

Second-Party Opinion

Signify Green Finance Framework



Evaluation Summary

Sustainalytics is of the opinion that the Signify Green Finance Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021 and the Green Loan Principles 2023. This assessment is based on the following:



USE OF PROCEEDS The eligible category for the use of proceeds, Eco-efficient and Circular Economy-Adapted Products, Production Technologies and Processes, is aligned with those recognized by the Green Bond Principles and the Green Loan Principles. Sustainalytics considers that investments in the eligible category will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 9.



PROJECT EVALUATION AND SELECTION Signify's Sustainability Investments Committee is responsible for evaluating and selecting eligible projects in accordance with the eligibility criteria set in the Framework. Signify has in place a due diligence process to mitigate the environmental and social risks associated with the eligible green projects. Sustainalytics considers the project selection process in line with market practice.



MANAGEMENT OF PROCEEDS Signify's treasury department and control department will be responsible for the management of proceeds. The allocation of proceeds will be tracked using the Company's internal controls system. Signify intends to allocate net proceeds within 12 months of issuance. Pending full allocation, proceeds will be held in cash or cash equivalents, and short-term liquid instruments. This is in line with market practice.



REPORTING Signify commits to report on the allocation of proceeds and corresponding impact on an annual basis until full allocation on its website. Allocation reporting will include the amount of net proceeds allocated to the eligible projects, the amount of unallocated proceeds, the proportion of financing versus refinancing and the total of Signify's sustainable products and services which are included under the EU Taxonomy Regulation. Impact reporting may include estimated annual avoided GHG emissions from product use (in tCO₂e/year). Sustainalytics views Signify's allocation and impact reporting as aligned with market practice.

Evaluation date October 20, 2023

Issuer Location Eindhoven,
The Netherlands

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Introduction

Signify NV (“Signify” or the “Company”) is a lighting solutions provider headquartered in Eindhoven, the Netherlands. In 2022, the Company generated a turnover of EUR 7.5 billion from three operating divisions: digital solutions, digital products and conventional products. The Company’s product portfolio includes LED spots, bulbs, tubes and luminaires, LED drivers and modules, in addition to compact fluorescent, halogen and incandescent conventional lamps. Signify has a presence in 74 countries and employs 34,600 people as at December 2022.¹

Signify has developed the Signify Green Finance Framework dated September 2023 (the “Framework”) under which it intends to issue green bonds, private placements, commercial paper, promissory notes (Schuldscheindarlehen), and to obtain loans² and use the proceeds to finance or refinance, in whole or in part, existing or future projects involving energy-efficient lighting technologies. The Framework defines eligibility criteria in one category:

1. Eco-efficient and Circular Economy-Adapted Products, Production Technologies and Processes

Signify engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP)³ and the Green Loan Principles 2023 (GLP).⁴ The Framework will be published in a separate document.⁵

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁶ opinion on the alignment of the reviewed Framework with current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2021, as administered by ICMA, and the Green Loan Principles 2023, as administered by LMA, APLMA and LSTA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.14, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Signify’s management team to understand the sustainability impact of its business processes and planned use of proceeds, as well as the management of proceeds and reporting aspects of the Framework. Signify representatives have confirmed that: (1) they understand it is the sole responsibility of Signify to ensure that the information provided is complete, accurate and up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Signify.

¹ Signify, “Annual Report 2022”, (2022), at: <https://www.signify.com/static/2022/signify-annual-report-2022.pdf>

² Signify confirmed to Sustainalytics that loans may include multiple tranches and that only tranches that have defined green use of proceeds will be labelled as green.

³ The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

⁴ The Green Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association and are available at <https://www.lsta.org/content/green-loan-principles/>

⁵ The Signify Green Finance Framework will be available at: <https://www.signify.com/global/our-company/investors/shareholder-info/debt-info>

⁶ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. Signify is encouraged to update the Framework after 24 (twenty-four) months from the evaluation date, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond and loan proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Signify has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Signify Green Finance Framework

Sustainalytics is of the opinion that the Signify Green Finance Framework is credible and impactful, and aligns with the four core components of the GBP and GLP. Sustainalytics highlights the following elements of Signify's Green Finance Framework:

- Use of Proceeds:
 - The eligible category, Eco-efficient and Circular Economy-Adapted Products, Production Technologies and Processes is aligned with those recognized by the GBP and GLP.
 - Signify has defined a look-back period of 36 months for refinancing operating expenditures, which Sustainalytics considers to be in line with market practice.
 - Under the Eco-efficient and Circular Economy-Adapted Products, Production Technologies and Processes category, Signify may finance or refinance the manufacture, installation, maintenance, repair and R&D of LED lighting products and related capital expenditures such as property, plant and equipment. LED lighting products include lamps, tubes, luminaires and connected technologies, such as smart systems.⁷ Sustainalytics considers the above-mentioned investments to be aligned with market practice.
- Project Evaluation and Selection:
 - Signify's Sustainability Investments Committee is responsible for evaluating and selecting eligible projects in accordance with the eligibility criteria set in the Framework.
 - Signify has in place a due diligence process to mitigate the environmental and social risks associated with the eligible green projects. For additional details, please see Section 2.
 - Based on the establishment of the committee and due diligence process, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - Signify's treasury department and control department will be responsible for the management of proceeds. The allocation of proceeds will be tracked using the Company's internal tracking system.
 - Signify intends to allocate the net proceeds within 12 months of issuance. Pending full allocation, proceeds will be held in cash or cash equivalents, short-term liquid instruments or used for any other Signify's treasury business activities.⁸
 - Based on the presence of an internal tracking system and disclosure of temporary allocation of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - Signify commits to report on the allocation of proceeds and corresponding impact on an annual basis until full allocation on its website.

⁷ Sustainalytics did not assess the alignment of the eligibility criteria against the EU Taxonomy.

⁸ Signify has confirmed to Sustainalytics that proceeds will not be used in fossil fuel or hard-to-abate activities.

- Allocation reporting will include the amount of net proceeds allocated to the eligible projects, the amount of unallocated proceeds, the proportion of financing versus refinancing, and the total of Signify's sustainable products and services which are included under the EU Taxonomy Regulation.
- Impact reporting may include estimated annual avoided GHG emissions from product use (in tCO₂e/year).
- Based on the commitment to allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Green Bond Principles 2021 and Green Loan Principles 2023

Sustainalytics has determined that the Signify Green Finance Framework aligns with the four core components of the GBP and GLP. For detailed information, please refer to Appendix 1: Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Strategy of Signify

Contribution to Signify's sustainability strategy

Signify focuses on the following sustainable focal areas in its sustainability strategy: i) climate action; ii) circular economy; iii) food availability; iv) safety and security; and v) health and wellbeing. Signify's sustainability strategy is one of the five pillars of the Company's business strategy.⁹

As part of its sustainability strategy, Signify aims to reduce scope 1, 2 and 3 emissions by 40% by the end of 2025 compared to a 2019 baseline,¹⁰ and to increase revenues from circular products, systems and services to 32% by 2025, compared to the 29% reached at the end of 2022. Furthermore, the Company is committed to sustainable packaging, requiring the use of 80% recycled paper, removing plastics from all consumer packaging in 2023, and to sending zero waste to landfill.¹¹ Signify has targets to reduce scope 1 and 2 GHG emissions by 70% and scope 3 GHG emissions by 30% by 2030 compared to 2015 baseline, which have been validated by the Science-Based Targets Initiative (SBTi).¹²

At the end of 2022, the Company achieved a 57% reduction of absolute scope 1 and 2 GHG emissions compared to a 2015 baseline and a 30% reduction of scope 3 GHG emissions from its value chain compared to a 2019 baseline.¹³ In September 2020, the Company reached carbon neutrality on its global manufacturing facilities, non-industrial locations, upstream and downstream logistics activities and business travel, and sources 100% of renewable electricity in its global operations.¹⁴ Regarding packaging, at the end of 2022, consumer packaging was plastic-free in all the Company's markets except in China for two product lines, and Signify sent zero waste to landfill in all of its sites except for one site from a recent acquisition. Additionally, Signify has a partnership with the Climate Group,¹⁵ through which the Company took on commitments related to renewable energy and clean transportation. Signify also participates in energy efficiency policy consultations and advocacy efforts through the European Alliance to Save Energy in Europe,¹⁶ the Business Council for Sustainable Energy¹⁷ and the Alliance to Save Energy in the US.^{18,19} In 2022, the Company achieved an A in the climate questionnaire conducted by the Carbon Disclosure Project (CDP),²⁰ which provides a snapshot of the Company's disclosure of environmental performance, and featured in the CDP's annual Supplier Engagement Rating leaderboard,²¹ which evaluates corporate supply chain engagement on climate issues.²²

Sustainalytics is of the opinion that the Signify Green Finance Framework is aligned with the Company's overall sustainability strategy and initiatives and will further Signify's action on its key environmental priorities.

