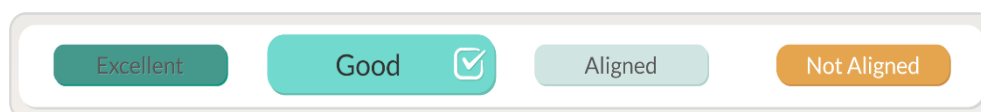


# Pepco Group N.V.

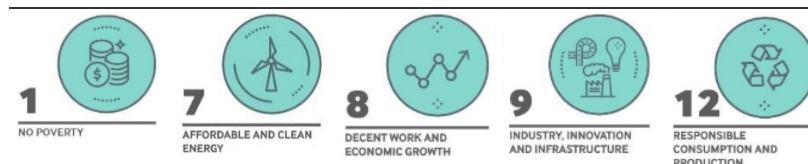
## Second-Party Opinion – Sustainable Finance Framework

Pepco Group N.V. (Pepco) is a large-scale variety discount retailer operating in Europe under the brands Pepco and Dealz. Pepco has published a sustainable finance framework. The use of proceeds (UoP) categories include environmentally sustainable management of living natural resources and land use, renewable energy, green buildings, and socioeconomic advancement and empowerment. The framework aligns with the core pillars of the ICMA principles.



Pillar	Alignment	Key Drivers
Use of Proceeds	Good	<ul style="list-style-type: none"> <li>Sustainable Fitch views the framework's UoP categories as aligned with the ICMA Green Bond Principles (GBP) and Social Bond Principles (SBP), and the LMA, LSTA and APLMA Green Loan Principles (GLP) and Social Loan Principles (SLP).</li> <li>The UoP categories have an overall good environmental or social impact. We positively view the purchase of sustainable agriculture-certified textiles, as it can lower embodied emissions in apparel and home textiles.</li> </ul>
Use of Proceeds – Other Information	Good	<ul style="list-style-type: none"> <li>The framework includes a clearly defined list of controversial projects, providing assurance that investments will align to Pepco's sustainability objectives.</li> <li>The outcome of the assessment is limited by the absence of a pre-identified proportion of new project financing, which would provide clarity on the framework's contribution to new environmental or social impacts.</li> </ul>
Evaluation and Selection	Excellent	<ul style="list-style-type: none"> <li>The process for project evaluation and selection is clearly defined, with various team representatives' inputs, including sustainability personnel. We consider the single-layered control structure to align with standard market practice.</li> </ul>
Management of Proceeds	Good	<ul style="list-style-type: none"> <li>Pepco's commitment to monitor projects and remove projects in the case of ineligibility supports the assessment outcome.</li> <li>The assessment is limited by the proceeds tracking method of internal earmarking and the holding of unallocated proceeds as company liquidity. Proceeds management via separate bank account is best practice.</li> </ul>
Reporting and Transparency	Excellent	<ul style="list-style-type: none"> <li>Its commitment to annual allocation and impact reporting until maturity is aligned to the GBP, SBP, GLP and SLP. We positively assess the framework's reference to an external impact reporting methodology, which increases transparency.</li> <li>Aggregated allocation and impact reporting reflects a level of disclosure granularity that aligns with standard market practice. Reporting at project level for each bond is best practice, as it enhances transparency and traceability.</li> </ul>

### Relevant UN Sustainable Development Goals



Framework Type	Sustainability
Alignment	<ul style="list-style-type: none"> <li>✓ Green Bond Principles 2025 (ICMA)</li> <li>✓ Pre-Issuance Check List for Green Bonds 2023 (ICMA)</li> <li>✓ Social Bond Principles 2025 (ICMA)</li> <li>✓ Pre-Issuance Check List for Social Bonds 2023 (ICMA)</li> <li>✓ Sustainability Bond Guidelines 2021 (ICMA)</li> <li>✓ Green Loan Principles 2025 (LMA/LSTA/APLMA)</li> <li>✓ Social Loan Principles 2025 (LMA/LSTA/APLMA)</li> </ul>
Date assigned	29 September 2025

See Appendix B for definitions.

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## Use of Proceeds Summary – ICMA Categories

<b>Green</b>	Environmentally sustainable management of living natural resources and land use Renewable energy Green buildings
<b>Social</b>	Socioeconomic advancement and empowerment

Source: Pepco sustainable finance framework (September 2025)

## Framework Highlights

We consider transactions under this sustainable finance framework to be aligned with the ICMA GBP and SBP, and the LMA, LSTA and APLMA GLP and SLP.

Pepco aims for its inaugural sustainable finance framework to align its financing needs with its sustainability strategy and highlights its contribution to the objectives of the EU Green Deal, to the Paris Climate Agreement and to the UN Sustainable Development Goals (SDGs).

The framework includes three green and one social UoP categories: environmentally sustainable management of living natural resources and land use, renewable energy, green buildings, and socioeconomic advancement and empowerment. It outlines processes for project evaluation and selection, management of proceeds and reporting, in line with the four core components of the ICMA GBP and SBP.

We consider investments under the environmentally sustainable management of living natural resources and land use category to contribute to the transition to a circular economy and to the protection and restoration of biodiversity and ecosystems. We expect investments under the renewable energy and green buildings UoP categories to contribute to climate change mitigation. We consider investments under the socioeconomic advancement and empowerment category to make contributions to social SDGs.

The environmentally sustainable management of living natural resources and land use UoP covers investments and expenditures in environmentally preferred textiles certified by third-party sustainability standards, indicating credible assurance on sourcing, from sustainable or organic farming practice, or recycled textiles.

The renewable energy UoP covers expenditures related to renewable energy certificates (RECs), thereby promoting renewable energy generation for consumption and low-carbon operations. The positive environmental impact is further enhanced with the underlying energy source being from solar and wind power.

