

## SECOND PARTY OPINION (SPO)

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Sustainability Quality of the Issuer and Sustainability-Linked Financing Framework

Faurecia S.E.

29<sup>th</sup> October 2021

### VERIFICATION PARAMETERS

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<b>Type(s) of instruments contemplated</b>	Sustainability-Linked Bonds (SLB) and Sustainability-Linked Loans (SLL)
<b>Relevant standard(s)</b>	Sustainability-Linked Bond Principles (SLBPs), as administered by the International Capital Market Association “ICMA” (June 2020), and the Sustainability-Linked Loan Principles (SLLPs), as administered by the Loan Market Association “LMA” (May 2021)
<b>Scope of verification</b>	Sustainability-Linked Financing Framework (as of 27.10.2021)
<b>Lifecycle</b>	Pre-issuance verification
<b>Validity</b>	As long as Faurecia’s Sustainability-Linked Securities Framework and benchmarks for the Sustainability Performance target(s) remain unchanged

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## SCOPE OF WORK

Faurecia S.E (“Faurecia”) commissioned ISS ESG to assist with its Sustainability-Linked Financing Framework by assessing three core elements to determine the sustainability quality of the instrument:

1. The sustainability credibility of the Key Performance Indicators (KPIs) selected and Sustainability Performance Targets (SPTs) calibrated – whether the KPI selected is core, relevant and material to the issuer’s business model and sector, and whether the associated target is ambitious.
2. Faurecia’s Sustainability-Linked Financing Framework (27.10.2021 version) and structural components of the transaction – benchmarked against the Sustainability-Linked Bond Principles (SLBPs), as administered by the International Capital Market Association's (ICMA) as of June 2020 and the Sustainability-Linked Loan Principles (SLLPs), as administered by the Loan Market Association (LMA) as of May 2021.
3. Sustainability-Linked Financing Framework link to Faurecia’s sustainability strategy – drawing on Faurecia’s overall sustainability profile and related objectives.

## FAURECIA BUSINESS OVERVIEW

Faurecia is a leading automotive technology company developing solutions for Sustainable Mobility and the Cockpit of the Future.

The company operates in 35 countries through 266 industrial sites and 39 R&D centers. Faurecia is divided in 4 business groups being :

1. Clean mobility accounting for 26% of group sales as of dec. 2020 with innovative solutions to drive mobility & industry toward zero emissions such as ultra-low emissions solutions, commercial vehicles and Industry and zero-emission hydrogen solution
2. Seating with technologies for a safe, smart & comfortable onboard experience such as seat structure systems, complete seats and covers and foam solutions; representing 38% of total group sales.
3. Interiors systems accounting for 31% of group revenues with premium quality integration : Instrument panels; Door panels; Center consoles; Sustainable & smart materials and Interior modules
4. Clarion Electronics software and Artificial Intelligence for personalized user experiences (Cockpit electronics, display technologies and advanced driver assistance systems) that represents a 5% share of total revenues.

## ISS ESG SPO ASSESSMENT SUMMARY

SECTION	EVALUATION SUMMARY <sup>1</sup>
<p><b>Part 1.A.</b></p> <p><b>KPI selection and SPT calibration</b></p> <p>KPI 1 “Greenhouse gas emission Scope 1 and 2 reduction in %”</p>	<p><b>KPI selection: Relevant and core to the issuer’s business model and sustainability profile. If used individually on a financial instrument as a stand-alone KPI, the KPI is material to the company’s direct operations but not to the whole Corporate Value Chain. If integrated with KPI 2 on the same financial instrument, then together, both KPI 1 and 2 are material to the issuer’s business model and sustainability profile.</b></p> <p><b>Sustainability Performance Target (SPT1.a) calibration:</b></p> <ul style="list-style-type: none"> <li>• <b>Limited information available to assess the level of ambition against issuer’s past performance</b></li> <li>• <b>Ambitious against issuer’s sectorial peer group</b></li> <li>• <b>Limited information to assess the level of ambition of the target against international target</b></li> </ul> <p><b>Sustainability Performance Target (SPT1.b) calibration:</b></p> <ul style="list-style-type: none"> <li>• <b>Ambitious against issuer’s past performance</b></li> <li>• <b>Ambitious against issuer’s sectorial peer group</b></li> <li>• <b>Aligned with the Paris Agreement</b></li> </ul> <hr/> <p>ISS ESG finds that KPI 1 selected is core, relevant and moderately material to the issuer’s business model and consistent with its sustainability strategy. The KPI is material to the company’s direct operations but not material to the whole Corporate Value Chain as the KPI 1 does not include Scope 3 emissions representing the majority of the issuer’s GHG emissions (97% of total GHG emissions). It is appropriately measurable, quantifiable, benchmarkable and externally verifiable.</p> <p>ISS ESG finds that limited information is available to assess the level of ambition of SPT1.a given the lack of historical data before baseline year, while SPT 1.b calibrated by Faurecia is ambitious against the company’s past performance. Both SPT 1.a and SPT 1.b are considered ambitious compared to Auto Components’ sector practices in terms of magnitude and timeline for the Scope 1 &amp; 2 GHG emissions reduction targets. Finally, no information is available to assess the alignment of SPT 1.a against an international target, but SPT 1.b is in line with the Paris Agreement and aligned with a 1.5° Celsius warming scenario according to the SBTi. The benchmark selected by the issuer is provided by an independent third party based on a methodology established in the industry - the GHG Protocol Corporate Accounting and Reporting Standard. The target is set in a clear timeline, is benchmarkable and supported by a strategy and action plan.</p>

<sup>1</sup> ISS ESG’s evaluation is based on the engagement conducted in October 2021, on Faurecia’s Sustainability-Linked Securities Framework (27.10.2021 version) and on the ISS ESG Corporate Rating applicable at the SPO delivery date (updated on the 09.09.2021).

<p><b>Part 1.B.</b></p> <p><b>KPI selection and SPT calibration</b></p>	<p><b>KPI selection: Relevant and core to issuer’s business model and sustainability profile. If used individually on a financial instrument as a stand-alone KPI, the KPI is material to the company’s Corporate Value Chain but not to the direct operations. If integrated with KPI 1 on the same financial instrument, then together, both KPI 1 and 2 are material to the issuer’s business model and sustainability profile.</b></p> <p><b>Sustainability Performance Target (SPT) calibration:</b></p> <ul style="list-style-type: none"> <li>• <b>Limited information available to assess the level of ambition against issuer’s past performance</b></li> <li>• <b>Ambitious against issuer’s sectorial peer group</b></li> <li>• <b>Aligned with the Paris Agreement</b></li> </ul>
<p>KPI 2 “Greenhouse gas emission controlled Scope 3 reduction in %”</p>	<p>ISS ESG finds that the KPI 2 selected is core, relevant to the issuer’s business model and consistent with its sustainability strategy. The KPI is considered moderately material as a standalone KPI since it covers controlled Scope 3 emissions, representing around 30% of Scope 3 total GHG emissions and excludes Scope 1 and 2 emissions. In line with the GHG protocol, uncontrolled Scope 3 emissions representing 70% of total Faurecia’s carbon footprint, are not taken into account as they refer to indirect use-phase emissions of sold product. If integrated with KPI 1 in the same financial instrument, then together both KPI 1 and KPI 2 are material to the issuer’s business model. It is appropriately measurable, quantifiable, externally verifiable and benchmarkable.</p> <p>ISS ESG finds that the SPT 2 calibrated by Faurecia is ambitious against the Auto Components sector practices as it belongs to the top 12% in terms of setting scope 3 emissions’ reduction target and in terms of magnitude and timeline. However, within his peer group, 4 companies have included ‘usage of sold products’ within their scope 3 emissions. The SBTi has verified Faurecia’s -46% scope 3 controlled emissions target, therefore ISS ESG finds that SPT 2 is aligned with the Paris Agreement. Finally, the level of ambition of this SPT against past performance cannot be judged due to the lack of historical data (no information available before the baseline year). The benchmark selected by the issuer is provided by an independent third party based on a methodology established in the industry; the GHG Protocol Corporate Accounting and Reporting Standard. The target is set in a clear timeline, is benchmarkable and supported by a strategy and action plan.</p>
<p><b>Part 2:</b></p> <p><b>Alignment with the SLBPs</b></p>	<p><b>Aligned with ICMA Sustainability-Linked Bond Principles and with LMA Sustainability-Linked Loan Principles, however, there is limited evidence on the ambition of SPT 1.a.</b></p> <hr/> <p>The Issuer has defined a formal framework for its Sustainability-Linked Securities regarding the selection of KPIs, calibration of Sustainability Performance Targets (SPTs), sustainability-linked securities characteristics, reporting and verification. The framework is in line with the Sustainability-Linked Bond Principles (SLBPs) administered by the ICMA and the Sustainability-Linked Loan Principles (SLLPs) administered by the LMA.</p>
<p><b>Part 3:</b></p> <p><b>Link to issuer’s</b></p>	<p><b>Consistent with issuer’s sustainability strategy</b></p> <p>According to the ISS ESG Corporate Rating published 09.09.2021, the company currently shows a high sustainability performance against peers on key ESG issues faced by Auto Components sector and obtains a Decile Rank relative to industry group of 2, given that a</p>

**sustainability  
strategy**

decile rank of 1 indicates a highest relative ESG performance out of 10. The issuer is rated 14th out of 89 companies within its sector as of 20.10.2021.

