SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Sustainability-Linked Financing Framework

Compagnie de Saint-Gobain
27 July 2022

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	▪ Sustainability-Linked Financing Instruments
Relevant standard(s)	▪ Sustainability-Linked Bond Principles, as administered by the ICMA (as of June 2020) ▪ Sustainability-Linked Loan Principles, as administered by the LMA, the APLMA and the LSTA (as of March 2022)
Scope of verification	▪ Saint-Gobain's Sustainability-Linked Financing Framework (as of July 25, 2022)
Lifecycle	▪ Pre-issuance verification
Validity	▪ As long as Saint-Gobain's Sustainability-Linked Financing Framework and benchmarks for the Sustainability Performance target(s) remain unchanged

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SCOPE OF WORK

Compagnie de Saint-Gobain ("Saint-Gobain" or ''the issuer'' or ''the company'') commissioned ISS ESG to assist with its Sustainability-Linked Financing Instruments by assessing three core elements to determine the sustainability quality of the instrument:

1. Saint-Gobain's Sustainability-Linked Financing Framework (as of July 25, 2022) and structural components of the transaction – benchmarked against the Sustainability-Linked Bond Principles (SLBP), as administered by the International Capital Market Association (ICMA), and the Sustainability-Linked Loan Principles (SLLPs), as administered by the LMA, the APLMA and LSTA.
2. The sustainability credibility of the KPIs selected and Sustainability Performance Targets (SPTs) calibrated – whether the KPIs selected are core, relevant and material to the issuer's business model and industry, and whether the associated targets are ambitious.
3. Sustainability-Linked Financing Instrument's link to Saint-Gobain's sustainability strategy – drawing on the issuer's overall sustainability profile and related objectives.

SAINT-GOBAIN BUSINESS OVERVIEW

Compagnie de Saint-Gobain engages in designing, manufacturing, and distribution of materials and solutions for the construction, mobility, healthcare and other industrial application markets. The firm operates through the following segments: High Performance Solutions (HPS), Northern Europe, Southern Europe, Americas, and Asia-Pacific. Its brands include CertainTeed, Gyproc, ISOVER, Weber, Placo, British Gypsum, Rigips, bassetts, brasilit, and cebrace.

The company was founded in 1665 and is headquartered in Courbevoie, France. It operates as a public company and is classified in Construction Materials industry, as per ISS ESG's sector classification.

ISS ESG SPO ASSESSMENT SUMMARY

SECTION	EVALUATION SUMMARY[1]
Part 1: **Alignment with the SLBP and the SLLP**	**Aligned with the ICMA Sustainability-Linked Bond Principles and the LMA, the APLMA and the LSTA Sustainability-Linked Loan Principles** The issuer has defined a formal framework for its Sustainability-Linked Financing Instruments regarding the selection of KPIs, calibration of Sustainability Performance Targets (SPTs), Sustainability-Linked Financing Instruments characteristics, reporting and verification. The framework is in line with the Sustainability-Linked Bond Principles (SLBP) administered by the ICMA and Sustainability-Linked Loan Principles administered by LMA, the APLMA and LSTA. The financial characteristics of any security issued under this Framework, including a description of the selected KPIs, 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 or margin step-up, as the case may be, applying to the relevant financing.
Part 2A: **KPI selection and SPT calibration** **KPI 1: Absolute scope 1 and 2 CO_2 emission (Mt CO_2e) reduction** **SPT 1: Reduce absolute Scope 1 and 2 GHG emissions 33% by 2030 from a 2017 base year**	**KPI selection: Relevant and Core to issuer's business model and sustainability profile. If used individually on a financial instrument as a standalone 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.** **Sustainability Performance Target (SPT) calibration:** • **Ambitious against issuer's past performance based on limited evidence** • **Less ambitious then issuer's industry peer group** • **Ambitious against Paris Climate Goals** ISS ESG finds that the KPI selected is core, relevant and moderately material to the issuer's business model. The KPI is considered material to the company's direct operations as it covers 100% of Scope 1 and 2 GHG emissions but not material to the whole corporate value chain as it does not cover Scope 3 which represents 67% of the GHG emissions. If integrated together with KPI 2 as part of the same financial instrument, the two KPIs together can be considered fully material. It is appropriately measurable, quantifiable, externally verifiable, externally verified and benchmarkable. It covers 100% of the company's direct operations that are responsible for 33% of the company's total CO_2 emissions. ISS ESG finds that the SPT 1 calibrated by Saint-Gobain's is ambitious against the company's past performance based on qualitative evidence and in line with the Paris Agreement and a well below 2°C warming scenario according to the SBTi. However, the SPT 1 calibrated is less ambitious compared to its sectorial peers. The benchmark selected by the issuer is provided by an independent third party based on a methodology established in the industry. The target

[1] ISS ESG's evaluation is based on the engagement conducted in June and July 2022, on Saint-Gobain's Sustainability-Linked Financing Framework (as of July 25, 2022) and on the ISS ESG Corporate Rating applicable at the SPO delivery date (as of May 3, 2022). For GHG emissions KPIs, ISS ESG bases this analysis on the issuer's own emissions reporting and makes no comment on the quality or consistency of the issuer's Scope 1, 2 or 3 emissions reporting, either in relation to GHG Protocol, or to established norms for the issuer's sector. ISS ESG notes that Scope 3 reporting may be different between companies in the same sector and does not undertake any benchmarking of an issuer's reporting.

	is set in a clear timeline and is supported by a strategy and action plan disclosed in the company's framework.

Part 2B: **KPI 2: Absolute Greenhouse gas emissions Scope 3 (Mt CO_2e) reduction**	**KPI selection: Relevant and Core to issuer's business model and sustainability profile. If used individually on a financial instrument as a standalone KPI, the KPI is moderately material to the company's Corporate Value Chain. 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** **Sustainability Performance Target (SPT) calibration:** • **Ambitious against issuer's past performance based on limited evidence** • **In line against issuer's industry peer group** • **Ambitious against Paris Climate Goals**
SPT 2: reduce absolute Scope 3 GHG emissions by 16% by 2030 from a 2017 base year	ISS ESG finds that the KPI selected is core and relevant to the issuer's business model as a standalone KPI. It is material to the company's upstream value chain, but not material to the direct operations of the company, as it covers only Scope 3 emissions excluding category 11 following SBTi guidance and in line with the GHG Protocol. If integrated together with KPI 1 as part of the same financial instrument, the two KPIs together can be considered fully material. The KPI is consistent with its sustainability strategy. It is appropriately measurable, quantifiable, externally verifiable, externally verified and benchmarkable. It covers 67% of the company's total CO_2 emissions. ISS ESG finds that the SPT calibrated by Saint-Gobain's is qualitatively ambitious against the company's past performance, and in line with the Paris Agreement and well below 2° Celsius warming scenario according to SBTi. The SPT calibrated is in line with peers' performance. The benchmark selected by the issuer is provided by an independent third party based on a methodology established in the industry. The target is set in a clear timeline and is supported by a strategy and action plan disclosed in the company's framework.

Part 2C: **KPI 3: Non-recovered production waste**	**KPI selection: relevant, core and moderately material to the issuer's business model and consistent with its sustainability strategy.** **Sustainability Performance Target (SPT) calibration:** • **Ambitious against past performance** • **In line with industry peers based on limited evidence** • **No international or industry benchmark to assess the level of ambition against**
SPT 3: Achieve an 80% reduction of non-recovered production waste by 2030	ISS ESG finds that the KPI 3 selected is core, relevant and moderately material to the issuer's business model and consistent with its sustainability strategy. It is appropriately measurable, quantifiable, externally verifiable, externally verified and benchmarkable with limitations. The KPI is defined as "non-recovered waste", which equals the total amount of waste sent to

	landfill and incinerated without energy recovery out of the total production waste generated. ISS ESG finds that SPT 3 is ambitious against past performance, because it sets a steeper reduction trajectory in the future than it has been able to achieve in the past. Because targets set by peers differ in scope of waste reduced, there is limited information to assess SPT 3 ambition against peers on quantitative basis. From a qualitative perspective - based on the waste hierarchy - SPT 3 belongs to the top 5 of the 9 companies identified in the Construction Materials industry by the issuer. Therefore, SPT 3 can be deemed in line with industry peers. In broad unquantified terms, the KPI contributes to SDG 12 but there is limited information for ISS ESG to assess the level of ambition of this target against international targets and/or sectorial standards. The target is set in a clear timeline and is supported by a strategy and action plan disclosed in the company's framework.

Part 2D: **KPI 4: Total recordable accident rate ("TRAR")**	**KPI selection: relevant, core and material to the issuer's business model and consistent with its sustainability strategy.** **Sustainability Performance Target (SPT) calibration:** • **Ambitious against past performance on qualitative basis** • **Ambitious against peers based on limited evidence** • **No international or industry benchmark to assess the level of ambition against**
	ISS ESG finds that KPI 4 selected is core, relevant and material to the issuer's business model and consistent with its sustainability strategy. It is appropriately measurable, quantifiable, externally verifiable, externally verified and benchmarkable. It covers all Group employees, temporary workers and permanent subcontractors of consolidated entities at the end of a given financial year.
SPT 4: Reduce the frequency rate of workplace accidents to 1.5 by 2030	ISS ESG finds that SPT 4 is ambitious against historical performance on qualitative basis because even though year-on-year reduction of the injury rate is projected to be lower for the SPT than that in its historical performance, ISS ESG acknowledges the significant reductions made by Saint-Gobain in the last years and takes into account that it will become exponentially difficult to improve year-on-year reduction of the injury rate as it would entail reaching zero by 2030. Even though it is not possible to quantitatively measure the ambition of SPT against peers because targets among peers differ in metric and scope, ISS finds SPT 4 to be ambitious against peers because it includes a wider scope of workers than peers. Benchmarking the SPT against international targets is not possible, because none currently exist. The target is set in a clear timeline and supported by a strategy and action plan disclosed in the issuer's framework.

