SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Sustainability-Linked Bond Framework

Kerry Group
19 November 2021

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	Sustainability-Linked Bonds
Relevant standard(s)	Sustainability-Linked Bond Principles, as administered by ICMA (06.2020)
Scope of verification	Kerry's Sustainability-Linked Securities Framework (17.11.2021)
Lifecycle	Pre-issuance verification
Validity	As long as Kerry's Sustainability-Linked Securities Framework and benchmarks for the Sustainability Performance targets remain unchanged

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SCOPE OF WORK

Kerry Group ("Kerry") commissioned ISS ESG to assist with its Sustainability-Linked Bonds by assessing three core elements to determine the sustainability quality of the instrument:

1. The sustainability credibility of the KPIs selected and Sustainability Performance Targets (SPT) calibrated – whether the KPIs selected are core, relevant and material to the issuer's business model and sector, and whether the associated targets are ambitious.
2. Kerry's Sustainability-Linked Bond Framework (17.11.2021 version) and structural components of the transaction – benchmarked against the Sustainability-Linked Bond Principles (SLBP), as administered by the International Capital Market Association's (ICMA).
3. Sustainability-Linked Bonds link to Kerry's sustainability strategy – drawing on Kerry's overall sustainability profile and related objectives.

KERRY BUSINESS OVERVIEW

Kerry is a Taste & Nutrition company, serving the food, beverage and pharmaceutical industries. Kerry provides a broad range of taste, nutrition and functional ingredient technologies.

With headquarters in Ireland, Kerry employs 22,000 people worldwide and manufactures across 32 countries at 148 manufacturing locations. Based on the revenue by region data from 2020, business is divided as follows: Americas (54%), Europe (24%) and APMEA (22%).

ISS ESG SPO ASSESSMENT SUMMARY

SECTION	EVALUATION SUMMARY[1]
Part 1.1: **KPI 1: Absolute Scope 1 & 2 GHG emissions reduction** **SPT 1a: Reduction of 49% by 2025 (vs. 2017 Baseline)** **SPT 1b: Reduction of 55% by 2030 (vs. 2017 Baseline)**	**KPI selection: relevant and core to issuer's business model and sustainability profile. The KPI is material to the company's direct operations but not to the whole Corporate Value Chain.** **Sustainability Performance Target (SPT) calibration:** • **Ambitious against issuer's past performance** • **Ambitious against issuer's sectorial peer group** • **SPT 1b is ambitious against Paris Climate Goals with SPT 1a being a sub-set of SPT 1b** ISS ESG finds that the KPI selected is relevant and core to the issuer's business model and consistent with its sustainability strategy. It is considered material to the company's direct operations and activities as it covers 100% of Scopes 1 and 2 emissions but not material to the whole Corporate Value Chain as it does not cover Scope 3 emissions that are estimated to represent 90% of Kerry's total emissions. ISS ESG therefore concludes moderate materiality of the KPI. It is appropriately measurable, quantifiable, externally verifiable and benchmarkable. It covers 100% of the operations and activities of Kerry. ISS ESG finds that SPT 1a and SPT 1b set by Kerry are ambitious against past performance and compared to the targets announced by Kerry's peers in terms of yearly average reduction rate, as Kerry belongs to the top 5 companies. SPT 1b is deemed ambitious against the Paris Agreement and SPT 1a, despite not being separately verified by the SBTi, can be considered in line with the pathway for Scope 1 and 2 emissions reduction by 2030 for the 1.5 degree scenario. It is worth noting that the SBTi verified Kerry's Scope 1, 2 and 3 emissions targets, however the SPT1a and 1b only include Scope 1 and 2 emissions, which account for 10% of the company's total emissions. The target is set in a clear timeline, is benchmarkable and supported by a strategy and action plan.
Part 1.3: **KPI 1: Food waste reduction**	**KPI selection: relevant, core, and material to issuer's business model and sustainability profile.** **Sustainability Performance Target (SPT) calibration:** • **Limited evidence for the level of ambition against issuer's past performance** • **Ambitious against issuer's sectorial peer group** • **SPT 2b is ambitious against international targets with SPT 2a being a sub-set of SPT 2b**

[1] ISS ESG's evaluation is based on the engagement conducted in November 2021, on Kerry's Sustainability-Linked Bond Framework (10.2021 version) and on the ISS ESG Corporate Rating applicable at the SPO delivery date (updated on the 29.10.2021).

SPT 2a: Reduction of 30% by 2025 (vs. 2017 Baseline) **SPT 2b: Reduction of 50% by 2030 (vs. 2017 Baseline)**	ISS ESG finds that the KPI selected is relevant, core and material to the issuer's business model and consistent with its sustainability strategy. Food waste has a significant environmental impact and mitigating the direct and indirect climate impacts of operations is one of the key ESG issues for the Food Products sector. It is appropriately measurable, quantifiable, externally verifiable and benchmarkable. It covers 100% of the manufacturing facilities under Kerry's operational control. ISS ESG finds that Kerry is one of 39 companies in its sectorial peer group of 198 companies to have set a target to be in line with UN SDG 12.3, i.e., to reduce food waste by 50% by 2030. These companies have also signed up to the Champions 12.3 's new initiative called "10x20x30". SPT 2a and 2b are thus considered ambitious against sectorial peers in terms of targets set. Moreover, SPT 2b is ambitious against international targets since Kerry commits to the 10x20x30 initiative and is therefore in line with SDG target 12.3 for 2030. While SPT 2a cannot be benchmarked the international target due to a difference in target year, it can be considered similarly ambitious since SPT 2a is a subset of SPT 2b.The issuer has not provided annual data going back at least 3 years, as recommended by the SLBP. This is because food waste became a Kerry group-wide target in 2020. Therefore, there is limited evidence to show that SPT 2a and SPT 2b are ambitious against the company's past performance. The SPT is benchmarkable, set in a clear timeline, and supported by a strategy and action plan.

Part 2: Alignment with the SLBP	**Aligned with ICMA Sustainability-Linked Bond Principles** The Issuer has defined a formal framework for its Sustainability-Linked Bonds regarding the selection of KPIs, calibration of Sustainability Performance Targets (SPT), sustainability-linked bond characteristics, reporting and verification. The framework is in line with the Sustainability-Linked Bond Principles (SLBP) administered by the ICMA. The financial characteristics of any bond issued under this Framework, including a description of the selected KPI(s), SPTs, step-up margin amount or the premium payment amount, as applicable, will be specified in the relevant documentation of the specific transaction. The occurrence of a Trigger Event will result in a coupon step-up, accruing from date specified in the relevant bond documentation (or an increase of the premium, as the case may be).

Part 3: Link to issuer's sustainability strategy	**Consistent with issuer's sustainability strategy** According to the ISS ESG Corporate Rating published 29.10.2021, the company currently shows a high sustainability performance against peers on key ESG issues faced by Food Products sector and obtains a Decile Rank relative to industry group of 1, given that a decile rank of 1 indicates highest relative ESG performance out of 10. The issuer is rated 14th out of 217 companies within its sector as of 18.11.2021. The KPIs selected by the issuer are 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 link to their key sustainability priorities and due the levels of ambition of the SPTs against company's past performance, peer group and international targets.

