY PERFORMANCE INDICATORS (KPIs)
2. CALIBRATION OF SUSTAINABILITY PERFORMANCE TARGETS (SPTS)
3. FINANCIAL CHARACTERISTICS
4. REPORTING
5. VERIFICATION

Verallia's Sustainability-Linked Financing Framework aims at covering any upcoming sustainability-linked financings, whether through Sustainability-Linked Bonds, Loans or Convertible Bonds, or any other financial instruments whose characteristics are linked with sustainability performance targets.

The Sustainability-Linked Bond ("SLB") Principles, as administered by the International Capital Market Association, are voluntary process guidelines that outline best practices for financial instruments to incorporate forward-looking ESG outcomes and promote integrity in the development of the Sustainability-Linked Bond market by clarifying the approach for issuance of a SLB.

As of today, Verallia's corporate rating stands at BB+ with S&P. Therefore, Verallia is not eligible at the date of this Framework. We note however that the European Central Bank has announced that as of January 1, 2021, provided they comply with all other eligibility criteria, bonds with coupon structures linked to certain sustainability performance targets are eligible:

as collateral for Eurosystem credit operations, and

for outright purchases in Eurosystem monetary policy operations, provided that they comply with all other eligibility criteria.

Selection of key performance indicators (“KPIs”)

As a reminder, the two major challenges Verallia aims at addressing in order to fulfil its purpose of “Re-imagining glass for a sustainable future” are the following:

- Reduce its environmental footprint and particularly **its CO₂ emissions**; and
- Enhance the circularity of glass packaging, notably by **increasing the use of cullet into our productions** (which in turn will also help reduce CO₂ emissions)

Under this Sustainability-Linked Financing Framework, Verallia has therefore decided to focus on two KPIs:

KPI #1

tons of CO₂ emitted by the
Group in absolute value
(scopes 1 & 2)

KPI #2

rate of external cullet usage
in our glass production sites
worldwide

These two KPIs have been prioritized as being:

- ⦿ particularly relevant, core and material to its business (they are the primary performance indicators pertaining to two of the three pillars of Verallia’s ESG Roadmap as released in January 2021), and
- ⦿ more mature in terms of reporting and audit than other relevant KPIs, and as such best suited to meet the requirements of the Sustainability-Linked Bond Principles as defined by the ICMA.

Future Sustainability-Linked Financings undertaken in relation with this Framework will rely on one or -more likely- both of the above KPIs.



KPI #1:

Group CO₂
emissions
on Scopes 1 & 2

RATIONALE

As outlined in the first section of this document, drastically reducing our CO₂ emissions is among the top three priorities of the Group's sustainability strategy, as identified in the materiality analysis initially performed in 2018.

The Group acknowledges that the glass container making process involves significant energy consumption and generates substantial CO₂ emissions. Contributing to a more sustainable, carbon-free future being at the heart of our purpose, Verallia teams are looking at all solutions to continuously decrease our CO₂ emissions at every stage of our value chain, from the increased use of such raw materials as cullet, to the optimization of the Group furnaces efficiency, the recycling of our waste and innovation.

With over 3 million tons of CO₂ emitted in 2020 (over 500kg of CO₂ emitted per ton of packed glass), it is fair to say that CO₂ emissions are relevant, core and material to the Group's operations. With furnaces running 24/7 to produce glass, energy consumption is inherent to the glass making process and reducing the associated CO₂ emissions is key to the Group's sustainability impact.

It is worth noting that Verallia's CO₂ emissions, as measured by the Group:

Are measured in absolute terms (total ton of CO₂ emitted) rather than on a "per ton of packed glass" basis as Verallia vows to measure its overall impact in terms of GHG emissions instead of its mere efficiency at reducing CO₂ emissions on a constant volume of glass produced.

Targeted reduction in CO₂ emissions therefore factors in the required offset of the increase in glass volumes expected in the coming years.

Reflect scope 1 and 2 (but not scope 3) emissions

While scope 1 and 2 emissions are clearly relevant to the Group's carbon footprint, its scope 3 emissions amounted to less than 40% (precisely 37%) of the Group's total emissions in 2019;

As per Science-Based Targets initiative standards, scope 1&2 emissions remain the Group's most relevant carbon footprint indicator and should be tracked to measure Verallia's ability to comply with its SBTi trajectory of reducing total emissions by 27.5% from 2019 to 2030, reaching 2,240 kt CO₂ in 2030, with an intermediary target of 2,625 kt CO₂ by 2025 (-15% over 2019-2025).

No offset is applied for the achievement of this KPI

In particular, the achievement of the KPI will not benefit from the Verallia climate program made in partnership with *PUR Projet*. This program is built around two distinct lines of action: a climate program mostly in Latin America and an environmental integration program for Verallia sites. In 2019, the climate program successfully offset 1% of the Group's emissions and planted more than 100,000 trees.