Part 3:	**Consistent with the issuer's sustainability strategy**

Link to issuer's sustainability strategy	The KPIs selected by the issuer are related to climate change, circular economy and health and safety. Environmental impacts of products and services as well as labor standards and working conditions (including health and safety) are considered as key ESG issues faced by the issuer's industry. ISS ESG finds that the KPIs selected are consistent with the issuer's sustainability strategy and material ESG topics for the issuer's industry. The rationale for issuing Sustainability-Linked financing instruments is clearly described by the issuer.

ISS ESG SPO ASSESSMENT

PART 1: ALIGNMENT WITH THE ICMA SUSTAINABILITY-LINKED BOND PRINCIPLES AND THE LMA/APLMA/LSTA SUSTAINABILITY-LINKED LOAN PRINCIPLES

This section describes ISS ESG's assessment of the alignment of the Saint-Gobain's Sustainability-Linked Financing Framework (as of July 25, 2022) with the Sustainability-Linked Bond Principles (SLBP), as administered by the International Capital Market Association (ICMA), and the Sustainability-Linked Loan Principles, as published by the Loan Market Association (LMA), the Asia Pacific Loan Market Association (APLMA) and the Loan Syndications and Trading Association (LSTA).

SLB PRINCIPLES	ASSESSMENT	ISS ESG'S OPINION
1. Selection of KPIs	ISS ESG conducted a detailed analysis of the sustainability credibility of the KPI selection, which is available in Part 2 of this report.	
2.Calibration of SPTs	ISS ESG conducted a detailed analysis of the sustainability credibility of the SPTs, which is available in Part 2 of this report.	
3. Sustainability-Linked Securities Characteristics	✓	ISS ESG considers the Sustainability-Linked Bond / Loan Characteristics description provided by the issuer as aligned with the SLBP and SLLP. The issuer gives a detailed description of the potential variation of the financial characteristics of the securities (coupon or margin step-up). The issuer also follows best market practices by providing language on potential extreme and or exceptional events (such as significant change in perimeters through material M&A activities or drastic changes in regulatory environment or market practices) that could substantially impact the calculation of the KPIs and the restatement of the SPTs.
4. Reporting	✓	ISS ESG considers the Reporting description provided by the issuer as aligned with the SLBP and SLLP. This will be made available annually to investors and include valuable information, as described above.
5.External verification	✓	ISS ESG considers the Verification description provided by the issuer as aligned with the SLBP and SLLP. ISS ESG provides an SPO through this report. The performance of the SPTs against the KPIs will be externally verified annually until the target is reached.

PART 2: KPI SELECTION & SPT CALIBRATION

1A.1 Selection of KPI 1

KPI 1: Absolute Scope 1 and 2 CO_2 emissions (in Mt CO_2e)

FROM ISSUER'S FRAMEWORK[2]
KPI 1: Absolute Scope 1 and 2 CO_2 emissions in Mt CO_2e **Sustainability Performance Target (SPT) 1:** Reduce absolute Scope 1 and 2 GHG emissions by 33% by 2030 from a 2017 baseline year   **Long-term goal:** Achieve carbon neutrality by 2050   **Rationale:** Formally adopted in 2016, the Paris Agreement sets out a global framework for the fight against climate change and is the expression of the binding ambition to keep the rise in temperatures below 2°C compared to the pre-industrial era. Saint-Gobain is committed as a non-state actor to the implementation of the Paris Agreement and the Group has communicated on its target to become carbon neutral by 2050.   The construction sector plays a key role in this landscape, as it alone accounts for nearly 40% of annual CO_2 emissions worldwide, including 28% for the operation of buildings (operational emissions related to heating, air conditioning or domestic hot water) and 11% for "gray" carbon related to the production of materials, their transport, construction equipment, i.e. embodied carbon[3]. Saint-Gobain is actively working to reduce the impact of its own operations in terms of GHG emissions, in particular by improving the efficiency of its processes.   **Baseline performance and year:** 13.4 Mt CO_2e in 2017   **Scope:** As per the GHG Protocol, absolute Scope 1 and 2 GHG emissions cover the following items: ▪ Scope 1 emissions: Saint-Gobain's direct emissions, resulting from the combustion of fossil fuels and chemical reactions used in the manufacturing processes   ▪ Scope 2 emissions: Saint-Gobain's indirect emissions associated with energy, mainly linked to purchases of electricity and consumption of steam and hot water   This KPI covers consolidated entities at the end of a given financial year. All entities belonging to consolidated companies in which Saint-Gobain held a stake of 50% or more at balance sheet date are monitored. Newly integrated companies are accounted for in accordance with their financial integration, with a maximum grace period of 2 years (i.e. until the end of the second full annual accounting period following the accounting year in which the company was acquired) in the absolute discretion of Saint-Gobain), and companies sold during the past year are not included. A company once included in the monitoring process – even if such inclusion occurred before the end of the aforesaid grace period - remains included therein (subject only to the exclusion above for companies sold during the past year and not included).

Materiality and relevance

'Environmental impacts of raw material extraction' and 'products and services with environmental benefits' are considered as key ESG issues faced by the Construction Materials industry according to key ESG standards[4] for reporting and ISS ESG assessment. The buildings and construction sector

[2] 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.
[3] Architecture 2030, 'Why the built environment?', https://architecture2030.org/why-the-building-sector/
[4] Key ESG Standards include SASB and TCFD, among others.

accounted for 36% of final energy use and 39% of energy and process-related carbon dioxide (CO_2) emissions in 2018, 11% of which resulted from manufacturing building materials and products such as steel, cement and glass[5].

ISS ESG finds that the Scope 1 and 2 CO_2 emissions reduction KPI selected by the issuer is:

- **Relevant** to Saint-Gobain's business as its industry is highly GHG-emitting and exposed to climate change mitigation solutions.
- **Core** to the issuer's business as Scope 1 and 2 CO_2 emission reduction measures affect key processes and operations that are core to the business model of the issuer. The company will develop low-carbon products through the implementation of the World Class Manufacturing program, reduction of product weight, eco-design and recycled material. Besides, Saint-Gobain will decarbonize energy for existing and new processes mainly through Power Purchase Agreements (PPA) where it is possible and marginally through Renewable Energy Certificates (RECs) or Guarantees Of Origins (GOs) in locations where other options are not yet mature. ISS ESG notes that PPAs are long-term contracts, which require negotiation and ensure that renewable energy will be supplied for longer time spans than RECs or GOs, which act as one-off purchases. Besides, Saint-Gobain has implemented its zero-carbon sites plan and will focus between 2020 to 2030 on testing pilots of innovations in processes to reduce GHG emissions.
- **Moderately Material**[6] to Saint-Gobain's business model and sustainability profile from an ESG perspective if used individually on a financial instrument. However, integrated with KPI 2, the KPI is material by covering the direct operations and upstream emissions, which together account for approximately 100% of the company's CO_2 emissions excluding category 11 following SBTi guidance.
    - KPI 1 is material to the company's direct operations because the KPI focuses on Scope 1 and 2 emissions covering the entirety of the company's operations for which Saint-Gobain owns more than 50% of equity share. However, Scope 1 and 2 emissions only represent 33% of total Scope 1, 2 and 3 GHG emissions of Saint-Gobain. Therefore, KPI 1 is deemed not material to the entire Corporate Value Chain of the company as per ISS ESG's methodology.
    - KPI 1 is focused on CO_2 emissions from fuel consumption, electricity and raw materials since the company does not have other significant GHG sources in its operation.
    - It is worth noting that KPI 2 addresses Scope 3 GHG emissions throughout the upstream value chain, which represents approximately 67% of the company's total GHG emissions. Therefore, KPI 1 and 2 together would be considered fully material if they are integrated into the same financial instrument and both linked to the bond characteristics.

[5] International Energy Agency for the Global Alliance for buildings and construction, 2010, '2019 Global status report for buildings and construction',https://iea.blob.core.windows.net/assets/3da9daf9-ef75-4a37-b3da-a09224e299dc/2019_Global_Status_Report_for_Buildings_and_Construction.pdf

[6] ISS ESG bases this analysis on the issuer's own emissions reporting and makes no comment on the quality or consistency of the issuer's Scope 1, 2 or 3 emissions reporting, either in relation to GHG Protocol, or to established norms for the issuer's sector. ISS ESG notes that Scope 3 reporting may be different between companies in the same sector and does not undertake any benchmarking of an issuer's reporting.

- KPI 2 excludes the category 11 'Use of Sold Products' GHG emissions that represents 106Mt CO_2e accounting for an estimated 83% of total Scope 3 GHG emissions (including Use of Sold Products GHG emissions). Therefore, the KPI selected is not addressing the environmental impact of the building and construction material in the industry's value chain. However, ISS ESG notes that Saint-Gobain's GHG emissions from category 11 are mainly made of the sales of windshields. Following Science Based Targets initiative (SBTi) guidance and in line with the GHG Protocol, as confirmed in the SBTi-validation process of this target, category 11 has been excluded from the scope of the KPI because accounting for indirect use-phase emissions is optional and it does not count towards the two-thirds Scope 3 target boundary threshold.

Consistency with overall company's sustainability strategy

Following the formalization of Saint-Gobain's support for the UN Global Compact's "Business Ambition for 1.5°C" in September 2019, the company unveiled in November 2020 its CO_2 roadmap to achieve carbon neutrality by 2050 across all scopes (1, 2 and 3). This commitment is connected to from the Group's ambition to provide customers with solutions to help them decarbonize as well and to reduce its own environmental footprint.