The KPI selected by the issuer is related to climate change. Climate change has been defined as one of the key priorities of the issuer in terms of sustainability strategy and ISS ESG finds that this is a material sustainability topic for the issuer. ISS ESG finds that this issuance contributes to the issuer's sustainability strategy thanks to the KPIs' clear link to one of the key sustainability priorities of the issuer and due to ambitious SPTs against company's past performance, peer group and international targets except for SPT2 for which (i) limited information were available for comparison against issuer's past performance.

## ISS ESG SPO ASSESSMENT

### PART 1.A. KPI SELECTION & SPT CALIBRATION – KPI 1 ‘Reduction of Scope 1 and 2 GHG emissions in %’

#### 1.1. KPI selection

KPI selected by the issuer

##### FROM ISSUER'S FRAMEWORK

- **KPI:** Reduction of Scope 1 and 2 GHG emissions in %
- **SPT:**
  - Reduce Scope 1 and 2 GHG emissions intensity (in tCO<sub>2</sub>e/€ million of sales) by 20% by 2023 from a 2019 base year.
  - Reduce Absolute Scope 1 and 2 GHG emissions by 80% by 2025 from a 2019 base year.

**Long-term goal:** Carbon neutrality, all scopes by 2050

**Rationale:** As part of its Group approach to sustainable development, Faurecia has set itself the goal of achieving CO<sub>2</sub> neutrality at its sites (scopes 1 and 2) in 2025.

For SPT1.a, improvement against the baseline at intermediate step (2023) is displayed as an intensity of tCO<sub>2</sub>e per revenue (tCO<sub>2</sub>e/€ million of sales), in order to discount from revenue fluctuations and fully appreciate the convergence efforts towards neutrality while checking the action plans effectiveness.

For SPT1.b, improvement is given as a percentage against absolute tCO<sub>2</sub> values, in order to match with the SBTi requirement. Actually, as the final footprint left-over is small in 2025, committing in intensity or absolute terms give fairly the same final output.

**Baseline:** 912'000 tCO<sub>2</sub>e

**Baseline year:** 2019

**2025 goal:** 182'400 tCO<sub>2</sub>e

**Scope:** The scope of this indicator covers all production plants (technological plants), assembly sites (called “Just in Time” sites) and R&D sites, i.e. a total of more than 250 sites.

Scope 1: Direct emissions corresponding to the consumption of the primary energy source (natural gas, domestic heating oil, etc.).

Scope 2: Indirect emissions corresponding to the energy consumption (electricity, heat) that the Company uses but does not produce.

**Calculation methodology:** GHG Protocol Corporate Accounting and Reporting Standard (the “GHG Protocol”)<sup>2</sup>.

<sup>2</sup> <https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf>

GHG emissions (scope 1 and 2) intensity is calculated as the ratio between absolute scope 1 and scope 2 (in tCO<sub>2</sub>e) emissions and the annual sales (in € million). Intensity is hence presented in tCO<sub>2</sub>e/€ million of sales)

Following the effective acquisition of Hella, SPT1.a and SPT1.b will be recalculated to reflect the new perimeter and as the case may be, will be submitted to SBTi for validation as compatible with the reduction required to limit global warming to 1.5°C and will be publicly communicated by Faurecia.

Environmental reporting (incl. GHG reporting) scope is harmonized with the financial reporting scope, hence all activities / products whose turnover is recognized under IFRS15 are considered in greenhouse gas emissions estimates.

## Materiality and relevance

Environmental impact of products and resource-conserving production are considered key ESG issues faced by the Auto components sector according to ISS ESG assessment. Companies in this sector have a strong role to play in the decarbonization of the transportation sector by providing low-carbon or carbon neutral products. The auto transportation sector, when based on conventional fuels, is a highly-GHG emitting industry. Thus, it is important that the company decarbonizes its own operations accordingly by decreasing Faurecia's operations direct emissions from controlled facilities and indirect emissions from energy procured (scopes 1 and 2 respectively) to demonstrate its commitment to climate change mitigation and to the industry's climate goals.

ISS ESG finds that the Scope 1 and 2 GHG emissions reduction KPI selected by the issuer is:

- **Relevant** to Faurecia's business as its industry is highly GHG-emitting and exposed to climate resources-conserving production solutions.
- **Core** to the issuer's business as GHG emissions reduction measures affects key processes and operations that are core to the business model of the issuer such as optimization of energy sourcing through clean energy and energy efficiency programs.
- **Moderately material** to issuer's business model and sustainability profile if used individually on a financial instrument as a stand-alone KPI, but material if integrated with KPI 2 on the same financial instrument.
  - The KPI 1 is material to the company's direct operations, because it focuses on Scope 1 & 2 emissions covering 100% of activities by the company at Group level globally. However, Scope 1 & 2 emissions represent 3% of Faurecia's total emissions. Therefore, it is deemed not material to the Corporate Value Chain of the company as per ISS ESG methodology. While this KPI covers 10% of the overall GHG emissions and would not be considered as entirely material as per ISS ESG's methodology, setting an individual target to track Scope 1 and 2 is the most common approach used by peers.
  - It is worth noting that KPI 2 addresses indirect GHG emissions that Faurecia can control (called "controlled scope 3 emissions"), which represent an estimated 30% of total emissions of the company and cover a part of its Corporate Value Chain. herefore, KPI 1 and 2 together would be considered fully material if they are



integrated in the same financial instrument and both linked to the bond characteristics. As the issuer covers emissions across the value chain in two individual KPIs, the end results will be material to the entire value chain.

### Consistency with overall company's sustainability strategy

Faurecia wants to help tackle the rise in temperature by reducing the carbon footprint of its activities and offering solutions for sustainable mobility. The Group supports national and international organizations in reducing global warming and by respecting their principles. Air quality poses an increasing threat to health in cities. Through its solutions and partnerships Faurecia works to reduce pollutant emissions and improve air quality.

Faurecia's actions consist of starting to reduce the carbon footprint of its sites and activities through energy and transport purchases. The Group is also addressing the carbon footprint of its products by using more environmentally-friendly materials and processes.

Faurecia's goal is to reduce by 46% its controlled CO<sub>2</sub> emissions by 2030, compatible with the 1.5°C Paris agreement.

Based on the most rigorous and conclusive scientific facts, the Group has built a roadmap for CO<sub>2</sub> neutrality, which has been approved by the Science Based Targets initiative (SBTi) and is consistent with the reduction required to keep global warming to 1.5°C, the goal of the Paris Agreement and the most ambitious designation available through the SBTi process.

Faurecia roadmap will be deployed in stages:

- By 2025, ambition is to be CO<sub>2</sub> neutral for the Group scopes 1 and 2 emissions. To do so, it intends to act on two levers: reducing the consumption of energy used for production via an energy efficiency program and sourcing low-CO<sub>2</sub> energy.
- By 2030, ambition is to reduce by 50% the CO<sub>2</sub> absolute footprint for the Group controlled emissions (purchases, freight, travel, waste and recycling)

By 2050, ambition is to be CO<sub>2</sub> neutral for the Group total emissions, including CO<sub>2</sub> emissions from the cars equipped with Faurecia's products – which they do not control.

ISS ESG finds that the KPI selected by the issuer is consistent with the overall company's sustainability strategy.

### Measurability

- **Scope and perimeter:** The KPI selected covers all production plants (technological plants), assembly sites (called "Just in Time" sites) and R&D sites, i.e. a total of more than 250 sites. In case of Significant Change in the size of Faurecia Group and in line with section 5 of the GHG Protocol, the KPI, baseline and related SPT may be recalculated. Such recalculation is expected to take place following the effective acquisition of Hella. Indeed, Hella's integration within Faurecia's Group is expected to result in a significant change in the GHG footprint Scope 1&2 of Faurecia Group (>15%).

- **Quantifiable:** The KPI selected is measurable and quantifiable. The GHG emissions are calculated in accordance with the GHG Protocol Corporate Accounting and Reporting Standard (the “GHG Protocol”)<sup>3</sup>.
- **Externally verifiable:** The KPI selected is externally verifiable thanks to the various standards and protocols mentioned above. The GHG inventory of the issuer has been verified by a third-party verifier. GHG Emissions data since 2016 has been sourced from Tennaxia. The issuer commits to get a third-party verification of its GHG accounting and of the KPI considered under this transaction annually.
- **Benchmarkable:** By referring to commonly acknowledged GHG accounting standards and protocol, the KPI 1 is easily comparable with the data reported by other companies and with international targets such as the Paris Agreement. Benchmarking of the SPT in relation with this KPI has been analysed in section 2.

**Opinion on KPI selection:** *ISS ESG finds that KPI 1 selected is core, relevant and moderately material to the issuer’s business model and consistent with its sustainability strategy. The KPI is material to the company’s direct operations but not material to the whole Corporate Value Chain as the KPI 1 does not include Scope 3 emissions representing the majority of the issuer’s GHG emissions (97% of total GHG emissions). It is appropriately measurable, quantifiable, benchmarkable and externally verifiable.*

<sup>3</sup> <https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf>

## 1.2. Calibration of SPT

### SPT set by the issuer

#### FROM ISSUER'S FRAMEWORK<sup>4</sup>

##### Sustainability Performance Target:

- SPT 1.a Reduce Scope 1 and 2 GHG emissions intensity (in tCO<sub>2</sub>e/€ million of sales) by 20% by 2023 from a 2019 base year.
- SPT 1.b Reduce Absolute Scope 1 and 2 GHG emissions by 80% by 2025 from a 2019 base year.