It is worth noting that we started measuring our scope 3 emissions in 2019 to derive our overall carbon balance and we will continue to monitor our scope 3 emissions on a yearly basis. We are already working on a dedicated action plan even though the Science-Based Targets initiative does not require a commitment on our scope 3 emissions as they account for less than 40% of our total CO₂ emissions.

We are in particular working closely with our strategic suppliers towards a reduction in their emissions as raw material-related emissions account for around 36% of our scope 3 emissions. Likewise we are working on logistic optimization measures to decrease transport-related CO₂ emissions (14% of scope 3).

Objectives



KPI #1 is aligned with Verallia's objective of achieving a carbon trajectory that is aligned with and contributes to limiting global temperature rise to well-below 2°C compared to pre-industrial temperatures, as outlined in the Paris Agreement.

KPI #1 aims at contributing to the EU environmental objective "climate change mitigation" It addresses primarily the United Nations' Sustainable Development Goals 13 (Climate Action), as outlined in Verallia's sustainability strategy.

Definition and methodology

Verallia's inventory and accounting practices are in line with the GHG Protocol Corporate Standard. The Greenhouse Gas Protocol is a corporate accounting and reporting standard published by the World Business Council for Sustainable Development and the World Resources Institute.

The Action Plan to achieve our ambition, the indicator's historical values as well as a more detailed description of the methodology applied for KPI #1 are inserted in section **Calibration of Sustainability Performance Targets ("SPTs")**, below.



KPI #2:

External cullet share into our production



RATIONALE

The circular economy is an economic model that aims to produce in a sustainable manner, limiting consumption and waste of resources (raw materials, water, energy), as well as waste production. This therefore means breaking away from the linear economy model (extract, manufacture, consume, throw away). Glass is an inert material that is 100% and infinitely recyclable into new packaging, making Verallia a key player in the circular economy. External cullet, a key link in the glass industry circular chain, is made from glass obtained from selective collection: individuals, cafés, hotels and restaurants. Use of external cullet in our production is therefore a major way of reducing Verallia's carbon footprint.

Cullet is at the heart of our circular model. It reduces the consumption of natural raw materials such as sand, or synthetic materials such as sodium carbonate. There is a direct impact on protecting natural resources but also on reducing carbon dioxide emissions on two levels. It reduces the energy consumption required for melting and therefore the carbon dioxide it emits; it also reduces the use of raw materials, the melting of which also emits carbon dioxide. As a result, the increase in the level of cullet in raw materials saves energy and mainly natural raw materials, leading to a reduction of 2.5% in a furnace's energy consumption and 5% in CO₂ emissions for each additional 10 points of cullet.

Definition and methodology

It is important to highlight that we measure our **external cullet** integration, which excludes the internal cullet, i.e. the bottles produced once and reintroduced in a second production process without leaving the plant and without being used by consumers (linked to defaults in terms of quality).

We depend on the quantities of cullet available and hence on the collection from individuals and the on-trade/"CHR" channel (cafés, hotels, and restaurants). Collection rates and maturity of collection schemes are very different from one country to another. This represents an extra challenge which is particularly acute in emerging markets.

The Action Plan to achieve our ambition, the indicator's historical values as well as a more detailed description of the methodology applied for KPI #2 are inserted in section **Calibration of Sustainability Performance Targets ("SPTs")**, below.

OUR KEY TARGETS



INCREASE THE USE OF EXTERNAL CULLET

by 10 points in our productions worldwide between 2019 and 2025, from 49% to 59%



CONTINUE INVESTING IN OUR CULLET TREATMENT CENTERS

by leveraging the best technologies available on the market (15 million were invested over the period 2018-2020)



HELP IMPROVE THE COLLECTION RATE

to achieve the target set at a European level by FEVE: 90% of bottles collected for recycling by 2030. The collection is a strategic point, if we collect more and better, we will be able to introduce more external cullet into our glass productions.



HELP IMPROVE THE QUALITY of the glass collected

Objectives



KPI #2 aims primarily at contributing to the EU environmental objective "transition to a circular economy" and refers to Sustainable Development Goals 12 (Responsible Consumption and production) and 13 (Climate Action)

Calibration of Sustainability Performance Targets (“SPTs”)

TARGET FOR KPI #1:



reduce
Verallia's
scope 1
and 2 CO₂
emissions

- ▶ We have decided to commit ourselves to a carbon trajectory that consists in limiting the increase in temperatures to well below 2 degrees above pre-industrial levels.