The roadmap to net-zero incorporates new commitments through to 2030 in terms of reducing not only the Group's direct and indirect CO_2 emissions, but also the emissions along its value chain. These new targets for 2030 have been validated by the Science-Based Target initiative (SBTi), which considers them to be aligned with Saint-Gobain's net zero carbon commitment:

- 33% absolute reduction in CO_2 emissions between 2017 and 2030 in Scopes 1 and 2;
- 16% absolute reduction in CO_2 emissions between 2017 and 2030 in Scope 3.

Reducing their Scope 1 and 2 emissions will be one of the actions that fit within the climate-change pillar of Saint-Gobain's sustainability strategy. 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 scope and perimeter is transparently defined as it covers Scope 1 and 2 GHG emissions of all Saint-Gobain operations for which it owns more than 50% of equity share. Scope 1 and 2 represent 33% of the company's total GHG emissions, excluding Category 11.
- **Quantifiable/Externally verifiable:** The KPI selected is quantifiable and externally verifiable through internationally recognized standards such as the GHG protocol. Scope 1 & 2 GHG absolute emissions KPI is widely disclosed and standardized in the market.
- **Externally verified:** The historical and baseline data for the KPI selected have been verified by a qualified third-party. The issuer commits to having the future data verified by an external reviewer as well.
- **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 to this KPI has been analyzed below.

***Opinion on KPI selection:** ISS ESG finds that the KPI selected is core, relevant and moderately material to the issuer's business model. The KPI is considered material to the company's direct operations as it covers 100% of Scope 1 and 2 GHG emissions but not material to the whole corporate value chain as it does not cover Scope 3 which represents 67% of the GHG emissions. If integrated together with KPI 2 as part of the same financial instrument, the two KPIs together can be considered fully material. It is appropriately measurable, quantifiable, externally verifiable, externally verified and benchmarkable. It covers 100% of the company's direct operations that are responsible for 33% of the company's total CO_2 emissions.*

1A.2 Calibration of SPT 1

SPT 1: Reduce absolute Scope 1 and 2 GHG emissions 33% by 2030 against the 2017 baseline

FROM ISSUER'S FRAMEWORK

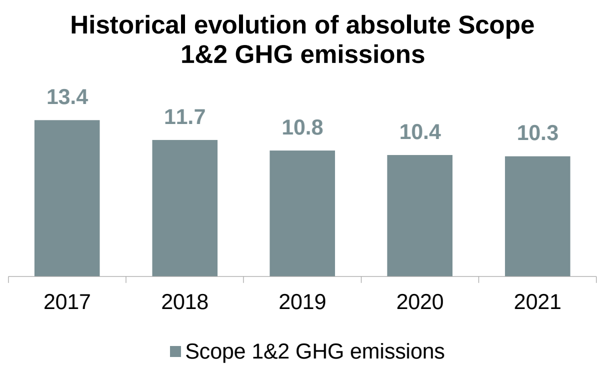
SPT 1: reduce absolute Scope 1 and 2 GHG emissions 33% by 2030 from a 2017 base year

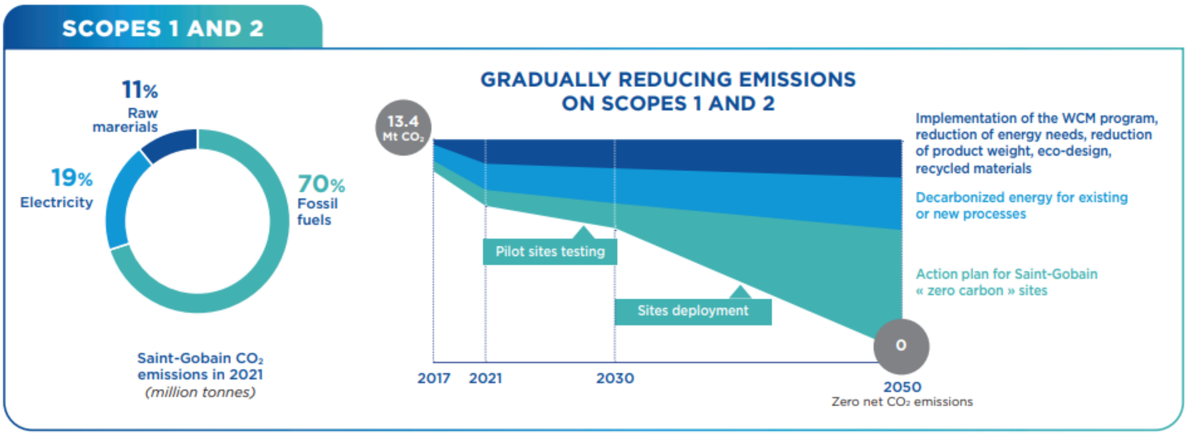
SPT Trigger: the non-achievement of the selected SPT as defined in the relevant transaction documentation will result in a coupon or margin step-up, as the case may be, applying to the relevant financing.

SPT Observation Date: December 31, 2030

Baseline performance and year: 13.4 Mt CO_2e in 2017

Historical performance:





Factors that affect the achievement of the target:

- Rise of multilateralism and international cooperation models fostering innovation to respond to the megatrends identified by Saint-Gobain: climate change, depletion of natural resources, demographics and urbanization, and digital transformation
- Global and accelerated adoption of regulation frameworks encouraging the production and use of renewable energies as well as other low-carbon technologies
- Fast increase in the share of electric vehicles in the global vehicle fleet, having an impact on both Saint-Gobain's own fleet of vehicles and its logistics chain
- Acceleration of strategies and measures taken by countries in favor of the development of sustainable cities
- Faster-than-anticipated global coordination around the adoption of a circular economy business model

Ambition

Against company's past performance

Saint-Gobain sets the SPT to reduce its absolute GHG emissions (Scope 1 and 2) by 33% by 2030 from a 2017 base year. As shown in Table 1, from 2017 to 2021, the compound annual growth rate (CAGR) of GHG emissions was -6.4%, while from 2021 to 2030 it stands at -1.5% annually. Quantitatively, SPT 1 is less ambitious than the historical trajectory.

However, there are additional considerations to be considered regarding the ambition of the SPT. From 2017 to 2021, Saint-Gobain has deployed the easiest solutions and strategies (optimization of processes to reduce energy consumption, investing in existing technology to reduce CO_2, and increasing the use of renewable energy) to reduce its emissions profile, while from 2021 to 2030 the company plans to invest in innovation and R&D focusing on imagining future Net Zero Production which are more complex to implement for the advancement towards its SPT.

TABLE 1.	2017 – BASELINE	2018	2019	2020	2021	2030 – SPT 1
Scope 1 and 2 GHG emissions (in Mt CO_2e)	13.4	11.7	10.80	10.4	10.3	9.0
CAGR 2017-2021					-6.4%	
CAGR 2021-2030						-1.5%

In this context and compared to the baseline year, ISS ESG deems the SPT 1 ambitious against the issuer's past performance based on limited evidence. The limitations refer to the fact that quantitatively the SPT 1 target involves a gentler trajectory than past performance.

Against company's industry peers

ISS ESG conducted a benchmarking of SPT 1 against the Construction Materials peer group of 9 companies, including Saint-Gobain, provided by the issuer.

Out of these companies, 8 have set Scope 1 and 2 targets (including Saint-Gobain), of which 6 companies have set targets Science Based Targets initiative (SBTi)-validated absolute targets for Scope 1 and 2 and 2 companies have set intensity targets. Saint-Gobain's SPT 1 target is to reduce absolute Scope 1 and 2 GHG emissions by 33% by 2030 from a 2017 base year, which equates to a 3% CAGR reduction rate. When compared with the CAGR reduction rates of absolute SBTi validated targets set by peers, Saint-Gobain's target is ranked 6th out of 6th. As such, SPT 1 is less ambitious compared to industry peers.

Against international targets

Paris Agreement
Saint-Gobain has a Science-Based Targets initiative (SBTi) approved emission reduction target of cutting Scope 1 and 2 emissions by 33% by 2030 from a 2017 base year. This target has been confirmed by the SBTi to be consistent with the reductions required to keep the global mean temperature increase to well-below 2°C.

ISS ESG concludes that SPT 1 is ambitious against the Paris Agreement, based on the SBTi validation of the 2030 target.

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 data available since then. The 2018 and 2019 figures were disclosed in the annual URDs before the agreement on Scope 3 target with SBTi on October 2020 with an extended number of category and scope.
- **Timeline:** The issuer defined a precise timeline related to the SPT achievement, including the target observation date, the trigger event and the frequency of SPTs measurement.

Supporting strategy and action plan

To reduce its Scope 1 and 2 GHG emissions, Saint-Gobain is focusing its efforts on four key levers for action:

- **Optimization and reduction of its energy use**
  - Installation of equipment and digital tools to adjust energy consumption as closely as possible to requirements: launch of a large-scale Group program combining the installation of sensors, the use of algorithms in production chains and the training of engineers
  - Increase the proportion of lost heat re-used, reduction of standby losses, improved insulation and extension of heat recovery systems.

- **Innovation in its processes, both industrial and product design**
  - Development in detailed roadmaps for each industrial process, supplemented by action plans developed and implemented by each country, based on knowledge of the local market and regulatory environment
  - Product design: lighter products, products made using low-carbon raw materials, products with high recycled contents. Saint-Gobain has set itself ambitious targets to reach by 2030 beyond the ones which are part of the KPIs and associated targets as defined hereafter.
    - +30% avoided virgin raw materials
    - 100% recyclable packaging
    - > 30% of recycled or bio-sourced content on packaging

- **Transition towards carbon-free energy**
  - Substitution of high carbon-based energies by zero or lower carbon-based energies: green electricity, replacement of heavy fuel with natural gas, replacement of natural gas by biogas
  - Substitution of carbon-based energy with decarbonized energy requiring substantial modification of processes (post-2030): direct electrification or green hydrogen.

