

ASSESSMENT

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Send Your Feedback

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Bel

Second Party Opinion – Sustainability-linked Financing Framework SQS3 Sustainability Quality Score

Summary

We have assigned an SQS3 Sustainability Quality Score (good) to Bel's sustainability-linked financing framework. Bel has created this sustainability-linked financing framework to issue sustainability-linked instruments to finance general corporate purposes. The company has selected four key performance indicators (KPIs): scope 1 and 2 greenhouse gas (GHG) emissions reduction (KPI 1), scope 3 GHG emissions reduction (KPI 2a), second carbon diagnostic of dairy farms (KPI 2b) and the nutrition score of Bel's products (KPI 3). The framework is aligned with the five core components of the International Capital Market Association's Sustainability-Linked Bond Principles (SLBP) 2020, and the Loan Market Association, Asia-Pacific Loan Market Association and Loan Syndications & Trading Association's (LMA/APLMA/LSTA) Sustainability-Linked Loan Principles (SLLP) 2023. The framework demonstrates a moderate contribution to sustainability.

Sustainability quality score

SQS3

SQS5
Weak

SQS4
Intermediate

SQS3
Good

SQS2
Very good

SQS1
Excellent



Alignment with principles SUSTAINABILITY-LINKED

Overall alignment

Not aligned Partially aligned Aligned Best practices

FACTORS

Selection of KPIs

Calibration of SPTs

Instrument characteristics

Reporting

Verification

ALIGNMENT



Contribution to sustainability

Overall contribution

Poor Limited Moderate Significant High

Expected impact

Relevance and magnitude

ADJUSTMENTS

ESG risk management

No adjustment

Coherence

No adjustment

Scope

We have provided a second party opinion (SPO) on the sustainability credentials of Bel's sustainability-linked financing framework, including its alignment with the ICMA's SLBP 2020 and the LMA/APLMA/LSTA's SLLP 2023. The company has selected four sustainability KPIs related to GHG emissions and nutrition, which are outlined in Appendix 2 of this report.

Our assessment is based on the last updated version of Bel's sustainability-linked financing framework, dated October 2023, and our opinion reflects our point-in-time assessment of the details contained in this version of the document, and other public and nonpublic information provided by the company.

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

Issuer profile

Bel is a French family-owned company, considered as a major actor in the food industry, more specifically in the dairy and fruit sector. The company has developed a portfolio of more than 30 international and national brands, which are distributed in more than 120 countries. It produces numerous processed, fresh processed, hard, semi-hard, and soft brands of cheese. As of December 2022, Bel delivers more 20 billion of portions per year and operates in 126 countries. The company counts 6,730 suppliers, of which nearly 1,200 are dairy producers. The sales generated in 2022 by the issuer reached €3.593 billion. High reliance on natural capital, including land and water use; exposure to climate events; and potential changes in greenhouse gas (GHG) emissions regulation expose Bel to high environmental risks. Furthermore, regulations and consumer preferences for greener products will drive changes in product offerings.

Strengths

- » KPI 1 and KPI 2a cover the entirety of the group's direct and indirect GHG emissions.
- » The timelines, baselines and trigger events of sustainability performance targets (SPTs) are clearly disclosed for all KPIs.
- » Science Based Targets initiative (SBTi) verification has been undertaken for the 2035 SPTs for KPI 1 and 2a.

Challenges

- » The market-based accounting approach and the use of renewable energy certificates (RECs) reduce the ability of KPI 1 to track energy consumption and incentivize the further increase in renewable energy installed capacity.
- » The most significant decrease in GHG emissions under KPI 1 is likely after 2028, weighing on the short-term SPTs' ambition.
- » KPI 3 addresses a relevant issue for the dairy sector, and references recognized international guidelines, however, it is based on an in-house methodology that limits its ability to be benchmarked against external references.