The green buildings UoP covers the acquisition, ownership and lease of stores, offices or logistics centres that meet defined criteria, covering energy performance certificate (EPC) ratings, green building certifications and primary energy demand (PED) performance. Pepco aims for the category to improve the energy-efficiency performance and other environmental benefits of its property portfolio.

The socioeconomic advancement and empowerment UoP covers investments and expenditures in ethically sourced textiles under the Fairtrade Textile Standard or comparable certification schemes, mitigating social challenges such as violations of decent work principles and limitations in labour law enforcement, aligning with the broader commitment to sustainable development through responsible procurement practices.

The evaluation and selection process is rigorous, the framework discusses the company's approach to managing ESG risks and commits to regular reporting, although it remains open on the granularity of disclosure.

The ICMA GBP and SBP, and the LMA, APLMA and LSTA GLP and SLP recommend that eligible projects are clearly described in the legal documentation of the transaction. We have only reviewed the sustainable finance framework for this Second-Party Opinion and have not reviewed any transaction-related legal documents or marketing materials; however, the framework provides the description of the projects.

Source: Sustainable Fitch, Pepco sustainable finance framework (September 2025)



## Entity Highlights

Pepco is a large-scale variety discount retailer established in 2015. It operates around 4,000 stores across 18 countries in Europe: central and eastern Europe, Spain and Italy, as of September 2025. Its operations include its core business, which is its independent value retailer Pepco, and its smaller fast-moving consumer goods retailer Dealz. It also operates its global sourcing arm, Pepco Global Sourcing. The company is listed on the Warsaw Stock Exchange.

In June 2025, Pepco announced it completed the sale of its Poundland business, and its Dealz businesses in Ireland and Isle of Man to Gordon Brothers. These divestments signal Pepco's progress in exiting the fast-moving consumer goods business format group-wide. The company reported revenue of EUR6.2 billion in the financial year to end-September 2024 (FY24), of which 62% was attributed to its Pepco brand, 33% to Poundland and 5% to Dealz.

Its Pepco brand, which has a large presence in Poland, offers products such as apparel, household goods and toys at the lowest prices. The Dealz brand, which operates in Poland across 203 towns and cities, offers over 3,000 products in 15 categories at the lowest prices. Pepco Global Sourcing is the company's vertically integrated sourcing entity, which provides product sourcing, product development and technical services to its brands. It is responsible for over 75% of the general merchandise and apparel items its brands offer.

The environmental footprint of operating a discount retail and fast-moving consumer goods business model is substantial; it includes impact from materials and productions, packaging and waste, supply chain and transportation, and product life cycle. Further environmental impact comes from operating its stores.

According to the Textile Exchange's 2025 Recycled Polyester Challenge, 52% of global fibre production is polyester, with the apparel industry consuming around 70% of all polyethylene terephthalate made by petrochemical companies. Single-use plastic waste, including packaging, represents nearly 40% of all plastic produced globally. Only a small percentage of packaging is effectively recycled, with mechanical recycling limited to certain types of plastics and chemical recycling not yet economically viable at large scale.

The emissions profile in the sector is dominated by supply chain sources. The purchased goods and services category captures the embodied emissions from raw material sourcing, manufacturing, finishing and packaging of high-volume, fast-turn products – typically the largest component of the footprint in discount retail. Additional Scope 3 contributors include capital goods (store fit-outs, fixtures and equipment) and upstream transportation and distribution (frequent deliveries and shipping). In FY24, the group reported that Scope 3 emissions formed 95% of its total GHG emissions, at 2.95 million tCO<sub>2</sub>e.

Pepco's product offerings require raw material input which could be sourced from third parties, such as farmers or producers of textiles from the Global South. The social implications of this include risks that exist within the supply chain such as modern slavery, limited labour protections and marginalising smallholder farmers.

Pepco has committed to reach net-zero emissions by 2050, with additional goals to reach net-zero Scope 1 emissions by 2035 and net-zero Scope 2 emissions by 2040. In FY24, Pepco launched its new five-year ESG strategy 2025–2030. Its three core pillars are planet, people and product, which were identified through double materiality assessments.

It has set measurable, time-bound targets to track progress against its ESG strategy. These include reducing Scopes 1 and 2 emissions by 50% by 2030 and reducing supply chain carbon emissions by 25% by 2035, against the FY24 baseline. Part of its net-zero carbon transition plan includes the adoption of 100% renewable energy for its operations. This will be realised through investing in on-site renewable energy projects, purchasing RECs and exploring renewable power purchase agreements. It is also targeting at least 30% certified cotton in own-brand products by 2030. As of FY24, 26% of cotton was certified in its own-brand range by internationally recognised external standards, such as Better Cotton.

The Better Cotton Standard System is a global framework for more sustainable cotton production. Environmentally, it focuses on reducing harmful pesticide and fertiliser use, improving soil health, optimising water stewardship, protecting biodiversity and lowering GHG emissions. Socially, it promotes decent work, including prohibitions on forced and child labour,



safe working conditions, fair pay and working hours, gender equity and worker empowerment, and respect for smallholder livelihoods. It uses farm-level training, assurance and continuous improvement to drive measurable outcomes across these areas.

On the social side, Pepco aims for 100% of its own-brand products to be made in category 1, 2 and 3 factories by 2027 and had made 97.4% progress as of FY24. The group defines category 1, 2 and 3 factories as having no-risk to medium-risk issues and approved for new business with the group.

