GREEN AND POSITIVE IMPACT BOND FRAMEWORK

June 2022

CONFIDENTIAL

ALD Automotive

1. INTRODUCTION

ALD Automotive (“ALD” or the “Company”) is a global leader in mobility solutions providing full service leasing and fleet management services across 43 countries to a client base of large corporates, SMEs, professionals, and private individuals. A leader in its industry, ALD places sustainable mobility at the heart of its strategy, delivering innovative mobility solutions and technology-enabled services to its clients, helping them focus on their everyday business.
With 6 700 employees around the globe, ALD manages 1.73 million vehicles (at end-Dec 2021). ALD is listed on Compartment A of Euronext Paris (ISIN: FR0013258662; Ticker: ALD). Société Générale is ALD’s majority shareholder.

1.1 ALD AUTOMOTIVE'S SUSTAINABILITY AMBITIONS

ALD’s Strategic Plan (called Move 2025) plan places Corporate Social Responsibility (CSR) at the heart of the Group’s strategy: the Responsibility pillar, called Move for Good, is one of the foundations of the strategy. The overall ambition is to place people and corporate social responsibility at the heart of everything we do. In concrete terms, ALD’s CSR policy is based on four themes:

- the promotion of sustainable mobility in customer solutions (with electric vehicles at the heart of the system)
- being a responsible employer and developing human capital
- responsible business practices with external stakeholders (ethics and governance including environmental and social risk management, customer satisfaction and responsible purchasing)
- reduction of the Group’s internal environmental footprint (its own emissions).

Each of these areas is important, but as a major player in mobility and services, the most material impact on society is the products and services marketed, primarily through emissions from vehicles managed on behalf of customers. Hence the strong focus of the CSR policy on sustainable mobility.
ALD made a public commitment to the Science-Based Targets initiative in November 2021, in the context of COP26. This commitment involves reducing greenhouse gas emissions across all scopes, on a trajectory compatible with achieving the “net zero” objective by 2050 at the latest. The reduction targets already announced in the Move 2025 plan will be completed and strengthened within a maximum of 24 months after the initial commitment to SBTi.

1.2 RATIONALE

Greenhouse gas emissions from cars and vans are one of the major issues to address to tackle climate change: road transport is responsible for a significant 20% of emissions within the European Union, the vast majority of which (16%) are from passenger vehicles and light commercial vehicles (Source: International Energy Agency, Tracking Transport 2019).
The second major impact of transport is pollution resulting from emissions of nitrogen oxides (NOx) and fine particles (PM) during the use phase of vehicles, particularly sensitive in the case of diesel engines. Transportation is responsible for around half of nitrogen oxide emissions (Source: IEA see above), and thus entails major public health issues.
Historically, the vast majority of vehicles in corporate fleets have been powered by internal combustion engines, with diesel engines dominating in Europe. This dominance is explained by the

intensive use of certain categories of Company vehicles (high mileage) but it has also been artificially amplified by tax breaks.
The intrinsic nature of the leasing fleet, which is by far younger (hence technologically more up to date, and environmentally respectful) than the average car park, places a company like ALD ahead of the average when it comes to emissions. Although the environmental footprint of the fleet is largely dictated by the product offering (car manufacturers) and utilisation by end users (clients), ALD – owning the assets, and acting as a prescriber in the vehicle choice – must play its part to create a more sustainable mobility.
To reduce all emissions (greenhouse gases and pollutants), electrification is the best technical solution for individual mobility in the short and medium term: during the use phase, battery-powered electric vehicles (BEV) have zero emissions of CO2 and NOx, and pollutant emissions are limited to brake and tyre wear.

As part of its 2025 strategic plan, ALD has set itself the target of increasing the share of "EV" vehicles (battery-powered electric vehicles and plug-in hybrid vehicles only) to 30% of deliveries in Europe[1].by 2025. The share of pure electric vehicles (BEV) alone is expected to reach 50% by 2030. This trend will be made possible by external factors (regulation, product offering) but ALD should amplify it by working on its entire value chain, with a specific focus on:

- Adapting and growing the product offering: growing the electric offer by improving the geographical coverage and the depth of services provided, while developing and scaling up the product portfolio of new mobility services (based on concepts such as mobility budgets, mobility as a service, vehicle sharing)
- Improving consultancy capabilities to best accompany our clients in their sustainable mobility journey This involves supporting customers from end to end in their electrification trajectory, from helping to define strategy to controlling actual costs and carbon footprint.