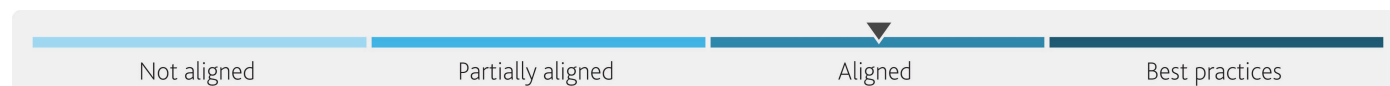
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Alignment with principles

Bel's sustainability-linked financing framework is aligned with the ICMA's SLBP 2020 and the LMA/ALPMA/LSTA's SLLP 2023:

- | | | |
|----------------------------------------------------|----------------------------------------------------------------------------------|----------------------------------------------------------------------------------|
| <input type="radio"/> Green Bond Principles (GBP) | <input type="radio"/> Social Bond Principles (SBP) | <input type="radio"/> Green Loan Principles (GLP) |
| <input type="radio"/> Social Loan Principles (SLP) | <input checked="" type="checkbox"/> Sustainability-Linked Bond Principles (SLBP) | <input checked="" type="checkbox"/> Sustainability Linked Loan Principles (SLLP) |

Selection of KPIs



Definition – ALIGNED

Bel has clearly defined in its framework the characteristics of the selected KPIs, including the units of measurement, the rationale and process for selecting the KPIs, the calculation methodologies and the scope. The issuer has selected four KPIs. KPI 1 addresses the reduction of absolute scope 1 and 2 GHG emissions, KPI 2a focuses on reducing absolute scope 3 GHG emissions, KPI 2b measures the share of supplying dairy farms with a second carbon diagnostic and KPI 3 estimates the share of products aligned with Bel's Nutri+ nutrition score. KPI 1 is calculated in metric tons of carbon dioxide equivalent (tCO₂e) and KPI 2a in metric kilotons of carbon dioxide equivalent (ktCO₂e). KPI 2b is calculated as the percentage of dairy farms with a second carbon diagnostic. KPI 3 is calculated as the share of products (within its children and family portfolio) aligned with the Nutri+ score.

Measurability, verifiability and benchmark – ALIGNED

The KPIs selected by the company are measurable and externally verifiable by independent auditors. The calculation methodology is consistent, and in case of any change in methodology, the issuer commits to informing the investors about such changes. The definitions of KPIs 1 and 2a rely on external references, which allow them to be benchmarked. KPI 1 and KPI 2a rely on the Greenhouse Gas Protocol Corporate Standard. KPI 2b has been constructed following the Calcul Automatisé des Performances Environnementales en Elevage de Ruminants (Cap'2ER), Farm Environmental Stewardship and Cool Farm tools. Relatively similar KPIs are used in the market, which allows KPI 2b to be benchmarked against some peers, however, there are no targets set at national or international level for the KPI to be benchmarked against. KPI 3, although referencing recognized international recommendations for nutrition such as the World Health Organisation (WHO), is based on an in-house methodology that limits its ability to be benchmarked. This makes the assessment of KPI 3's ambition difficult. Historical performance data have been disclosed for KPIs 1 and 2a, and 3 for at least the last three years in the company's Universal Registration Document (URD). With regard to KPI 2b, historical data have not been provided for second diagnostics because none has been performed yet. The data for all KPIs will be externally verified.

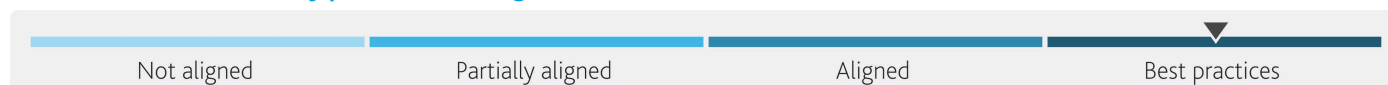
Relevance and materiality – ALIGNED

The selected KPIs are relevant, core and important to Bel's business strategy for its current operations and reflect relevant sustainability challenges for the dairy sector. Climate change mitigation and healthier food have been identified as priorities in the company's strategy and materiality matrix¹. In 2022, the scope of coverage of KPI 1 (scope 1 and 2) was estimated at 4% of the group's total GHG emissions. If used on a standalone basis, KPI 1 only addresses a small share of the company's carbon footprint. The issuer has committed to always use KPI 1 with KPI 2a or KPI 2b, thus including scope 3 or a significant share of scope 3. KPI 2a covers 96% of total GHG emissions, and KPI 2b covers all the milk collected (1,200 farms) by Bel, which corresponds to 52% of the emissions attributable to the purchase raw materials and around 34% of total scope 3 emissions. KPI 3 is related to the children and family portfolio, which represents about 60% of the global product portfolio.