- **Mobilization of suppliers and new initiatives in transport**
  - For suppliers: comparison of their performance on the basis of their CO_2 emissions criteria both in terms of their operations and for the products concerned, signature of the Group's Responsible Purchasing Charter, collection of detailed information on their commitments in terms of sustainable development, encouraging large emitters to adopt an SBT approach
  - For transport: optimized logistics, fuel efficiency improvements, use of decarbonized fuels, replacement of road transport by rail and water, working alongside logistics suppliers.

The trajectory on the reduction of CO_2 emissions (Scope 1&2) integrates two steps in the deployment of the innovation:

- Until 2030: Saint-Gobain develops innovative industrial processes to imagine potential net zero production sites (Scope 1&2). Two programs are already publicly disclosed:
  - In Norway, the Group invests in a net zero production site for Gypsum;
  - Test pilot of zero carbon production of flat glass in France.
- 2030 to 2050: The Group will deploy the net zero production sites all over the world.

Opinion on SPT calibration: *ISS ESG finds that SPT 1 is ambitious against the company's past performance based on qualitative evidence and in line with the Paris Agreement and a well below 2°C warming scenario according to the SBTi. However, the SPT 1 calibrated is less ambitious compared to its sectorial peers. The benchmark selected by the issuer is provided by an independent third party based on a methodology established in the industry. The target is set in a clear timeline and is supported by a strategy and action plan disclosed in the company's framework.*

1B.1 Selection of KPI 2

KPI 2: Absolute Scope 3 GHG emissions (in Mt CO_2e)

FROM ISSUER'S FRAMEWORK

KPI 2: Absolute Greenhouse gas emissions Scope 3 reduction

SPT 2: reduce absolute Scope 3 GHG emissions by 16% by 2030 from a 2017 base year

Long-term goal: Achieve carbon neutrality by 2050

Rationale: Formally adopted in 2016, the Paris Agreement sets out a global framework for the fight against climate change and is the expression of the binding ambition to keep the rise in temperatures below 2°C compared to the pre-industrial era. Saint-Gobain is fully committed as a non-state actor to the implementation of the Paris Agreement and the Group has communicated on its target to become carbon neutral by 2050. The construction sector plays a key role in this landscape, as it alone accounts for nearly 40% of annual CO_2 emissions worldwide, including 28% for the operation of buildings (operational emissions related to heating, air conditioning or domestic hot water) and 11% for "gray" carbon related to the production of materials, their transport, construction equipment, i.e. embodied carbon[7]. In response to climate change and the risks linked to rising average temperatures, Saint-Gobain's goal is to encourage the emergence of low-carbon economies in the countries in which it operates. In concrete terms, the objective is to help its customers reduce their carbon emissions through the use of its products and solutions while reducing the carbon impact of their production.

Baseline performance and year: 17.3 Mt CO_2e in 2017

Scope: This KPI covers consolidated entities at the end of a given financial year. All entities belonging to consolidated companies in which Saint-Gobain held a stake of 50% or more at balance sheet date are monitored. Newly integrated companies are accounted for in accordance with their financial integration, with a maximum grace period of 2 years (i.e. until the end of the second full annual accounting period following the accounting year in which the company was acquired) in the absolute discretion of Saint-Gobain), and companies sold during the past year are not included. A company once included in the monitoring process – even if such inclusion occurred before the end of the aforesaid grace period - remains included therein (subject only to the exclusion above for companies sold during the past year and not included).

Absolute Scope 3 GHG emissions cover the following items:

- Purchased goods and services
- Fuel and energy related activities
- Upstream and downstream transportation and distribution
- Business travel
- End-of-life treatment of sold products

Materiality and relevance

'Products and services with environmental benefits' are considered as key ESG issues faced by the Construction Materials industry according to key ESG standards[8] for reporting and ISS ESG assessment.

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

[7] Architecture 2030, 'Why the built environment?', https://architecture2030.org/why-the-building-sector/
[8] Key ESG Standards include SASB and TCFD, among others.

- **Relevant** to Saint-Gobain's business as the environmental impact of products is a key ESG issue for the company and its industry. It is critical that the Construction Materials sector get a handle on embodied carbon in the construction materials to achieve zero emissions by 2040[9]. Indeed, unlike operational CO_2 emissions which can be reduced over time through buildings energy improvement and the use of renewable energy, embodied CO_2 emissions are locked in place as long as the building is built.
- **Core** to the issuer's business as climate change mitigation reduction measures impact the supply chain of the company at the Group level globally. The KPI will entail significant consequences on the entire value chain. Saint-Gobain has launched engagement programs with suppliers that will help to consolidate a bottom-up approach, based on suppliers' reduction plans that include a digital tool to estimate Scope 3 GHG emissions, communications kits to increase awareness, collection of suppliers' emissions based on the life-cycle analysis, integration of the maturity of the suppliers on their climate commitments and joint action plans with suppliers to reduce their carbon impact. Besides, Saint-Gobain will also optimize its logistics processes both upstream and downstream to achieve its SPT.
- **Moderately Material**[10] to Saint-Gobain's business model and sustainability profile, from an ESG perspective if used individually on a financial instrument. However, integrated with KPI 1, the company is strengthening their decarbonization strategy by covering the direct operations and upstream emissions, which together account for approximately 100% of the company's emissions, excluding category 11.
    - KPI 2 is material to the company's value chain because the KPI addresses indirect GHG emissions throughout the upstream and downstream value chain (i.e., Scope 3 emissions), which represent an estimated 67% of the total computed GHG emissions of the company. However, the KPI does not cover direct operations where the company has the most immediate impact and therefore, KPI 2 is deemed not material to the direct operations of the company as per ISS ESG's methodology.
    - KPI 2 excludes the category 11 'Use of Sold Products' GHG emissions that represents 106Mt CO_2e accounting for an estimated 83% of total Scope 3 GHG emissions (including Use of Sold Products GHG emissions). Therefore, the KPI selected is not addressing the environmental impact of the building and construction material in the industry's value chain. However, ISS ESG notes that Saint-Gobain's GHG emissions from category 11 are mainly made of the sales of windshields. Following SBTi guidance and in line with the GHG Protocol, as confirmed in the SBTi-validation process of this target, category 11 has been excluded from the scope of the KPI because accounting for indirect use-phase emissions is optional and does not count towards the two-thirds Scope 3 target boundary threshold'.

[9] Architecture 2030, 'Why the built environment?', https://architecture2030.org/why-the-building-sector/
[10] ISS ESG bases this analysis on the issuer's own emissions reporting and makes no comment on the quality or consistency of the issuer's Scope 1, 2 or 3 emissions reporting, either in relation to GHG Protocol, or to established norms for the issuer's sector. ISS ESG notes that Scope 3 reporting may be different between companies in the same sector and does not undertake any benchmarking of an issuer's reporting.

Consistency with overall company's sustainability strategy

Following the formalization of Saint-Gobain's support for the UN Global Compact's "Business Ambition for 1.5°C" in September 2019, the company unveiled in November 2020 its CO_2 roadmap to achieve carbon neutrality by 2050 across all scopes (1,2 and 3). This commitment is inseparable from the Group's ambition to provide customers with solutions to help them decarbonize as well and to reduce its own environmental footprint.

The roadmap to net-zero incorporates new commitments through to 2030 in terms of reducing not only the Group's direct and indirect CO_2 emissions, but also the emissions along its value chain. These new targets for 2030 have been validated by the Science-Based Target initiative (SBTi), which considers them to be aligned with Saint-Gobain's net-zero carbon commitment:

- 33% absolute reduction in CO_2 emissions between 2017 and 2030 in Scopes 1 and 2;
- 16% absolute reduction in CO_2 emissions between 2017 and 2030 in Scope 3.

Reducing their Scope 3 emissions will be one of the actions that fit within the climate-change pillar of Saint-Gobain's sustainability strategy.

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 scope and perimeter is transparently defined as it covers Scope 3 GHG emissions of all Saint-Gobain operations for which it owns more than 50% of equity share. Scope 3 represent 67% of the company's total CO_2 emissions, excluding Category 11.
- **Quantifiable/Externally verifiable:** Scope 3 emissions are the indirect GHG emissions resulting from Purchased good and services, Fuel and energy related activities, Upstream and Downstream transportation and distribution, Business travel and End-of-life treatment of sold products. The methodology used is based on the GHG Protocol's Corporate Value Chain (Scope 3) Accounting and Reporting Standard. Therefore, the KPI selected is quantifiable and externally verifiable.
- **Externally verified:** The data for the KPI selected has been verified by a qualified third-party from the baseline year 2017 until 2021. The issuer commits to having the future data verified by an external reviewer.
- **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.

Opinion on KPI selection: *ISS ESG finds that the KPI selected is core and relevant to the issuer's business model as a standalone KPI. It is material to the company's upstream value chain, but not material to the direct operations of the company, as it covers only Scope 3 emissions excluding category 11 following SBTi guidance and in line with the GHG Protocol. If integrated together with KPI 1 as part of the same financial instrument, the two KPIs together can be considered fully material. The KPI is consistent with its sustainability strategy. It is appropriately measurable, quantifiable, externally verifiable, externally verified and benchmarkable. It covers 67% of the company's total* CO_2 *emissions.*

1B.2 Calibration of SPT 2

SPT 2: Reduce absolute Scope 3 GHG emissions 16% by 2030 against the 2017 baseline

FROM ISSUER'S FRAMEWORK

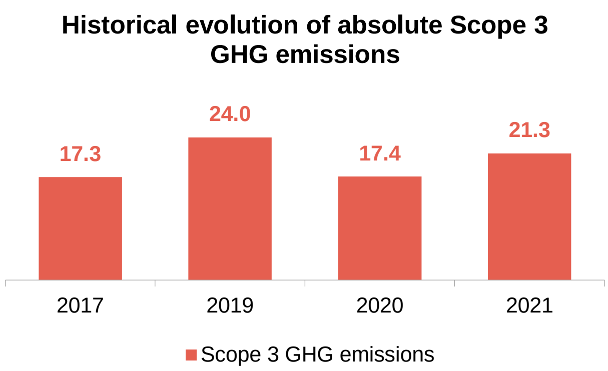
SPT 2: reduce absolute Scope 3 GHG emissions by 16% by 2030 from a 2017 base year

SPT Trigger: the non-achievement of the selected SPT as defined in the relevant transaction documentation will result in a coupon or margin step-up, as the case may be, applying to the relevant financing.