ISS ESG SPO ASSESSMENT

PART 1: KPI SELECTION & SPT CALIBRATION

1.1. KPI selection

KPI 1: Scope 1 & 2 GHG emissions reduction

FROM ISSUER'S FRAMEWORK

- **KPI 1:** Absolute Scope 1 & 2 Greenhouse Gas emissions reduction
- **SPT 1a:** Reduction of 49% by 2025 (vs. 2017 Baseline)
- **SPT 1b**: Reduction of 55% by 2030 (vs. 2017 Baseline)

Definition: Scope 1 and 2 are defined by the Greenhouse Gas Protocol as:

- Scope 1 emissions are direct emissions from all facilities under the operational control of Kerry
- Scope 2 emissions are indirect emissions from the consumption of purchased energy.

Kerry's SBTi validated baseline and target performance for Scope 1 and 2 emissions is for all facilities under its operational control including offices and warehouses. Reporting to date reflects all manufacturing facilities, accounting for 98% of Kerry's Scope 1 and 2 emissions. **Methodology**: Kerry measures and reports its performance in accordance with the GHG Protocol and emissions factors include UK Government GHG Conversion Factors for Company Reporting.

Scope 2 emissions are calculated using the market-based method.

The Greenhouse Gas (GHG) data presented by Kerry is independently assured by Jacobs UK Ltd to AA1000 Assurance Standard. The full assurance statement can be found on www.kerrygroup.com/sustainability.

Long-term goal: achieving net-zero emissions by 2050

Baseline: 907,566 tCO_2

Baseline year: 2017

* The 2017 baseline was chosen as it provided the most recent full year of data when the target setting process commenced.

Scope: direct emissions from all facilities (including offices, factories) under Kerry's operational control

Rationale: Climate change is the biggest environmental challenge the world faces, impacting Kerry's own operations as well as their supply chains. Kerry has declared its commitment to achieving net-zero emissions before 2050.

Kerry fully supports the objectives of the Paris Agreement and in 2020 their 2030 GHG emission target was approved by the Science Based Target initiative (SBTi) (including Scope 1, 2 and 3), confirming that it aligns with the objective of limiting average global temperature increases to Well Below 2 degrees Celsius. In October 2021, the company updated their 2030 Scope 1 and 2 target to align with the more ambitious 1.5 degree pathway and in November 2021 this ambition update, i.e. SPT 1b, has been approved by the SBTi.

Kerry has chosen to focus on Scope 1 and 2 emissions from facilities under its operational control for the purposes of this Framework.

Kerry recognises the importance of its Scope 3 emissions and has a public commitment[2] to reduce these emissions. Given the changes to their business in 2021 (following the acquisition of Niacet and the disposal of the Consumer facing meat and meals business), the company is currently engaged in a detailed assessment of their Scope 3 footprint, which will include a re-baselining to take account of this activity. As a result, the company is excluding Scope 3 emissions as a KPI for the purpose of this current Framework.

ISS ESG understands that the company has been calculating their Scope 3 emissions for a number of years and already has programmes in place which are designed to reduce these, including working with suppliers to monitor and reduce emissions at farm level.

The company has been interacting with customers, suppliers and expert third parties on existing best practice, as the company builds its approach to engagement, programme development and reporting.

Materiality and relevance

Mitigation of direct and indirect climate impacts is considered a key ESG issue faced by the Food Products sector according to key ESG standards[3] for reporting and ISS ESG assessment. Companies of this sector are highly GHG emissions intensive, for example for food processing activities. Indeed, according to an UN-backed study, more than one-third of global anthropogenic GHG emissions can be attributed to the processes of food production and packaging[4].

Other indicators that have a significant impact across the sector include impacts on soil, water and both land and aquatic biodiversity along the value chain, according to ISS ESG's proprietary rating methodology.

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

- **Relevant** to Kerry's business as its industry is exposed to risks related to this KPI, as mitigating the direct and indirect climate impacts of operations is one of the key ESG issues for the sector.
- **Core** to the issuer's business as it affects key operations and processes. Key levers for the reduction of emissions include energy management and efficiency measures, such as through ISO50001 accreditation, as well as shifting to renewable energy. Kerry states that in the short-term, they will use certificate backed power for their renewable energy supply. In the medium-term, they will move an increasing proportion of their electricity supply to Power Purchase Agreements (PPAs). It is important to note that certificate backed power does not significantly affect key processes, because they are a transactional instrument. However, PPAs require a contractual commitment from the company and ensure a renewable electricity supply for the long-term. The KPI covers 100% of facilities under Kerry's operational control.

[2] https://sciencebasedtargets.org/companies-taking-action
[3] Key ESG Standards include SASB and TCFD, among others.
[4] UN News, 9 March 2021, 'Food systems account for over one-third of global greenhouse gas emissions', https://news.un.org/en/story/2021/03/1086822

- **Moderately material** to Kerry from an ESG perspective as:
  - The KPI selected is **material** to the issuer's direct operations, because the KPI focuses on Scope 1 and 2 emissions. However, the Scope 1 and 2 emissions represent approximately 10% of Kerry's total emissions in 2020, i.e., Scope 3 emissions represented approximately 90% of Kerry's total emissions. Therefore, KPI 1 is not material to the whole Corporate Value Chain of the company as per ISS ESG's methodology.
  - ISS ESG notes that the company does have a public commitment to reduce its Scope 3 emissions. In July 2020, Kerry obtained SBTi verification for their Scope 3 target (30% reduction by 2030 from a 2017 baseline)[5].

Consistency with overall company's sustainability strategy

Kerry's sustainability strategy for 2030 is called 'Beyond the Horizon' and based on the opportunity the company sees to create a more balanced food system that creates prosperity while protecting people and the planet. There are three pillars to their strategy: Better for People, Better for Society, and Better for Planet.

Regarding the Better for Planet actions, Kerry focuses on several different aspects, including circularity, food waste, plastic waste, water resources, responsible resourcing and biodiversity. For climate action specifically, the company is committed to addressing their carbon footprint and achieving net zero emissions before 2050. To work towards this goal, the company has set a Science Based Target of a 55% reduction in absolute greenhouse gas emissions from their operations (Scope 1 and 2) by 2030.

Moreover, as a food products company with taste and nutrition solutions for the food, beverage and pharmaceutical markets, Kerry focuses on delivering balanced and positive nutrition solutions, with the goal of reaching over two billion people by 2030. Such solutions include sustainable and nutritious plant-based alternatives, sourcing more sustainable dairy and dairy alternative products, and products to reduce added sugar content in foods and beverages.