- ▶ Verallia's new targets of reducing its CO₂ emissions **on scope 1 and 2 in absolute data is minus 27.5% over 2019-2030**

- *This target has just been approved by the Science Based Targets initiative on March 1st and was published on SBTi website on March 31st.*
- *Through this target the ambition of Verallia is to achieve 2,240 kt of CO₂ emissions in 2030, decoupling our growth from our CO₂ emissions.*
- *Verallia has defined an intermediary target of 2,625 kt CO₂ by 2025 (i.e. -15% over 2019-2025)^[1].*
- *Annual reduction target from 2019 to 2030 equates to 2.5% of 2019 emissions or, on a compounded basis, to an annual reduction of 2.7% over 2019-25 and 2.9% over 2019-30*

- ▶ The move is challenging and ambitious from -20% in relative value / at constant glass production (per Verallia's previous goal) to **-27.5% scope 1 and 2, in absolute value** (offsetting future production increase), aligned with Paris agreement's "well-below 2°" pathway.

- *As a reminder, our previous goal (communicated in 2019) was to reduce our CO₂ emissions by 20% (scope 1 and 2) per ton of packed glass from 2019 to 2030.*
- *It is equally challenging when compared to recent historical data at Verallia, since our CO₂ emissions (scope 1 + scope 2) declined by only 1.0% per annum on a compounded basis between 2015 and 2019 – we are therefore aiming at a rate of reduction that is nearly three times our historical trend.*

Metric

- Verallia's annual CO₂ emissions (scope 1 and 2) in absolute data (kt)
- Target Observation Date: December 31, 2025
- Sustainability Performance Target: 2,625 kt CO₂ for the year 2025 (corresponding to a 15% decrease versus the 2019 baseline)
- Baseline: 3,090 kt CO₂ for the year 2019

Calculation methodology

KPI#1 includes scope 1 and scope 2 CO₂ emissions:

- SCOPE 1 corresponds to direct emissions from Verallia Group own operations.
- SCOPE 2 equals indirect GHG emissions from consumption of purchased electricity used in our own operations.

Our definitions are aligned with the GHG Protocol.

^[1] SBTi trajectory is measured in volumes of CO₂ to be reduced each year, calculated as -2.5% of the initial data (3090 kt in 2019 x 2.5% = 77.25 kt of CO₂ emissions reduction every year over the period 2019-2030, which represents a decrease of 850 kt CO₂ over 2019-2030)

The primary operations and activities that account for emissions in scopes 1 and 2 are:

- **Scope 1 with 3 main activities:**
Production site (GHG emissions from Gas consumption and Fuel Oil consumption and GHG emissions from processes, i.e. carbonization of raw materials), Cullet treatment centers (GHG emissions from Gas consumption, Fuel Oil consumption and Liquefied Petroleum Gas consumption), Decoration plants (GHG emissions from Gas consumption, Fuel Oil consumption and Liquefied Petroleum Gas consumption)

- **Scope 2 with 3 main activities:**
Production site (GHG emissions electricity consumption), Cullet treatment centers (GHG emissions electricity consumption) and Decoration plants (GHG emissions electricity consumption)

Only CO₂ emissions are accounted for in the KPI. The other Greenhouse gases covered by the Kyoto Protocol (CH₄, N₂O, HFC, SF₆, NF₃) are insignificant in glass production.

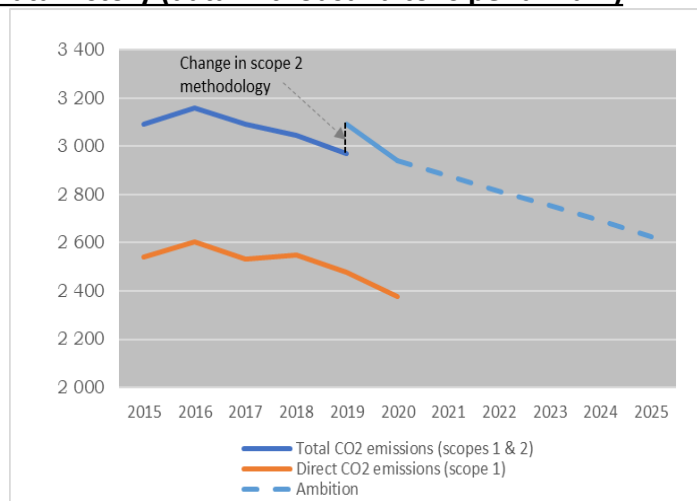
Facilities excluded:

Emissions from office buildings, decoration plants and cullet treatment centers have been excluded because they represent much less than 1% of total scope 1+2 emissions. First, these activities are less emissive than glass production by nature, and secondly, they are minor activities compared to glass production in Verallia's business.