Source: Sustainable Fitch, Pepco sustainable finance framework (September 2025)



## Use of Proceeds – Eligible Projects

## Alignment: Good

### Company Material

### Sustainable Fitch's View

#### Environmentally sustainable management of living natural resources and land use

- This UoP includes investments and expenditures in environmentally preferred textiles, including sourcing, directly or through suppliers, of textiles certified by third-party sustainability standards such as:
  - Better Cotton;
  - GOTS Organic and Transitional Organic fabrics;
  - OCS Organic and Transitional Organic fabrics;
  - recycled textiles – Global Recycled Standard or Recycled Claim Standard certified;
  - EU Ecolabel for textiles;
  - Cotton Connect REEL Code of Conduct and/or Regenerative Code;
  - cellulosic fibres Forest Stewardship Council or Programme for the Endorsement of Forest Certification certified; and
  - other equivalent internationally recognised textile certifications.


- This UoP is aligned with the ICMA GBP category of environmentally sustainable management of living natural resources and land use.
- Textile production and raw fibre cultivation can cause water stress, chemical pollution and land conversion, with life-cycle GHG emissions influenced by farming practices, fibre selection and recycling rates. Strengthening standards for fibre sourcing and increasing recycled content can reduce upstream environmental pressures and lower embodied emissions in apparel and home textiles.
- Eligible projects in this category mitigate material risks by promoting textiles produced under external schemes such as the Better Cotton standard and organic standards, which aim to reduce pesticide use and improve soil and water stewardship.
- Transitional organic textiles may deliver environmental benefits; however, in the absence of full third-party certification their environmental impact is less certain, and we view them as less robust than fully certified organic crops.
- Additionally, OCS certifies cotton production against either OCS 100, which ensures at least 95% organic content, and OCS Blended, which includes a minimum of 5% organic content. We have assessed OCS Blended conservatively, as the share of organic cotton versus conventional cotton is uncertain.
- Pepco has indicated its intent to focus on procuring cotton certified by the Better Cotton standard. Better Cotton's principles and criteria set clear, farm-level requirements that are checked through an assurance system, focusing on environmental stewardship, decent work and effective farm management. There are specific requirements around biodiversity and water management, and pesticide use.
- The framework does not commit to purchase textiles woven from non-GMO crops; however, sustainable agriculture standards, such as the GOTS Organic and OCS Organic standards and the EU Ecolabel, require non-GMO seeds. We view the use of non-GMO crops positively, as reliance on monoculture enabled by GMO crops can undermine sustainable agricultural practices and biodiversity.
- Deforestation and land conversion is a pertinent issue in cultivating crops for textile use. The Intergovernmental Panel on Climate Change estimates that agriculture, forestry and other land use account for 13%–21% of global GHG emissions, with deforestation being responsible for 45% of total emissions from the sector.
- Better Cotton-certified producers ensure that no cotton is grown on land converted from natural ecosystems after 31 December 2020, which we view positively.
- Certification of cellulosic fibres under the Forest Stewardship Council or the Programme for the Endorsement of Forest Certification reduces deforestation and biodiversity risks.
- Recycled content verified under Global Recycled Standard or Recycled Claim Standard lowers demand for virgin feedstock and textile waste to landfill.
- We view science-based taxonomies as setting the most stringent standards for sustainable activities. In agriculture, leading frameworks set out credible pathways that







	<p>encompass both mitigation measures and adaptation and resilience measures for assets and projects.</p> <ul style="list-style-type: none"> <li>Mitigation measures involve a number of practices that result in a significant reduction in GHG emissions compared to a baseline scenario. This can involve adopting practices such as on-farm organic fertiliser production, energy-efficient traction, irrigation and storage, and precision agriculture.</li> </ul>
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#### Renewable energy

<ul style="list-style-type: none"> <li>This UoP includes expenditure related to certified renewable energy credits.</li> </ul>	<ul style="list-style-type: none"> <li>This UoP is aligned with the ICMA GBP category of renewable energy.</li> <li>RECs are market-based instruments that represent the environmental attributes of electricity generated from renewable energy sources. They support the shift to sustainable energy and decarbonisation, by providing proof that one MWh of electricity was generated from a renewable energy resource.</li> <li>The revised Renewable Energy Directive (EU/2023/2413) has set the EU's binding renewable energy consumption target for 2030 to a minimum of 42.5%. Shifting to renewable energy consumption supports the European Green Deal to achieve climate neutrality in the EU by 2050.</li> <li>Retail operations typically consume significant amounts of electricity for lighting, heating, cooling and other operational needs. Pepco operates over 4,500 stores across multiple European cities and may face challenges in implementing on-site renewable energy solutions at all locations.</li> <li>Pepco has confirmed that it will purchase bundled RECs, with the underlying electricity generated from solar and wind power.</li> <li>By purchasing bundled RECs, Pepco receives both the physical electricity, and the environmental attributes associated with that renewable generation. This represents a direct connection between renewable energy production and consumption.</li> <li>We consider bundled RECs to have a strong positive impact on the environment, reducing the reported emissions of the company's operations, in line with the GHG Protocol's carbon accounting methodology.</li> <li>We view positively the underlying electricity being generated from solar and wind power. These activities are eligible under EU taxonomy categories 4.1 "electricity generation using solar photovoltaic technology", 4.2 "electricity generation using concentrated solar power (CSP) technology" and 4.3 "electricity generation from wind power", respectively.</li> <li>The taxonomy considers these activities to have a substantial contribution to climate change mitigation without needing to meet any additional substantial contribution criteria (SCC).</li> </ul>	 <b>7</b> <b>AFFORDABLE AND CLEAN ENERGY</b>
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#### Green buildings