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 100% of facilities under Kerry's operational control, i.e., all facilities including offices and warehouses.
- **Quantifiable:** The KPI selected is measurable and quantifiable. Absolute emissions for Scope 1 and 2 are measured following the guidance of the GHG Protocol and emission factors include UK Government GHG Conversion Factors for Company Reporting. For target setting purposes, Scope 2 emissions are calculated using the market-based method. It is worth highlighting that the company's emission reduction targets are absolute and irrespective of operational footprint.

[5] https://sciencebasedtargets.org/companies-taking-action

- **Externally verifiable:** The KPI selected is externally verifiable thanks to the use of the GHG Protocol to measure and report on its performance. Kerry has had their emissions data independently assured by Jacobs UK Ltd. In October 2021, Kerry updated the Scope 1 and 2 emissions target to align with the more ambitious 1.5 degree pathway and obtained SBTi validation for the target in November 2021.
- **Benchmarkable:** By referring to commonly acknowledged GHG accounting standards and protocol, the KPI is 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 selected is relevant and core to the issuer's business model and consistent with its sustainability strategy. It is considered material to the company's direct operations and activities as it covers 100% of Scopes 1 and 2 emissions but not material to the whole Corporate Value Chain as it does not cover Scope 3 emissions that are estimated to represent 90% of Kerry's total emissions. ISS ESG therefore concludes moderate materiality of the KPI. It is appropriately measurable, quantifiable, externally verifiable and benchmarkable. It covers 100% of the operations and activities of Kerry.*

1.2. Calibration of SPT: Scope 1 & 2 GHG emissions reduction

SPT set by the issuer

FROM ISSUER'S FRAMEWORK[6]

Sustainability Performance Target (SPT) 1a: Reduction of 49% by 2025 (vs. 2017 Baseline)
Sustainability Performance Target (SPT) 1b: Reduction of 55% by 2030 (vs. 2017 Baseline)

Sustainability Performance Target Trigger: a Trigger Event occurs if:

- One or more of the selected KPIs have not achieved the SPT(s) on the target observation date, or
- The verification (as per the verification section of this Framework) of the SPT has not been provided and made public as set out in the External Verification section of this Framework

	SPT 1a	SPT 1b
Target	Reduction of 49 % in absolute Scope 1 & 2 GHG emissions	Reduction of 55% in absolute Scope 1 & 2 GHG emissions
Target Observation Date	*31st December* 2025	*31st December* 2030
Baseline	*31st December* 2017	

Rationale for the target:

By 2020, Kerry achieved a 17% reduction in absolute Scope 1 & 2 emissions versus their base year, driven primarily by an ongoing focus on carbon efficiency and increasing the share of electricity that they procure from renewable sources. The company continues to recognise the magnitude of work required to meet their targets, however, they understand the need for urgent action and remain committed to cutting their carbon footprint as quickly as possible. As a result, Kerry has set an interim target for a 49% reduction by 2025, in the

[6] 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.

knowledge that faster reductions to global emissions gives society the best chance of avoiding the worst effects of climate change.

Factors that support the achievement of the target:

- Increasing policy supports for renewable energy
- Increasing market demand to work with lower carbon producers

Risks to the target:

- Energy constraints including the availability of renewable power
- M&A activity that significantly changes the emissions profile of the organisation

Ambition

Against company's past performance

Kerry sets two SPTs to reduce its absolute Scope 1 and 2 emissions across its direct operations by 49% in a 8 year timeframe (2017-2025) and by 55% in a 13 year timeframe (2017-2030). Table 1 reflects the reduction pathways, in absolute terms and relative to the baseline, and the Compound Annual Growth Rate (CAGR). The historical data below has been verified and the issuer has provided 3 years of historical data, as recommended by the SLBP.

TABLE 1.	2017 – BASELINE	2018	2019	2020	2025	2030
Scope 1 and 2 emissions (in T CO_2e)	907,566	881,860	818,748	749,187	462,859	408,405
Reduction vs. baseline		-3%	-10%	-17%	-49%	-55%
CAGR				-6.19%	-8.07%	-5.96%

Since the SPTs set out slightly different pathways, they are assessed individually:

SPT 1a (2025)

As displayed above, by 2025, Kerry is expected to reduce its absolute Scope 1 and 2 emissions by on average 8.07% annually to reach its intermediate SPT 1a compared to the baseline year. For reference, between 2017 and 2020, the company's Scope 1 and 2 emissions decreased on average by 6.19% annually. Hence, SPT 1a sets out a steeper reduction path than was achieved historically by the company.

SPT 1b (2030)

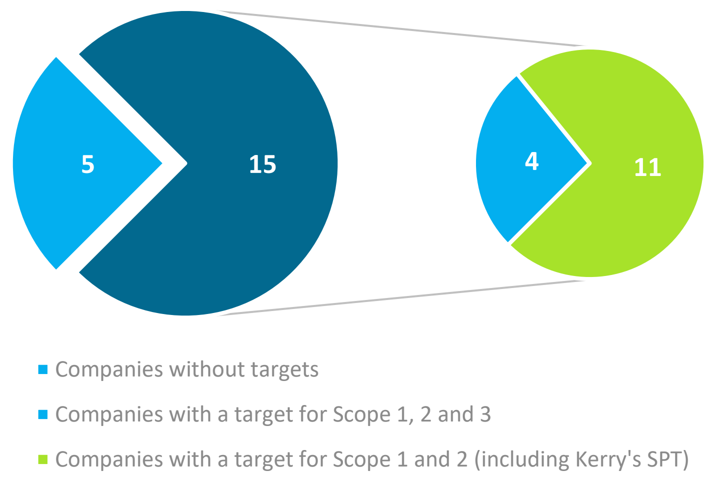
Between 2017 (baseline) and 2030, Kerry is expected to reduce its absolute Scope 1 and 2 emissions by on average 5.96% annually in order to meet SPT 1b, which is quantitatively slightly lower than as the average annual reduction rate between 2017 and 2020. This can be explained by the trajectory of the emission reduction pathway. The company is planning deeper upfront cuts to emissions. By reducing quickly at the start (i.e. for SPT 1a), there will be a slower reduction rate between 2025-2030, i.e., for SPT 1b. Secondly, the company expects that the pace of reductions in the period from 2025 to 2030 will be more challenging due to planned business growth and the more challenging technology changes required to achieve SPT 1b.

Therefore, ISS ESG considers SPT 1a and SPT 1b set by Kerry as ambitious against past perfomance.

Against company's sectorial peers

ISS ESG conducted a benchmarking of the SPT 1a and SPT 1b set by Kerry against the peer group of 20 listed companies provided by Kerry in their 2020 annual report[7].

Figure 1: GHG emission reduction targets amongst peer group



Source: SBTi[8]

As shown in Figure 1, among the 20 companies, 15 companies (including Kerry) have set GHG emission reduction targets that have been approved by the SBTi. Among this top 75%, 4 companies have set combined Scope 1, 2 and 3 emissions targets and 11 companies (including Kerry) have set a Scope 1 and 2 emissions reduction target. While Kerry has set targets to reduce Scope 1, 2 and 3, which are SBTi verified, for this SPT only Scope 1 and 2 are included. Therefore, for the benchmarking against peers the company is placed in the peer group with similar targets as the SPT, i.e., the peers with Scope 1 and 2 emissions targets.