⁹ Signify, "Signify company strategy", at: <https://www.signify.com/global/our-company/about-us/strategy>

¹⁰ Signify, "Annual Report 2022", (2022), at: <https://www.signify.com/static/2022/signify-annual-report-2022.pdf>

¹¹ Ibid.

¹² Signify, "Companies taking action", at: <https://sciencebasedtargets.org/companies-taking-action>

¹³ Signify, "Annual Report 2022", (2022), at: <https://www.signify.com/static/2022/signify-annual-report-2022.pdf>

¹⁴ Ibid.

¹⁵ Signify, "About Us", at: <https://www.theclimategroup.org/about-us>

¹⁶ European Alliance to Save Energy in Europe, "About Us", at: <https://euase.net/about-us/>

¹⁷ Business Council for Sustainable Energy, "About BCSE", at: <https://bcse.org/about-bcse/>

¹⁸ Alliance to Save Energy, "Who we are", at: <https://www.ase.org/about>

¹⁹ Signify, "Annual Report 2022", (2022), at: <https://www.signify.com/static/2022/signify-annual-report-2022.pdf>

²⁰ CDP, "CDP scores explained", at: <https://www.cdp.net/en/scores/cdp-scores-explained>

²¹ CDP, "Supplier Engagement Rating Leaderboard", (2022), at: <https://www.cdp.net/en/research/global-reports/scoping-out-tracking-nature-across-the-supply-chain>

²² Signify, "Annual Report 2022", (2022), at: <https://www.signify.com/static/2022/signify-annual-report-2022.pdf>

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the proceeds from the instruments issued under the Framework will be directed towards eligible projects that are expected to have positive environmental and social impacts. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects may include issues involving emissions and product governance, occupational health and safety, and human rights in the operations and supply chain.

Sustainalytics is of the opinion that Signify is able to manage and mitigate potential risks through implementation of the following:

- Signify's Sustainability Policy and Environment, Health & Safety (EHS) Policy showcase the Company's focus on carbon neutrality, renewable electricity, zero waste to landfill, and nature protection by committing to preventing pollution, reducing emissions to air, soil and water, minimizing the use of water, and preserving biodiversity. Signify's EHS management systems operate in accordance with the international standard ISO14001²³, which is designed to provide assurance that environmental impact is being measured and improved.²⁴ All products and systems delivered to countries requiring the CE marking²⁵ are compliant with the Restriction of Hazardous Substances in Electrical and Electronic Equipment (RoHS) Directive²⁶ and Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) regulation.²⁷ Signify requires all suppliers to communicate all substances in their components and to comply with the stipulations listed in Signify's Regulated Substance List.²⁸
- To address occupational health and safety risks, under the EHS Policy, Signify operates in accordance with the international standard ISO45001,²⁹ which is designed to prevent injuries and ill health and provide a safe and healthy workplace, having 61% of its manufacturing sites certified with the standard at the end of 2022.³⁰ Additionally, the Company has a safety alerts process in place and a campaign called STAR (Stop-Think-Act-Reflect) to increase hazard awareness of employees and to promote accountability to stop and speak up when facing a non-standard or hazardous situation at work.³¹
- Signify's Human Rights Policy³² recognizes, at a minimum, the International Bill of Human Rights,³³ the International Labour Organization (ILO) declaration on Fundamental Principles and Rights at Work,³⁴ and locally applicable laws and regulations. In 2017, Signify joined the United Nations Global Compact and is committed to upholding its ten principles governing human rights, labor standards, environmental responsibility and anti-corruption.³⁵ Signify has also a Child Labor Policy,³⁶ which sets expectations for Company's suppliers, including prohibiting child labour in all stages of manufacturing.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Signify has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible category.

²³ ISO, "ISO 14001 and related standards - Environmental management", at: <https://www.iso.org/iso-14001-environmental-management.html>

²⁴ Signify, "Signify Environment, Health & Safety Policy", (2025), at: <https://www.assets.signify.com/is/content/Signify/Assets/signify/global/20230112-qs-000166-signify-environment-health-and-safety-policy.pdf>

²⁵ European Union, "CE Marking", at: https://europa.eu/youreurope/business/product-requirements/labels-markings/ce-marking/index_en.htm

²⁶ European Parliament, "Directive 2011/65/EU of the European Parliament and of the Council", (2011), at: <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2011:174:0088:0110:en:PDF>

²⁷ European Parliament, "Regulation (EC) No 1907/2006 of the European Parliament and of the Council", (2006), at: <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2007:136:0003:0280:en:PDF>