SPT Observation Date: December 31, 2030

Baseline performance and year: 17.3 Mt CO_2e in 2017

Historical performance:



Factors that affect the achievement of the target:

- Rise of multilateralism and international cooperation models fostering innovation to respond to the megatrends identified by Saint-Gobain: climate change, depletion of natural resources, demographics and urbanization and digital transformation
- Global and accelerated adoption of regulation frameworks encouraging the production and use of renewable energies as well as other low-carbon technologies
- Fast increase in the share of electric vehicles in the global vehicle fleet, having an impact on both Saint-Gobain's own fleet of vehicles and its logistics chain
- Acceleration of strategies and measures taken by countries in favor of the development of sustainable cities
- Faster-than-anticipated global coordination around the adoption of a circular economy business model

Ambition

Against company's past performance

Saint-Gobain sets the SPT to reduce its absolute GHG emissions (Scope 3) by 16% by 2030 from a 2017 base year. ISS ESG notes that the different years of historical data cover different categories of Scope 3.

Saint-Gobain's updated scope 3 emissions assessment in 2021 has been accompanied by a more specific assessment of emissions factors and a more granular analysis of impacts on the three most significant categories:

- Purchases of raw materials (category 1);
- Transport and logistics (categories 4 and 9);
- Purchases related to trade activities (category 1).

The 2019 and 2020 historical figures are not comparable to 2017 and 2021 data performance, therefore, a year-on-year comparison is not possible. ISS ESG has assessed the 2017-2021 trajectory to the 2021-2030 targeted trajectory.

As shown in Table 2, from 2017 to 2021, the compound annual growth rate (CAGR) of GHG emissions was 5.7%, while the CAGR from 2021 to 2030 stands at -4.2% annually. Quantitatively, SPT 1 is more ambitious compared to the historical trajectory based on limited evidence, since historical data are not comparable.

TABLE 2	2017 – BASELINE	2019	2020	2021	2030 – SPT 2
GHG Scope 3 emissions (in Mt CO_2e)	17.30	24.00	17.40	21.30	14.53
CAGR 2017-2021				-5.3%	
CAGR 2021-2030					-4.2%

Against company's industry peers

ISS ESG conducted a benchmarking of SPT 2 against the Construction Materials peer group of 9 companies, including Saint-Gobain, provided by the issuer.

Out of these companies, 7 have set Scope 3 GHG emissions targets, among which 5 companies have set targets SBTi validated absolute targets for Scope 3 GHG emissions, including Saint-Gobain. As such, ISS ESG considers SPT 2 as in line with its sectorial peers, in terms of target set and validated by the SBTi.

Against international targets

Paris Agreement

Saint-Gobain has a SBTi approved emission reduction target of cutting Scope 3 GHG emissions by 16% by 2030 from a 2017 base year. This target has been confirmed by the SBTi to be consistent with the reductions required to keep the global mean temperature increase to well-below 2°C.

ISS ESG concludes that SPT 2 is ambitious against the Paris Agreement, based on the SBTi validation of the 2030 target.

Measurability & comparability

- **Historical data:** The issuer provided relevant historical data by setting the baseline year of its SPT to 2017 and provided all yearly Scope 3 GHG emissions data available since then except for 2018 data, in line with the recommendation of the SLBP to provide historical data for at least 3 years.

- **Timeline:** The issuer defined a precise timeline related to the SPT achievement, including the target observation date, the trigger event and the frequency of SPTs measurement.

Supporting strategy and action plan

To reduce its Scope 3, Saint-Gobain will implement the following actions:

- **Innovation in its product design**
  - Product design: lighter products, products made using low-carbon raw materials, products with high recycled contents. Saint-Gobain has set itself targets to reach by 2030 beyond the ones which are part of the KPIs and associated targets as defined hereafter.
    - +30% avoided virgin raw materials
    - 100% recyclable packaging
    - > 30% of recycled or bio-sourced content on packaging

- **Mobilization of suppliers and new initiatives in transport**
  - For suppliers: comparison of their performance on the basis of their CO_2 emissions criteria both in terms of their operations and for the products concerned, signature of the Group's Responsible Purchasing Charter, collection of detailed information on their commitments in terms of sustainable development, encouraging large emitters to adopt an SBT approach
  - For transport: optimized logistics, fuel efficiency improvements, use of decarbonized fuels, replacement of road transport by rail and water, working alongside logistics suppliers.

Opinion on SPT calibration: *ISS ESG finds that the SPT calibrated by Saint-Gobain's is qualitatively ambitious against the company's past performance, and in line with the Paris Agreement and well below 2° Celsius warming scenario according to SBTi. The SPT calibrated is in line with peers' performance. The benchmark selected by the issuer is provided by an independent third party based on a methodology established in the industry. The target is set in a clear timeline and is supported by a strategy and action plan disclosed in the company's framework.*

1C.1 Selection of KPI 3

KPI 3: Non-recovered production waste

FROM ISSUER'S FRAMEWORK
KPI 3: Non-recovered production waste (including non-hazardous and hazardous waste), excluding waste that is generated following the delivery of a designated product to the consumer. **SPT 3:** Achieve an 80% reduction of non-recovered production waste by 2030 against the 2017 baseline **Definition:** Non-recovered production waste is the total of waste sent to landfill (for hazardous waste, properly disposed according to applicable laws and regulations) and waste sent to incineration without energy recovery, excluding waste that is generated following the delivery of a designated product to the consumer. **Long-term goal:** achieving zero non-recovered waste. **Rationale:** Reducing the consumption of raw materials per functional unit produced and the waste generated by industrial processes are the pillars of Saint-Gobain's sustainable resources management

policy initiated in 2015 with the aim of moving towards "zero unrecovered waste". The Group believes that waste should be considered a strategic resource.

Baseline performance and year: 0.603 857 Mt in 2017

Scope: This KPI covers consolidated entities at the end of a given financial year. All entities belonging to consolidated companies in which Saint-Gobain held a stake of 50% or more at balance sheet date are monitored. Newly integrated companies are accounted for in accordance with their financial integration, with a maximum grace period of 2 years (i.e. until the end of the second full annual accounting period following the accounting year in which the company was acquired) in the absolute discretion of Saint-Gobain), and companies sold during the past year are not included. A company once included in the monitoring process – even if such inclusion occurred before the end of the aforesaid grace period - remains included therein (subject only to the exclusion above for companies sold during the past year and not included).

Materiality and relevance

'Eco-efficiency of production' is considered as a key ESG issue faced by the Construction Materials industry according to key ESG standards[11] for reporting and ISS ESG assessment.

ISS ESG finds that the non-recovered production waste KPI selected by the issuer is:

- **Relevant** to Saint-Gobain's business as it tackles a key issue in the Construction Materials industry, i.e., to improve the eco-efficiency of production.
- **Core** to the issuer's business as non-recovered waste reduction measures will affect key processes and operations that are core to the business model of the issuer (e.g., reducing the resource intensity of products). Saint-Gobain has a World Class Manufacturing (WCM) program in place to optimize the production cycle by eliminating waste and losses. The company also has a circular economy & sustainable resources management policy, in which it outlines the levers to improve resource efficiency, and specifically the goal to reduce and recover internal waste generation in its processes. It will do so by conducting waste analyses per production site to identify actions to avoid waste, recycle it internally or have it recycled by a third party (in that order of preference). Please note that the KPI covers waste sent to landfill and waste sent to incineration without energy recovery. This means that the issuer can reduce non-recovered waste by waste incineration with energy recovery. The issuer estimates that waste incineration with energy recovery does not make up more than 10% of waste recovery strategy, though this has not been verified by an external auditor.
- **Moderately material** to the issuer from an ESG perspective as it addresses one of the key ESG issues faced by the industry on which the company can have a material impact:
    - According to the circular economy principle of 'waste hierarchy', which has been integrated in the EU Waste Framework Directive[12], highest up in the hierarchy is waste prevention, for example by designing out waste. Recycling comes third, after preparing for re-use. Fourth is recovery, which can include waste-to-energy incineration. Saint-Gobain is targeting a reduction waste disposal (landfilling) and waste incinerated without energy recovery, which are the lowest layer on the waste

[11] Key ESG Standards include SASB and TCFD, among others.
[12] European Commission, 'Waste prevention and management', consulted on 18 May 2022, https://ec.europa.eu/environment/green-growth/waste-prevention-and-management/

hierarchy. While the issuer has a diverse plan to reduce waste and keep resources in use, the KPI only prevents waste from ending up in landfill and being incinerated with no energy recovery and actions to achieve the KPI may still include waste recovery through incineration for energy.

- The KPI covers all production waste of Saint-Gobain and its consolidated companies. The issuer aims to lower the amount of that waste going to landfill and incineration without energy recovery, which the issuer calls "non-recovered". While the KPI does not include waste generated in the use phase (by its customers), the company explains that its products are designed to lower waste during the products' lifespan. Examples include construction materials designed for modular use and deconstruction, i.e., products that can be taken apart and reused. This is important because in the EU alone, more than a third of all waste generated comes from construction and demolition waste[13], during the use phase of construction materials.

Consistency with overall company's sustainability strategy

Saint-Gobain identifies circular economy as one of the pillars of its CSR roadmap, which guides the Group's actions to reduce the environmental, social and societal impact of its operations and solutions. The goal of this pillar is to create value through circular economy business model that conserves resources. Saint-Gobain has set commitments to maximize its contribution to circular economy.