Best practices identified - selection of KPIs

- » There is continuity or traceability, with independent verifiers, in case of a change in the methodology used to measure KPIs
- » Disclosure of the externally verified historical performance of KPI(s); for example, over at least three years

Calibration of sustainability performance targets



Consistency and ambition – BEST PRACTICES

The selected SPTs are consistent with the issuer's sustainability strategy, which is to achieve net-zero emissions by 2050, to approach 100% of farms with a second carbon diagnostic across its dairy suppliers by 2032 and to reach up to 83% of Nutri+ aligned products by 2028. The SPTs for KPIs 1 and 2b show a significant improvement compared with the issuer's business-as-usual (BaU) scenario performance. The SPTs for KPI 2a and KPI 3 demonstrate a positive trend but not an improvement compared with the BaU performance. Moreover, the SPTs for KPI 1 and KPI 2a have been benchmarked against sector peers. Regarding KPI 2b, the benchmark was limited because most of its peers do not implement comparable targets. KPI 3 is tailored to Bel's products and cannot be properly benchmarked against external references. The level of ambition of the four SPTs is analyzed in detail in the "Contribution to sustainability" section.

The means for achieving the SPTs are disclosed in the framework and in internal documentation, and are considered credible. Moreover, Bel's reporting is very detailed and comprehensive, and provides significant contextual and quantified information on the means for achievement and measurement of the impact of the actions covered by the KPIs.

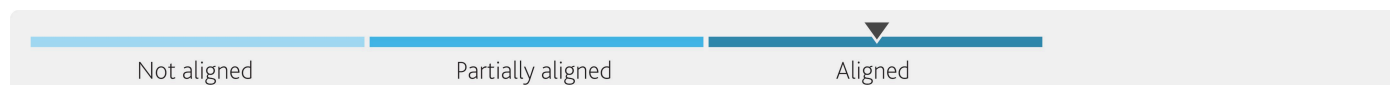
Disclosure – BEST PRACTICES

The timelines, baselines and trigger events have been disclosed in the framework. The issuer has set intermediary targets for all four KPIs. The selected baselines are relevant and reliable for the four KPIs.

Best practices identified - calibration of sustainability performance targets

- » Disclosure of the means for achieving the SPT(s) as well as their respective contribution in quantitative terms to the SPTs OR as well as any other key factors beyond the issuer/borrower's direct control that may affect the achievement of the SPT(s)
- » The means for achieving the SPT(s) are credible
- » Disclosure of the timeline, baseline and trigger events, including relevant intermediate targets
- » The selected baselines are relevant and reliable

Instrument characteristics



Variation of structural characteristics – ALIGNED

Bel has confirmed that the instruments issued under this framework will be subject to variations in their financial characteristics, and they will feature a step-up of the coupon or a premium payment if the selected SPTs are not met at the observation date. The company's objective is to always combine three KPIs — KPI 1, KPI 2a and KPI 3; or KPI 1, KPI 2b and KPI 3 — depending on the maturity of the financial instruments.

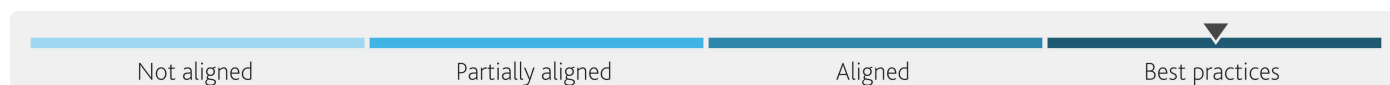
Reporting



Transparency of reporting – ALIGNED

Bel has committed to report annually until the maturity of the financial instruments. The intended scope and granularity of the reporting are clear and exhaustive, covering all the required and recommended elements, including information on the performance of the KPIs and any relevant information enabling investors and lenders to monitor the level of ambition of the SPTs. The reporting will be made publicly available in Bel's annual report (URD), or published as a separate report and kept readily available and easily accessible on Bel's website. With respect to KPI 2a, the reporting of the performance for year n will be made in the year n+1 URD or a similar report.