Amongst those 10 other companies, SPT 1a is the second most ambitious target in terms of yearly reduction rate and SPT 1b belongs to the top 5 of the most ambitious targets in terms of yearly average reduction.

[7] https://www.kerrygroup.com/investors/investor-centre/agm/Kerry-Group-Annual-Report-2020.pdf, page 141
[8] https://sciencebasedtargets.org/companies-taking-action

ISS ESG concludes that SPT 1a and SPT 1b set by the issuer are ambitious compared to the sectorial peer group, as provided by Kerry, in terms of the magnitude of absolute emissions reduction targets.

Against international targets

Paris Agreement

Kerry has not benchmarked its intermediate SPT 1a separately against any international targets, but SPT1b has been verified by the Science Based Targets initiative (SBTi). SPT1a has been set out as an interim target of SPT1b. Indeed, this confirms that Kerry's 2030 GHG emission reduction target aligns with the objective of limiting average global temperature increases with a 1.5°C pathway. In addition, the company has declared their commitment to achieving net-zero emissions before 2050. It is worth noting that the SBTi had verified Kerry's Scope 1, 2 and 3 emissions targets, however the SPT 1a and 1b only include Scope 1 and 2 emissions.

SPT 1a (2025)

There is no information specifically on whether the SPT 1a is in line with the Paris Agreement. SPT 1a is a subset of the SBTi verification and as such part of the validated (SPT 1b) target. The annual reduction rate of SPT 1a goes beyond the linear year-on-year reduction requirement needed to achieve the SBTi-verified target.

SPT 1b (2030)

Based on the SBTi validation of the 2030 target, ISS ESG finds that the SPT 1b is in line with the Paris Agreement and therefore ambitious against international standards.

ISS ESG concludes that SPT 1b is ambitious against the Paris Agreement and SPT 1a is in line with the pathway for Scope 1 and 2 emissions reduction by 2030 for the 1.5 degree scenario.

Measurability & comparability

- **Historical data:** The issuer provided relevant historical data by setting the baseline year of its SPT to 2017 and provided all yearly GHG emissions intensity data available since then. The historical data starting from baseline year (2017) for the SPT has been externally verified.
- **Benchmarkable:** By referring to commonly used GHG accounting standards & protocol and UK Government GHG Conversion Factors for Company Reporting. The KPI is easily comparable with the data reported by other companies.
- **Timeline:** The issuer defined a precise timeline related to the SPT 1.a and SPT 1.b achievement, including the target observation date, the trigger event and the frequency of SPTs measurement.

Supporting strategy and action plan

Over the last decade, Kerry has worked to reduce their Scope 1 and 2 emissions. They focus on more carbon efficient production, investing in energy efficiency and switching to lower-carbon fuels.

Energy is a key contributor to their operational emissions (Scope 1 & 2) and their approach to energy is a critical element within their overall carbon reduction strategy. As part of Kerry's "Beyond the

Horizon" strategy, they have committed to converting their electricity use to renewable sources by 2025 and they will seek to accelerate this commitment over the next 12 months. This strategy will have an immediate impact on the company's carbon footprint and support delivery of their 2025 interim target.

Across their sites, the company is also focused on ways to improve energy efficiency including the adoption of the ISO 50001 energy management system by key sites. Kerry also employs energy auditing across its facilities to help identify areas for action and focus its investment on a pipeline of projects that support its overall sustainable business objectives.

Moreover, Kerry's broad sustainability strategy can help reduce Scope 1 and 2 emissions further, specifically by focusing on delivering balanced and positive nutrition solutions. Such solutions include sustainable plant-based alternatives, dairy alternative products, and products to reduce added sugar content in foods and beverages. The focus on circular economy within the production process, i.e., reducing and avoiding (food) waste, is also likely to result in production efficiency gains and reduce Scope 1 and 2 emissions.

Opinion on SPT calibration: *ISS ESG finds that SPT 1a and SPT 1b set by Kerry are ambitious against past performance and compared to the targets announced by Kerry's peers in terms of yearly average reduction rate, as Kerry belongs to the top 5 companies. SPT 1b is deemed ambitious against the Paris Agreement and SPT 1a, despite not being separately verified by the SBTi, can be considered in line with the pathway for Scope 1 and 2 emissions reduction by 2030 for the 1.5 degree scenario. It is worth noting that the SBTi verified Kerry's Scope 1, 2 and 3 emissions targets, however the SPT1a and 1b only include Scope 1 and 2 emissions, which account for 10% of the company's total emissions. The target is set in a clear timeline, is benchmarkable and supported by a strategy and action plan.*

1.3. KPI selection: Food waste reduction

KPI selected by the issuer

FROM ISSUER'S FRAMEWORK

- **KPI 2:** Food waste reduction across Kerry's operations
- **SPT 2a:** Reduction of 30% by 2025 (vs. 2017 Baseline)
- **SPT 2b:** Reduction of 50% by 2030 (vs. 2017 Baseline)

Definition: Reduction in the volume of food waste disposed of from manufacturing facilities under Kerry's operational control.

Food waste is defined by Kerry as any food fit for human consumption at our sites, which is not sold, donated to food charities, sent for animal feed or bio-material processing. We exclude non-edible by-products from our definition and by-products with a value that are certain to find a market (e.g. whey).

Methodology: Food Waste is measured and reported in accordance with the guidance provided by the Food Loss and Waste Accounting and Reporting (FLW) Standard. We report on our progress annually and this data is independently assured by Jacobs UK Ltd to AA1000 Assurance Standard.

Long-term goal: Through its portfolio of preservation solutions, Kerry will support customers and consumers in their efforts to curb food waste and deliver significant impact beyond its own direct operations.

Baseline: 19,786 tons

Baseline year: 31st December 2017

Historical performance:

	2020	2019	2018	2017 (baseline)
Food waste	17,816	n/a	n/a	19,786
Reduction (vs. baseline)	-10%	n/a	n/a	-

Scope: waste generated within manufacturing facilities under Kerry's operational control

Rationale: As the world struggles to sustainably feed a growing population, estimated annual food loss and waste is projected to reach more than 2 billion tonnes by 2030. According to the Food and Agriculture Organisation (FAO) of the UN, one third of all food produced is lost or wasted, representing valuable resources and calories that ultimately do not provide any nutritional benefit. In addition to the economic loss, the contribution to environmental impact is significant, as evidenced by the associated GHG footprint, which represents 8-10% of total global emissions. In order to tackle the key environmental challenges associated with food production, it is important to start by looking at ways to prevent food loss and food waste.