Saint-Gobain has the long-term ambition of having zero non-recovered production waste, which is defined by the company as waste to landfill and waste incinerated without energy recovery, and of maximizing the recycled content of its products. The Group believes that waste should be considered as a strategic resource and that recycled or bio-sourced materials should be used whenever possible as a substitute for non-renewable virgin resources. To do so, Saint-Gobain has designed the circular economy and sustainable resources management policy. Under this policy, Saint-Gobain commits to improve the design of their products and systems, optimize resources consumption, reduce and recover internal waste generated by their production processes, reduce and recover waste from their products during installation phase and at the end of the product's life, and finally promote and strengthen dialogue with internal and external stakeholders.

Please note that under this policy, waste to energy is included within recovered waste, meaning that waste sent to landfill and waste incinerated without energy recovery can be reduced by waste incineration for energy generation purposes. The issuer estimates that waste incineration for energy recovery does not make up 10% of their strategy, though this has not been verified by an external auditor. Waste incineration can have several adverse environmental impacts, as studied and outlined by Zero Waste Europe. Incineration of waste, even if used for energy production, results in significant CO_2 emissions (twice as high as the average European electricity grid intensity in 2019). Moreover, it destroys resources, which might have been recovered with solutions higher up the waste hierarchy.

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

[13] European Commission, February 2018, 'Development and implementation of initiatives fostering investment and innovation in construction and demolition waste recycling infrastructure', https://environment.ec.europa.eu/topics/waste-and-recycling/construction-and-demolition-waste_en

Measurability

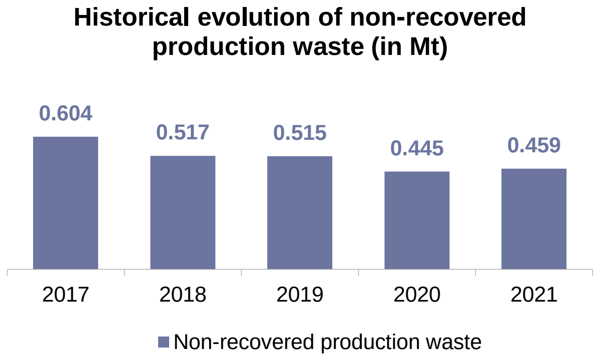
- **Scope and perimeter:** The KPI scope and perimeter is transparently defined, where non-recovered waste means waste to landfill and waste incinerated without energy recovery. It covers 100% of production waste generated.
- **Quantifiable/Externally verifiable:** The KPI selected is quantifiable and externally verifiable. Saint-Gobain can track its non-recovered waste which equals the total waste that goes to landfill and incineration without energy recovery out of the total waste generated.
- **Externally verified:** All historical data provided for this KPI has been externally verified. The issuer commits to having the future data verified by an external reviewer as well.
- **Benchmarkable:** The KPI chosen is benchmarkable with limitations because peers differ in their definition of the scope of waste generated, for example, some set their target on total waste generated while others set the target on specific types of waste within their operations. In addition, this KPI covers non-recovered waste defined as waste sent to landfill and waste sent to incineration without energy recovery, which is a definition specific to Saint-Gobain and may be different for peers' definition of non-recovered waste.

***Opinion on KPI selection:** ISS ESG finds that the KPI 3 selected is core, relevant and moderately material to the issuer's business model and consistent with its sustainability strategy. It is appropriately measurable, quantifiable, externally verifiable, externally verified and benchmarkable with limitations. The KPI is defined as "non-recovered waste", which equals the total amount of waste sent to landfill and incinerated without energy recovery out of the total production waste generated.*

1C.2 Calibration of SPT 3

SPT 3: Achieve an 80% reduction of non-recovered production waste by 2030 against the 2017 baseline

FROM ISSUER'S FRAMEWORK
SPT 3: Achieve an 80% reduction of non-recovered production waste by 2030 against the 2017 baseline
SPT Trigger: the non-achievement of the selected SPT as defined in the relevant transaction documentation will result in a coupon or margin step-up, as the case may be, applying to the relevant financing.
SPT Observation Date: December 31, 2030
Baseline performance and year: 0.603 857 Mt in 2017
Historical performance:



Factors that support the achievement of the target:

- Rise of multilateralism and international cooperation models fostering innovation to respond to the megatrends identified by Saint-Gobain: climate change, depletion of natural resources, demographics and urbanization and digital transformation
- Global and accelerated adoption of regulation frameworks encouraging the production and use of renewable energies as well as other low-carbon technologies
- Fast increase in the share of electric vehicles in the global vehicle fleet, having an impact on both Saint-Gobain's own fleet of vehicles and its logistics chain
- Acceleration of strategies and measures taken by countries in favor of the development of sustainable cities
- Faster-than-anticipated global coordination around the adoption of a circular economy business model

Ambition

Against company's past performance

Saint-Gobain sets SPT 3 to reduce the amount of production non-recovered waste by 80% by 2030 from the 2017 baseline, i.e., to reach 0.120 771 Mt in 2030. The historical and SPT data are summarized in Table 3, below.

TABLE 3.	2017 – BASELINE	2018	2019	2020	2021	2030 – SPT 3
Non-recovered production waste in Mt	0.604	0.517	0.515	0.445	0.459	0.121
CAGR 2017 – 2021					-6.63%	
CAGR 2017 – 2030						-11.64%

By calculating the compound annual growth rate (CAGR), the annual trajectories of the past performance and future performance (for SPT 3) can be compared. In the past, the issuer has been able to reduce waste to landfill and waste sent to incineration without energy recovery with an average of 6.63% per annum. Going forward, the issuer aims for a more ambitious reduction path of 11.64% average yearly reduction until 2030.

Therefore, ISS ESG concludes that SPT 3 is ambitious against past performance.

Against company's industry peers

ISS ESG conducted a benchmarking of SPT 3 against a peer group of 9 companies (including Saint-Gobain) in the Construction Materials industry, as identified by the issuer.

In terms of waste management target setting, the peer group includes 5 companies (including the issuer) who have set a waste management target. These targets differ in scope and metric. Therefore, the targets are compared using the 'waste hierarchy'.

Source: European Commission, 2022

According to the circular economy principle of 'waste hierarchy', which has been integrated in the EU Waste Framework Directive[14], waste disposal (such as waste to landfill) and waste incineration without energy recovery are at the lowest level of the waste hierarchy. Highest up in the hierarchy is waste prevention, followed by re-use, recycling and recovery.

One peer company has set a target to reduce the waste intensity per ton of sold product, thereby preventing waste being generated. This target can be regarded as high up the waste hierarchy, included in the 'prevention' category.

Three companies from the peer group set a target to lower or eliminate waste being landfilled. Two peers with a waste to landfill target aim to reduce this metric to zero by 2030.

Saint-Gobain has a similar target to reduce waste sent to landfill but also waste incinerated without energy recovery purposes. Indeed, landfilling waste and waste incineration without energy recovery purposes are the absolute lowest level on the waste hierarchy. In order to achieve this target, Saint-Gobain might incinerate waste for energy, recycle, reuse or reduce their waste.

Therefore, according to the waste hierarchy, SPT 3 with its target to reduce waste sent to landfill and waste sent to incineration without energy recovery belongs to the top 5 of the peer group of 9 companies. ISS ESG concludes that SPT 3 is in line with targets set by the industry peer group on a qualitative basis due to the waste hierarchy.

Against international targets

Waste reduction and management targets are commonly used and reported in the Construction Materials industry. However, no international or sectorial standard could be found for benchmarking purposes. In broad unquantified terms, the KPI contributes to SDG 12 and its sub-target 12.5: "By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse".

Nonetheless, there is limited information for ISS ESG to assess the level of ambition of this target against international targets.

[14] European Commission, 'Waste prevention and management', consulted on 18 May 2022, https://ec.europa.eu/environment/green-growth/waste-prevention-and-management/

Measurability & comparability

- **Historical data:** The issuer provided relevant historical data by setting the baseline year of its SPT to 2017 and provided all yearly historical data available since then, in line with the SLBP of providing historical data covering at least the previous three years.
- **Timeline:** The issuer defined a precise timeline related to the SPT achievement, including the target observation date, the trigger event and the frequency of SPTs measurement.

Supporting strategy and action plan

To reach its target, Saint-Gobain's industrial sites are working to reduce the quantities of waste generated in accordance with the three Rs hierarchy: reduce, reuse and recycle. The priority waste management actions initially relate to a reduction in the quantities of production waste generated. The sites then seek to reuse production waste in their own industrial processes. Synergies among the Group's different industrial processes are used to optimize the reuse of waste and by-products. The Group is also involved in the creation of recycling networks with the help of external local partners.

The company has set itself goals such as recovering 92% of production waste; for example, by replacing all plastic packaging with paper for mortars in Brazil, and by publishing nearly 1 500 EPDs (environmental product declarations), representing 29.1% of its revenue.