The share of electric vehicles (EVs – battery electric vehicles and plug-in hybrids) in ALD new passenger car (PC) contracts increased considerably in 2021 (27% in Europe, +9 percentage points compared to 2020) and is significantly above the overall European market share of EVs (19%)[2] . The progression of low-emission vehicles has long been held back by the narrowness of the product offering, capacity problems suffered by manufacturers, very low ranges and a Total Cost of Ownership which is still higher in many cases. All these factors have evolved very favourably and have been accelerated by the very advantageous tax measures put in place in certain countries (Germany, France, Great Britain) as part of the recovery plans, and the entry into force of European emission standards.
ALD's positioning as a facilitator, the efforts made on ALD Electric's offer, and growing customer demand place ALD's electrification level significantly ahead of the market (27% vs 19% of registrations in Europe – source EV Volumes).
As this trend is set to continue, ALD intends to finance the growth of its green fleet through the issuance of Green and Positive Impact Bonds.

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[1] Europe: European Economic Area, UK, and Switzerland.

[2] Source: for ALD performance, ALD internal figures (reported in URD); for market figures: EV Volumes.

2. ALD GREEN AND POSITIVE IMPACT BOND FRAMEWORK

In alignment with the UNEP FI's Principles for Positive Impact Finance (2017) and the ICMA's Green Bond Principles[3] (2021) hereafter referred to as the "ICMA Principles", this Green and Positive Impact Bond Framework (the "**Framework**") is presented through the following key principles:

1. Definition
2. Framework
3. Assessment
4. Transparency

The Framework has been designed to be consistent with the EU Proposal for a European Green Bond Standards[4] (the "EU GBS"), when relevant and feasible.

2.1 DEFINITION

> Positive Impact Finance serves to deliver a positive contribution to one or more of the three pillars of sustainable development (economic, environmental, and social) once any potential negative impacts to any of the pillars have been duly identified and mitigated. By virtue of this holistic appraisal of sustainability issues, Positive Impact Finance constitutes a direct response to the challenges of financing the SDGs

Positive Contribution

As an international mobility company, ALD's commitment is to act every day to improve its clients' fleet and to limit fuel consumption and GHG emissions. As such the company identified the low carbon vehicle leasing and fleet management business as being one of its key Positive Impact Businesses. The scope of this Positive Impact Framework will therefore cover vehicles that have a clear positive contribution to the environment and that support the development of clean transportation and the transition to a low carbon future.

The eligibility criteria of the green and positive impact category defined in this Framework is intended to comply with the EU classification system for environmentally sustainable economic activities Taxonomy (the "**EU Taxonomy**")[5], in particular with the relevant Substantial Contribution Criteria established by the Delegated Act on the climate objectives[6] entered in force on January 1st, 2022.

Green and positive impact bonds issued in compliance with this Framework (the "**Green and Positive Impact Bonds**") will primarily contribute to the EU's Climate Change Mitigation Objective via the reduction of greenhouse gas ("**GHG**") emissions.

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[3] https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/

[4] https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/european-green-bond-standard_en

[5] https://ec.europa.eu/sustainable-finance-taxonomy

[6] https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R2139&from=EN

Direct response to SDGs

ALD's Green and Positive Impact Bond will support achieving the United Nations Sustainable Development Goals "Good Health and Well-Being" (SDG 3), "Industry, Innovation and Infrastructure" (SDG 9), "Sustainable Cities and Communities" (SDG 11), and "Climate Action" (SDG 13), contributing in particular to the specific targets mentioned below:

SDG	TARGET
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	9.4: By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
11 SUSTAINABLE CITIES AND COMMUNITIES	11.6: By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
13 CLIMATE ACTION	UN SDG 13 consists in taking urgent action to combat climate change and its impacts. The fleet management and long-term vehicle leasing sector can contribute to this goal by investing in the reduction of GHG emissions from transport operations through a shift to lower carbon technologies.
3 GOOD HEALTH AND WELL-BEING	3.9: By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination.

2.2 FRAMEWORK

> To promote the delivery of Positive Impact Finance, entities (financial or non-financial) need adequate processes, methodologies, and tools, to identify and monitor the positive impact of the activities, projects, programs, and/or entities to be financed or invested in.