##### Sustainability Performance Target Trigger:

- SPT 1.a: publication of the 2023 Universal Registration Document within 6 months following end of 2023 fiscal year
- SPT 1.b: publication of the 2025 Universal Registration Document within 6 months following end of 2025 fiscal year

##### Sustainability Performance Target Observation Date:

- SPT 1.a: 31/12/2023
- SPT 1.b: 31/12/2025

**2019 Baseline:** 912'000 tCO<sub>2</sub>e With FCE and SAS business units included and computed based on the 2020 updated methodology (market-based emission factors for electricity, GWP based on IPCC Data AR4, AR5 values)

\*The 2019 baseline was selected by Faurecia to coincide with the latest full year available at the SBTi filing time in August 2020.

##### Strategic 2050 Goal and selection of methodology for calculating the SPT:

Faurecia's final objective is to achieve CO<sub>2</sub> neutrality, all scopes combined, in 2050.

Direct greenhouse gas emissions are calculated in CO<sub>2</sub> equivalent. Emissions from fuel consumption are calculated using the international emission factors recommended by the French Administration (Decree of October 31, 2012 and European Decision No. 2012/601 for CO<sub>2</sub> and the Circular of April 15, 2002 for other gases). Fugitive emissions are calculated using emission factors from the fifth report of the Intergovernmental Panel on Climate Change (IPCC).

Indirect emissions related to electricity are calculated based on market emission factors, in line with the trajectory declaration to SBTi. The 2019 reference year has been recalculated in order to include the FCE and SAS entities in Faurecia's reporting scope and to take into account a methodological change (shift from the location-based methodology to the market-based methodology). The location-based method reflects the average intensity of emissions from the networks on which the energy consumption takes place. The market-based method reflects the electricity emissions that companies have deliberately chosen<sup>5</sup>.

##### Factors that support the achievement of the target:

<sup>4</sup> This table is displayed by the issuer in its Sustainability-Linked Bond Framework and have been copied over in this report by ISS ESG for clarity.

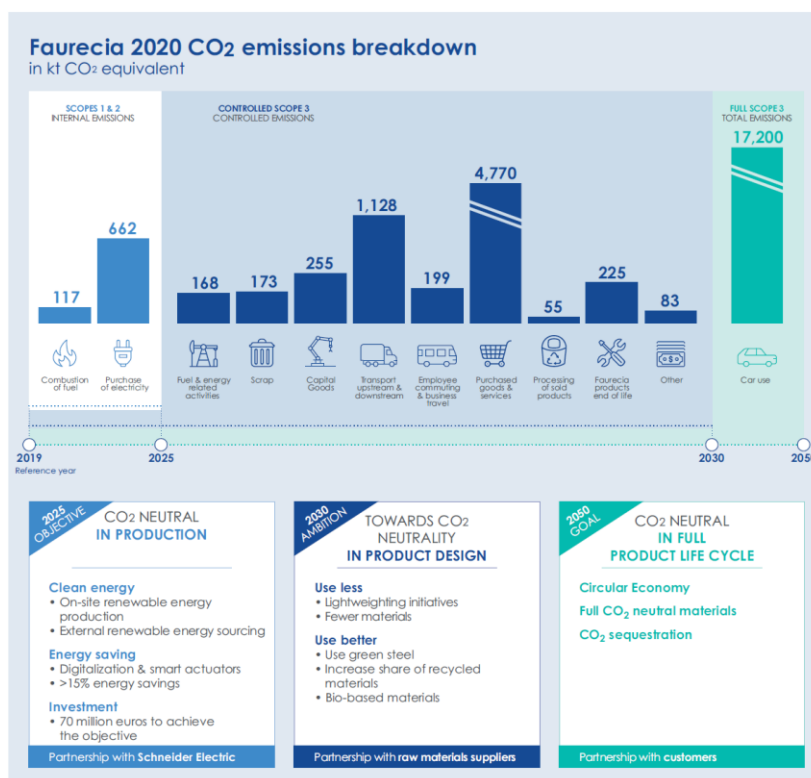
<sup>5</sup> [https://www.faurecia.com/sites/groupe/files/pages/Faurecia%20-%20URD%202020%20EN%20%28version%20MEL%29\\_0.pdf](https://www.faurecia.com/sites/groupe/files/pages/Faurecia%20-%20URD%202020%20EN%20%28version%20MEL%29_0.pdf)

- Partnerships with Schneider Electric and Engie to elaborate an action plan for 300 sites

**Risks to the target:**

Local market for available renewable energy could be disrupted:

- by breakthrough regulations or taxes within the next 2/3 years or ;
- by equipment shortage or by volatile energy market.



Source: Faurecia Sustainability report as of July 2020

**Ambition**

**Against company's past performance**

Faurecia sets the SPT to reduce its GHG emissions (scopes 1 & 2) through two targets: one absolute target leading to -80% reduction by 2025 (SPT 1.b), and an intermediate intensity target (in tCO<sub>2</sub>e/€ million of sales) leading to an estimated reduction of 20% by 2023 (SPT 1.a), both compared to the 2019 baseline year. The two-step approach increases the accountability of the issuer on reaching its targets.

Indicator	2019	2020	2023-Target	CAGR baseline-2023
GHG Scope 1 & 2 controlled Emissions (tons of CO2e)	912000	779000		
Sales (million EUR)*	18507	14654		
GHG Intensity Scope 1&2 controlled emissions (tCO2e/€ million of sales)	49	53	39	<b>-5.43%</b>
YoY Reduction (%)		8%		

\*Including SAS and FCE

Source: Data provided by Faurecia

### SPT 1.a

By 2023, Faurecia is expected to reduce its GHG intensity Scope 1 and 2 emissions by -5.43%<sup>6</sup> on average annually to reach its intermediate SPT1.a compared to baseline year. For reference, over 2020, the company's intensity Scope 1&2 controlled emissions increased by 8%.

ISS ESG finds that there is limited information available to assess the level of ambition of SPT1.a against last year performance since no historical data is available on Faurecia's intensity emissions before the baseline year. In addition, only one year past performance has been provided. ISS ESG notes that GHG scope 1 & 2 intensity emissions increased by 8% between 2019 and 2020, while the CAGR implied by the target shows a 5.43% annual reduction rate.

### SPT 1.b

	Scope 1 (tCO <sub>2</sub> e)	Scope 2 (tCO <sub>2</sub> e)	Total (tCO <sub>2</sub> e)
<b>2016*</b>	114000	551000	<b>665029</b>
<b>2017*</b>	117000	568000	<b>684580</b>
<b>2018*</b>	127000	596000	<b>723121</b>
<b>2019 emissions without FCE and SAS*</b>	130000	614000	<b>744000</b>
<b>2019 with FCE and SAS**</b>	146000	766000	<b>912000</b>
<b>2020**</b>	117000	662000	<b>779000</b>

Source: Faurecia sustainability-linked Financing Framework

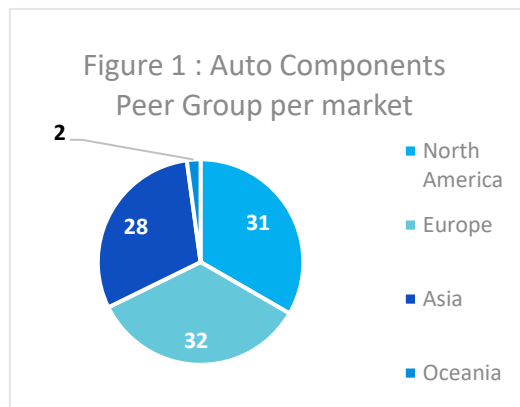
Between 2016 and the baseline year (2019), the GHG emission in absolute terms had increased annually by an average 3.81% based upon production increase. On the other hand, by 2025, Faurecia is expected to reduce its absolute CO<sub>2</sub>e emissions on Scope 1 and 2 by approximately -13.3% on average annually in order to meet its Sustainability Performance Target.

<sup>6</sup> Based on figures provided by Faurecia and verified by Mazars in a statement of appropriateness signed in October 27<sup>th</sup> 2021

In this context and compared to the baseline year, SPT1.b set by Faurecia is perceived by ISS ESG as ambitious against the company’s past performance.

**Against company’s sectorial peers**

ISS ESG conducted a benchmarking of the SPT1.a and SPT1.b set by Faurecia against the Auto Component peer group of 93 listed companies derived from the ISS ESG Universe. Those companies are located in the markets displayed in Figure 1.



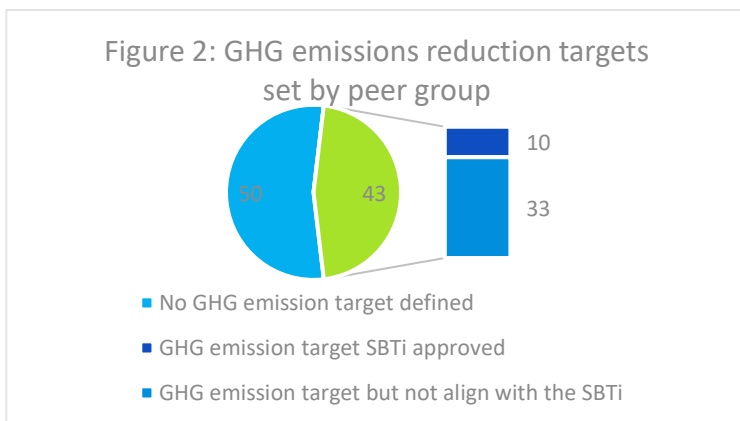
In terms of target set, Faurecia is one of 43 companies in its industry to have concrete GHG emissions reduction targets and it thus belongs to the top 50% tier of its sector in terms of existence of such targets (SPT 1.a and SPT 1.b).