It is with this is mind, Kerry Group became a signatory (via Kerry Foods) in June 2020 of the World Resource Institute's 10x20x30 Food Loss and Waste Initiative. The 10x20x30 initiative[9] is led by the 10+ largest food retailers and 200 of their suppliers, who commit to measure food waste within their own operations, to publish their food loss and waste inventories, and to take action to achieve the SDG 12.3 goal of decreasing food waste by 50% by 2030. Champions 12.3 is a coalition across government, business and civil society dedicated to accelerating progress toward achieving Target 12.3 of the UN SDG that calls on the world to "halve per capital global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses" by 2030.

Addressing Food Waste is core to Kerry Group business as it will affect key processes. The reduction in food waste will be achieved through a multi-faceted approach that focuses on product design, production processes, waste valorisation and stakeholder engagement.

Materiality and relevance

Mitigation of direct and indirect climate impacts is considered a key ESG issue faced by the Food Products sector according to key ESG standards[10] for reporting and ISS ESG assessment. Companies of this sector are highly GHG emissions intensive, for example for food processing activities. Indeed, according to an UN-backed study, overall a third of food produced does not go towards human

[9] https://champions123.org/
[10] Key ESG Standards include SASB and TCFD, among others.

consumption due to food waste in supply chains[11]. This has a substantial environmental impact, since 8 to 10 percent of global GHG emissions are associated with unconsumed food.

ISS ESG finds that the food waste KPI selected by the issuer is:

- **Relevant** to Kerry's business as its industry is responsible for exposed to risks related to this KPI, as food waste has a significant environmental impact and mitigating the direct and indirect climate impacts of operations is one of the key ESG issues for the sector.
- **Core** to the issuer's business as it will affect key processes. The reduction in food waste will be achieved through a multi-faceted approach that focuses on product design, production processes, waste disposal and stakeholder engagement. On product design, Kerry will assess the opportunity across waste streams to re-use these as inputs into other products internally and externally. For example, Kerry has taken fruit waste and turned this into a distillate to deliver a flavor solution in the beverage End Use Market. On processes, the company looks at how yields can be improved (e.g. pressurized extraction process that improve yields for the same level of raw material inputs thereby reducing waste). Waste disposal is to be reduced by assessing how food waste can be diverted towards different uses (e.g. food distribution through charity partners). Lastly, Kerry will focus on stakeholder engagement, for example in a pilot initiative across sites in the UK, the company has been engaging with customers to look at how working collaboratively on order fulfilment can meet their needs and prevent the creation of excess product that could end up as waste.
- **Material** to Kerry from an ESG perspective, because food waste is a key issue for the Food Products industry given the volume of food that is lost and wasted globally, which results in significant environmental impacts. An UN-backed study found that 8-10% of global GHG emissions are associated with unconsumed food, while overall a third of food produced does not go towards human consumption due to food waste in supply chains[12].

Consistency with overall company's sustainability strategy

Kerry's sustainability strategy for 2030 is called 'Beyond the Horizon' and based on the opportunity the company sees to create a more balanced food system that creates prosperity while protecting people and the planet. There are three pillars to their strategy: Better for People, Better for Society, and Better for Planet.

Regarding the Better for Planet actions, Kerry focuses on several different aspects, including climate action, circularity, plastic waste, water resources, responsible resourcing and biodiversity. For climate action specifically, the company is committed to addressing their carbon footprint and achieving net zero emissions before 2050.

In order to adopt a more circular approach, where resources are kept in productive use for longer, Kerry places their focus on food waste and plastic waste, while continuing to retain a focus on overall waste intensity. Their goal is to achieve zero waste to landfill (92% of their waste volumes were diverted from landfill in 2020) and keeping materials in use for longer.

[11] UN News, 4 March 2021, 'Wasting food just feeds climate change, new UN environment report warns', https://news.un.org/en/story/2021/03/1086402
[12] UN News, 4 March 2021, 'Wasting food just feeds climate change, new UN environment report warns', https://news.un.org/en/story/2021/03/1086402

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 manufacturing facilities under Kerry's operational control.
- **Quantifiable:** The KPI selected is measurable and quantifiable. The food waste data is recorded across Kerry's sites on a monthly basis.
- **Externally verifiable:** The KPI selected is externally verifiable since the data is quality checked and independently assured. Waste disposal services provide a key input for this data measurement.
- **Benchmarkable:** The KPI is measures as an absolute metric, as food waste in tonnes. It is benchmarkable against peers who gather the same data, however, interpretation can be limited by the fact absolute data is not easily comparable between companies.

Opinion on KPI selection: *ISS ESG finds that the KPI selected is relevant, core and material to the issuer's business model and consistent with its sustainability strategy. Food waste has a significant environmental impact and mitigating the direct and indirect climate impacts of operations is one of the key ESG issues for the Food Products sector. It is appropriately measurable, quantifiable, externally verifiable and benchmarkable. It covers 100% of the manufacturing facilities under Kerry's operational control.*

1.4. Calibration of SPT: Food waste reduction

SPT set by the issuer

FROM ISSUER'S FRAMEWORK[13]

Sustainability Performance Target (SPT) 2a: Reduction of 30 % by 2025 (vs. 2017 Baseline)
Sustainability Performance Target (SPT) 2b: Reduction of 50% by 2030 (vs. 2017 Baseline)

Sustainability Performance Target Trigger: a Trigger Event occurs if:

- One or more of the selected KPIs have not achieved the SPT(s) on the target observation date, or
- The verification (as per the verification section of this Framework) of the SPT has not been provided and made public as set out in the External Verification section of this Framework

	SPT 2a	SPT 2b
Target	Reduction of 30% in Food Waste	Reduction of 50% in Food Waste
Target Observation Date	*31st December* 2025	*31st December* 2030
Baseline	*31st December* 2017	

[13] 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.

Baseline and Historical Performance:

Kerry's environmental targets, including food waste, have been set using a 2017 baseline. The 50% reduction in food waste target was introduced as a new Group wide target in 2020 as part of Kerry's Beyond the Horizon programme and group-wide data is not available for 2018 and 2019.

in metric tonnes	2020	2019	2018	2017 (baseline)
Food waste	17,816	n/a	n/a	19,786
Reduction (vs baseline)	-10%	n/a	n/a	-

Factors that support the achievement of the target:

- Growing consumer acceptance on the re-use and consumption of by-products

Risks to the target:

- Legislative changes with regard to treatment of waste volumes
- M&A activity that significantly changes the food waste profile of the organisation