Opinion on SPT calibration: *ISS ESG finds that SPT 3 is ambitious against past performance, because it sets a steeper reduction trajectory in the future than it has been able to achieve in the past. Because targets set by peers differ in scope of waste reduced, there is limited information to assess SPT 3 ambition against peers on quantitative basis. From a qualitative perspective - based on the waste hierarchy - SPT 3 belongs to the top 5 of the 9 companies identified in the Construction Materials industry by the issuer. Therefore SPT 3 can be deemed in line with industry peers. In broad unquantified terms, the KPI contributes to SDG 12 but there is limited information for ISS ESG to assess the level of ambition of this target against international targets and/or sectorial standards. The target is set in a clear timeline and is supported by a strategy and action plan disclosed in the company's framework.*

1D.1 Selection of KPI 4

KPI 4: Total recordable accident rate ("TRAR")

FROM ISSUER'S FRAMEWORK
KPI 4: Frequency rate of accidents ("TRAR") with and without work stoppage per million of working hours **Definition:** TRAR = (Number of workplace accidents with and without work stoppage * 1,000,000) / Number of working hours **SPT 4:** Reduce the frequency rate of workplace accidents to 1.5 by 2030 **Long-term goal:** zero occupational accidents **Rationale:** The health and safety of employees are priorities for Saint-Gobain. The company ensures that all employees on its sites, including temporary workers and subcontractors, have safe working conditions and environments by identifying, reducing and controlling risks. Saint-Gobain published its commitments in the Group's EHS Charter, setting out the following four principles: ▪ Compliance with regulations and Saint-Gobain standards

- Exemplary behavior in processes, products and services over the entire life cycle
- Ongoing prevention and reduction of risks for employees, temporary workers, subcontractors, visitors, customers and the environment
- Ongoing dialogue with stakeholders.

Baseline performance and year: 2.6 in 2017

Scope: This KPI covers all Group employees, temporary workers and permanent subcontractors of consolidated entities at the end of a given financial year. All entities belonging to consolidated companies in which Saint-Gobain held a stake of 50% or more at balance sheet date are monitored. Newly integrated companies are accounted for in accordance with their financial integration, with a maximum grace period of 2 years (i.e. until the end of the second full annual accounting period following the accounting year in which the company was acquired) in the absolute discretion of Saint-Gobain), and companies sold during the past year are not included. A company once included in the monitoring process – even if such inclusion occurred before the end of the aforesaid grace period - remains included therein (subject only to the exclusion above for companies sold during the past year and not included).

Materiality and relevance

'Labor standards and working conditions' are considered as key ESG issues faced by the Construction Materials industry according to key ESG standards[15] for reporting and ISS ESG assessment.

ISS ESG finds that the accident rate KPI selected by the issuer is:

- **Relevant** to Saint-Gobain's business as it tackles a key issue in the Construction Materials industry, i.e., to improve the labor standards and working conditions.
- **Core** to the issuer's business as accident rate reduction measures affect key processes and operations that are core to the business model of the issuer (e.g. daily safety management). Saint-Gobain already has an elaborate Environment, Health, and Safety (EHS) management system in place. It will require continuous effort from the company to ensure compliance locally and globally with the safety measures, reporting standards, training, and awareness initiatives, in order to reduce the incident rate.
- **Material** to the issuer's business model and sustainability profile. Saint-Gobain and its consolidated companies produce a wide range of construction materials, including for example wood products, isolation material and electrical equipment. In manufacturing, the risks of accidents and injuries can be prevalent, especially when handling heavy machinery, chemicals or electrical equipment. Since the KPI covers all Group employees, as well as temporary workers and permanent subcontractors of the issuer and its consolidated companies, it can be deemed material to the issuer's whole value chain.

Consistency with overall company's sustainability strategy

Health and safety is among the pillars of Saint-Gobain's CSR roadmap. The company has published its commitments in its EHS Charter to ensure the health and safety of their employees and stakeholders, aspiring to have "zero occupational accidents" on the long term. Saint-Gobain targets minimizing the value of TRAR to 1.5 at the end of 2030.

[15] Key ESG Standards include SASB and TCFD, among others.

To realize these commitments and reach its target, Saint-Gobain has linked the executive compensation plan to performance on safety criteria. Part of managers' annual variable compensation is linked to actions and results in the area of safety, as well as performance of safety inspections and the application of safety standards. To incentivize Saint-Gobain's management to continuously ensure improvement in health and safety results in the long-term, the long-term compensation plan is tied to safety criterion to maintain a TRAR below 2, accounting for 5% of performance share plans.

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

Measurability

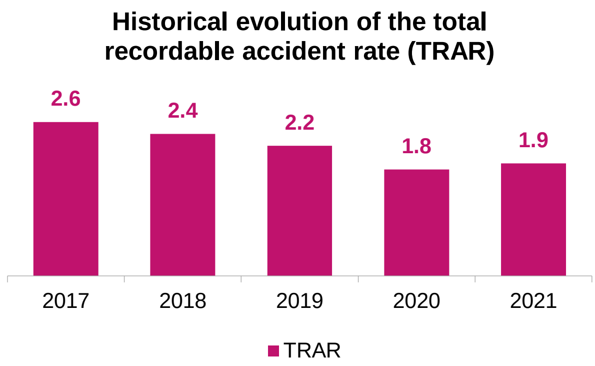
- **Scope and perimeter:** The KPI scope and perimeter is transparently defined as it covers all Group employees, temporary workers and permanent subcontractors of consolidated entities at the end of a given financial year.
- **Quantifiable/Externally verifiable:** The KPI selected is quantifiable and externally verifiable. By tracking the number of accidents with & without work stoppage and dividing the product of these accidents and a group-wide standard for man-hours (i.e. 1,000,000 hours) by the actual man-hours, Saint-Gobain can calculate its TRAR.
- **Externally verified:** Historical data on the KPI selected has been externally verified by a qualified third-party from the baseline year 2017 until 2021. The issuer commits to having the future data verified by an external reviewer as well.
- **Benchmarkable:** The KPI selected is benchmarkable. Total recordable accident rate with and without work stoppage per million of working hours is a commonly used metric for tracking work-injuries and illnesses in Europe, especially among French companies.

Opinion on KPI selection: *ISS ESG finds that KPI 4 selected is core, relevant and material to the issuer's business model and consistent with its sustainability strategy. It is appropriately measurable, quantifiable, externally verifiable, externally verified and benchmarkable. It covers all Group employees, temporary workers and permanent subcontractors of consolidated entities at the end of a given financial year.*

1D.2 Calibration of SPT 4

SPT 4: Reduce the frequency rate of workplace accidents to 1.5 by 2030

FROM ISSUER'S FRAMEWORK
SPT 4: Reduce the frequency rate of workplace accidents to 1.5 by 2030 **SPT Trigger:** the non-achievement of the selected SPT as defined in the relevant transaction documentation will result in a coupon or margin step-up, as the case may be, applying to the relevant financing. **SPT Observation Date:** December 31, 2030 **Baseline performance and year:** 2.6 in 2017 **Historical performance:**



Factors that affect the achievement of the target:

- Rise of multilateralism and international cooperation models fostering innovation to respond to the megatrends identified by Saint-Gobain: climate change, depletion of natural resources, demographics and urbanization and digital transformation
- Global and accelerated adoption of regulation frameworks encouraging the production and use of renewable energies as well as other low-carbon technologies
- Fast increase in the share of electric vehicles in the global vehicle fleet, having an impact on both Saint-Gobain's own fleet of vehicles and its logistics chain
- Acceleration of strategies and measures taken by countries in favor of the development of sustainable cities
- Faster-than-anticipated global coordination around the adoption of a circular economy business model

Ambition

Against company's past performance

Saint-Gobain sets SPT 4 to reduce the frequency rate of workplace accidents (TRAR) to 1.5 by 2030. The historical and SPT data are summarized in Table 4, below.

TABLE 4.	2017 – BASELINE	2018	2019	2020	2021	2030 – SPT 4
TRAR	2.6	2.4	2.2	1.8	1.9	1.5
CAGR 2017 – 2021					-7.54%	
CAGR 2017 – 2030						-4.14%

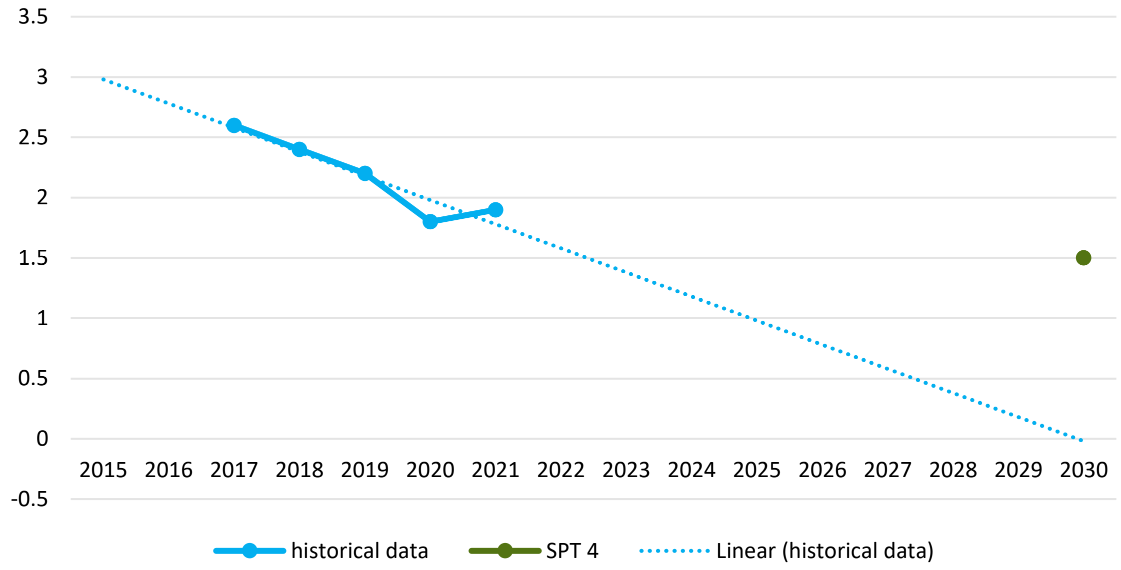
By calculating the compound annual growth rate (CAGR), the annual trajectories of the past performance and future performance (for SPT 4) can be compared. In the past, the issuer has been able to reduce the frequency rate of workplace accidents with an average of 7.54% per annum. Going forward, the issuer aims for a quantitatively less ambitious reduction path of 4.14% average yearly reduction until 2030.