Source: ISS ESG data as of 10.21

**SBT 1.a**

Faurecia has set a intermediate intensity target that is comparable to 24 of its peers. In terms of magnitude (and when compared to peers with an intensity target), Faurecia ranks 1<sup>st</sup>.

**SPT 1.b**



Among this top 50% tier, SPT1.b set by Faurecia belongs to the top 25% of GHG emissions targets approved by the SBTi (Figure 2) and finally the SPT1.b belongs to the top 3 in terms of average yearly reduction and timeline, being one of the most ambitious GHG emission reduction target set by peers.

Source : ISS ESG data as of 10.21

ISS ESG concludes that the SPT 1.a and SPT 1.b set by the issuer is ambitious compared to the Auto Component sector practices in terms of magnitude of its GHG emissions reduction intensity and absolute targets.

**Against international targets**

**Paris agreement**

Faurecia’s has not benchmarked its intermediate SPT 1.a against any international targets but has benchmarked its SPT1.b against the Science Based Targets initiatives (SBTi) in line with the Paris Agreement.

Faurecia has set up its commitment based on the SBTi framework, using the absolute contraction approach. The target has been approved in November 2020. According to the SBTi in a 1.5 °C scenario, Scopes 1 and 2 are required to have a contraction of -4.2% annually or -46% over 11 years (2019-2030). In that respect, Faurecia has set their reduction target to -80% by 2025 compared to the 2019 baseline. Hence the reduction target set for Scopes 1 and 2 is aligned with the SBTi recommendation and therefore aligns with a 1.5 °C scenario, as validated by the SBTi.

#### SPT 1.a

ISS ESG cannot verify whether the SPT 1.a is ambitious and/or in line with the Paris Agreement.

#### SPT 1.b

ISS ESG finds that the SPT 1.b is ambitious and in line with the Paris agreement and with a 1.5° Celsius warming scenario. The benchmark selected by the issuer is provided by an independent third party based on a methodology established in the industry.

#### Measurability & comparability

- **Historical data:** The issuer provided three years of historical data for Scope 1 and 2 GHG absolute emissions with a location-based emission factor for electricity calculation methodology but did not provide historical data for intensity emissions. The 2019 baseline year for the SPT has been verified by an external verifier (Tennaxia and the auditing firm Deloitte).
- **Benchmarkable:** By referring to commonly acknowledge GHG accounting standards and protocol, the KPI is easily comparable with the data reported by other companies.
- **Timeline:** The issuer defined a precise timeline related to the SPT achievement, including an intermediate target, the target observation date, the trigger event and the frequency of SPTs measurement.

#### Supporting strategy and action plan

To reduce its scopes 1 and 2 GHG emission by 80% by 2025, Faurecia has entered into partnerships with Schneider Electric and Engie to elaborate an action plan for 300 sites, to optimize energy sourcing and to use less and different energy, which will involve the following steps:

- Clean energy (over 80% of renewable energy by 2025):
  - On-site renewable energy production (solar PV)
  - External renewable energy sourcing (solar PV and wind turbines)
- Energy savings
  - Digitalisation & smart actuators with AI-powered energy & emission monitoring and reduction software system
  - >15% energy savings
- Investment
  - 70 million euros for energy savings by 2023 to achieve the objective

This action plan support the achievement of the SPT set by Faurecia.

**Opinion on SPT calibration:** *ISS ESG finds that limited information is available to assess the level of ambition of SPT1.a given the lack of historical data before baseline year, while SPT 1.b calibrated by Faurecia is ambitious against the company's past performance. Both SPT 1.a and SPT 1.b are considered ambitious compared to Auto Components' sector practices in terms of magnitude and timeline for the Scope 1 & 2 GHG emissions reduction targets. Finally, no information is available to assess the alignment of SPT 1.a against an international target, but SPT 1.b is in line with the Paris Agreement and aligned with a 1.5° Celsius warming scenario according to the SBTi. The benchmark selected by the issuer is provided by an independent third party based on a methodology established in the industry - the GHG Protocol Corporate Accounting and Reporting Standard. The target is set in a clear timeline, is benchmarkable and supported by a strategy and action plan.*



## PART 1.B KPI SELECTION & SPT CALIBRATION – KPI 2 ‘Reduction of GHG Emissions’

### 2.1. KPI selection

#### KPI selected by the issuer

##### FROM ISSUER’S FRAMEWORK

- **KPI:** Reduction of GHG Emissions (Scope 3 – controlled emissions) (in %)
- **SPT:** Reduce Absolute Scope 3 – controlled emissions by 46% by 2030 from a 2019 base year.

**Long-term goal:** Carbon neutrality, all scopes by 2050

**Rationale:** Since commitment of governments during COP21 in Paris in 2015, Climate change is an unavoidable issue for all companies. It is one of the key environmental priority issue in all materiality analysis, including Faurecia one performed in 2018.

Scope 3 controlled emissions accounts for around 30% of total Faurecia’s GHG emissions<sup>7</sup>.

**Baseline:** 8’626’000 tCO<sub>2</sub>e

**Baseline year:** 2019

**2030 goal:** Reducing by about 50% its controlled emissions by 2030.

**Scope:** Faurecia’s Scope 3 - Indirect emissions (not included in scope 2) that occur in the value chain of Faurecia, including:

- upstream activities:
  - purchased goods and services
  - Capital goods
  - Fuel and energy related activities
  - transportation and distribution
  - Waste generated in operations
  - Business travel
  - Employee commuting
  - leased assets
- Downstream activities:
  - Transportation and distribution
  - Processing of sold products
  - End-of-life treatment of sold products
  - Leased assets
  - Franchises
  - Investments

The Scope 3 – controlled emissions is excluding the “Use of sold products” categories (i.e. emissions of vehicles equipped with Faurecia parts), which are not under its full control.

<sup>7</sup> Faurecia Universal Registration Document 2020

**Calculation methodology:** GHG Protocol Corporate Accounting and Reporting Standard (the “GHG Protocol”)<sup>8</sup>.

Environmental reporting (incl. GHG reporting) scope is harmonized with the financial reporting scope, hence all activities / products whose turnover is recognized under IFRS15 are considered in greenhouse gas emissions estimates.

The scope of this indicator covers the whole upstream and downstream value chain of Faurecia, excluding emissions of vehicles equipped with Faurecia parts, which are not under its full control.

## Materiality and relevance

Environmental impact of products and resource-conserving production are considered key ESG issues faced by the Auto components sector according to ISS ESG assessment. Companies in this sector have a strong role to play in the decarbonization of the transportation sector by providing low-carbon or carbon neutral products, i.e. products that have a reduced CO<sub>2</sub> or neutral CO<sub>2</sub> footprint at all key stages of their life-cycle, from cradle to grave. Thus, sourcing of low carbon materials is a key element, and the automotive supply base must be pushed to transform itself for low carbon extraction & transformation of raw material.

ISS ESG finds that the Scope 3 controlled GHG emissions reduction KPI selected by the issuer is :

- **Relevant** to Faurecia’s business as its industry is highly GHG-emitting and exposed to climate resources-conserving production solutions and therefore the selected KPI will allow the issuer to have an impact on key ESG issues in the sector.
- **Core** to the issuer’s business as GHG emissions reduction measures affect key processes and operations that are core to the business model in order to achieve CO<sub>2</sub> neutrality in product design thanks to lightweighting initiatives, green steel, increase share of recycled material and bio content.
- **Moderately material** from an ESG perspective, as the KPI covers approximately 31% of the company’s scope 3 emissions (representing the “controlled” scope 3 emissions). The remaining emissions categories worth noting that are not covered by the KPI include:
  - Scope 1 and 2 emissions, that represent nearly 3% of the company’s total 2021 GHG emissions and have been selected as part of a separate KPI, in line with peers’ practice.
  - Scope 3 emissions ‘Use of Sold Products’, that are emissions of vehicles equipped with Faurecia parts’ services, representing approximately 70% of total scope 3 emissions and 69% of the issuer’s total reported GHG emissions. ISS ESG notes that Faurecia’s parts are ‘passive products’ that contribute to the CO<sub>2</sub> emission in use proportionally to the car engine consumption. Therefore, according to Faurecia, this “use phase” cannot be controlled and cannot be targeted by the company. For these reasons, the SBTi has agreed to have the non-controlled scope 3 excluded from the assessment of the roadmap ambition against the Paris agreement. In terms of methodology, the

<sup>8</sup> <https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf>

GHG protocol mentions that when a company sells an intermediate product that directly emits GHG in its use phase, it is required to account for direct use-phase emissions of the intermediate product by the end-user. Yet, the SBTi states that it is optional to include “use of sold products” in a company’s reduction target when the emissions are generated by the indirect use-phase of sold products over the expected lifetime (i.e. emissions from the use of products that indirectly consume energy during use). Therefore, the uncontrolled Scope 3 emissions accounting for 69% of Faurecia’s total Scope 3 emissions are being excluded from Faurecia’s KPI 2 scope, in line with the SBTi guidelines.