Ambition

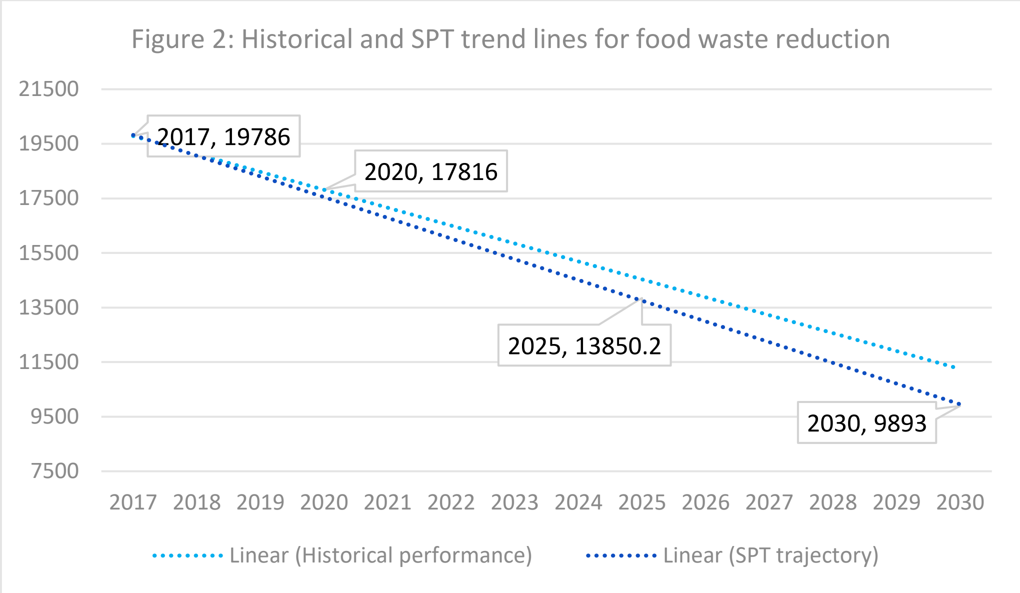
Against company's past performance

During the baseline year for this SPT, 2017, Kerry measured 19,786 tons of food waste at their facilities. In 2020, that number decreased to 17,816, which represents a 10% reduction against the baseline. Kerry explains that there is no data available for 2018 or 2019 and therefore the table and graph below uses interpolated trends for the period 2017-2020.

TABLE 2	2017	2020	2025 – SPT 2A	2030 – SPT 2B
Tonnes of food waste	19,786	17,816	13,850	9,893
CAGR vs baseline		-3.44%	-4.36%	-5.19%

As shown in Figure 2, the trend line of the trajectory of SPT 2a and SPT 2b lies below the trend of the historical performance on reducing food waste. Similarly, table 2 shows that the annual reduction rate calculated for SPT 1a and 1b exceeds the past performance.

Overall, there is limited evidence to conclude that SPT 2a and 2b can be considered ambitious against past performance due to the interpolated trends that have been estimated for the period 2017-2020.



Against company's sectorial peers

ISS ESG conducted a benchmarking of the SPT set by Kerry against a peer group of 199 companies listed companies in the Food Products sector derived from the ISS ESG Universe.

From the peer group, 39 companies (including Kerry) have set a target to be in line with UN SDG 12.3, i.e., to reduce food waste by 50% by 2030. These companies have signed up to the Champions 12.3's initiative called "10x20x30" (more information in the section below). In terms of targets set, this would place Kerry among the top 19.6% tier of the sectorial peer group.

Moreover, benchmarking the SPT against the peer group of 20 companies provided by Kerry in their 2020 annual report[14] shows a similar result. In this subset of peers, 7 companies also set a target to be in line with the target set by UN SDG 12.3.

ISS ESG concludes that SPT 2a and 2b set by the issuer are ambitious against sectorial peers in terms of targets set.

Against international targets

In September 2020 the organization Champions 12.3, which is chaired by the World Resource Institute and the Government of the Netherlands, launched the "10x20x30" initiative[15]. Champions 12.3 is a coalition across government, business and civil society dedicated to accelerating progress toward achieving Target 12.3 of the UN Sustainable Development Goals (SDG). SDG target 12.3 calls on the world to "halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses" by 2030.

The 10x20x30 initiative is led by the 10+ largest food retailers and 200 of their food providers, who commit to measure food waste within their own operations, to publish their food loss and waste inventories, and to take action to achieve the goal of decreasing food waste by 50% by 2030.

[14] https://www.kerrygroup.com/investors/investor-centre/agm/Kerry-Group-Annual-Report-2020.pdf, page 141
[15] https://champions123.org/10-20-30

ISS ESG finds that SPT 2b is ambitious against international targets, since Kerry commits to the 10x20x30 initiative set by the international organization Champions 12.3 together with other leading food retailers and providers. It is therefore in line with SDG target 12.3 for 2030.

While SPT 2a cannot be specifically benchmarked against the same international target because it is set for a different year. However, because it is in line with the overall downward trajectory towards the 2030 target, it is considered a subset of SPT 2b, and therefore SPT2a considered as indirectly in line with international standards.

Measurability & comparability

- **Historical data:** The issuer has set a baseline of 2017 and provided relevant historical data for 2017 and 2020. Otherwise, there is no other historical data, in comparison to the recommendation by the SLBP of providing 3 years of historical data where feasible.
- **Benchmarkable:** Food waste is an important issue in the Food Products sector and several companies report on this metric. Moreover, the "10x20x30" initiative of the international organization Champions 12.3 has set a common goal for food waste reduction for the sector. As such, the SPT is benchmarkable against peers and international targets.
- **Timeline:** The issuer defined a precise timeline related to the SPT achievement.

Supporting strategy and action plan

In order to reduce food waste, Kerry has defined an action plan which includes the following levers, which will vary by site, region and waste stream:

- Reduction of the waste volume: through better production planning, process or product changes, inventory management, employee behavior, customer engagement.
- Innovation and product development: to minimize food waste at the design phase and process controls that help to improve yields and reduce product losses.
- Valorization of potential waste streams by:
    - Safely re-using or repurposing foods
    - Donating to charity partners
    - Reusing as input into another product by a third party
    - Directing towards other uses (e.g., animal feed) in order to keep it within the food system

Opinion on SPT calibration: *ISS ESG finds that Kerry is one of 39 companies in its sectorial peer group of 198 companies to have set a target to be in line with UN SDG 12.3, i.e. to reduce food waste by 50% by 2030. These companies have also signed up to the Champions 12.3 's new initiative called "10x20x30". SPT 2a and 2b are thus considered ambitious against sectorial peers in terms of targets set. Moreover, SPT 2b is ambitious against international targets, since Kerry commits to the 10x20x30 initiative and is therefore in line with SDG target 12.3 for 2030. While SPT 2a cannot be benchmarked the international target due to a difference in target year, it can be considered similarly ambitious since SPT 2a is a subset of SPT 2b.The issuer has not provided annual data going back at least 3 years, as recommended by the SLBP. This is because food waste became a Kerry* *group-wide target in 2020. Therefore there is limited evidence to show that SPT 2a and SPT 2b are ambitious against the company's past performance. The SPT is benchmarkable, set in a clear timeline, and supported by a strategy and action plan.*

PART 2: ALIGNMENT WITH ICMA SUSTAINABILITY-LINKED BOND PRINCIPLES

Rationale for Framework

FROM ISSUER'S FRAMEWORK
By establishing this Sustainability-Linked Bond Framework (the "Framework"), Kerry Group aims to further embed its sustainability commitments into its financing strategy. Sustainability-Linked funding will contribute to the awareness of its Sustainability commitments within Kerry Group. It will also offer a further opportunity to communicate with investors and other market participants about its Sustainability strategy and commitments. Sustainability-Linked financing instruments are those where the financial and/or structural characteristics can vary depending on whether the issuer achieves predefined Sustainability/ ESG objectives. The issuers of sustainability-linked instruments are committing explicitly to future improvements in sustainability outcome(s) within a predefined timeline that are relevant, core and material to their overall business. Sustainability-linked financing instruments are a forward-looking, performance-based instrument. Proceeds from the issuance are intended to be used for general corporate purposes.