<ul style="list-style-type: none"> <li>This UoP includes projects related to the acquisition, ownership and lease of stores, offices or logistics centres that meet any of the following criteria: <ul style="list-style-type: none"> <li>buildings built before 31 December 2020 meeting one of the following: EPC label of at least A; or belong to the top 15% most energy-efficient buildings at the national or regional building stock based on PED;</li> <li>buildings built after 31 December 2020 meeting the following: energy performance at least 10% better than the threshold for nearly zero-energy buildings in the local market;</li> <li>buildings that have been refurbished meeting one of the following: reduction of PED of at least a 30%; or meets</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>This UoP is aligned with the ICMA GBP categories of green buildings, energy efficiency and renewable energy.</li> <li>Buildings significantly affect the environment through their intensive use of resources, with energy consumption being a primary concern. The long lifespan of buildings places further emphasis on the need to improve energy efficiency to mitigate energy consumption over time and prevent a delay in transitioning to net-zero emissions by 2050.</li> <li>Pepco's business activities include the operation of its stores in commercial buildings, with significant energy consumption and GHG emissions that require mitigating.</li> <li>The EU taxonomy recognises the construction, renovation and acquisition of buildings as activities that contribute to</li> </ul>	 <b>7</b> <b>AFFORDABLE AND CLEAN ENERGY</b>   <b>9</b> <b>INDUSTRY, INNOVATION AND INFRASTRUCTURE</b>
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<p>the criteria for “major renovations” under applicable building regulations; and</p> <ul style="list-style-type: none"> <li>– new, existing or refurbished commercial buildings which received, or are expected to receive, at least one of the following certifications: BREEAM Very Good or above, LEED Gold or above, DGNB Gold or above, HQE Excellent or above, or other equivalent internationally recognised green building certifications.</li> <li>• It also includes the financing and/or refinancing the installation, maintenance and/or repair of:             <ul style="list-style-type: none"> <li>– energy-efficiency equipment, where the measures comply with minimum requirements set for individual components and systems in the applicable national measures implementing Directive 2010/31/EU, and where applicable, are rated in the highest-two populated classes of energy efficiency in accordance with Regulation (EU) 2017/1369 and delegated acts adopted under that Regulation;</li> <li>– renewable energy technologies (on-site) and the ancillary equipment related to those technologies that includes solar PV systems, solar hot water panels, heat pumps contributing to the targets for renewable energy in heat and cool in accordance with Directive (EU) 2018/2001, heat exchanger or recovery systems, solar transpired collectors, and thermal or electric energy storage units;</li> <li>– instruments and devices for measuring, regulation and controlling of energy performance of buildings that includes zoned thermostats, smart thermostat systems and sensing equipment, including motion and day control, building automation and control systems, building energy management systems, lighting control systems and energy management systems, smart meters for heat, cool and electricity, and facade and roofing elements with a solar shading or solar control function, including those that support the growing of vegetation.</li> </ul> </li> </ul>	<p>climate change mitigation; it uses science-based energy performance criteria to assess this contribution.</p> <ul style="list-style-type: none"> <li>• The UoP criteria that relate to the acquisition, ownership and lease of stores, offices or logistics centres are eligible under EU taxonomy categories 7.7 “acquisition and ownership of buildings”, 7.1 “construction of new buildings” and 7.2 “renovation of existing buildings”.</li> <li>• The UoP criteria for buildings built before 31 December 2020 directly refer to the SCC of EU taxonomy category 7.7.</li> <li>• The SCC for acquisition and ownership of buildings require buildings built before 31 December 2020 to attain an EPC rating A or to be within the top 15% of the national or regional building stock, based on operational PED and at least distinguished between residential and non-residential buildings.</li> <li>• The eligibility criteria for buildings built after 31 December 2020 directly refer to the SCC of EU taxonomy category 7.1. We therefore expect these buildings to have a substantial contribution to climate change mitigation.</li> <li>• Pepco has stated in the framework that it may engage external consultants to identify buildings that fall within the relevant top 15% of national building stock in terms of energy performance and those that meet the criteria for 10% better energy performance than nearly zero-energy building requirements.</li> <li>• The UoP criteria for renovation require the renovation to lead to a reduction in PED of at least 30% compared to the energy performance of the building before the renovation, which directly refers to the SCC of EU taxonomy category 7.2. We expect this activity to have a substantial contribution to climate change mitigation.</li> <li>• Green building certifications are nationally or internationally recognised indicators of energy-efficiency performance and other environmental benefits. Buildings must meet minimum performance criteria for a range of environmental topics to qualify for green building certification under the BREEAM, LEED, DGNB or HQE schemes. We therefore expect these projects to have a positive environmental impact.</li> <li>• Energy-efficiency equipment is an eligible activity under EU taxonomy category 7.3 “installation, maintenance and repair of energy efficiency equipment”. The framework lacks visibility on the individual energy-efficiency projects towards which proceeds will be allocated.</li> <li>• Pepco has however confirmed that it will fully align with the SCC for category 7.3, which lists specific individual measures that are eligible, such as the addition of insulation to existing envelope components or energy-efficient light sources.</li> <li>• The framework does commit that projects will be rated in the highest two populated classes of energy efficiency and meet national requirements where applicable. These projects are expected to make a substantial contribution to climate change mitigation. We view positively the list of on-site renewable energy technologies which are eligible under EU taxonomy category 7.6 “installation, maintenance and repair of renewable energy technologies”.</li> <li>• On-site renewable energy technologies have numerous environmental benefits and align with the EU’s climate goals. They generate clean, renewable electricity and reduce reliance on fossil fuel-based grid power.</li> <li>• The taxonomy considers this activity to have a substantial contribution to climate change mitigation without needing to meet any additional SCC.</li> <li>• We view positively the installation, maintenance and repair of instruments and devices for measuring, regulation and</li> </ul>
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	<p>controlling energy performance of buildings, which directly relate to EU taxonomy category 7.5 “installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings”.</p> <ul style="list-style-type: none"> <li>• This facilitates sustainable and efficient building operations, delivering benefits to include optimised energy consumption, reduced operational costs, enhanced building performance monitoring, preventive maintenance capabilities, and substantial GHG emissions reductions.</li> <li>• The taxonomy considers this activity to have a substantial contribution to climate change mitigation without needing to meet any additional SCC.</li> </ul>
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#### Socioeconomic advancement and empowerment