- It is worth noting that, KPI 1 and 2 together would be considered fully material if they are integrated in the same financial instrument and both linked to the bond characteristics. As the issuer covers emissions across the value chain in two individual KPIs, the end results will be material to the entire value chain.

### Consistency with overall company’s sustainability strategy

Faurecia wants to help cap the rise in temperature by reducing the carbon footprint of its activities and offering solutions for sustainable mobility. The Group supports national and international organizations in reducing global warming and by respecting their principles. Air quality poses an increasing threat to health in cities. Through its solutions and partnerships Faurecia works to reduce pollutant emissions and improve air quality

Faurecia actions consist of starting to reduce the carbon footprint of its sites and activities through energy and transport purchases. The Group is also addressing the carbon footprint of its products by using more environmentally-friendly materials and processes.

Faurecia’s goal is to reduce by 46% its controlled CO<sub>2</sub> emissions by 2030, compatible with the 1.5°C Paris agreement.

Based on the most rigorous and conclusive scientific facts, the Group has built a roadmap for CO<sub>2</sub> neutrality, which has been approved by the Science Based Targets initiative (SBTi) and is consistent with the reduction required to keep global warming to 1.5°C, the goal of the Paris Agreement and the most ambitious designation available through the SBTi process.

Faurecia roadmap will be deployed in stages:

- By 2025, ambition is to be CO<sub>2</sub> neutral for the Group scopes 1 and 2 emissions. To do so, it intends to act on two levers: reducing the consumption of energy used for production via an energy efficiency program and sourcing low-CO<sub>2</sub> energy.
- By 2030, ambition is to reduce by 50% the CO<sub>2</sub> absolute footprint for the Group controlled emissions (purchases, freight, travel, waste and recycling)

By 2050, ambition is to be CO<sub>2</sub> neutral for the Group total emissions, including CO<sub>2</sub> emissions from the cars equipped with Faurecia’s products – which they do not control

ISS ESG finds that the KPI selected by the issuer is consistent with the overall company’s sustainability strategy.

## Measurability

- **Scope and perimeter:** The KPI selected covers the whole Scope 3 upstream and downstream value chain of Faurecia, excluding emissions of vehicles equipped with Faurecia parts, which are not under its full control and represent approximately 70% of total scope 3 emissions and 69% of the issuer's total reported GHG emissions.
- **Quantifiable:** The KPI selected is measurable and quantifiable. The GHG emissions are calculated in accordance with the GHG Protocol Corporate Accounting and Reporting Standard (the "GHG Protocol")<sup>9</sup>.
- **Externally verifiable:** The KPI selected is externally verifiable thanks to the GHG protocol mentioned above. The GHG emission of the issuer as from 2019 has been verified by a third-party verifier. The issuer commits to get a third-party verification of its GHG accounting and of the KPI considered under this transaction annually.
- **Benchmarkable:** By referring to commonly acknowledged GHG accounting standards and protocol, the KPI is easily comparable with the data reported by other companies and with international targets such as the Paris Agreement. Benchmarking of the SPT in relation with this KPI has been analysed in section 2.

**Opinion on KPI selection:** ISS ESG finds that the KPI 2 selected is core, relevant to the issuer's business model and consistent with its sustainability strategy. The KPI is considered moderately material as a standalone KPI since it covers controlled Scope 3 emissions, representing around 30% of Scope 3 total GHG emissions and excludes Scope 1 and 2 emissions. In line with the GHG protocol, uncontrolled Scope 3 emissions representing 70% of total Faurecia's carbon footprint, are not taken into account as they refer to indirect use-phase emissions of sold product. If integrated with KPI 1 in the same financial instrument, then together both KPI 1 and KPI 2 are material to the issuer's business model. It is appropriately measurable, quantifiable, externally verifiable and benchmarkable.

## 2.2. Calibration of SPT

### SPT set by the issuer

#### FROM ISSUER'S FRAMEWORK<sup>10</sup>

**Sustainability Performance Target:** Reduce Absolute Scope 3 – controlled emissions by 46% by 2030 from a 2019 base year.

**Sustainability Performance Target Trigger:** Publication of the 2030 Universal Registration Document within 6 months following end of 2030 fiscal year

**Sustainability Performance Target Observation Date:** 31/12/2030

<sup>9</sup> <https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf>

<sup>10</sup> This table is displayed by the issuer in its Sustainability-Linked Bond Framework and have been copied over in this report by ISS ESG for clarity.

**2019 Baseline:** 8'626'000 tCO<sub>2</sub>e controlled scope 3 emissions with FCE and SAS business units included and computed based on the 2020 updated methodology (market-based emission factors for electricity, GWP based on IPCC Data AR4, AR5 values)

\*The 2019 baseline was selected by Faurecia to coincide with the latest full year available at the SBTi filing time in August 2020.

**Strategic 2050 Goal and selection of methodology for calculating the SPT:**

Faurecia's final objective is to achieve CO<sub>2</sub> neutrality, all scopes combined, in 2050.

Calculation method: GHG Protocol.

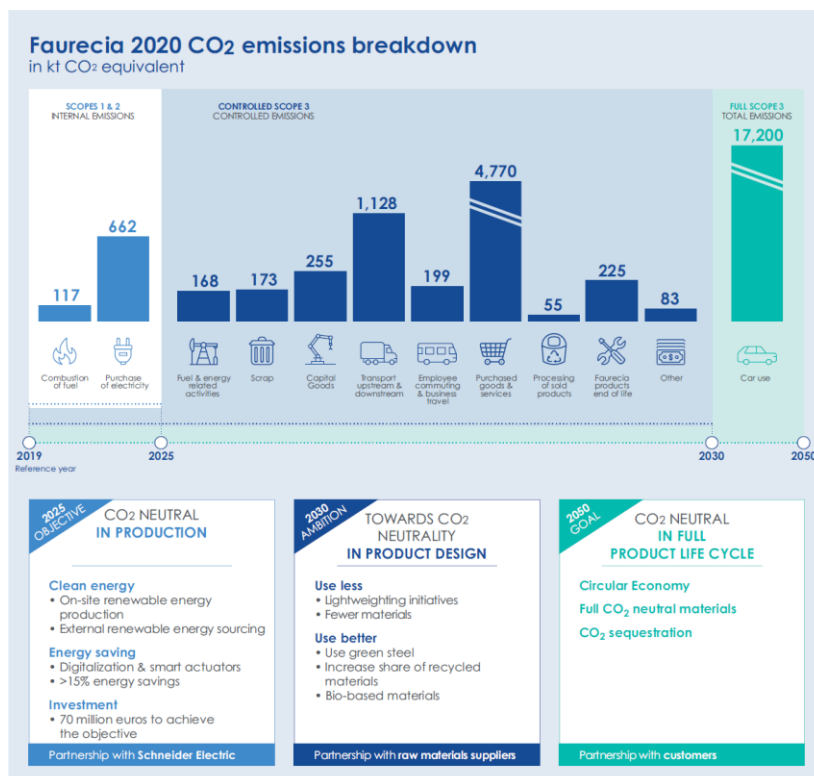
They include all categories except downstream leasing and franchises which do not concern the Group's activity. The uncertainties in the calculation of CO<sub>2</sub> emissions were assessed taking into account the precision of the input data and the uncertainties in the emission factors.

**Factors that support the achievement of the target:**

- Use less: Fewer materials and lean design initiatives
- Use better: Use green steel, increase share of recycled materials, bio-based materials and decarbonated energy for supplier processes.

**Risks to the target:**

- Regional regulations and incentives need to be executed as planned, in line with the Paris agreement, so that the technology improvement can be promoted and financed.



Source: Faurecia Sustainability report as of July 2020

## Ambition

### Against company's past performance

Faurecia has estimated since 2016 its emissions related to the Group's entire value chain, i.e. including upstream and downstream from its business activity (scope 3). Yet, the company discloses historical data on its Scope 3 GHG emissions only starting from 2019. This data will form the baseline of the KPI and is externally verified. However, due to the lack of available historical data on Scope 3 controlled emissions, no assessment on the ambition of the target against past performance could be provided by ISS ESG.

Indicator	2019	2020	2030-Target	CAGR baseline-2030
GHG Scope 3 controlled Emissions ( kmetric tons of CO <sub>2</sub> e)	8626	7056	4658.04	-5.45%
YoY Reduction (%)		-18%		

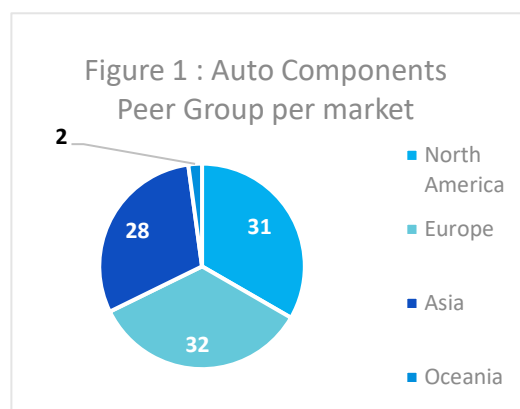
Source: Faurecia Sustainability-linked financing Framework

From the baseline period 2019 to the 2030 target, the compound annual reduction rate is -5.45%. In absolute terms, this will equate to a 46% decrease in GHG Scope 3 controlled emissions from 8.6 million metric tons of CO<sub>2</sub>e during the baseline period, to 4.7 million metric tons of CO<sub>2</sub>e in 2030. Compared to Faurecia year-over-year historical performance, between 2019 and 2020, the company achieved a -18% reduction in GHG Scope 3 controlled emissions. Faurecia has achieved significant reduction between 2019 and 2020 mainly explained by the Covid crisis that has reduced revenues in about the same proportion.