²⁸ Signify, "Signify Regulated Substances List", (2023), at: <https://www.assets.signify.com/is/content/Signify/Assets/signify/global/20230824-qs-014360-signify-regulated-substances-list-rsl-2023-2.pdf>

²⁹ ISO, "ISO 45001:2018 Occupational health and safety management systems – Requirements with guidance for use", at: <https://www.iso.org/standard/63787.html>

³⁰ Signify, "Signify Environment, Health & Safety Policy", (2025), at: <https://www.assets.signify.com/is/content/Signify/Assets/signify/global/20230112-qs-000166-signify-environment-health-and-safety-policy.pdf>

³¹ Signify, "Annual Report 2022", (2022), at: <https://www.signify.com/static/2022/signify-annual-report-2022.pdf>

³² Signify, "Signify Human Rights Policy", (2022), at: <https://www.assets.signify.com/is/content/Signify/Assets/signify/global/20230518-qs-001089-human-rights-policy-november-2022-final.pdf>

³³ UN Human Rights Office of the High Commissioner, "International Bill of Human Rights", at: <https://www.ohchr.org/en/what-are-human-rights/international-bill-human-rights>

³⁴ ILO, "ILO Declaration on Fundamental Principles and Rights at Work", (2022), at: <https://www.ilo.org/declaration/lang-en/index.htm>

³⁵ UN Global Compact, "Signify", at: <https://unglobalcompact.org/what-is-gc/participants/121991-Signify>

³⁶ Signify, "Child Labor Policy", at: <https://www.assets.signify.com/is/content/Signify/Assets/signify/global/20210302-child-labor-policy.pdf>

Section 3: Impact of Use of Proceeds

The use of proceeds category is aligned with those recognized by the GBP and GLP. Sustainalytics describes below the impact in the local context.

Importance of financing LED lighting technologies

Electricity for lighting accounts for approximately 6% of global electricity consumption and 20% of global energy-related GHG emissions as of 2022.^{37,38,39} It is estimated that a global switch from incandescent lamps to LED technology could save more than 1,400 million tonnes of CO₂ and avoid the construction of 1,250 power stations.⁴⁰ The International Energy Agency (IEA) estimates that LED technology needs to be predominantly sold in all countries for the net 2050 zero emissions scenario to be met.⁴¹ In 2022, residential LED sales increased to reach nearly 50% of the market from approximately 5% in 2013. LED efficacy has also improved in recent years from an average of 68 lm/W in 2010 to 111 lm/W in 2022. To align with the 2050 net zero scenario, the IEA estimates that LED efficacy needs to reach 140 lm/W by 2030, which would be 30% higher than the 2022 average.⁴²

Several national policies and international collaborations are paving the way to improve the efficiency of lighting. A group of 90 countries representing 80% of the global lighting electricity consumption currently use minimum energy performance standards and prohibit low-efficacy lighting products in the market.⁴³ In the EU, the 2009 Ecodesign regulation⁴⁴ mandated a phase-out of incandescent lamps. The Ecodesign regulation and the RoHS Directive,⁴⁵ which regulates hazardous substances in electrical equipment, aim to move the EU market away from mercury-containing fluorescent lighting.⁴⁶ As a result, compact fluorescents and all general-purpose fluorescent lamps are expected to be phased out in the EU by the end of 2023.⁴⁷ In Africa, 36 countries submitted a joint proposal to the Minamata Convention on Mercury, calling for the phase-out of compact fluorescent lamps in the African continent by 2024 and linear fluorescent lamps by 2025.⁴⁸ Likewise in the US, state legislatures are gradually phasing out fluorescent lamps and, in China, fiscal incentives have been put forward to stimulate the shift to LED technologies in lighting.⁴⁹ Major international collaboration initiatives such as the Energy-Efficient End-use Equipment (4E),⁵⁰ the Super-Efficient Equipment and Appliance Deployment (SEAD) Initiative,⁵¹ the Collaborative Labelling and Appliance Standards Program (CLASP),⁵² and United for Efficiency (U4E) provide support governments in developing effective lighting policies.⁵³

Based on the above, Sustainalytics views Signify's efforts to increase the availability of LED lighting products as having the potential to contribute to the improvement of the overall efficiency and decarbonization of the lighting industry.