<ul style="list-style-type: none"> <li>• This UoP includes investments and expenditures in ethically sourced textiles, including sourcing, directly or through suppliers, of textiles certified by third-party sustainability standards such as: <ul style="list-style-type: none"> <li>– Fairtrade Textile Standard; and</li> <li>– other equivalent internationally recognised textile certifications.</li> </ul> </li> <li>• Target populations include: <ul style="list-style-type: none"> <li>– textile workers in regions with limited labour protections, who benefit from improved wages, safer working conditions and enforcement of labour rights;</li> <li>– local communities surrounding textile production sites, often affected by environmental degradation and lacking access to social infrastructure, who gain from sustainable practices and targeted social investments; and</li> <li>– smallholder cotton farmers, frequently excluded from global markets, who are empowered through access to sustainable farming methods, fair pricing and inclusion in certified supply chains.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• This UoP is in line with the ICMA SBP’s socioeconomic advancement and empowerment project category.</li> <li>• Textile supply chains in key sourcing regions often face limited labour protections, wage insecurity and unsafe working conditions, with broader social risks affecting local communities.</li> <li>• Eligible projects under this UoP address these social risks by directing spend to ethically sourced textiles that use third-party oversight to promote fair remuneration, workplace safety and respect for labour rights.</li> <li>• Pepco has committed to purchase textiles certified to the Fairtrade Textile Standard. The standard’s social components build on the International Labour Organization’s core conventions and require safe workplaces, regulated hours, legally binding contracts, no child or forced labour, non-discrimination, and freedom of association and collective bargaining.</li> <li>• A key social benefit is a time-bound pathway toward living wages: employers and brands must develop and implement wage improvement plans, with brands committing to responsible purchasing and pricing practices that enable wage increases.</li> <li>• Pepco’s framework identifies the beneficiaries as textile workers, smallholder cotton farmers and local communities around production sites. Smallholder farmers and textile workers are frequently vulnerable to risks from manual labour, long working hours and exposure to harmful agrochemicals.</li> <li>• Low productivity due to difficult climate conditions, low seed quality, loss of soil fertility and a lack of knowledge regarding sustainable cotton production further creates livelihood insecurity for smallholder farmers. Promoting socioeconomic advancement and empowerment is thus particularly important to foster more equitable development.</li> <li>• Additionally, we view certified organic crops as socially beneficial, as these reduce potential health risks to farmers, workers and consumers due to the extensive use of harmful pesticides and toxic chemicals in conventional raw fibre farming and processing.</li> <li>• The Fairtrade Textile Standard does not ensure that textiles are made from organic fibres; however, it maintains a prohibited materials list for textiles in order to reduce the negative health impacts on workers. This list draws from international lists and regulations, such as the GOTS prohibited substance list.</li> <li>• This UoP contributes to SDGs 8 (decent work and economic growth) and 1 (no poverty).</li> </ul>	 <p><b>1</b> NO POVERTY</p>  <p><b>8</b> DECENT WORK AND ECONOMIC GROWTH</p>
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Source: Pepco sustainable finance framework (September 2025)

Source: Sustainable Fitch





## Use of Proceeds – Other Information

### Company Material

- An amount equivalent to the net proceeds from sustainable finance instruments issued by Pepco will be used to finance and/or refinance eligible sustainable projects which comply with the eligibility criteria outlined in the framework.
- Pepco's eligible sustainable projects include the current value of fixed assets (assets), capex, opex, cost of goods sold (COGS), investments or a combination thereof.
- Assets shall qualify for refinancing with no limitation with regards to lookback period, while capex, opex and COGS qualify with a maximum three-year lookback period.
- For the avoidance of doubt, under this framework Pepco will not finance and/or refinance any economic activity dedicated to hard coal, lignite, oil fuels, tobacco and controversial weapons.

Source: Pepco sustainable finance framework (September 2025)

## Alignment: Good

### Sustainable Fitch's View

- Pepco has committed to providing the share of financing and refinancing in its allocation reports, as recommended by the ICMA GBP and SBP, and the LMA, LSTA and APLMA GLP and SLP.
- Market guidance, such as the Green Bond Handbook from the International Finance Corporation, suggests that the market generally views financing as more positive than refinancing, as it brings more additionality from an environmental impact perspective by producing positive impact from projects that have not been recognised previously.
- The commitment to apply a three-year maximum lookback period to capex, opex and COGS is standard market practice. This aligns with the ICMA guidance handbook from June 2025, which recommends issuers disclose, and differentiate between, the lookback period for refinancing of capex and opex.
- The guidance, however, indicates a preference for a shorter lookback period for opex. We view a one-year lookback period as maintaining the integrity and relevance of the green and social financing by limiting the investment in existing projects, thus providing more additional positive environmental or social impact from the instruments.
- Pepco has specified a list of prohibited projects in the framework. This provides assurance that net proceeds will not be allocated to projects that contribute to environmental or social harm or that conflict with Pepco's sustainability objectives.