Calculation method for our CO₂ scope 2 emissions:

To report on targets and results concerning scope 2 CO₂ emissions, the calculation method used shall be "market based" in accordance with the GHG standard protocol definition. This "market-based" method takes account of greenhouse gas emissions from producers from which Verallia buys electricity under contract⁽¹⁾.

Data history (data in thousand tons per annum)



As outlined above, total CO₂ emissions (scopes 1 + 2) declined by only 1.0% per annum from 2015 to 2019 in a context of moderate volume growth.

Between 2018 and 2019, our reduction rate accelerated. This is the result of actions taken by Verallia, such as the conversion of furnaces to natural gas instead of heavy fuel oil, while respecting atmospheric emission limits through primary measurements and furnace rebuilds (Lagnieu, Burgos, Villa Poma, Rosario).

To be noted, the graph above represents in 2019 the impact of change of methodology. From 2019, we have integrated scope 2 CO₂ emissions into our objectives, and we used for the calculation the emission factors of the IEA (International Energy Agency), implying a change in the calculation of our scope 2 CO₂ emissions against our previous methodology.

In 2020, the reduction in our CO₂ emissions was primarily driven by a reduction in production due to the decline in demand caused by the covid-19 crisis as well as the reduction in emissions per ton of glass, which reached only 1.5% (well below the 2.5%+ reduction targeted to reach 2030 targets whilst offsetting expected increase in production).

This data has been reviewed since 2019 by a third-party independent verifier, PricewaterhouseCoopers Audit, in the context of the extra financial reporting of the Group, leading to procedures performed both at Group level and locally with the EHS team in charge.

Every year a representative number of sites are chosen for testing procedures (the selected sites have to cover at least 20% of the consolidated data for each audited key performance indicator and have to take into account the geographic diversity).

2019 Baseline has been reviewed, which contributes to the SBTi process.

Moreover, in the framework of the EU ETS compliance, our European sites submit their emissions report that are verified by an accredited company every year (SGS in France for example).

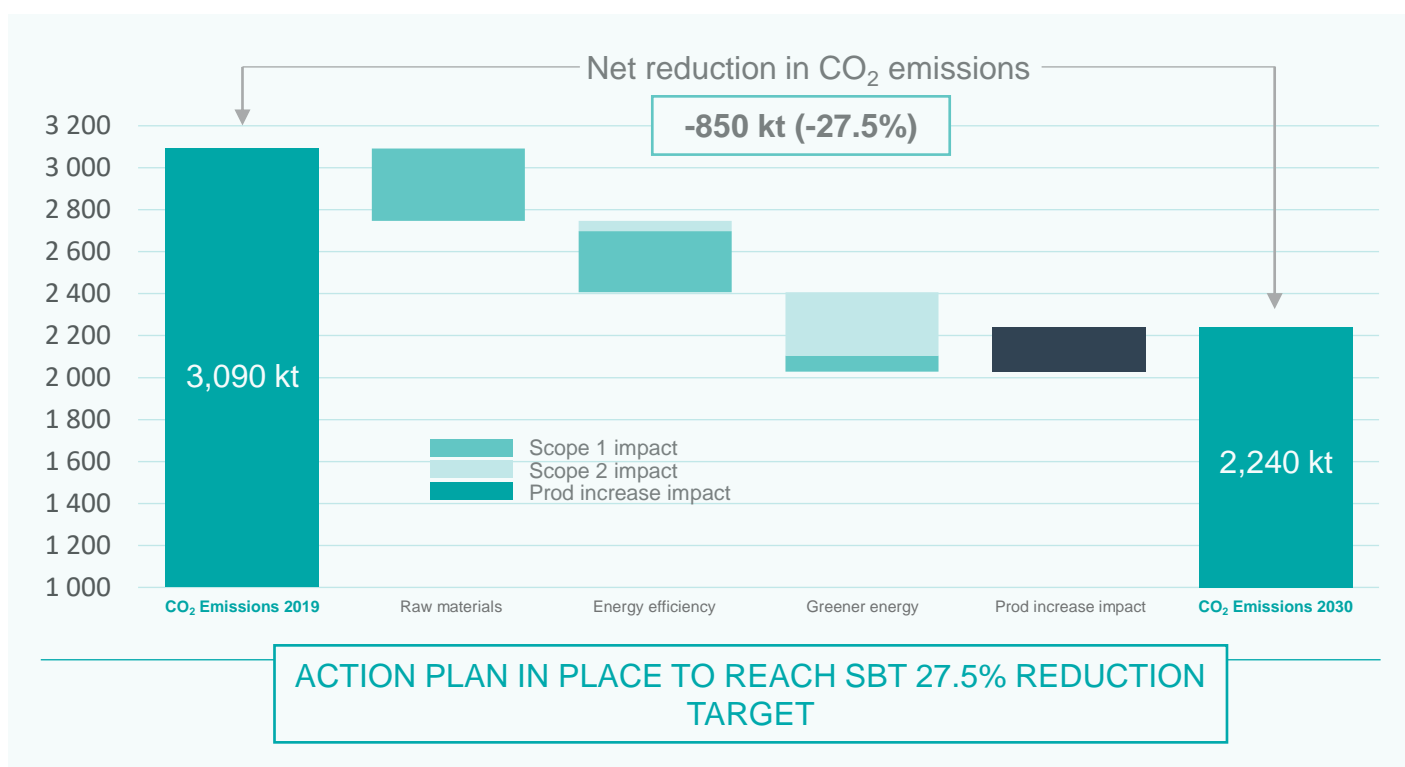
⁽¹⁾ The "location-based" calculation method was used until 2019. This took account of average energy emission factors by region. In 2019, the difference between the two calculation methods was: 123 kt CO₂ equivalent (difference between scope 2 "location based" = 487,825 tons of CO₂, "market based" = 610,653 tons of CO₂.)