Verification



Verification process – BEST PRACTICES

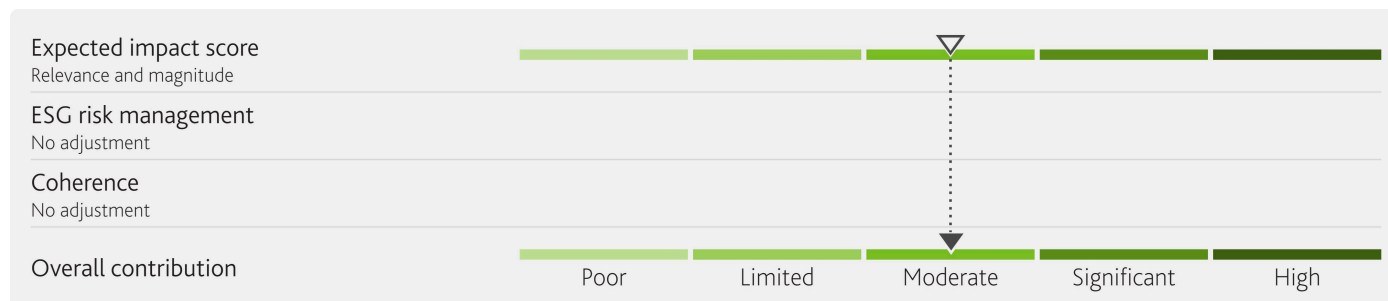
The performance of the KPIs against their SPTs will be externally verified, on an annual basis, and in case of significant changes affecting the sustainability-linked instrument's financial or non-financial characteristics, or both, until the maturity of the instruments. The verification assurance report will be made publicly available as part of Bel's annual report or provided as a separate report, which will be published on the company's website.

Best practices identified - verification

- » Verification will be conducted until maturity of the bond or loan

Contribution to sustainability

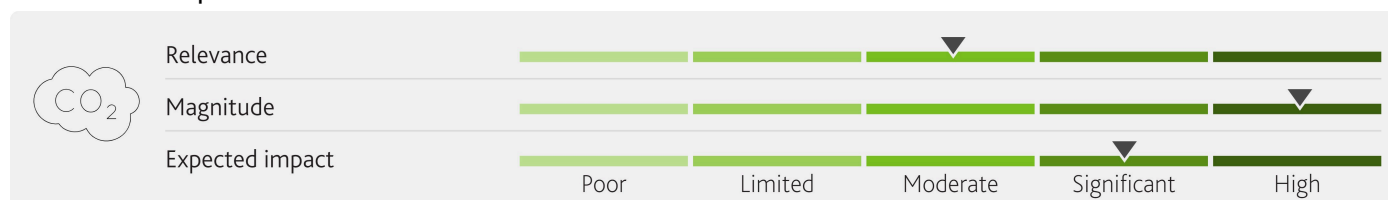
The framework demonstrates a moderate expected contribution to sustainability.



Expected impact

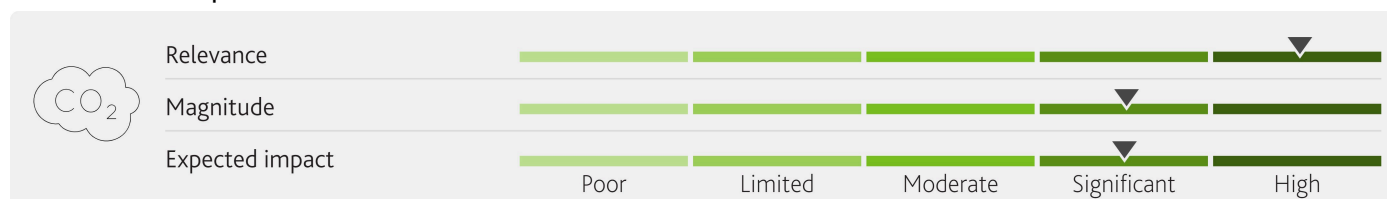
The expected impact of the four KPIs and their SPTs on sustainability objectives is considered moderate. Because KPI 1, KPI 2 (KPI 2a or KPI 2b) and KPI 3 shall always be used together and because of the fact that we lack information on how the KPIs will be weighted for individual issuances, we assume that the KPIs are equally weighted in the issuer's framework. A detailed assessment is provided below.