Source: Sustainable Fitch

## Evaluation and Selection

### Company Material

- Pepco has established a decision-making process within the framework to select eligible sustainable projects.
- Eligible projects are evaluated and selected by a dedicated internal sustainable finance working group, headed by the ESG executive committee and consisting of members of the finance, investor relations, legal, sustainability and treasury teams.
- The working group oversees and monitors allocation of proceeds to selected projects to ensure continued alignment with the eligibility criteria and is responsible for the preparation and validation of the allocation and impact reporting.
- It also monitors internal processes to identify known material risks of negative social and/or environmental impacts associated with the eligible sustainable projects and appropriate mitigation measures.
- Pepco complies with all applicable environmental and social laws and regulations. Its environmental and social risk policies define minimum standards for all its activities, including those financed with the proceeds of sustainable finance instruments issued under this framework.
- These policies are aligned with international standards and guidelines such as the International Labour Organization conventions. The company has also established risk management practices and processes that stem from collaboration with sustainability initiatives, namely Better Cotton and the Zero Discharge of Hazardous Chemicals Programme.
- ESG risks are approached via the internal control framework, where a "bottom-up" identification of risks is overlaid by those risks highlighted from the "top-down" review and challenge process by the group risk management team and group board.
- These assessments are aggregated, together with the consideration of risks existing at the group level, to compile an overall group-wide view of risk.

Source: Pepco sustainable finance framework (September 2025)

## Alignment: Excellent

### Sustainable Fitch's View

- Pepco's evaluation and selection process is overseen by its dedicated sustainable finance working group; it has committed to a structured and formal approach, to ensure alignment with the requirements of the ICMA GBP and SBP, and the LMA, LSTA and APLMA GLP and SLP.
- The working group members have multi-disciplinary expertise, which includes sustainability representation. Including sustainability personnel in the process helps ensure that the objectives and mechanics of the sustainability bond are aligned with the issuer's overall sustainability strategy.
- The evaluation and selection process for projects is solely managed by the sustainable finance working group, indicating a single-tiered control structure. This aligns with general market practice.
- Market best practice would be to use separate teams to separate the process of evaluating the projects for compliance with the framework's eligibility criteria from the process for selecting the green and social projects that are funded, as this provides additional checks and balances in the process.
- Pepco's framework provides comprehensive information on the processes by which it identifies and manages perceived environmental and social risks. This aligns with the project evaluation and selection process principles of the ICMA GBP and SBP.
- This ESG risk management approach is important because it demonstrates Pepco's governance maturity and commitment to sustainability through structured policies and processes.
- For investors and stakeholders, robust ESG risk management indicates the company can better anticipate, mitigate and manage environmental and social challenges.
- Additionally, alignment with international standards and participation in industry initiatives enhances credibility and transparency.

Source: Sustainable Fitch



## Management of Proceeds

## Alignment: Good

### Company Material

- Pepco will allocate proceeds to eligible sustainable projects in accordance with the eligibility criteria and the evaluation and selection process, within three years following the time of issuance of each sustainable finance instruments.
- Pending full allocation, unallocated (net) proceeds will be managed temporarily in accordance with Pepco's treasury principles (in cash, deposits, or other money market instruments), for the repayment of other indebtedness and/or other capital management activities, at the company's own discretion.
- If for any reasons, an eligible green or social project is no longer eligible during the allocation period, or in case of any major controversy affecting a project (at the company's own evaluation), such projects can be excluded or replaced with another eligible project.

Source: Pepco sustainable finance framework (September 2025)

### Sustainable Fitch's View

- Pepco has confirmed that net proceeds will be managed through an internal treasury management process; this is in line with general market practice. Market best practice for managing proceeds is to segregate the funds from normal treasury accounts via an SPV or a ringfenced sub-account. This prevents commingling of funds and provides assurance that funds will be used to bring about positive environmental or social impact throughout the instrument's term.
- Holding unallocated proceeds temporarily in cash or cash-equivalent instruments is in line with standard market practice and the ICMA GBP and SBP. Market best practice is to temporarily invest the unallocated proceeds into a restricted pool of assets or projects that have green or social characteristics. This allows the proceeds to align with the sustainability commitment throughout the bond or loan term.
- The ability to remove projects that no longer meet the eligibility criteria set out in the framework provides assurance to investors that the proceeds will continuously deliver positive environmental or social impact.

Source: Sustainable Fitch

## Reporting and Transparency

## Alignment: Excellent

### Company Material

- Pepco will make and keep readily available reporting on the allocation and impact of proceeds from sustainable finance instruments to the eligible sustainable projects annually and at least until full allocation (or until maturity).
- The reporting will be based at least on an aggregated category level and will be made publicly available on the company's website. The reporting will take into consideration the ICMA Handbook – Harmonised Framework for Impact Reporting for Green Bonds (June 2024).
- The allocation reporting will include the following information:
  - the amount of the identified eligible sustainable projects, on an aggregated basis per eligible category;
  - the balance of unallocated proceeds (if any);
  - the amount or the proportion of new financing and refinancing; and
  - the nature of the eligible sustainable projects (re)financed (assets, capex, opex and/or COGS).
- The impact report may include the following metrics:
  - for environmentally sustainable management of living natural resources and land use, the volume of environmentally preferred textiles purchased (tonnes), impact indicators provided by certifications, such as those for Better Cotton: estimated water saved (m3), estimated pesticides avoided (kg/lbs), estimated synthetic nitrogen avoided (kg);
  - for renewable energy, the renewable energy purchased volumes (MW);
  - for green buildings (commercial), the estimated annual energy consumption (kWh/year), estimated annual reduced and/or avoided energy consumption (kWh/year), share of buildings with EPC, type and level of green buildings certification achieved, renewable energy capacity installed (MW); and
  - for socioeconomic advancement and empowerment, the volume of ethically sourced textiles purchased (tonnes).
- Pepco may appoint specialised consultants to develop a methodology for the estimation and calculation of the impacts. The company will take into consideration the ICMA Handbook – Harmonised Framework for Impact Reporting for Green Bonds (June 2024) during the reporting process.
- Pepco will request annually until full allocation (or until maturity), a limited (reasonable) assurance report on the allocation of an amount