Action plan

How will we reach this -27.5% CO₂ emissions reduction target?

CONTEXT: our highest emission station in our plants is the glass melting station (as melting entails raising the temperature of solids – sand, cullet, soda ash, calcium carbonate – to achieve a homogeneous vitrified mixture). Our main levers to reach this goal are clearly identified with actions and associated budget and we expect the three levers to contribute broadly evenly (ca 1/3 each) to the targeted reduction (excluding production increase impact):

1. Raw materials: reduce emissions related to raw materials that go into the composition of glass
2. Energy efficiency in our plants: make industrial sites more energy efficient
3. Renewable energy: use renewable or low-carbon energy



1. SHIFT RAW MATERIAL MIX (ca 1/3 of reduction)

The increase of external cullet rate integration will help reduce CO₂ emissions through lower melting energy and lower CO₂-intensive materials, and relies on the increase of recycling capacity, the improvement of efficiency and on the optimization of furnace utilization.

The increase in the level of cullet in raw materials saves energy, leading to a reduction of 2.5% in energy consumption at the plant and 5% in carbon dioxide emissions for each additional 10 points of cullet.

The substitution of part of carbonated raw materials

Soda ash and limestone release CO₂ during melting process. Our objective is to partly replace these materials with renewable alternatives.

2. REDUCE ENERGY CONSUMPTION (ca 1/3 of reduction)

Reduction of the energy used for melting
(represents 80% of total energy consumed)

- Upgrade of furnace technology to address losses, eliminate water ingress via cullet and add pre-heaters
- Gradual reduction in share of fossil energy used in furnaces, eliminating fuel (highest CO₂ generator) and maximizing electrical heating
- Participation into FEVE “Furnace of the Future” project for the development of next generation furnace using 80% of electrical heating
- Evaluation of hydrogen usage impact on furnace performance and design through real life test and participation to a consortium led by DNV-GL

Reduction of the energy used for non-melting process (represents 20% of total energy consumed)

- Address loss reduction on forehearth/heat treatment equipment, optimize supporting fluid generation or heat reuse

3. INCREASE USE OF RENEWABLE AND LOW CARBON ENERGY (ca 1/3 of reduction)

With purchases of renewable and low carbon energy

- Maximize renewable and low carbon energy purchases through certified sources of electricity (*target >60% by 2025, from 34% in 2020*)
- Benefit from government-led actions to reduce CO₂ emissions (*e.g electricity emission factor reduction or hydrogen introduction in natural gas*)

With the use of Biogas

- Replace natural gas with biogases in selected plants
- First pilot under evaluation in Germany with the target to have three furnaces fully supplied by bio-gases by 2030

With on-site energy production

- Verallia to implement on-site renewable electricity production (*e.g solar panels - first project Portugal 2022*)



TARGET FOR KPI #2:



reach maximum achievable cullet rate on all furnaces by 2030, with a first ambitious step of 59% by December 31, 2025 from a 49% base in 2019.

Metric

- Ratio between (1) total tons of external cullet introduced into production during the calendar year and (2) the total tons of packed glass during such calendar year
- Target Observation Date: December 31, 2025
- Sustainability Performance Target: 59%

The circular economy is at the heart of Verallia's strategy and we are convinced that glass is one of the most sustainable materials. To this end, KPI #2 reflects Verallia ambition to increase its cullet rate on all furnaces by 2030.