KPI 1: Absolute scope 1 and 2 GHG emissions



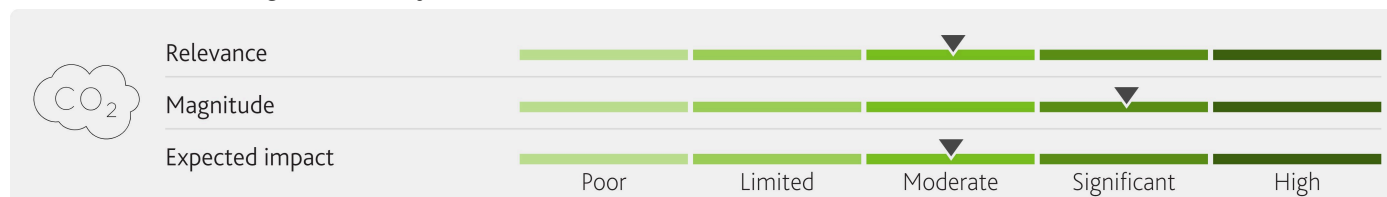
According to the Food and Agriculture Organization of the UN (FAO), the global dairy sector — including emissions from meat production of dairy-related animals, accounts for 4% of total GHG emissions, while milk production only accounts for 2.7% of total global GHG emissions². In France, the dairy sector is responsible for 6% of total GHG emissions³. At Bel, dairy products made up 77% of its total revenue in 2022. As part of Bel's corporate mission to champion healthier and responsible food for all, the company has committed to be carbon neutral by 2050 across its entire value chain. Scope 1 and 2 emissions accounted for 4% of Bel's total GHG emissions in 2022. The relevance of KPI 1 is strengthened by the issuer's commitment to always use KPI 1 together with KPI 2a or KPI 2b, where both cover a non negligible part of scope 3 emissions, 96% for the former and around 34% for the latter. Moreover, the issuer follows a market-based approach to calculate scope 2 emissions. This raises concerns because it enables companies to report scope 2 emissions based on a financial transaction that does not necessarily change the physical energy consumption and emissions associated with the company's operations. This could potentially lead to inflated estimates of the effectiveness of the mitigation measures. These factors together explain the moderate relevance score for KPI 1.

In terms of magnitude, which reflects the ambition of the SPTs, Bel has set a target to reduce absolute scope 1 and 2 GHG emissions by 75.6% by 2035, compared with the 2017 level. The SPT represents a trend aligned with the BaU scenario for 2022-28, but shows a significant improvement compared with the BaU performance in the long term (2022-35). Annual emissions declined by an average of 6.5% over 2017-22 and are projected to decline by 2.8% between 2022 and 2028, by 7.9% between 2022 and 2035, and by 12.5% between 2028 and 2035. Most of its sector peers have made commitments up to 2030 (with different baselines), which limits the benchmarking of Bel's KPI 1 against sector peers. To favor the comparison, we have used the intermediary SPTs set by the issuer. For the first two SPTs, Bel appears as slightly below average and cannot be considered among the best performers. Regarding international standards, in the food staples and retailing segment, 41% of the companies are committed to net-zero emissions and 43% are committed to near-term 1.5°C, among which 54% are located in Europe. Bel's 2035 target was approved by the SBTi and verified to be aligned with the 1.5°C scenario, explaining the high magnitude score for KPI 1.

KPI 2a: Absolute scope 3 GHG emissions

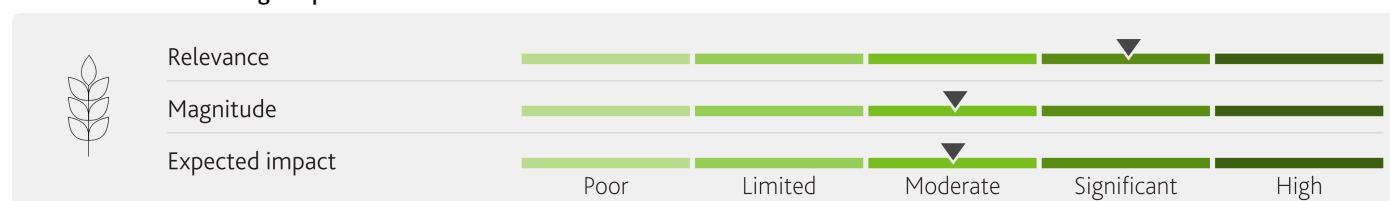
Addressing the carbon footprint of the dairy sector is key, as presented in the KPI 1 relevance section. In 2021, scope 3 emissions accounted for 96% of Bel's total GHG emissions, which include the purchase of raw materials (66.3%), downstream transportation and storage (9.3%), upstream transportation (5.4%), subcontracted production (5.6%), purchase of packaging (4.7%), purchase of other goods and services (3.5%), and purchase of capital equipment (1.1%). The KPI covers all the company's indirect emissions, including emissions from upstream and downstream activities. Focusing on reducing scope 3 emissions is a critical component of any GHG emission reduction action plan for Bel and companies of the sector because most of their emissions and reduction opportunities are outside their own operations, explaining the high relevance score for KPI 2a.