### Against company's sectorial peers

ISS ESG conducted a benchmarking of the SPT 2 set by Faurecia against the Auto Component peer group of 93 listed companies derived from the ISS ESG Universe. Those companies are located in the markets displayed in Figure 1.

In terms of target set, Faurecia is one of 11<sup>th</sup> companies in its industry, to have a concrete Scope 3 GHG emission reduction target and it thus belongs to the top 12% tier of its sector in terms of existence of such targets.



Source: ISS ESG data as of 10.21

Among this top 12%, the SPT 2 set by Faurecia is among the most ambitious in terms of GHG emissions reduction magnitude but 4 companies have included 'Usage of Sold Products' in their Scope 3 emissions targets.

ISS ESG concludes that the SPT 2 set by the issuer is ambitious compared to the Auto Component sector practices in terms of defining a Scope 3 GHG emissions reduction target and in terms of magnitude of average yearly reduction rate.

## Against international targets

### Paris agreement

Faurecia has built a roadmap for CO<sub>2</sub> neutrality that has been approved by the Science Based Targets initiative (SBTi) and is consistent with the reduction required to keep global warming to 1.5°C, the goal of the Paris Agreement. This roadmap includes to reduce by 2030, 46% the CO<sub>2</sub> absolute footprint for the Group Scope 3 controlled emissions (purchases, freight, travel, waste and recycling) from a 2019 baseline.

Therefore, Faurecia has set up its SPT 2 based on the SBTi framework, using the absolute contraction approach. Hence, the reduction target set for Scope 3 is aligned with the SBTi recommendation and aligns with a 1.5°C scenario.

ISS ESG finds that Faurecia's SPT2 is ambitious against the international targets and that the benchmark selected by the issuer is provided by an independent third party based on a methodology established in the industry.

## Measurability & comparability

- **Historical data:** The issuer sets the baseline year of its SPT 2 at 2019 and provided Scope 3 controlled emissions data available since then. The 2019 baseline year for the SPT 2 has been verified by an external verifier (Tennaxia and the auditing firm Deloitte). However, there is a lack of further historical data.
- **Benchmarkable:** By referring to commonly acknowledge GHG accounting standards and protocol, the KPI is easily comparable with the data reported by other companies.
- **Timeline:** The issuer defined a precise timeline related to the SPT 2 achievement, the target observation date, the trigger event and the frequency of SPTs measurement.

## Supporting strategy and action plan

For emissions reductions on scope 3 – controlled emissions, Faurecia has entered into partnership with raw material and part suppliers to elaborate an action plan towards CO<sub>2</sub> neutrality in product design, which will involve the following steps:

### Use less and plastics :

- Lean design initiatives
- Fewer materials

### Use better

- Use green steel
- Increase share of recycled materials (40% targeted in new products by 2025)
- Bio-based materials.
- Decarbonated energy for supplier processes

This action plan supports the achievement of the SPT set by Faurecia.

## SECOND PARTY OPINION

Sustainability Quality of the Issuer  
and Sustainability-Linked Financing Framework



**Opinion on SPT calibration:** ISS ESG finds that the SPT 2 calibrated by Faurecia is ambitious against the Auto Components sector practices as it belongs to the top 12% in terms of setting scope 3 emissions' reduction target and in terms of magnitude and timeline. However, within his peer group, 4 companies have included 'usage of sold products' within their scope 3 emissions. The SBTi has verified Faurecia's -46% scope 3 controlled emissions target, therefore ISS ESG finds that SPT 2 is aligned with the Paris Agreement. Finally, the level of ambition of this SPT against past performance cannot be judged due to the lack of historical data (no information available before the baseline year). The benchmark selected by the issuer is provided by an independent third party based on a methodology established in the industry; the GHG Protocol Corporate Accounting and Reporting Standard. The target is set in a clear timeline, is benchmarkable and supported by a strategy and action plan.



## PART 2: ALIGNMENT WITH ICMA SUSTAINABILITY-LINKED BOND PRINCIPLES AND LMA'S SUSTAINABILITY-LINKED LOAN PRINCIPLES

### Rationale for Framework

#### FROM ISSUER'S FRAMEWORK

Faurecia has already published in March 2021 a Green Bond Framework. In order to complete the inclusion of sustainability features into financing, Faurecia goes a step further by publishing a Sustainability-Linked Financing framework.

With this Sustainability-Linked Financing Framework ("Framework"), Faurecia aims at further aligning its business and financing with its commitments and values, by creating a direct link between its sustainability strategy and the funding strategy.

This Framework is designed as an umbrella platform allowing Faurecia to issue sustainability-linked financing instruments, whether through Sustainability-Linked Bonds, or any other capital market instruments whose characteristics are linked with sustainability performance targets (the "sustainability-linked instruments").

**Opinion:** ISS ESG considers the Rationale for Issuance description provided by Faurecia as aligned with the SLBPs and SLLPs. The issuer has created and committed to publicly disclose the framework and relevant documentation in a comprehensive and credible manner.

### 2.1. Selection of KPI

ISS ESG conducted a detailed analysis of the sustainability credibility of KPI selection available in section 1 of this report.

**Opinion:** ISS ESG considers the Selection of KPIs as per the description provided by Faurecia as aligned with the SLBPs and the SLPPs.

ISS ESG finds that KPI 1 selected is core, relevant and moderately material to the issuer's business model and consistent with its sustainability strategy. The KPI is material to the company's direct operations but not material to the whole Corporate Value Chain as the KPI 1 does not include Scope 3 emissions representing the majority of the issuer's GHG emissions (97% of total GHG emissions). It is appropriately measurable, quantifiable, benchmarkable and externally verifiable.

ISS ESG finds that the KPI 2 selected is core, relevant to the issuer's business model and consistent with its sustainability strategy. The KPI is considered moderately material as a standalone KPI since it covers controlled Scope 3 emissions, representing around 30% of Scope 3 total GHG emissions and excludes Scope 1 and 2 emissions. In line with the GHG protocol, uncontrolled Scope 3 emissions representing 70% of total Faurecia's carbon footprint, are not taken into account as they refer to indirect use-phase emissions of sold product. If integrated with KPI 1 in the same financial instrument, then together both KPI 1 and KPI 2 are material to the issuer's business model. It is appropriately measurable, quantifiable, externally verifiable and benchmarkable.

### 2.2. Calibration of Sustainability Performance Target (SPT)

ISS ESG conducted a detailed analysis of the sustainability credibility of SPT is available in section 1 of this report.

**Opinion:** ISS ESG considers the Calibration of Sustainability Performance Target (SPT) description provided by Faurecia as aligned with the SLBPs and the SLPPs, however, there is limited evidence on the ambition of SPT 1.a.

ISS ESG finds that limited information is available to assess the level of ambition of SPT1.a given the lack of historical data before baseline year, while SPT 1.b calibrated by Faurecia is ambitious against the company's past performance. Both SPT 1.a and SPT 1.b are considered ambitious compared to Auto Components' sector practices in terms of magnitude and timeline for the Scope 1 & 2 GHG emissions reduction targets. Finally, no information is available to assess the alignment of SPT 1.a against an international target, but SPT 1.b is in line with the Paris Agreement and aligned with a 1.5° Celsius warming scenario according to the SBTi. The benchmark selected by the issuer is provided by an independent third party based on a methodology established in the industry - the GHG Protocol Corporate Accounting and Reporting Standard. The target is set in a clear timeline, is benchmarkable and supported by a strategy and action plan.

ISS ESG finds that the SPT 2 calibrated by Faurecia is ambitious against the Auto Components sector practices as it belongs to the top 12% in terms of setting scope 3 emissions' reduction target and in terms of magnitude and timeline. However, within his peer group, 4 companies have included 'usage of sold products' within their scope 3 emissions. The SBTi has verified Faurecia's -46% scope 3 controlled emissions target, therefore ISS ESG finds that SPT 2 is aligned with the Paris Agreement. Finally, the level of ambition of this SPT against past performance cannot be judged due to the lack of historical data (no information available before the baseline year). The benchmark selected by the issuer is provided by an independent third party based on a methodology established in the industry; the GHG Protocol Corporate Accounting and Reporting Standard. The target is set in a clear timeline, is benchmarkable and supported by a strategy and action plan.

### 2.3. Sustainability-Linked Securities Characteristics

#### FROM ISSUER'S FRAMEWORK

The financial and/or structural characteristics of Faurecia's Sustainability-Linked Instruments may vary depending on whether or not the selected KPI reaches the predefined SPT(s). They are to be specified in the final terms of each Sustainability-Linked Instrument issued and may include (but not limited to) coupon step-up(s) or payment to the Faurecia Foundation<sup>11</sup> that aims at supporting innovative and forward-looking initiatives focused on 3 themes: Education, Mobility and the Environment.