Identification

Green and Positive Impact Bonds are any debt security (such as senior preferred bonds, senior non preferred bonds, subordinated bonds, covered bonds, structured bonds, convertible bonds, or commercial papers and medium-term notes) issued by ALD in compliance with this Framework (hereafter the "**Green and Positive Impact Bonds**").
An amount equivalent to the net proceeds of the Green and Positive Impact Bond issuance will be exclusively used to finance or refinance "Eligible vehicles" that contribute to the development of clean transportation and the transition to a low carbon future. Eligible vehicles will be defined as per the eligibility criteria defined below and aligned with the relevant significant contribution criteria for climate change mitigation defined by the EU Taxonomy under activity 6.5 listed in the delegated act "Transport by motorbikes, passenger cars and light commercial vehicles".

ALD Automotive

Selection of the vehicles qualifying for Green and Positive Impact category

A Green and Positive Impact Bond Committee (the "Committee") has been created to ensure the respect of the Framework and oversee the entire issuance process. The Committee is composed of ALD representatives from the following departments: Corporate Social Responsibility ("CSR") department, Finance department and Investor Relations department.

The role of the Committee is:

- To validate the portfolio of Eligible Vehicles identified by ALD.
- To discuss and validate changes required to the Framework (if any).
- To foster transparency by ensuring adequate disclosures to third parties.
- To address any issues arising from the review by the Second Party Opinion.

This Committee will also be responsible for managing any future update to the Framework, including expansions of the use of proceeds. Any changes to the Framework will be published on ALD's website.

- **Eligibility Criteria**[7]

✓ Battery Electric vehicles (BEV) are considered as automatically eligible - under the Framework.

- **Exclusion Criteria**

Financial exclusion criteria – the Finance Department will monitor the financial eligibility of potential eligible vehicles by excluding:

× vehicles already pledged or benefiting from a specific funding program
× vehicles from ALD's subsidiaries that are not benefitting from a direct funding through the company's treasury center.

Technical exclusion criteria – net proceeds from ALD's Green and Positive Impact Bond will not be allocated to the following vehicle motorization types[8]:

× Conventional internal combustion engine (ICE) vehicles
× Hybrid Electric, including Plug-in Hybrid Electric Vehicles (PHEVs)
× Liquefied petroleum gas (LPG) vehicles
× Compressed natural gas (CNG) vehicles
× Biofuel vehicles
× Ethanol vehicles

[7] Fuel Cell Electric Vehicles (i.e., Hydrogen) are not considered as part of the eligible vehicles, even though not targeted by the exclusion criteria, as, ALD is not anticipating volumes to be significant enough to be included in the Eligible Fleet at this stage.

[8] Note that ALD may update the list of excluded vehicle motorization types to take into account potential technological evolution or disruption that would impact the environmental performance of vehicles in the future. Such update would be reflected in a revised framework.

Management of Proceeds

The Green and Positive Impact Bond proceeds will be managed by ALD's Finance Department. ALD intends to select sufficient Eligible vehicles to ensure the total amount of investment related to the portfolio of Eligible vehicles equals the proceeds of the Bonds issued under the Framework. As such, if a portion of Eligible vehicles exits ALD's fleet during the life of the Green and Positive Impact Bonds, additional Eligible vehicles will be added to the portfolio.

ALD commits on a best effort basis to reach full allocation no longer than 2 years after issuance date.

ALD will track the net proceeds through its internal management system and hold any unallocated proceeds within its regular cash management operations. The Finance Department will ensure the financial eligibility of potential eligible vehicles by monitoring the financial exclusion criteria detailed above.

2.3 ASSESSMENT

> The assessment of Positive Impact Finance delivered by entities, should be based on the actual impacts achieved

In addition to demonstrating positive impact through zero-tailpipe emission vehicles selection, ALD takes care that all selected Eligible vehicles comply with official national, European and international environmental and social regulations on a best effort basis.
ALD ensures that all activities comply with its CSR requirements, as disclosed in its Universal Registration Document[9]. These requirements are set out in ALD's internal policies, whose careful implementation helps to mitigate the environmental and social risks associated with the Eligible Fleet. ALD's Sustainability Policies and Guidelines define a framework of minimum standards for the business processes, including those financed with the proceeds of the Green and Positive Impact Bonds issued under this Framework.