### Sustainable Fitch's View

- Pepco has committed to reporting on the allocation and impact of any sustainable finance instrument issued **annually until maturity** of the instrument, which aligns with the recommendations of the ICMA GBP and SBP.
- Pepco has committed to disclose the proportion of net proceeds allocated to new financing and refinancing. Visibility on the allocation of net proceeds to new projects shows the level of additionality that allocated proceeds have and provides sufficient transparency to stakeholders.
- The framework includes a commitment to reporting the allocation and impact of net proceeds, based on an aggregated category level. There is no commitment on whether this will be at bond or portfolio level.
- This level of disclosure granularity is in line with general market practice. We consider project-by-project reporting, segregated by individual instruments, to be more granular. This supports transparency and enables investors to attribute impact to the specific projects financed.
- We positively view the issuer's selection of impact metrics. The potential impact metrics are specifically measurable and aligned with recognised international market standards, namely the recommendations of the ICMA Handbook – Harmonised Framework for Impact Reporting from June 2024.
- Pepco has committed to obtaining an annual assurance report from an external auditor on the allocation reporting, which is standard market practice.
- The framework does not indicate that Pepco will seek external verification of its impact reporting. External verification can lend credibility to the reported impact metrics.



Reporting and Transparency	Alignment: Excellent
Company Material	Sustainable Fitch's View
equivalent to (net) proceeds from each sustainable finance instrument to the eligible sustainable projects, provided by an external auditor.	
Source: Pepco sustainable finance framework (September 2025)	Source: Sustainable Fitch



## Relevant UN Sustainable Development Goals

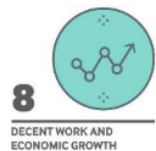
- **1.4:** By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.



- **7.2:** By 2030, increase substantially the share of renewable energy in the global energy mix.
- **7.3:** By 2030, double the global rate of improvement in energy efficiency.



- **8.7:** Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms.
- **8.8:** Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.



- **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.



- **12.2:** By 2030, achieve the sustainable management and efficient use of natural resources.



Source: Sustainable Fitch, UN



## Appendix A: Principles and Guidelines

### Type of Instrument: Sustainability

#### Four Pillars

1) Use of Proceeds (UoP)	Yes
2) Project Evaluation & Selection	Yes
3) Management of Proceeds	Yes
4) Reporting	Yes

#### Independent External Review Provider

Second-party opinion	Yes
Verification	Yes
Certification	No
Scoring/Rating	No
Other	n.a.

#### 1) Use of Proceeds as per GBP

Renewable energy	Yes
Energy efficiency	Yes
Pollution prevention and control	No
Environmentally sustainable management of living natural resources and land use	Yes
Terrestrial and aquatic biodiversity conservation	No
Clean transportation	No
Sustainable water and wastewater management	No
Climate change adaptation	No
Certified eco-efficient and/or circular economy adapted products, production technologies and processes	No
Green buildings	Yes
Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP	No
Other	n.a.

#### 1) Use of Proceeds as per SBP

Affordable basic infrastructure	No
Access to essential services	No
Affordable housing	No
Employment generation (through SME financing and microfinancing)	No
Food security	No
Socioeconomic advancement and empowerment	Yes
Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in SBP	No
Other	n.a.

#### 1) Target Populations

Living below the poverty line	No
Excluded and/or marginalised populations and /or communities	No
People with disabilities	No
Migrants and/or displaced persons	No
Undereducated	No
Underserved, owing to a lack of quality access to essential goods and services	No
Unemployed and/or workers affected by climate transition	No
Women and/or sexual and gender minorities	No
Aging populations and vulnerable youth	No



Other vulnerable groups, including as a result of natural disasters, climate change, and/or climate transition projects that cause or exacerbate socioeconomic inequity	No
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Other	Textile workers in regions with limited labour protections, local communities often affected by environmental degradation and lacking access to social infrastructure, smallholder cotton farmers frequently excluded from global markets.
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## 2) Project Evaluation and Selection

### Evaluation and Selection

Credentials on the issuer's social and green objectives	Yes
Documented process to determine that projects fit within defined categories	Yes
Defined and transparent criteria for projects eligible for sustainability instrument proceeds	Yes
Documented process to identify and manage potential ESG risks associated with the project	Yes
Summary criteria for project evaluation and selection publicly available	Yes
Other	n.a.

### Evaluation and Selection, Responsibility and Accountability

Evaluation and selection criteria subject to external advice or verification	No
In-house assessment	Yes
Other	n.a.

## 3) Management of Proceeds

### Tracking of Proceeds

Sustainability instrument proceeds segregated or tracked by the issuer in an appropriate manner	Yes
Disclosure of intended types of temporary investment instruments for unallocated proceeds	Yes
Other	n.a.

### Additional Disclosure

Allocations to future investments only	No
Allocations to both existing and future investments	Yes
Allocation to individual disbursements	No
Allocation to a portfolio of disbursements	Yes
Disclosure of portfolio balance of unallocated proceeds	Yes
Other	n.a.

## 4) Reporting

### UoP Reporting

Project-by-project	No
On a project portfolio basis	Yes
Linkage to individual instrument(s)	No
Other	n.a.