We note that our target of reaching a 59% rate of external cullet usage by 2025, 10 points more than in 2019, can be considered ambitious as it involves an average annual increase of 1.6% in external cullet usage, while such rate was broadly flat between 2016 and 2019 and only increased by ca 0.6% per annum between 2016-20. It also means reaching a level of 59% that is in a very different territory from the historical levels of between 47-50%. Beyond 2025 we expect to continue this upward trend and reach an external cullet usage rate of 66% by 2030, such further increase also underpinning our 2030 CO₂ emission reduction as outlined above.

Calculation methodology

Scope:

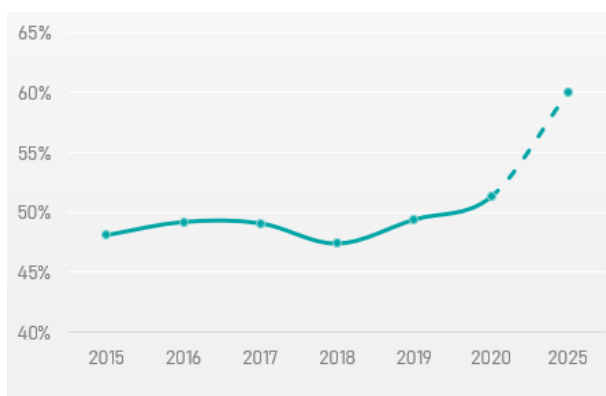
Verallia World: all plants, all models, all colors

External cullet only. Is excluded from the ratio the internal cullet, i.e. the bottles produced once and reintroduced in a second production process without leaving the plant and without being used by consumers.

Data history

	2020	2019	2018	2017	2016
KPI2	51,6%	49%	47%	49%	49%

External cullet usage into Verallia productions



This data has been reviewed since 2019 by a third-party independent verifier, PricewaterCoopers Audit, in the context of the extra financial reporting of the Group.

- Every year a representative number of sites are chosen for testing procedures (the selected sites have to cover at least 20% of the consolidated data for each audited key performance indicator and have to take into account the geographic diversity).
- 2019 Baseline is included in the extra financial statement (https://www.verallia.com/wp-content/uploads/2020/11/Verallia_Universal_Registration_Document.pdf)

Action Plan: How will we reach this external cullet usage increase target?

We have identified three major levers to reach this target:

- JOINT INITIATIVES TO INCREASE CULLET COLLECTION
- IMPROVE RECYCLING CAPACITY AND EFFICIENCY
- > OPTIMIZE CULLET USAGE IN GROUP FURNACES

JOINT INITIATIVES TO INCREASE CULLET COLLECTION

- FEVE - the **European Container Glass Federation** - partnership, and in particular the active involvement in the **Close the Glass Loop** program initiated by FEVE which final goal is to reach 90% of collected glass for recycling in 2030 from 76% in 2018 (latest FEVE figures)^[1].
- In countries where Verallia is present we are participating in local initiatives to promote collection, **to raise awareness on the importance of glass recycling** and the benefits of glass material.
- Working with local authorities located around the plants to help them increase the collection focusing on countries where the collection scheme is not as mature as in European countries.

All our teams in the countries where Verallia is present have started to work on their cullet roadmap, by looking at the country ecosystem, identifying the suppliers, and opportunities for their development, cullet treatment technologies.

IMPROVING OF OUR RECYCLING CAPACITY AND EFFICIENCY

Verallia is recognised for its expertise in recycling cullet. The Group currently operates eight household cullet treatment centers located in Europe (two in France, three in Italy, one in Germany and two in Spain), where collected glass is transformed into cullet.

Between 2018 and 2020 Verallia has invested €15m in its cullet treatment centers in order to improve cullet processing (better quality, better yield, minimum waste) and thereby increase its use in production.

OPTIMIZING CULLET USAGE IN OUR FURNACES

We continuously improve the glass recipes to maintain the same quality level while integrating the maximum of external cullet.

^[1] To be compared to the European directive on packaging and waste packaging, bringing the recycling targets for glass containers to 75% by 2030 for Member States

Financial characteristics

The financial characteristics of any financing issued under this Framework will be specified in its corresponding documentation including but not limited to the KPIs and SPTs as of the Target Observation Date.

For any financing issued under this framework, the non-achievement of the respective SPT as defined in the relevant transaction document will result in one Trigger Event affecting the financial characteristics of the financing. The Trigger Event will result in a coupon step-up, applying to the relevant financing until i) maturity, ii) any other time specified in the relevant documentation or iii) until but excluding the coupon payment following the next Target Observation Date if multiple observation dates have been defined. The amount of the maximum coupon step-up will be specified in the documentation of each relevant financing. The only exception to this principle is that a step-down mechanism may be also be contemplated in the case of a derivative or bank financing entered into under this Framework. Lastly the coupon step-up may, if applicable, take the form of a redemption premium should the relevant financing mature shortly after the Trigger Event has occurred.