The issuer explains that significant efforts have been made in the last few years to improve worker safety. Every location has an EHS management system in place in 2021 and 359 sites were ISO 45001 certified (which covers 27% of employees).

Moreover, ISS ESG understands that maintaining the historical reduction rate becomes increasingly difficult as it would entail reaching zero in 2030 (as shown by the linear trendline in Figure 1). It will become exponentially difficult to improve year-on-year reduction of the injury rate, because it requires continuous efforts, for example by tracking near misses and training staff. Lastly, significant reductions achieved by the issuer in the last years should be acknowledged.

Therefore, ISS ESG concludes that the SPT is ambitious based on limited evidence. The limitation comes from the fact that the analysis on a qualitative basis.

Figure 1. TRIR, historical data and SPT trajectory



Against company's industry peers

ISS ESG conducted a benchmarking of SPT 4 against a peer group of 9 companies (including Saint-Gobain) in the Construction Materials industry, as identified by the issuer.

In terms of target setting for worker safety, the peer group includes 5 companies (including the issuer) who have set some type of target for injury rates. These targets differ in scope and metric. For example, most peers use the Lost Time Injury Frequency Rate (LTIFR), but this metric can be calculated over different denominators (per 200,000 hours or per million hours). Secondly, the 5 peers with targets have a scope that includes only own employees. It should be noted that SPT 4 covers a wider scope, i.e., all Group employees, temporary workers, and permanent subcontractors of consolidated entities.

ISS ESG concludes SPT 4 is ambitious against peers in terms of the existence of a target on worker safety, because it includes a wider scope of workers than peers.

Against international targets

In the absence of international targets on incident rates, ISS ESG concludes it is currently not possible to benchmark the SPT against an international benchmark.

Measurability & comparability

- **Historical data:** The issuer provided relevant historical data by setting the baseline year of its SPT to 2017 and provided all yearly TRAR data available since then, in line with the SLBP of providing historical data covering at least the previous three years.
- **Timeline:** The issuer defined a precise timeline related to the SPT achievement, including the target observation date, the trigger event and the frequency of SPTs measurement.

Supporting strategy and action plan

To achieve its health and safety target, Saint-Gobain has combined daily safety management approach with safety inspections and trainings with the aim to identify, analyze and minimize health and safety risks.

Saint-Gobain has implemented a daily safety management approach which is rolled out in all its sites. Under this approach, Saint-Gobain conducts an in-depth analysis of health and safety accidents which did not have serious consequences but had the potential to be grave if the circumstances were slightly different. To minimize the chances of these types of accidents from happening, Saint-Gobain implements measures to eliminate the underlying causes of these events.

In addition to the daily safety management approach, safety inspections are organized at all sites according to the SMAT (Safety Management Tool) methodology. These inspections aim to encourage open dialogue with the person visited on the subject of safety and health, following the observance of work practices by the inspector. The positive points are noted as a priority, as well as any dangerous acts or conditions, which form the subject of an immediate priority action or an action incorporated into an action plan. In 2021, 444,574 SMAT visits were carried out in the Group, which represents a ratio of 2.3 visits per employee, temporary worker and permanent subcontractor.

Numerous training and information materials and tools have been developed or updated to support local teams in identifying and managing risk situations. For example, the tool "60s to Think" has been adapted to a more modern format and a communication on the concept "Dare to Take Care" has been distributed.

Opinion on SPT calibration: *ISS ESG finds that SPT 4 is ambitious against historical performance on qualitative basis because even though year-on-year reduction of the injury rate is projected to be lower for the SPT than that in its historical performance, ISS ESG acknowledges the significant reductions made by Saint-Gobain in the last years and takes into account that it will become exponentially difficult to improve year-on-year reduction of the injury rate as it would entail reaching zero by 2030. Even though it is not possible to measure the ambition of SPT quantitatively because targets differ in metric and scope, ISS finds SPT to be ambitious against peers because it includes a wider scope of workers than peers. Benchmarking the SPT against international targets is not possible, because none currently exist. The target is set in a clear timeline and supported by a strategy and action plan disclosed in the issuer’s framework.*

PART 3: LINK TO SAINT-GOBAIN'S SUSTAINABILITY STRATEGY

This section aims to provide an overall level of information on the ESG risks to which the issuer is exposed through its business activities, providing additional context to the issuance assessed in the present report.

ESG risks associated with the issuer's industry

The issuer is classified in the Construction Materials industry, as per ISS ESG's sector classification. Key challenges faced by companies in terms of sustainability management in this industry are displayed in the table below. Please note, that this is not a company specific assessment but areas that are of particular relevance for companies within that industry.

ESG KEY ISSUES IN THE INDUSTRY
Eco-efficiency of production
Labor standards and working conditions
Environmental impacts of raw material extraction
Business ethics
Products and services with environmental benefits

ESG performance of the issuer

Leveraging ISS ESG's Corporate Rating research, further information about the issuer's ESG performance can be found on ISS ESG Gateway at: https://www.issgovernance.com/esg/iss-esg-gateway/.

Please note that the consistency between the issuance subject to this report and the issuer's sustainability strategy is further detailed in Part II of the report.

Sustainability impact of products and services portfolio

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

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED PERCENTAGE OF REVENUE[16]	DIRECTION OF IMPACT	UN SDGS
Building insulation materials	10%	CONTRIBUTION	7 AFFORDABLE AND CLEAN ENERGY; 11 SUSTAINABLE CITIES AND COMMUNITIES; 13 CLIMATE ACTION
Sanitary products/technology	1%	CONTRIBUTION	3 GOOD HEALTH AND WELL-BEING
Military-related products	1%	OBSTRUCTION	16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Breaches of international norms and ESG controversies

At issuer level

At the date of publication, ISS ESG has not identified any severe controversy in which the issuer would be involved.

At industry level

Based on a review of controversies over a 2-year period, the top three issues that have been reported against companies within the Construction Materials industry are as follows: failure to conduct human rights due diligence, failure to assess environmental impacts and failure to prevent water pollution.

Please note, that this is not a company specific assessment but areas that can be of particular relevance for companies within that industry.

[16] Percentages presented in this table are not cumulative.

DISCLAIMER

1. Validity of the SPO: For Saint-Gobain's Sustainability-Linked Financing Instruments issuances as long as the Sustainability-Linked Financing Framework (as of July 25, 2022), SPTs benchmarks (including data for KPI baseline) and structural securities characteristics described in this document do not change.
2. ISS ESG uses a scientifically based rating concept to analyze and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to standardized procedures to ensure consistent quality of responsibility research worldwide. In addition, we provide Second Party Opinion (SPO) on bonds based on data provided by 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.
4. All statements of opinion and value judgments 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 creditworthiness of a bond but refers exclusively to the social and environmental criteria mentioned above.
5. We would point out that this SPO, certain images, text and graphics contained therein, and the layout and company logo of ISS ESG and ISS-ESG are the property of ISS and are protected under copyright and trademark law. Any use of such ISS property shall require the express prior written consent of ISS. The use shall be deemed to refer in particular to the copying or duplication of the SPO wholly or in part, the distribution of the SPO, either free of charge or against payment, or the exploitation of this SPO in any other conceivable manner.

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Deutsche Börse AG ("DB") owns an approximate 80% stake in ISS HoldCo Inc., the holding company which wholly owns ISS. The remainder of ISS HoldCo Inc. is held by a combination of Genstar Capital ("Genstar") and ISS management. ISS has formally adopted policies on non-interference and potential conflicts of interest related to DB, Genstar, and the board of directors of ISS HoldCo Inc. These policies are intended to establish appropriate standards and procedures to protect the integrity and independence of the research, recommendations, ratings and other analytical offerings produced by ISS and to safeguard the reputations of ISS and its owners. Further information regarding these policies are available at https://www.issgovernance.com/compliance/due-diligence-materials.

ANNEX 1: ISS ESG Corporate Rating

The following pages contain extracts from Saint-Gobain 2022 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 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

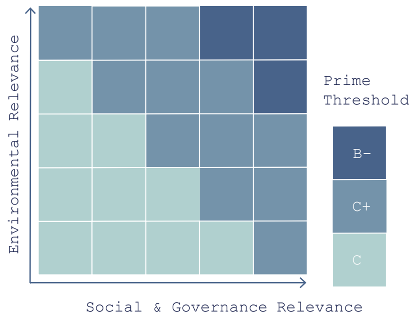
Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

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 industries 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 industry, 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 Financing Framework of Saint-Gobain, as well as the concept and processes for issuance against the Sustainability-Linked Bond Principles administered by the ICMA / Sustainability-Linked Loan Principles by the LMA, the APLMA and LSTA. 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 / Loan market by clarifying the approach for issuance.

ISS ESG reviewed the alignment of the concept of the Saint-Gobain'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 / Sustainability-Linked Loan 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 Saint-Gobain's own past performance (according to Saint-Gobain's reported data), against Saint-Gobain's industry 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 SPT, and the supporting strategy and action plan of Saint-Gobain.

ANNEX 3: Quality management processes

SCOPE

Saint-Gobain commissioned ISS ESG to compile a Sustainability-Linked Financing Instruments SPO. The Second Party Opinion process includes verifying whether the Sustainability-Linked Financing Framework aligns with the ICMA Sustainability-Linked Bond Principles / LMA Sustainability-Linked Loan Principles and to assess the sustainability credentials of its Sustainability-Linked Financing 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

Saint-Gobain's responsibility was to provide information and documentation on:

- 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 Financing Instruments to be issued by Saint-Gobain based on ISS ESG methodology and in line with the ICMA Sustainability-Linked Bond Principles / Sustainability Loan Principles.

The engagement with Saint-Gobain took place in June and July 2022.

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 behavior and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About 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/

For information about SPO services, please contact: SPOsales@isscorporatesolutions.com

For information about this specific Sustainability-Linked Financing Instruments SPO, please contact: SPOOperations@iss-esg.com

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