While advancing sustainable mobility is clearly an impactful use of proceeds, being a service provider, ALD is aware of the potential risks associated to the assets they fund for their customers' use, such as, emissions form the manufacturing process and vehicle use, and the rare resources required in battery production. By providing new generation vehicles meeting the latest technology and high standards, ALD minimizes the negative impact of such assets on the environment (e.g., GHG emissions). Despite the fact that some risks related to the Eligible Fleet are not under ALD's control, the company is committed to working with partners across the value chain to lower emissions and raise standards.

In relation the environmental and climate risks dependent on third parties, ALD assumes that car manufacturers, vehicles and components comply with the local and EU Regulation, directives, and agreements, such as the Certificate of Conformity (CoC) and Conformity of Production (CoP).
Furthermore, E&S Risk Management principles are applied within ALD's sourcing strategy:
- ESG criteria in tender specifications and scoring criteria
- screening of ESG criteria in KYS (Know Your supplier) process for shortlisted suppliers
- CSR clause in supplier agreements
- Continuous assessment of strategic suppliers (e.g., through Ecovadis)

[9] https://www.aldautomotive.com/investors/information-and-publications/regulated-information#7136424-2--annual-financial-reports-and-registration-documents

The E&S component of the sourcing strategy is rolled out by Group instructions and facilitated by a training programme of key procurement contacts within the ALD Group (2021: sessions in June and July).

With regards to the standards enforced by European taxonomy[10], ALD is in a position to state the following:

- ALD's commercial activities are eligible for European taxonomy under activity 6.5 listed in the delegated act "Transport by motorbikes, passenger cars and light commercial vehicles", defined as "Purchase, financing, renting, leasing and operation of vehicles". As a result, activities related to Full Service Leasing, Financial Lease, Fleet Management, and pool vehicles are eligible.
- ALD's activity is eligible for both climate change mitigation and climate change adaptation objectives, with different technical criteria. ALD has chosen to report under the objective of climate change mitigation, which is both more demanding and more logical given its business activity.
- In its 2021 Universal Registration Document, ALD has released its first eligibility criteria based on the above principles
- In terms of alignment and according to eligibility criteria, assets to be included in the eligible fleet will be satisfying substantial contribution criteria for climate change mitigation, related to activity 6.5 *"Transport by motorbikes, passenger cars and light commercial vehicles"* of European Taxonomy. At this point in time, ALD is not in a position to conduct a full "**Do No Significant Harm**" ("**DNSH**") and **Social Safeguards** assessment to Eligible vehicles, but will work towards providing this assessment as part of the publication of its 2022 extra financial disclosure
- DNSH criteria require extremely granular information regarding technical specifications such as vehicle recyclability or tyre labelling which are neither publicly available, nor communicated by vehicle manufacturers at this stage
- In broad terms, Battery Electric Vehicles selected as Eligible Assets present a number of guarantees in terms of compliance with technical criteria, when it comes to Euro 6 standard, vehicle noise levels, or tyre standards
- In detail, ALD will endeavour to gather information at vehicle level during the course of 2022.

Reporting

ALD intends to produce annually and until the maturity of the Green and Positive Impact Bond an impact reporting that will be made available on ALD's website.

ALD's CSR Department will oversee the reporting exercise, including collecting the relevant data from ALD's subsidiaries, and producing the impact reporting.

ALD commits to report on:

- ✓ Annual GHG emissions in tons of CO_2 equivalent (Scope 1)
- ✓ Annual GHG emissions reduction in tons of CO_2 equivalent (Scope 3)

[10] REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18 June 2020 on the establishment of a framework to promote sustainable investments.

COMMISSION DELEGATED REGULATION (EU) 2021/2139 of 4 June 2021.

COMMISSION DELEGATED REGULATION (EU) 2021/2178 of 6 July 2021.

Appendices to the Commission's Delegated Regulation: C (2021) 2800 Annex 1, C (2021) 4987 Annexes I and II.