Opinion: *ISS ESG considers the Rationale for Issuance description provided by Kerry as aligned with the SLBP. The issuer has created and committed to publicly disclose the first framework of its kind in a comprehensive and credible manner.*

2.1. Selection of KPIs

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

Opinion on KPI 1: *ISS ESG finds that the KPI selected is relevant and core to the issuer's business model and consistent with its sustainability strategy. It is considered material to the company's direct operations and activities as it covers 100% of Scopes 1 and 2 emissions but not material to the whole Corporate Value Chain as it does not cover Scope 3 emissions that are estimated to represent 90% of Kerry's total emissions. ISS ESG therefore concludes moderate materiality of the KPI. It is appropriately measurable, quantifiable, externally verifiable and benchmarkable. It covers 100% of the operations and activities of Kerry.*

Opinion on KPI 2: *ISS ESG finds that the KPI selected is relevant, core and material to the issuer's business model and consistent with its sustainability strategy. Food waste has a significant environmental impact and mitigating the direct and indirect climate impacts of operations is one of the key ESG issues for the Food Products sector. It is appropriately measurable, quantifiable, externally verifiable and benchmarkable. It covers 100% of the manufacturing facilities under Kerry's operational control.*

2.2. Calibration of Sustainability Performance Targets (SPT)

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

Opinion on SPT 1a and 1b: *ISS ESG finds that SPT 1a and SPT 1b set by Kerry are ambitious against past performance and compared to the targets announced by Kerry's peers in terms of yearly* *average reduction rate, as Kerry belongs to the top 5 companies. SPT 1b is deemed ambitious against the Paris Agreement and SPT 1a, despite not being separately verified by the SBTi, can be considered in line with the pathway for Scope 1 and 2 emissions reduction by 2030 for the 1.5 degree scenario. It is worth noting that the SBTi verified Kerry's Scope 1, 2 and 3 emissions targets, however the SPT1a and 1b only include Scope 1 and 2 emissions, which account for 10% of the company's total emissions. The target is set in a clear timeline, is benchmarkable and supported by a strategy and action plan.*

Opinion on SPT 2a and 2b: *ISS ESG finds that Kerry is one of 39 companies in its sectorial peer group of 198 companies to have set a target to be in line with UN SDG 12.3, i.e., to reduce food waste by 50% by 2030. These companies have also signed up to the Champions 12.3 's new initiative called "10x20x30". SPT 2a and 2b are thus considered ambitious against sectorial peers in terms of targets set. Moreover, SPT 2b is ambitious against international targets since Kerry commits to the 10x20x30 initiative and is therefore in line with SDG target 12.3 for 2030. While SPT 2a cannot be benchmarked the international target due to a difference in target year, it can be considered similarly ambitious since SPT 2a is a subset of SPT 2b.The issuer has not provided annual data going back at least 3 years, as recommended by the SLBP. This is because food waste became a Kerry group-wide target in 2020. Therefore, there is limited evidence to show that SPT 2a and SPT 2b are ambitious against the company's past performance. The SPT is benchmarkable, set in a clear timeline, and supported by a strategy and action plan.*

2.3. Sustainability-Linked Securities Characteristics

FROM ISSUER'S FRAMEWORK
All financing issued under Kerry's Framework will have a sustainability-linked feature that will result in a coupon or margin adjustment, or a premium payment as the case may be, if a Trigger Event occurs. A Trigger Event occurs if: • One or more of the selected KPIs have not achieved the SPT(s) on the target observation date, or • The verification (as per the verification section of this Framework) of the SPT has not been provided and made public as set out in the External Verification section of this Framework The relevant KPIs, SPTs, step-up coupon or margin amount or premium payment amount, as applicable, will be specified in the relevant documentation of the specific transaction (e.g. Final Terms of the relevant SLB). The Issuer will notify the investors of the achievement or not of the SPT on the day of publication of its Sustainability-Linked Bond Progress report. For the avoidance of doubt, if the KPI(s) has achieved its SPT(s), and reporting and verification for the SPT have been provided and made public in accordance with the reporting and verification sections of Kerry's Framework, the financial characteristics of any security issued by Kerry Group under the Framework shall remain unchanged.

Opinion: *ISS ESG considers the Sustainability-Linked Securities Characteristics description provided by Kerry as aligned with the SLBP. The issuer gives a detailed description of the potential variation of the financial characteristics of the securities, while clearly defining the KPIs, SPTs and associated calculation methodologies.*

2.4. Reporting

FROM ISSUER'S FRAMEWORK
Kerry Group will publish and keep readily available and easily accessible on its website an annual Sustainability-Linked Bond (SLB) Progress Report that will include: • up-to-date information on the performance of each selected KPI, including the baseline where relevant • up-to-date information of each selected KPI outlining the performance against the SPTs and the related impact, and timing of such impact, on a financial instrument performance • any additional relevant information enabling investors to monitor the progress of each selected KPI towards the SPT(s) Reporting may also include: • qualitative or quantitative explanation of the contribution of the main factors, including M&A activity, behind the evolution of each selected KPI on an annual basis; and/or • illustration of the positive sustainability impact of the performance improvement; and/or • any re-assessments of KPIs due to any changes to the calculation methodology for a KPI or significant changes in data due to better data accessibility, if relevant; and/or • any adjustments of baselines or KPI scope, if relevant; and/or • updates on new or proposed regulations from regulatory bodies relevant to the KPIs and the SPTs. When relevant, Kerry Group may also provide information on changes to its sustainability strategy or governance. The Sustainability-Linked Bond Progress Report shall be published annually (and at the latest by the end of the first half of the following year). It will be included in the Sustainability Review in Kerry's Annual Report.

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

2.5. Verification

FROM ISSUER'S FRAMEWORK
The issuer commits to the following in its Sustainability-Linked Securities Framework: **Pre-issuance verification**: A Second Party Opinion has been provided by ISS-ESG to ensure that this Framework is respecting the principles of the SLBP 2020. It will be made publicly available on Kerry Group's website: www.kerry.com **Post-issuance verification**: The annual performance of each selected KPI included in the SLB Progress Report will be subject to external and independent verification by a qualified external reviewer. Verification of KPI performance will be conducted on an annual basis and at "Limited or Moderate Assurance" standard.