The Trigger Event is the result of an observation as to whether, or not, each of the two KPIs individually has achieved its SPT. Its consequences are set out in the transaction documentation of each financing issued under this Framework. A Trigger Event may occur if:

- one or both KPIs have failed to achieve the SPT on the Target Observation Date (depending on the number of KPIs referred to in the relevant transaction documentation) as set out in the Verification Assurance Certificate; or
- the Verification Assurance Certificate relating to each relevant SPT defined for each financing in its transaction documentation, is not issued in accordance with the terms of sub-section: Post-Target Observation Date verification: Verification Assurance Certificate.

When the financing refers to both KPIs, each KPI may be assigned with a relative weight of the aggregate coupon step-up, as specified in the documentation of each financing issued under this Framework.

KPI #1: 50%

KPI #2: 50%

In such case, the step-up of the coupons can consequently be 0%, 50% or 100% of the total step-up rate as specified in the documentation of each financing issued under this Framework.

For the avoidance of doubt, if both KPI(s) have achieved their respective SPTs and reporting and verification for all the SPTs have been provided and made public in accordance with the reporting and verification sections of this Framework, the financial characteristics of any financing issued by Verallia under this Framework shall remain unchanged, except if specified otherwise in the relevant documentation.

For the avoidance of doubt, no Trigger Event may occur before the earlier of (i) the date of publication of the Verification Assurance Certificate and (ii) the date (included) falling 120 days after the Target Observation Date.

FALLBACK MECHANISM

The KPIs and SPTs set out in this framework will remain applicable throughout the tenor of any financing issued under the Framework, regardless of any changes to Verallia's sustainability strategy. This includes any changes relating to the Group's general sustainability targets and ambitions. Moreover, any acquisition by the Group shall not be taken into account in the calculation methodology.

However, any changes to the calculation methodology for a given KPI or significant changes in data due to better data accessibility or as a result of any disposal may result in a change in baseline and/or SPT. For the avoidance of doubt, in such case, the levels of the impacted KPIs will be recalculated to reflect such significant changes.

- The threshold value for a significant change is a change that impacts the Sustainability Performance Target, in aggregate, by 5 percent or more (in line with the recommendation by the SBTi for KPI #1)
- The updated KPIs and their SPTs will be reflected in the outstanding financings provided that an External Verifier has independently confirmed that (A) the proposed revision is consistent with Verallia's strategy; (B) is in line with the initial level of ambition of the SPTs and (C) has no material impact on the SPO originally provided to the Group in connection with the Framework. Updates to KPI #1 and SPT #1 will be reported to SBTi for update of the validation.

Any new or updated Sustainability-Linked Financing Framework, in relation with any subsequent capital markets transactions, shall not have any implications on the outstanding financings issued under this Framework.

Unless otherwise stated, the proceeds of any financing issued under this Framework will be used for general corporate purposes.

Post-issuance annual reporting

At the latest 120 days after the end of each calendar year, Verallia will publish and keep readily available and easily accessible on its website an annual **Sustainability-Linked Financing Progress Report** that will include:

- up-to-date information on the performance of each selected KPI, as reported in Verallia's statement of extra-financial performance (*Déclaration de performance extra financière*) and audited by an independent third party; and
- any additional relevant information enabling investors to monitor the progress of each selected KPI towards the SPT(s)

Reporting may also include:

- qualitative or quantitative explanation of the contribution of the main factors, including M&A activity, behind the evolution of each selected KPI on an annual basis;
- illustration of the positive sustainability impact of the performance improvement; and/or
- any re-assessments of KPIs due to any changes to the calculation methodology for a KPI or significant changes in data due to better data accessibility, if relevant;
- any adjustments of baselines or KPI scope, if relevant; and/or
- updates on new or proposed regulations from regulatory bodies relevant to the KPIs and the SPTs.

When relevant, Verallia may also provide information on changes to its sustainability strategy or governance.

External Verification

Pre-issuance external review

Verallia's Sustainability-Linked Financing Framework has been reviewed by V.E. who provided a second party opinion (SPO), confirming the alignment with the core components of the Sustainability-Linked Bond Principles (SLBP) administered by the ICMA. Both Framework and Second Party Opinion are available on Verallia's website.

Post-issuance annual verification

The annual performance of each selected KPI included in the **Sustainability-Linked Financing Progress Report** referred to in section: Post-issuance annual reporting will be subject to verification by an independent third party. Verification of KPI performance will be conducted on an annual basis and limited assurance standard by a qualified provider of third-party assurance or attestation services.

Post-Target Observation Date verification: Verification Assurance Certificate

Within 120 days of the Target Observation Date, Verallia undertakes to make public and available on its website a verification assurance certificate issued by a qualified external verifier and formally outlining the performance of the KPIs against their respective SPTs (the Verification Assurance Certificate).