Additionally, ALD will report on the following information related to the composition of the selected portfolio of eligible vehicles:

- ✓ The total amount of the portfolio of Eligible vehicles
- ✓ The number of Eligible vehicles
- ✓ The balance of unallocated proceeds (if any)
- ✓ The amount or the percentage of new vehicles vs. existing vehicles[11]
- ✓ The geographic breakdown of the Eligible vehicles

2.4 TRANSPARENCY

> Entities providing Positive Impact Finance should provide transparency and disclosure on:
> - The activities, projects, programs, and/or entities financed considered Positive Impact, the intended positive impacts thereof.
> - The processes they have in place to determine eligibility, and to monitor and to verify impacts.
> - The impacts achieved by the activities, projects, programs, and/or entities financed.

European Green Bond Factsheet

Upon adoption of the final EU Green Bond Standards and based on the Article 8 of the EU Proposal for a European Green Bond Standards referenced in this document, ALD, before issuance of its next Green and Positive Impact Bond, will complete and publish a pre-issuance European Green Bond Factsheet on its website and will ensure it has been reviewed with a positive opinion by an external reviewer. An illustrative example of factsheet is proposed in Annex 1 of this Framework.

Publication of the reporting

ALD, will publish annually and until the maturity of the Green and Positive Impact Bonds a reporting on the allocation of the net proceeds and expected positive impact of the Eligible Fleet.
ALD commits to disclose calculation methodologies and assumptions used to estimate eligibility criteria or the positive impact of the Eligible Fleet when applicable.
ALD will strive to follow market practices such as the Harmonized Framework for Impact Reporting[12].

External review of the reporting

ALD will make public a limited or reasonable assurance report provided by its external auditors or any other appointed independent third party. For each reporting, the auditors will verify:

- ✓ the allocated and unallocated net proceeds
- ✓ the compliance of the Eligible Fleet with the defined eligibility criteria
- ✓ the review of the positive impact reporting

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[11] New vehicles refer to vehicles that were not included in the portfolio of Eligible vehicles at the date of the previous reporting

[12] https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2019/Handbook-Harmonized-Framework-for-Impact-Reporting-WEB-100619.pdf

Second Party Opinion on the Framework

ALD has commissioned ISS ESG to conduct an external review of its Framework and issue a second party opinion ("**Second Party Opinion**") on the Framework's environmental and social credentials and its alignment with:

- ✓ The PPIF
- ✓ The ICMA Principles
- ✓ The EU GBS on a best effort basis

The Second Party Opinion is available on the "Green and Positive Impact Bond" section of ALD's investor relations webpage.

Publication of the Framework and future updates

The Framework and its previous versions are available on ALD website. Should ALD choose to modify the scope of the Framework for future issuances, the changes made will be documented in an updated Green and Positive Impact Bond Framework and published accordingly on its website.

Disclosure

All disclosure according to section 2.4 of this Framework will be made on ALD's website: https://www.aldautomotive.com/investors/information-and-publications/debt-investors.

Annex 1 – European green bond factsheet

This section provides an illustrative example of a European Green Bond Factsheet for an ALD's Green and Positive Impact Bond. This illustrative example is based on the current version proposed in Annex I of the Proposal for a Regulation of the European Parliament and of the Council on European Green Bonds[13] (July 2021) at the date of publication of this Framework.

1. General Information

- *[Date of the publication of the European green bond factsheet]*
- Issuer: ALD
- Legal Entity Identifier (LEI) of the Issuer: 969500E7V019H9NP7427
- Website: http://www.aldautomotive.com/

- *[Name of the bond assigned by the issuer] [where available, international securities identification numbers (ISIN)]*

- *[The identity and contact details of the external reviewer, including website address providing investors with information on how to get in contact, and a telephone number]*

2. Adhesion to the requirements of the European Green Bonds Regulation

ALD's Green and Positive Impact Bond have been structured to be aligned with the requirements of the Regulation on European Green Bonds.