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the Signify Green Finance Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
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³⁷ IEA, "Lighting", (2022), at: <https://www.iea.org/energy-system/buildings/lighting>

³⁸ IEA, "CO2 Emissions in 2022", (2022), at: <https://www.iea.org/reports/co2-emissions-in-2022>

³⁹ IEA, "Electricity Market Report 2023", (2023), at: <https://iea.blob.core.windows.net/assets/255e9c8a-da84-4681-8c1f-458ca1a3d9ca/ElectricityMarketReport2023.pdf>

⁴⁰ The Climate Group, "LED", at: <https://www.theclimategroup.org/led>

⁴¹ IEA, "Lighting", (2022), at: <https://www.iea.org/energy-system/buildings/lighting>

⁴² Ibid.

⁴³ Ibid.

⁴⁴ European Parliament, "Directive 2009/125/EC of the European Parliament and of the Council", (2009), at: <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=celex%3A32009L0125>

⁴⁵ European Parliament, "Directive 2011/65/EU of the European Parliament and of the Council", (2011), at: <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2011:174:0088:0110:en:PDF>

⁴⁶ IEA, "Lighting", (2022), at: <https://www.iea.org/energy-system/buildings/lighting>

⁴⁷ Ibid.

⁴⁸ Ibid.

⁴⁹ IEA, "Lighting", (2022), at: <https://www.iea.org/energy-system/buildings/lighting>

⁵⁰ 4E, "About 4E", at: <https://www.iea-4e.org/about-4e/>

⁵¹ Clean Energy Ministerial, "SEAD", at: https://www.cleanenergyministerial.org/initiatives-campaigns/super-efficient-equipment-and-deployment-sead-initiative/?_years=2021

⁵² CLASP, "About", at: <https://www.clasp.ngo/about/>

⁵³ U4E, "About", at: <https://united4efficiency.org/about-the-partnership/>

Eco-efficient and Circular Economy-Adapted Products, Production Technologies and Processes	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
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Conclusion

Signify has developed the Signify Green Finance Framework under which it may issue green bonds, private placements, commercial paper, promissory notes (Schuldscheindarlehen) and borrow loans, and use the proceeds to finance LED lighting products expected to contribute to the improvement of the overall efficiency and decarbonization of the lighting industry. Sustainalytics considers that the projects funded by the green finance proceeds are expected to provide positive environmental impacts.

The Signify Green Finance Framework outlines a process for tracking, allocating and managing proceeds, and makes commitments for Signify to report on the allocation and impact of their use. Sustainalytics believes that the Signify Green Finance Framework is aligned with the overall sustainability strategy of the Company and that the use of proceeds is expected to contribute to the advancement of the UN Sustainable Development Goal 9. Additionally, Sustainalytics is of the opinion that Signify has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that Signify is well positioned to issue green finance instruments and that the Signify Green Finance Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021 and Green Loan Principles 2023.

Appendix

Appendix 1: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Signify NV
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Signify Green Finance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	October 20, 2023
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The review:

- assessed the 4 core components of the Principles (**complete review**) and confirmed the alignment with the GBP/SBP/SBG (*delete where appropriate*).
- assessed only some of them (**partial review**) and confirmed the alignment with the GBP/SBP/SBG (*delete where appropriate*); please indicate which ones:
 - Use of Proceeds
 - Management of Proceeds
 - Process for Project Evaluation and Selection
 - Reporting
- assessed the alignment with other regulations or standards (CBI, EU GBS, ASEAN Green Bond Standard, ISO 14030, etc.); please indicate which ones:

ROLE(S) OF INDEPENDENT REVIEW PROVIDER

- Second Party Opinion
- Verification
- Other (please specify):
- Certification
- Scoring/Rating

Does the review include a sustainability quality score?

- Of the issuer
- Of the Framework
- Of the project
- Other (please specify):

- No scoring

ASSESSMENT OF THE PROJECT(S)

Does the review include:

- The environmental and social features of the type of project(s) intended for the Use of Proceeds?
- The environmental and social benefits and impact targeted by the eligible Green and Social Project(s) financed by the Green, Social or Sustainability Bond?
- The potentially material environmental and social risks associated with the project(s) (where relevant)?

ISSUER'S OVERARCHING OBJECTIVES

Does the review include:

- An assessment of the issuer's overarching sustainability objectives and strategy, and the policies and processes towards their delivery?
- An identification and assessment of environmental, social and governance related risks of adverse impact through the Issuer's [actions] and explanations on how they are managed and mitigated by the issuer?
- A reference to the issuer's relevant regulations, standards, or frameworks for sustainability-related disclosure and reporting?