Opinion: *ISS ESG considers the Verification description provided by Kerry as in line with the requirements of the SLBP. The issuer plans on having all annual values of the KPI published and verified. This will outline the performance against the SPT, the related impact and timing of such impact on the security's financial characteristics.*

PART 3: LINK TO KERRY'S SUSTAINABILITY STRATEGY

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

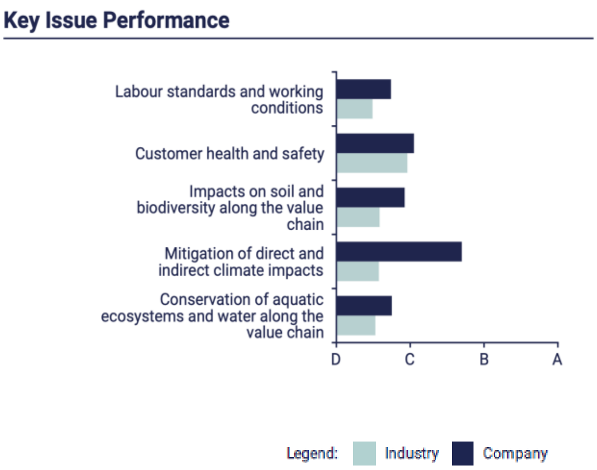
COMPANY	SECTOR	DECILE RANK	TRANSPARENCY LEVEL
KERRY GROUP	**FOOD PRODUCTS**	**1**	Very High

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

ESG performance

As of 18.11.2021, this Rating places Kerry 14th out of 217 companies rated by ISS ESG in the Food Products 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

Kerry Group generated 82% of its revenues through its B2B segment and 18% through its Consumer Foods segment (B2C) in 2020. The B2B segment also includes products such as syrups, processed sauces and creams, which are considered to aggravate global health problems such as obesity. In 2021, the company sold its Consumer Foods' meats and meals business, thus it is assumed that the company now only generates a minor share from red meat-based products, but still offers some critical food products which contain comparably large amounts of fat, calories and/or salt and therefore potentially obstruct the achievement of sustainability goals related to health issues. Kerry Group produces some products using certified organic raw materials. Yet, these only seem to constitute a small share of the company's product portfolio.

Sustainability Risks

Kerry Group demonstrates adequate approaches regarding several sustainability issues in its own operations and has started taking steps to tackle social and environmental risks in its supply chain. The company has set science-based targets to reduce its greenhouse gas emissions also along the value chain and a target to improve water efficiency. Furthermore, Kerry Group aims to improve the nutritional profile of its products, e.g., through salt and calorie reductions. However clearly defined nutrition targets are missing. The company has implemented a comprehensive food safety management system certified to an internationally recognized standard. While a health and safety management system is in place, it does not seem to be certified to a recognized standard. With regard to the company's agricultural supply chain, Kerry Group has implemented some projects and initiatives that address environmental issues, e.g., regarding deforestation, biodiversity, and climate impacts. Kerry also has launched a robust supplier code covering relevant labor rights aspects such as child labor and forced labor in detail. However, only a minor share of suppliers seems to be covered by relevant compliance procedures, and adequate measures to enable key suppliers to improve working conditions, for instance through capacity building, are not yet evident.

Governance opinion

The majority of board members, including the chair (Philip Toomey, as at April 13, 2021), are considered independent. Furthermore, the company has established a fully independent audit and remuneration committees, and a predominantly independent nomination committee. Kerry Group discloses its remuneration policy for executives, including long-term components, which could incentivize sustainable value creation.

Regarding the governance of sustainability, the nomination committee is also tasked with oversight over the company's sustainability strategy. In addition, sustainability performance objectives, such as carbon emission reductions, are integrated into the variable remuneration of the executive management team. Kerry Group's code of business ethics covers almost all relevant topics in detail. Furthermore, the company has implemented compliance measures including compliance training, audits, and anonymous reporting channels.

Sustainability impact of products and services portfolio

Using a proprietary methodology, ISS ESG assessed the contribution of Kerry's 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 Kerry's production process.

Kerry's product portfolio includes 20% of food products that are highly processed, promote malnutrition or are based on (non-)ruminant red meat. The direction of impact for this share of the portfolio is associated with an obstruction of SDG 2 (Zero Hunger) and SDG 3 (Good Health and Wellbeing). Furthermore, 2.5% of the portfolio includes products based on (non-)ruminant red meat, associated with an obstruction of SDG 6 (Clean Water and Sanitation). And the 1.5% portfolio share in products based on ruminant red meat imply an obstruction of SDG 13 (Climate Action).

The 1.5% of products in Kerry's portfolio in food and agricultural products that are certified organic are considered a contribution to SDG 15 (Life of Land).

Breaches of international norms and ESG controversies

The company is not facing any controversy.

Contribution of KPIs to sustainability objectives and priorities

ISS ESG mapped the KPIs selected by the issuer for its Sustainability-Linked Bond 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 Food Product 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
Absolute Scope 1 & 2 Greenhouse Gas emissions reduction	✓	✓	Contribution to a material objective
Food waste Reduction	✓	✓	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.*

DISCLAIMER

1. Validity of the SPO: For Kerry's Sustainability-Linked Securities issuances as long as the Sustainability-Linked Bond Framework (17.11.2021), 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.
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ANNEX 1: 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

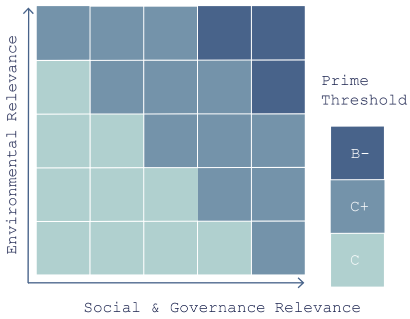
Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

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).

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.

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.

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 Kerry, as well as the concept and processes for issuance against the Sustainability-Linked Bond Principles administered by the ICMA. 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 market by clarifying the approach for issuance.
ISS ESG reviewed the alignment of the concept of the Kerry'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 KPI selection and associated SPT

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 KPI selected and associated SPT. ISS ESG analysed if the KPI selected is 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 KPI is appropriately measurable by referring to key GHG reporting protocols and against acknowledged benchmarks.
ISS ESG analysed the ambition of the SPT against Kerry's own past performance (according to Kerry's reported data), against Kerry's Food Products 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) and the UN SDGs (according the ISS ESG proprietary methodology). Finally, ISS ESG evaluated the measurability & comparability of the SPT, and the supporting strategy and action plan of Kerry.

ANNEX 3: Quality management processes

SCOPE

Kerry commissioned ISS ESG to compile a Sustainability-Linked Bond Framework SPO. The Second Party Opinion process includes verifying whether the Sustainability-Linked Bond Framework aligns with the ICMA Sustainability-Linked Bond Principles and to assess the sustainability credentials of its Sustainability-Linked Bonds, as well as the issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Sustainability-Linked Bond Principles

ISSUER'S RESPONSIBILITY

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

- Sustainability-Linked Bond Framework

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 Bonds to be issued by Kerry based on ISS ESG methodology and in line with the ICMA Sustainability-Linked Bond Principles.

The engagement with Kerry took place in October and November 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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