In terms of magnitude, which reflects the ambition of the SPTs, Bel has set a target to reduce absolute scope 3 GHG emissions by 25% by 2035, compared with the 2017 level. The SPT does not represent a significant improvement compared with the BaU scenario, although it still shows a positive trend. Between 2017 and 2021, emissions declined by 3.2% annually. Emissions are likely to decline by 1.1% between 2021 and 2035. As mentioned for KPI 1, we faced some challenges in benchmarking against sector peers. The same challenges were identified for KPI 2a. Not all of its peers have set a target for scope 3 emissions. Among the most comparable peers that did, Bel's target appears less ambitious. However, its closest competitor, Lactalis, has not disclosed a scope 3 target emission reduction. Regarding international standards, SBTi does not classify scope 3 targets by temperature. However, scope 3 targets are evaluated during the validation process to ensure they meet SBTi criteria, including that targets must be aligned at least well below the 2°C pathway, which results in our assessment of a significant magnitude score for KPI 2a.

KPI 2b: Second carbon diagnostics of dairy farms

As mentioned in the KPI 1 relevance section, the dairy sector is responsible for 6% of French total GHG emissions⁴, and scope 3 emissions account for 96% of Bel's total emissions. More than two-thirds of those emissions are from upstream activities, including raw material related emissions. Bel collects more than one billion liters of milk per year from around 1,200 producers across seven different countries. To address the challenges of GHG emissions related to milk supply, Bel measures the GHG emissions of the dairy suppliers through two diagnostics: the first estimates GHG emissions and elaborates an action plan, and the second measures the impact of the efforts. However, even if we consider the KPI as relevant for the issuer to achieve its long-term zero commitment, the percentage of emissions attributable to milk production represents only 34% of the company's total GHG emissions, and 38% when combined with KPI 1, therefore our assessment results in a relevance score of moderate for this indicator.

In terms of magnitude, which reflects the ambition of the SPTs, the issuer has set a target to achieve 60% of farms diagnosed by 2026 and 80% by 2028, in line with Bel's corporate target to approach 100% by 2032. As of 2022, no second carbon diagnostic was performed, which implies a significant improvement compared with the BaU scenario. The KPI is not currently widely used by Bel's sector peers. We have identified two main competitors to conduct benchmarking: Lactalis and Danone. These two competitors use similar methodologies to run carbon diagnostics. Since 2017, Danone has conducted carbon diagnostics over 85% of the volume of milk produced. Lactalis disclosed that 50% of its global milk production was diagnosed in 2021. In the case of Bel, the percentage of milk diagnosed was 65.2% in 2022. These data only concern a first diagnostic. Bel is one of the only companies in the sector to implement a second diagnostic, demonstrating its commitment to a long-term strategy to reduce GHG emissions related to its supply chain. This results in a significant magnitude score for KPI 2b.

KPI 3: Share of Nutri+ aligned products

Through its Nutri+ label and the use of official nutrient intake recommendations, Bel targets to reduce the saturated fatty acid content of its products, which is associated with increased incidence of cardiovascular diseases⁵. Moreover, Nutri+ aims to increase the calcium and protein intake among its customers, addressing a common nutritional deficiency across the world^{6,7,8,9}. Bel focuses on its children and family consumer segments, which account for 60% of its global portfolio, resulting in our assessment of a significant relevance score for KPI 3.