**Opinion:** ISS ESG considers the Sustainability-Linked Securities Characteristics description provided by Faurecia as aligned with the SLBPs and the SLPPs. The issuer gives a detailed description of the potential variation of the financial characteristics of the securities, while clearly defining the KPI and SPT and its calculation methodologies. In case of Significant Change in the size of Faurecia Group and in line with section 5 of the GHG Protocol, the KPI, baseline and related SPT may be recalculated. Such recalculation is expected to take place following the effective acquisition of Hella.

<sup>11</sup> <https://www.faurecia.com/en/sustainability/faurecia-foundation>

## 2.4. Reporting

### FROM ISSUER'S FRAMEWORK

In line with the annual publication of Faurecia's Universal Registration Document, and until the maturity of the Sustainability-linked Instrument, Faurecia will make readily available in its annual Universal Registration Document on the corporate website information on:

- The performance of the KPIs, as per the relevant reporting period and when applicable, as per the Target Observation Date including the calculation methodology and baselines where relevant;
- Impact on the financing instruments' -interest rate or -other (if any);
- Any update in Faurecia's sustainability strategy or any recent announcements, strategic decisions and means mobilized that might impact the achievement of the SPT(s);
- Qualitative and/or quantitative explanations of the contribution of the main factors, including M&A activities, behind the evolution of the performance/KPI;
- When possible, illustration of the positive sustainability impacts of the performance improvement (e.g. translation of the positive climate impact of the KPI on the Group's carbon intensity);
- When relevant, any re-assessments of KPI and/or restatement of the SPT and/or pro-forma adjustments of KPI scope Information on the products range/mix as evolution drivers of the KPIs.

**Opinion:** ISS ESG considers the Reporting description provided by Faurecia as aligned with the SLBPs and the SLLPs. This will be made publicly available annually and include valuable information, as described above.

## 2.5. Verification

### FROM ISSUER'S FRAMEWORK

**Second Party Opinion:** A leading Second Party Provider ISS Corporate Solutions, Inc. ("ICS") will issue a Second-Party Opinion on the Framework, to confirm the alignment of the Framework to the ICMA's Sustainability-Linked Bond Principles and LMA Sustainability-linked Loan Principles.

The Second Party Opinion document will be made available on Faurecia website<sup>12</sup>.

**Post issuance external verification:** An external verification on the KPI Report will be provided by an independent external auditor, on an annual basis and until the maturity of the Sustainability-linked Instrument. The external auditor will verify the soundness of the KPI report and the progress on the KPIs adopted by Faurecia.

**Opinion:** ISS ESG considers the Verification description provided by Faurecia as aligned with the SLBP and SLLPs. The issuer plans on having all annual values of the SPTs published and verified. This will outline the performance against the SPTs, the related impact and timing of such impact on the securities' financial characteristics

<sup>12</sup> <https://www.faurecia.com/en/investors>

## PART 3: LINK TO FAURECIA'S SUSTAINABILITY STRATEGY

The ISS ESG Corporate Rating provides material and forward-looking environmental, social and governance (ESG) data and performance assessments.

COMPANY	SECTOR	DECILE RANK	TRANSPARENCY LEVEL
<b>FAURECIA</b>	<b>AUTO COMPONENTS</b>	<b>2</b>	<b>VERY HIGH</b>

This means that the company currently shows a high sustainability performance against peers on key ESG issues faced by Industry Components and obtains a Decile Rank relative to industry group of 2, given that a decile rank of 1 indicates highest relative ESG performance out of 10.

### ESG performance

As of 20.10.2021, this Rating places Faurecia 14<sup>th</sup> out of 89 companies rated by ISS ESG in the Auto Components sector.

Key Challenges faced by companies in term of sustainability management in this sector are displayed in the chart on the right, as well as the issuer's performance against those key challenges in comparison to the average industry peers' performance.



### Sustainability Opportunities

Faurecia produces automotive parts including seats, interiors, and exhaust systems. The company offers products and technologies that can contribute to a reduction of the emissions of vehicles. Such technologies are e.g. the recycling of thermal energy in exhaust systems, the improvement of energy efficiency through the use of energy recovery techniques, and the optimization of powertrain operations. Furthermore, lightweight design of components can contribute to increased fuel efficiency. A small share of products, e.g., specialized parts for use in vehicles with combustion engines, is assumed to have negative environmental impacts.

### Sustainability Risks

In an effort to manage social sustainability risks, in particular regarding employee health and safety, Faurecia has implemented comprehensive health and safety management systems that are compliant with OHSAS 18001 and has extensive supplier standards regarding labor rights and working conditions. Accident rate has been decreasing in the last years. However, the number of facilities actually certified according to OHSAS 18001 remains unclear. Faurecia focuses attention on developing safe interiors for changing mobility concepts and refers to legal requirements as well as requirements from automobile producers with regard to product safety. The company states that its operations are in





compliance with IATF 16949, a manufacturing quality management standard, which helps ensure a minimum level of product safety. The company has implemented large scale redundancies in recent years, but implemented some measures to avoid compulsory redundancies. Faurecia conducts life cycle analyses (LCAs) for some of its component products, as well as entire vehicles (from the extraction of materials to delivery to automakers), covering the entire vehicle life cycle (including customer use and recycling). Life cycle analyses comply with the framework defined in the ISO 14040/044 standards. In an effort to reduce the environmental impact of its products, Faurecia integrates recycled materials as well as renewable fibers (hemp) in a number of plastic components

*Governance opinion*

Regarding Faurecia's governance structure, the majority of the company's board members are independent, and the chair of the board (Michel de Rosen) is also independent (as at May 15, 2021). The board has established separate committees in charge of audit, nomination, and remuneration, all of which are comprised of at least half independent members. Faurecia publicly discloses compensation for the executive management team as a whole. The remuneration of its CEO is subdivided according to fixed amounts, variable performance-related components and long-term stimulate components, which can incentivize sustainable value creation. Regarding the governance of sustainability, the nomination committee is also responsible for matters of sustainability and has been renamed to 'nominations and sustainability committee'. Some relevant sustainability performance objectives are integrated into the variable remuneration of members of the executive management team. A comprehensive code of conduct, covering issues such as corruption, antitrust and conflicts of interest, is available and relevant procedures are in place to ensure compliance.

*Sustainability impact of products and services portfolio*

Using a proprietary methodology, ISS ESG assessed the contribution of Faurecia current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs). This analysis is limited to evaluation of final product characteristics and does not include practices along Faurecia's production process.

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED PERCENTAGE OF REVENUE	DIRECTION OF IMPACT	UN SDGS
<b>Key components for electric Vehicles</b>	21%	CONTRIBUTION	 
<b>Key component for conventional combustion engine vehicles</b>	5%	OBSTRUCTION	 
<b>Others</b>	N/A	NO NET IMPACT	N/A

*Breaches of international norms and ESG controversies*

The company is not facing any severe and very severe controversy.

*Contribution of KPIs to sustainability objectives and priorities*

ISS ESG mapped the KPIs selected by the issuer for Sustainability-linked instruments with the sustainability objectives defined by the issuer, and with the key ESG industry challenges as defined in the ISS ESG Corporate Rating methodology for the Auto Components sector. Key ESG industry challenges are key issues that are highly relevant for a respective industry to tackle when it comes to sustainability, e.g. climate change and energy efficiency in the buildings sector. From this mapping, ISS ESG derived a level of contribution to the strategy of each KPIs selected.

KPIs SELECTED	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG INDUSTRY CHALLENGES	CONTRIBUTION
Reduction of the GHG Emissions (Scope 1 and 2)	✓	✓	Contribution to a material objective
Reduction of GHG Emissions (Scope 3 – controlled emissions)	✓	✓	Contribution to a material objective

**Opinion:** *ISS ESG finds that the KPIs are consistent with the issuer’s sustainability strategy and material ESG topics for the issuer’s industry. The rationale for issuing sustainability-linked instruments is clearly described by the issuer.*

## DISCLAIMER

1. Validity of the SPO: For Faurecia's Sustainability-Linked Securities issuances as long as the Sustainability-Linked Securities Framework (27.10.2021), SPTs benchmarks and structural securities characteristics described in this document do not change.
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) on bonds based on data from the issuer.
3. We would, however, point out that we do not warrant that the information presented in this SPO is complete, accurate or up to date. Any liability on the part of ISS ESG in connection with the use of these SPO, the information provided in them and the use thereof shall be excluded. In particular, we point out that the verification of the compliance with the selection criteria is based solely on random samples and documents submitted by the issuer.
4. All statements of opinion and value judgements given by us do not in any way constitute purchase or investment recommendations. In particular, the SPO is no assessment of the economic profitability and credit worthiness of a bond but refers exclusively to the social and environmental criteria mentioned above.
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## ANNEX 1: ISS ESG Corporate Rating

The following pages contain extracts from Faurecia's 2021 ISS ESG Corporate Rating.

### Methodology - Overview

The ESG Corporate Rating methodology was originally developed by Institutional Shareholder Services Germany (formerly oekom research) and has been consistently updated for more than 25 years.

**ESG Corporate Rating** - The ESG Corporate Rating universe, which is currently expanding from more than 8,000 corporate issuers to a targeted 10,000 issuers in 2020, covers important national and international indices as well as additional companies from sectors with direct links to sustainability and the most important bond issuers that are not publicly listed companies.