3. Environmental strategy and rationale

Greenhouse gas emissions from cars and vans are one of the major issues to address to tackle climate change: road transport is responsible for a significant 20% of emissions within the European Union, the vast majority of which (16%) are from passenger vehicles and light commercial vehicles (Source: International Energy Agency, Tracking Transport 2019).
The second major impact of transport is pollution resulting from emissions of nitrogen oxides (NOx) and fine particles (PM) during the use phase of vehicles, particularly sensitive in the case of diesel engines. Transportation is responsible for around half of nitrogen oxide emissions (Source: IEA see above), and thus entails major public health issues.
Historically, the vast majority of vehicles in corporate fleets have been powered by internal combustion engines, with diesel engines dominating in Europe. This dominance is explained by the intensive use of certain categories of Company vehicles (high mileage) but it has also been artificially amplified by tax breaks.
The intrinsic nature of the leasing fleet, which is by far younger (hence technologically more up to date, and environmentally respectful) than the average car park, places a company like ALD ahead of the average when it comes to emissions. Although the environmental footprint of the fleet is largely dictated by the product offering (car manufacturers) and utilisation by end users (clients), ALD – owning the assets, and acting as a prescriber in the vehicle choice – must play its part to create a more sustainable mobility.

[13] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52021PC0391

To reduce all emissions (greenhouse gases and pollutants), electrification is the best technical solution for individual mobility in the short and medium term: during the use phase, battery-powered electric vehicles (BEV) have zero emissions of CO_2 and NOx, and pollutant emissions limited to brake and tyre wear.

As part of its 2025 strategic plan, ALD has set itself the target of increasing the share of "EV" vehicles (battery-powered electric vehicles and plug-in hybrid vehicles only) to 30% of deliveries in Europe[14] by 2025. The share of pure electric vehicles (BEV) alone is expected to reach 50% by 2030. This trend will be made possible by external factors (regulation, product offering) but ALD should amplify it by working on its entire value chain, with a specific focus on:

- Adapting and growing the product offering: growing the electric offer by improving the geographical coverage and the depth of services provided, developing, and scaling up the product portfolio of new mobility services (based on concepts such as mobility budgets, mobility as a service, vehicle sharing)
- Improving consultancy capabilities to best accompany our clients in their sustainable mobility journey This involves supporting customers from end to end in their electrification trajectory, from helping to define strategy to controlling actual costs and carbon footprint.

The share of electric vehicles (EVs – battery electric vehicles and plug-in hybrids) in ALD new passenger car (PC) contracts increased considerably in 2021 (27% in Europe, +9 percentage points compared to 2020) and is significantly above the overall European market share of EVs (19%)[15] . The progression of low-emission vehicles has long been held back by the narrowness of the product offering, capacity problems suffered by manufacturers, very low ranges and a Total Cost of Ownership which is still higher in many cases. All these factors have evolved very favourably and have been accelerated by the very advantageous tax measures put in place in certain countries (Germany, France, Great Britain) as part of the recovery plans, and the entry into force of European emission standards.

ALD's positioning as a facilitator, the efforts made on ALD Electric's offer, and growing customer demand place ALD's electrification level significantly ahead of the market (27% vs 19% of registrations in Europe – source EV Volumes).

As this trend is set to continue, ALD intends to finance the growth of its green fleet through the issuance of Green and Positive Impact Bonds.

Green and positive impact bonds issued in compliance with this factsheet will primarily contribute to the EU's Climate Change Mitigation Objective, as referred to in Article 9 of Regulation 2020/852, via the reduction of greenhouse gas ("**GHG**") emissions.

4. Intended allocation of bond proceeds

4.1. Estimated Time until full allocation of proceeds

ALD commits on a best effort basis to reach full allocation no longer than 2 years after issuance date.

4.2. Process for selecting green projects and estimated environmental impact

An amount equivalent to the net proceeds of the Green and Positive Impact Bond issuance will be exclusively used to finance or refinance "Eligible vehicles" that contribute to the development of clean transportation and the transition to a low carbon future. Eligible vehicles will be defined as

14 Europe: European Economic Area, UK and Switzerland.

15 Source: for ALD performance, ALD internal figures (reported in URD); for market figures: EV Volumes.

per the eligibility criteria defined below and aligned with the relevant significant contribution criteria for climate change mitigation defined by the EU Taxonomy under activity 6.5 listed in the delegated act “Transport by motorbikes, passenger cars and light commercial vehicles”

Eligible vehicles are defined as Battery Electric vehicles (BEV).