In terms of magnitude, which reflects the ambition of the SPTs, the intermediate target set for 2026 represents a 9-percentage-point (pp) increase in the total percentage of scored products compared with 2022 and 21 pp compared with 2017. The target set for 2028 represents an 11-pp increase compared with 2022. On an annual basis, the SPTs demonstrate a slower progression than past years: 2.4 pp per year from 2017 to 2022 and 1.8 pp per year from 2022 to 2028. Some peers use relatively similar nutritional benchmarks, such as Nestlé and Danone^{10,11}. In 2019, Nestlé reported that 80.5% of sales were from products that met or exceeded the Nestlé Nutritional Foundation profiling criteria and Danone has set the target to reach 100% by 2020. In contrast, in the same year, Bel had 69% of its products aligned with Nutri+, which represents around 52% of Bel's global portfolio with a target set at 81% in 2026. However, the comparability potential between these figures remains limited. In 2023, Nestlé implemented a target based on an external benchmark, the Health Star Rating (HSR), which is not comparable with Nutri+ but represents an effort to enhance comparison between peers. In 2022, 37% of Nestlé's net sales were aligned with a HSR of 3.5 or above. Danone has set the following target: 90% of its products should receive >3.5 stars on the HSR system. The in-house nature of the KPI, which limits its comparability with other national and international nutrition scores, results in our assessment of a moderate magnitude score for this KPI.

ESG risk management

We have not applied a negative adjustment for environmental, social and governance (ESG) risk management to the expected impact score.

Coherence

We have not applied a negative adjustment for coherence to the expected impact score because the company's strategy is considered aligned with the targets set under this framework.

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

The four KPIs included in Bel's framework are likely to contribute to two of the United Nations' (UN) SDGs, namely:

UN SDG 17 Goals	KPI	SDG Targets
GOAL 2: Zero Hunger	Nutrition score	2.1: End hunger and ensure access by all people to safe, nutritious and sufficient food all year round
GOAL 13: Climate Action	Absolute Scope 1 and 2 GHG emissions Absolute Scope 3 GHG emissions Second carbon diagnostic of dairy farms	13.2: Integrate climate change measures into national policies, strategies and planning

The mapping of the UN's SDGs in this SPO considers the KPIs and associated sustainability objectives documented in the issuer sustainability-linked financing framework, as well as resources and guidelines from public institutions, such as the ICMA's SDG Mapping Guidance and the UN's SDG targets and indicators.

Appendix 2 - Summary of KPIs in Bel's framework

KPI	SPTs	Sustainability Objectives	Unit
KPI 1: Absolute scope 1 and 2 GHG emissions	-30.8% by 2026, -38.7% by 2028 and -75.6% by 2035 compared to 2017	Climate Change Mitigation	tCO2eq
KPI 2a: Absolute scope 3 GHG emissions	-16% by 2029 with an observation date in 2030 and -25% by 2035 with an observation date in 2036 both compared to 2017	Climate Change Mitigation	ktCO2eq
KPI 2b: Second carbon diagnostic of dairy farms	reach 60% of farms carbon-diagnosed twice by 2026 reach 80% of farms carbon-diagnosed twice by 2028	Climate Change Mitigation	% of dairy farms
KPI 3: Nutrition score	reach 81% Nutri+ aligned products in the Children & Family portfolio by 2026 reach 83% Nutri+ aligned products in the Children & Family portfolio by 2028	Healthier Food	% of total product volumes

Source: Bel's Framework

Endnotes

- 1 [Annual Report 2022](#), Bel, April 2022.
- 2 [Greenhouse gas emissions from the dairy sector: A life cycle assessment](#), Food and Agriculture Organization, 2010.
- 3 [Environnement: la filière laitière française vise la neutralité carbone](#), La France Agricole, August 2021.
- 4 [Environnement: la filière laitière française vise la neutralité carbone](#), La France Agricole, August 2021.
- 5 [Saturated Fats Compared With Unsaturated Fats and Sources of Carbohydrates in Relation to Risk of Coronary Heart Disease: A Prospective Cohort Study](#), Li et al. 2015.
- 6 [Calcium deficiency worldwide: prevalence of inadequate intakes and associated health outcomes](#), Shlisky et al. 2022.
- 7 [Global dietary calcium intake among adults: a systematic review](#), Balk et al., 2017.
- 8 [Evidence that protein requirements have been significantly underestimated](#), Elango et al. 2010.
- 9 [Independent associations of dairy and calcium intakes with colorectal cancers in the Adventist Health Study-2 cohort](#), Tantamango-Bartley et al. 2017.
- 10 [Nestlé Nutritional Profiling System, Its Product Categories and Sets of Criteria Report](#).
- 11 [Danone Nutritional Targets](#), March 2023.

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