CLIMATE TRANSITION STRATEGY

Does the review assess:

- The issuer's climate transition strategy & governance?
- The alignment of both the long-term and short/medium-term targets with the relevant regional, sector, or international climate scenario?
- The credibility of the issuer's climate transition strategy to reach its targets?
- The level/type of independent governance and oversight of the issuer's climate transition strategy (e.g. by independent members of the board, dedicated board sub-committees with relevant expertise, or via the submission of an issuer's climate transition strategy to shareholders' approval).
- If appropriate, the materiality of the planned transition trajectory in the context of the issuers overall business (including the relevant historical datapoints)?
- The alignment of the issuer's proposed strategy and targets with appropriate science-based targets and transition pathways that are deemed necessary to limit climate change to targeted levels?
- The comprehensiveness of the issuer's disclosure to help investors assess its performance holistically?

Overall comment on this section:

The eligible category for the use of proceeds Eco-efficient and Circular Economy-Adapted Products, Production Technologies and Processes is aligned with those recognized by the Green Bond Principles and the Green Loan Principles. Sustainability considers that investments in the eligible category will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 9.

Section 3. Detailed review

1. USE OF PROCEEDS

Does the review assess:

- the environmental/social benefits of the project(s)?
- whether those benefits are quantifiable and meaningful?

for social projects, whether the target population is properly identified?

Does the review assess if the issuer provides clear information on:

the estimated proceeds allocation per project category (in case of multiple projects)?

the estimated share of financing vs. re-financing (and the related lookback period)?

Overall comment on this section:

The eligible category for the use of proceeds Eco-efficient and Circular Economy-Adapted Products, Production Technologies and Processes is aligned with those recognized by the Green Bond Principles and the Green Loan Principles. Sustainalytics considers that investments in the eligible category will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 9.

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Does the review assess:

whether the eligibility of the project(s) is aligned with official or market-based taxonomies or recognised international standards? Please specify which ones. Sustainalytics has a proprietary taxonomy which is influenced by the EU taxonomy, Climate Bonds Initiative taxonomy as well as international standards

whether the eligible projects are aligned with the overall sustainability strategy of the issuer and if the eligible projects are aligned with material ESG-related objectives in the issuer's industry?

the process and governance to set the eligibility criteria including, if applicable, exclusion criteria?

the processes by which the issuer identifies and manages perceived social and environmental risks associated with the relevant project(s)?

any process in place to identify mitigants to known material risks of negative social and environmental impacts from the relevant project(s)?

Overall comment on this section:

Signify's Sustainability Investments Committee is responsible for evaluating and selecting eligible projects in accordance with the eligibility criteria set in the Framework. Signify has in place a due diligence process to mitigate the environmental and social risks associated with the eligible green projects. Sustainalytics considers the project selection process in line with market practice.

3. MANAGEMENT OF PROCEEDS

Does the review assess:

the issuer's policy for segregating or tracking the proceeds in an appropriate manner?

the intended types of temporary investment instruments for unallocated proceeds?

Whether an external auditor will verify the internal tracking of the proceeds and the allocation of the funds?

Overall comment on this section:

Signify's treasury department and control department will be responsible for the management of proceeds. The allocation of proceeds will be tracked using the Company's internal controls system. Signify intends to allocate the net proceeds within 12 months of issuance. Pending full allocation, proceeds will be held in cash or cash equivalents, and short term liquid instruments. This is in line with market practice.

4. REPORTING

Does the review assess:

the expected type of allocation and impact reporting (bond-by-bond or on a portfolio basis)?

- the frequency and the means of disclosure?
- the disclosure of the methodology of the expected or achieved impact of the financed project(s)?

Overall comment on this section:

Signify commits to report on the allocation of proceeds and corresponding impact on an annual basis until full allocation on its website. Allocation reporting will include the amount of net proceeds allocated to the eligible projects, the amount of unallocated proceeds, the proportion of financing versus refinancing and the total of Signify's sustainable products and services which are included under the EU Taxonomy Regulation. Impact reporting may include estimated annual avoided GHG emissions from product use (tCO₂e/year). Sustainalytics views Signify's allocation and impact reporting as aligned with market practice.

Section 4. Additional Information

Useful links (e.g. to the external review provider's methodology or credentials, to the full review, to issuer's documentation, etc.)

Analysis of the contribution of the project(s) to the UN Sustainable Development Goals:

Additional assessment in relation to the issuer/bond framework/eligible project(s):

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

- i. Second-Party Opinion: An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. Green Bond Scoring/Rating: An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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