As a consequence, net proceeds will not be allocated to the following vehicle motorization types[16]:

- × Conventional internal combustion engine (ICE) vehicles
- × Hybrid Electric, including Plug-in Hybrid Electric Vehicles (PHEVs)
- × Liquefied petroleum gas (LPG) vehicles
- × Compressed natural gas (CNG) vehicles
- × Biofuel vehicles
- × Ethanol vehicles

In addition to demonstrating positive impact through zero-tailpipe emission vehicles selection, ALD takes care that all selected Eligible vehicles comply with official national, European and international environmental and social regulations on a best effort basis.
ALD ensures that all activities comply with its CSR requirements, as disclosed in its Universal Registration Document[17]. These requirements are set out in ALD’s internal policies, whose careful implementation helps to mitigate the environmental and social risks associated with the Eligible Fleet. ALD’s Sustainability Policies and Guidelines define a framework of minimum standards for the business processes, including those financed with the proceeds of the Green and Positive Impact Bonds issued under this Framework.
While advancing sustainable mobility is clearly an impactful use of proceeds, being a service provider, ALD is aware of the potential risks associated to the assets they fund for their customers’ use, such as, emissions form the manufacturing process and vehicle use, and the rare resources required in battery production. By providing new generation vehicles meeting the latest technology and high standards, ALD minimizes the negative impact of such assets on the environment (e.g., GHG emissions). Despite the fact that some risks related to the Eligible Fleet are not under ALD’s control, the company is committed to working with partners across the value chain to lower emissions and raise standards.
In relation the environmental and climate risks dependent on third parties, ALD assumes that car manufacturers, vehicles and components comply with the local and EU Regulation, Directives and agreements, such as the Certificate of Conformity (CoC) and Conformity of Production (CoP).
Furthermore, E&S Risk Management principles are applied within ALD’s sourcing strategy:
- ESG criteria in tender specifications and scoring criteria
- screening of ESG criteria in KYS (Know Your supplier) process for shortlisted suppliers
- CSR clause in supplier agreements
- Continuous assessment of strategic suppliers (e.g., through Ecovadis)

The E&S component of the sourcing strategy is rolled out by Group instructions and facilitated by a training programme of key procurement contacts within the ALD Group (2021: sessions in June and July).

[16] Note that ALD may update the list of excluded vehicle motorization types to take into account potential technological evolution or disruption that would impact the environmental performance of vehicles in the future. Such update would be reflected in a revised framework.

[17] https://www.aldautomotive.com/investors/information-and-publications/regulated-information#7136424-2--annual-financial-reports-and-registration-documents

With regards to the standards enforced by European taxonomy[18], ALD is in a position to state the following:

- ALD's commercial activities are eligible for European taxonomy under activity 6.5 listed in the delegated act "Transport by motorbikes, passenger cars and light commercial vehicles", defined as "Purchase, financing, renting, leasing and operation of vehicles". As a result, activities related to Full Service Leasing, financial leasing, Fleet Management and pool vehicles are eligible.
- ALD's activity is eligible for both climate change mitigation and climate change adaptation objectives, with different technical criteria. ALD has chosen to report under the objective of climate change mitigation, which is both more demanding and more logical given its business activity.
- In its 2021 Universal Registration Document, ALD has released its first eligibility criteria based on the above principles
- *In terms of alignment and according to eligibility criteria, assets to be included in the eligible fleet will be satisfying substantial contribution criteria for climate change mitigation, related to activity 6.5 "Transport by motorbikes, passenger cars and light commercial vehicles" of European Taxonomy".* At this point in time, ALD is not in a position to conduct a full "Do No Significant Harm" ("**DNSH**") and **Social Safeguards** assessment to Eligible vehicles, but will work towards providing this assessment as part of the publication of its 2022 extra financial disclosure
- DNSH criteria require extremely granular information regarding technical specifications such as vehicle recyclability or tyre labelling which are neither publicly available, nor communicated by vehicle manufacturers at this stage
- In broad terms, Battery Electric Vehicles selected as Eligible Assets present a number of guarantees in terms of compliance with technical criteria, when it comes to Euro 6 standard, vehicle noise levels, or tyre standards
- In detail, ALD will endeavour to gather information at vehicle level during the course of 2022

4.3. Intended qualifying green projects

Considering the large number of vehicles expected to be included in the Eligible Fleet, the following information are given at aggregate level.

Intended qualifying project	Environmental Objective	NACE code	Countries
Eligible vehicles	Climate Change mitigation	77.1 Rental and leasing of motor vehicles	France, Italy, The Netherlands, Belgium, Spain, Portugal, Finland, Ireland, Germany, Austria

[18] REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18 June 2020 on the establishment of a framework to promote sustainable investments.