The assessment of a company's social & governance and environmental performance is based on approximately 100 environmental, social and governance indicators per sector, selected from a pool of 800+ proprietary indicators. All indicators are evaluated independently based on clearly defined performance expectations and the results are aggregated, taking into account each indicator's and each topic's materiality-oriented weight, to yield an overall score (rating). If no relevant or up-to-date company information with regard to a certain indicator is available, and no assumptions can be made based on predefined standards and expertise, e.g. known and already classified country standards, the indicator is assessed with a D-.

In order to obtain a comprehensive and balanced picture of each company, our analysts assess relevant information reported or directly provided by the company as well as information from reputable independent sources. In addition, our analysts actively seek a dialogue with the assessed companies during the rating process and companies are regularly given the opportunity to comment on the results and provide additional information.

**Analyst Opinion** - Qualitative summary and explanation of the central rating results in three dimensions:

- (1) Opportunities - assessment of the quality and the current and future share of sales of a company's products and services, which positively or negatively contribute to the management of principal sustainability challenges.
- (2) Risks - summary assessment of how proactively and successfully the company addresses specific sustainability challenges found in its business activity and value chain, thus reducing its individual risks, in particular regarding its sector's key issues.
- (3) Governance - overview of the company's governance structures and measures as well as of the quality and efficacy of policies regarding its ethical business conduct.

**Norm-Based Research - Severity Indicator** - The assessment of companies' sustainability performance in the ESG Corporate Rating is informed by a systematic and comprehensive evaluation of companies' ability to prevent and mitigate ESG controversies. ISS ESG conducts research and analysis on corporate involvement in verified or alleged failures to respect recognized standards for responsible business conduct through Norm-Based Research.

Norm-Based Research is based on authoritative standards for responsible business conduct such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights and the Sustainable Development Goals.

As a stress-test of corporate disclosure, Norm-Based Research assesses the following:

- Companies' ability to address grievances and remediate negative impacts
- Degree of verification of allegations and claims
- Severity of impact on people and the environment, and systematic or systemic nature of malpractices

Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

**Decile Rank** - The Decile Rank indicates in which decile (tenth part of total) the individual Corporate Rating ranks within its industry from 1 (best – company's rating is in the first decile within its industry) to 10 (lowest – company's rating is in the tenth decile within its industry). The Decile Rank is determined based on the underlying numerical score of the rating. If the total number of companies within an industry cannot be evenly divided by ten, the surplus company ratings are distributed from the top (1 decile) to the bottom. If there are Corporate Ratings with identical absolute scores that span a division in decile ranks, all ratings with an equal decile score are classified in the higher decile, resulting in a smaller number of Corporate Ratings in the decile below.

**Distribution of Ratings** - Overview of the distribution of the ratings of all companies from the respective industry that are included in the ESG Corporate Rating universe (company portrayed in this report: dark blue).



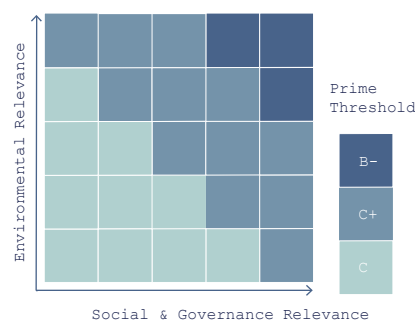
## SECOND PARTY OPINION

### Sustainability Quality of the Issuer and Sustainability-Linked Financing Framework



**Industry Classification** - The social and environmental impacts of industries differ. Therefore, based on its relevance, each industry analyzed is classified in a Sustainability Matrix.

Depending on this classification, the two dimensions of the ESG Corporate Rating, the Social Rating and the Environmental Rating, are weighted and the sector-specific minimum requirements for the ISS ESG Prime Status (Prime threshold) are defined (absolute best-in-class approach).



**Industry Leaders** - List (in alphabetical order) of the top three companies in an industry from the ESG Corporate Rating universe at the time of generation of this report.

**Key Issue Performance** - Overview of the company's performance with regard to the key social and environmental issues in the industry, compared to the industry average.

**Performance Score** - The ESG Performance Score allows for cross-industry comparisons using a standardized best-in-class threshold that is valid across all industries. It is the numerical representation of the alphabetic ratings (D- to A+) on a scale of 0 to 100 with 50 representing the prime threshold. All companies with values greater than 50 are Prime, while companies with values less than 50 are Not Prime. As a result, intervals are of varying size depending on the original industry-specific prime thresholds.

**Rating History** - Development of the company's rating over time and comparison to the average rating in the industry.

**Rating Scale** - Companies are rated on a twelve-point scale from A+ to D-:

A+: the company shows excellent performance.

D-: the company shows poor performance (or fails to demonstrate any commitment to appropriately address the topic).

Overview of the range of scores achieved in the industry (light blue) and indication of the grade of the company evaluated in this report (dark blue).

**Sources of Information** - A selection of sources used for this report is illustrated in the annex.

**Status & Prime Threshold** - Companies are categorized as Prime if they achieve/exceed the sustainability performance requirements (Prime threshold) defined by ISS ESG for a specific industry (absolute best-in-class approach) in the ESG Corporate Rating. Prime companies are sustainability leaders in their industry and are better positioned to cope with material ESG challenges and risks, as well as to seize opportunities, than their Not Prime peers. The financial materiality of the Prime Status has been confirmed by performance studies, showing a continuous outperformance of the Prime portfolio when compared to conventional indices over more than 14 years.

**Transparency Level** - The Transparency Level indicates the company's materiality-adjusted disclosure level regarding the environmental and social performance indicators defined in the ESG Corporate Rating. It takes into consideration whether the company has disclosed relevant information regarding a specific indicator, either in its public ESG disclosures or as part of the rating feedback process, as well as the indicator's materiality reflected in its absolute weight in the rating. The calculated percentage is classified in five transparency levels following the scale below.

0% - < 20%: very low

20% - < 40%: low

40% - < 60%: medium

60% - < 80%: high

80% - 100%: very high

For example, if a company discloses information for indicators with a cumulated absolute weight in the rating of 23 percent, then its Transparency Level is "low". A company's failure to disclose, or lack of transparency, will impact a company's ESG performance rating negatively.

## ANNEX 2: Methodology

### ISS ESG Corporate Rating

The ESG Corporate Rating universe, which is currently expanding from more than 8,000 corporate issuers to a targeted 10,000 issuers in 2020, covers important national and international indices as well as additional companies from sectors with direct links to sustainability and the most important bond issuers that are not publicly listed companies.

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In order to obtain a comprehensive and balanced picture of each company, our analysts assess relevant information reported or directly provided by the company as well as information from reputable independent sources. In addition, our analysts actively seek a dialogue with the assessed companies during the rating process and companies are regularly given the opportunity to comment on the results and provide additional information.

### Alignment of the concept set for transactions against the Sustainability-Linked Bond Principles, as administered by ICMA

ISS ESG reviewed the Sustainability-Linked Securities Framework of Faurecia, as well as the concept and processes for issuance against the Sustainability-Linked Bond Principles administered by the ICMA and the Sustainability-Linked Loan Principles administered by the LMA. Those principles 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 and Loan market by clarifying the approach for issuance.

ISS ESG reviewed the alignment of the concept of the Faurecia's issuance with mandatory and necessary requirements as per the Appendix II - SLB Disclosure Data Checklist of those principles, and with encouraged practices as suggested by the core content of the Principles.

### Analysis of the KPIs selection and associated SPTs

In line with the voluntary guidance provided by the Sustainability-Linked Bond Principles, ISS ESG conducted an in-depth analysis of the sustainability credibility of the KPIs selected and associated SPTs. ISS ESG analysed if the KPIs selected are core, relevant and material to the issuer's business model and consistent with its sustainability strategy thanks to its long-standing expertise in evaluating corporate sustainability performance and strategy. ISS ESG also reviewed if the KPIs are appropriately measurable by referring to key GHG reporting protocols and against acknowledged benchmarks.

ISS ESG analysed the ambition of the SPTs against Faurecia's own past performance (according to Faurecia's reported data), against Faurecia's Auto Components peers (as per ISS ESG Peer Universe and data), and against international benchmarks such as the Paris agreement (based on data from the Transition Pathway Initiative). Finally, ISS ESG evaluated the measurability & comparability of the SPTs, and the supporting strategy and action plan of Faurecia.

## ANNEX 3: Quality management processes

### SCOPE

Faurecia commissioned ISS ESG to compile a Sustainability-Linked Bond and Sustainability-Linked Loan SPO. The Second Party Opinion process includes verifying whether the Sustainability-Linked Financing Framework aligns with the Sustainability-Linked Bond Principles (administered by the ICMA) and Sustainability-Linked Loan Principles (administered by the LMA) and to assess the sustainability credentials of its Sustainability-Linked Instruments, as well as the issuer's sustainability strategy.

### CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Sustainability-Linked Bond Principles
- LMA Sustainability-Linked Loan Principles

### ISSUER'S RESPONSIBILITY

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

- Sustainability-Linked Financing Framework (as of 27/10/2021)

### ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG 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.

ISS ESG has conducted this independent Second Party Opinion of the Sustainability-Linked instrument to be issued by Faurecia based on ISS ESG methodology and in line with the ICMA Sustainability-Linked Bond Principles and the LMA Sustainability-Linked Loan Principles.

The engagement with Faurecia took place in October 2021.

### ISS ESG'S BUSINESS PRACTICES

ISS 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 behaviour 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 ISS ESG SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent SPO 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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