APPENDIX 1:

Glossary

CORRIDOR OF BIODIVERSITY

All the habitats necessary for the functionally interrelated lifecycles of a species

CULLET

Means the crushed glass added to the raw materials used in the production of glass

ECOVA

Range of bottles – "Eco " for eco-design and " VA " for value added

ECOVADIS

Platform for rating the social and environmental performance of global supply chains

EGO

Range of Chilean eco-designed products, standing for " Enhanced Geometric Objects "

EHS

Refers to the " Environment, Health and Safety " policy

EXTERNAL CULLET

Glass collected from individuals and cafés, hotels and restaurants (CHR)

FEEDER

Distribution channel that feeds glass to the machines from the front end of the furnace. Its role is to maintain the temperature and homogenise the glass before it is fed into the machine

FEVE

European Container Glass Federation

FUSION

Means the first step in the melting of glass in production furnaces. Fusion entails raising the temperature of solids – sand, cullet, sodium carbonate, calcium carbonate – to arrive at a homogeneous vitrified mixture

GLASS SAND

Very small cullet (fraction 0-4 mm)

GOB

Means a compact mass of molten glass

INDEX ALPHA

The alpha coefficient is used by various glass production sites (cf NF H 35077). It determines the lightweight nature of an item independently of its capacity, and therefore allows the comparison of several items. Calculation formula: $\text{weight} / \text{volume}^{0.8}$ as per NF-H35077 norm

INSETTING

Identifying business impacts (social, climate, water, biodiversity, etc.) and engaging in socio-economic and environmental projects that mitigate the impacts

INTERNAL CULLET

Glass from manufacturing scrap

ISO 22000

Standard that guarantees that food risk to consumers is considered throughout the entire production process

LCV

Lower calorific value

RCA

Root Cause Analysis

SCOPE 1

" Direct emissions " = CO₂ emissions within the physical boundaries of the plant, meaning carbonated raw materials, heavy and domestic fuel, natural gas (fusion and non-fusion)

SCOPE 2

" Indirect emissions " = emissions related to the electricity consumption necessary for the plant's operation

SCOPE 3

" other indirect emissions " = all other greenhouse gas emissions that are not directly related to the operation of the plant operation of the factory, but from all other stages of the product's life cycle

TF1

Number of accidents resulting in lost workdays, by millions of worked hours

TF2

Ratio of the number of accidents with and without lost wordays per million hours worked

TPG

Tons of packaged glass or tons of good glass

VERALLIA " SEGMENTS "

There are three :
Southern and Western Europe,
Northern and Eastern Europe,
Latin America

VERALLIA " DIVISIONS "

There are five : France, Italy, Northern Europe, Iberian Peninsula, Latin America

Materiality Analysis Process

In 2018, Verallia formalized a materiality analysis, which was performed through the following three stages:

- **Identification of priority issues:** based on the analysis of the available documentation and interviews of the main stakeholders in the Group (analysis of Group activities and environment), supplemented by an industry benchmark conducted by a consulting firm – sector risk bases (MSCI and SASB) and working with the Risk department at Verallia Group level.
- **Sharing of these issues** with the main stakeholders.
- **Prioritization of these issues** by comparing the expectations of stakeholders and the vision of the Group's management.

A rating scale was defined by criteria, in conjunction with the Risk department. Different components were considered to determine the priority risks and opportunities. The impact on people, operations, the environment, the image/reputation of the Group was discussed and factored in.

A consensus was reached by using the results of an electronic vote carried out during a joint workshop led by a consultancy firm, where the participants included the members of the Group's Executive Committee as well as the main support and operational functions of the French and Spanish entities.

In order to make them easier to read, the issues identified were grouped and summarized in 2018, then updated in 2020 based on the three pillars of long-term commitment associated with Sustainable Development:



**ENHANCE
THE CIRCULARITY
OF GLASS PACKAGING**



**SIGNIFICANTLY REDUCE
OUR CO₂ EMISSIONS
ACROSS OUR OPERATIONS**



**PROVIDE
A SAFE & INCLUSIVE
PLACE OF WORK**

Disclaimer

This Sustainability-Linked Financing Framework (the “Framework”) contains certain forward-looking statements that reflect Verallia management’s current views with respect to future events and financial and operational performance of Verallia’s group.

These forward-looking statements are based on current beliefs, expectations and assumptions, including, without limitation, assumptions regarding present and future business strategies and the environment in which Verallia operates, and involve known and unknown risks, uncertainties and other factors, which may cause actual results, performance or achievements, or industry results or other events, to be materially different from those expressed or implied by these forward looking statements. These forward-looking statements and information are not guarantees of future performances.

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