COMMISSION DELEGATED REGULATION (EU) 2021/2139 of 4 June 2021.

COMMISSION DELEGATED REGULATION (EU) 2021/2178 of 6 July 2021.

Appendices to the Commission's Delegated Regulation: C (2021) 2800 Annex 1, C (2021) 4987 Annexes I and II.

4.4. Unallocated proceeds

ALD will track the net proceeds through its internal management system and hold any unallocated proceeds within its regular cash management operations.

5. Information on reporting

ALD, will publish annually and until the maturity of the Green and Positive Impact Bonds a reporting on the allocation of the net proceeds and expected positive impact of the Eligible Fleet.

ALD commits to disclose calculation methodologies and assumptions used to estimate eligibility criteria or the positive impact of the Eligible Fleet when applicable.

Allocation reports and impact reports will be published on ALD's website: https://www.aldautomotive.com/investors/information-and-publications/debt-investors.

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While it is the intention of ALD to apply the net proceeds of any Green and Positive Impact Bonds to Eligible vehicles in, or substantially in, the manner described in the applicable Offering Documents and in the Framework, there can be no assurance that the relevant Eligible vehicles will be capable of being implemented in or substantially in such manner and/or in accordance with any timing schedule and that accordingly there can be no assurance that such proceeds will be totally or partially disbursed for such Eligible vehicles. There can be no assurance that the allocation to such Eligible vehicles will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by ALD. Any such event or failure by ALD to do so will not constitute an event of default (however defined) under the Green and Positive Impact Bonds. Any:

i) failure to apply an amount equivalent to the net proceeds of any issue of Green and Positive Impact Bonds to any Eligible vehicles

ii) withdrawal of any second party opinion or certification or any opinion or certification being superseded by an opinion or certification stating that ALD has not complied, in whole or in part, with any matters on which the original opinion or certification had opined or certified; and/or

iii) event or circumstances resulting in the Green and Positive Impact Bonds no longer being listed or admitted to trading on any stock exchange or securities market,

may have a material adverse effect on the value of Green and Positive Impact Bonds and the value of any other securities which are intended to finance or refinance Eligible vehicles and could also result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose and as a result, may have to dispose of the Green and Positive Impact Notes at their prevailing market value.

In the event that any Green and Positive Impact Bonds are listed or admitted to trading on any dedicated "green", "environmental", "sustainable" or other similarly labelled segment of any stock exchange or securities market (whether or not a regulated market for the purpose of the Markets in Financial Instruments Directive 2014/65/EU), or are included in any dedicated "green", "environmental", "sustainable" or other equivalently-labelled index, no representation or assurance is given by ALD or any other person that such listing or admission, or inclusion in such index, satisfies whether, in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental impact of any vehicles or uses, the subject of or related to, any climate vehicles. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another and that the criteria for inclusion in such index may vary from one index to another. No representation or assurance given or made by ALD or any other person that any such listing or admission to trading, or inclusion in any such index, will be obtained in respect of Green and Positive Impact Bonds or, if obtained, will be maintained during the life of Green and Positive Impact Bonds.

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Furthermore, it should be noted that there is no market consensus as to what constitutes, a "positive impact" project and as to what constitutes, a "green", "sustainable" or an equivalently labelled project. A basis for the determination of such a definition has been established in the European Union with the adoption on 18 June 2020 of Regulation (EU) No. 2020/852 on the establishment of a framework to facilitate sustainable investment by the Council and the European Parliament (the "Taxonomy Regulation"). The Taxonomy Regulation establishes a single EU-wide classification system, or "taxonomy", which provides companies and investors with a common language for determining which economic activities can be considered environmentally sustainable. The Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing the Taxonomy Regulation by establishing criteria for determining which economic activities can be considered environmentally sustainable (i.e., activities that contribute substantially to climate change mitigation or adaptation) entered into force on 1 January 2022. However, the Taxonomy Regulation remains subject to further developments with regard to specific economic activities, such as the inclusion of nuclear power as “transitional” energy. In light of the continuing development of legal, regulatory and market conventions in the green, sustainable, and positive social impact markets, there is a risk that the Eligible vehicles will not satisfy, whether in whole or in part, any future legislative or regulatory requirements, or any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply.

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