### UoP Reporting/Information Reported

Allocated amounts	Yes
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Sustainability instrument-financed share of total investment	No
Other	n.a.
<b>UoP Reporting/Frequency</b>	
Annual	Yes
Semi-annual	No
Other	n.a.
<b>Impact Reporting</b>	
Project-by-project	No
On a project portfolio basis	Yes
Linkage to individual instrument(s)	No
Other	n.a.
<b>Impact Reporting/Information Reported (exp. ex-post)</b>	
GHG emissions/savings	No
Energy savings	Yes
Decrease in water use	Yes
Number of beneficiaries	No
Target populations	No
Other ESG indicators	Volume of environmentally preferred textiles purchased (tonnes), estimated pesticides avoided (kg/lbs), estimated synthetic nitrogen avoided (kg), renewable energy purchased volumes (MW), estimated annual energy consumption (kWh/year), share of buildings with EPC, green buildings certifications achieved, renewable energy capacity installed (MW), volume of ethically sourced textiles purchased (tonnes).
<b>Impact Reporting/Frequency</b>	
Annual	Yes
Semi-annual	No
Other	n.a.
<b>Means of Disclosure</b>	
Information published in financial report	No
Information published in ad hoc documents	Yes
Information published in sustainability report	No
Reporting reviewed	Yes
Other	n.a.
Note: n.a. – not applicable. Source: Sustainable Fitch, ICMA, LMA, LSTA and APLMA	

## Appendix B: Definitions

Term	Definition
<b>Debt types</b>	
Green	Proceeds will be used for green projects and/or environmental-related activities as identified in the instrument documents. The instrument may be aligned with ICMA Green Bond Principles or other principles, guidelines or taxonomies.
Social	Proceeds will be used for social projects and/or social-related activities as identified in the instrument documents. The instrument may be aligned with ICMA Social Bond Principles or other principles, guidelines or taxonomies.
Sustainability	Proceeds will be used for a mix of green and social projects and/or environmental and social-related activities as identified in the instrument documents. The instrument may be aligned with ICMA Sustainability Bond Guidelines or other principles, guidelines, taxonomies.
Sustainability-linked	Financial and/or structural features are linked to the achievement of pre-defined sustainability objectives. Such features may be aligned with ICMA Sustainability-linked Bond Principles or other principles, guidelines or taxonomies. The instrument is often referred to as an SLB (sustainability-linked bond) or SLL (sustainability-linked loan).
Conventional	Proceeds are not destined for any green, social or sustainability project or activity, and the financial or structural features are not linked to any sustainability objective.
Other	Any other type of financing instrument or a combination of the above instruments.
<b>Standards</b>	
ICMA	International Capital Market Association. In the Second-Party Opinion we refer to alignment with ICMA's Bond Principles: a series of principles and guidelines for green, social, sustainability and sustainability-linked bonds.
LMA, LSTA and APLMA	Loan Market Association (LMA), Loan Syndications and Trading Association (LSTA) and Asia Pacific Loan Market Association (APLMA). In the Second-Party Opinion we refer to alignment with Sustainable Finance Loan Principles: a series of principles and guidelines for green, social and sustainability-linked loans.
EU Green Bond Standard	A set of voluntary standards <a href="#">created by the EU</a> to "enhance the effectiveness, transparency, accountability, comparability and credibility of the green bond market".

Source: Sustainable Fitch, ICMA, UN, EC Platform on Sustainable Finance

## Appendix C: Second-Party Opinion Methodology

### Second-Party Opinion

Second-Party Opinions (SPO) are a way for issuers to obtain an independent external review on their green, social, sustainability and sustainability-linked instruments.

As per the ICMA Guidelines for External Reviewers, an SPO entails an assessment of the alignment of the issuer's green, social, sustainability or sustainability-linked bond or loan issuance, framework or programme with the relevant principles. For these purposes, "alignment" should refer to all core components of the relevant principles.

Sustainable Fitch analysts vary the analysis based on the type of instruments, to consider whether there are defined uses of proceeds or KPIs and sustainability performance targets. The analysis is done on a standalone basis, separate to the entity.

### Analytical Process

The analysis considers all available relevant information (ESG and financial). The reports transparently display the sources of information analysed for each section and provide a line-by-line commentary on the sub-factors analysed. The ESG analysts working on an SPO will also engage directly with the issuer to acquire any additional relevant information not already in the public domain or in instrument-related documentation.

An important part of the analysis is the assessment of the E and S aspects of the use of proceeds. In addition to the alignment with ICMA Principle and Guidelines, the analysis may also refer to major taxonomies (e.g. the EU taxonomy for E aspects, and the UN Sustainable Development Goals for S aspects).

Once the analyst has completed the analysis, with commentary for the related SPO, it is submitted to the approval committee, which reviews it for accuracy and consistency. Based on issuer preference and mandate, an SPO can be monitored (annually or more frequently, if new information becomes available) or on a point-in-time basis.

### Scale and Definitions

ESG Framework	
Excellent	Sustainable finance framework and/or debt instrument structure is fully aligned to all relevant core international principles and guidelines. Practices inherent to the structure meet excellent levels of rigour and transparency in all respects and are well in excess of the standards commonly followed by the market.
Good	Sustainable finance framework and/or debt instrument structure is fully aligned to all relevant core international principles and guidelines. Practices inherent to the structure meet good levels of rigour and transparency; in some instances, they go beyond the standards commonly followed by the market.
Aligned	Sustainable finance framework and/or debt instrument structure is aligned to all relevant core international principles and guidelines. Practices inherent to the structure meet the minimum standards in terms of rigour and transparency commonly followed by the market.
Not Aligned	Sustainable finance framework and/or debt instrument structure is not aligned to relevant core international principles and guidelines. Practices inherent to the structure fall short of common market practice.

Source: Sustainable Fitch



## SOLICITATION STATUS

The Second Party Opinion was solicited and assigned or maintained by Sustainable Fitch at the request of the entity.

A Sustainable Fitch Analytical Product provides an assessment of the Environmental, Social and/or Governance qualities of an issuer and/or its financial instruments or securities. Sustainable Fitch Analytical Products include without limitation ratings, scores, second-party opinions and other assessments, opinions and data-related products, among other Analytical Products. A Sustainable Fitch Analytical Product is not a credit rating. Analytical Products are provided by Sustainable Fitch, a Fitch Solutions company, and an affiliate of Fitch Ratings. Sustainable Fitch has established specific policies and procedures intended to avoid creating conflicts of interest and compromising the independence or integrity of Fitch Ratings' credit rating activities and Sustainable Fitch's Analytical Product generation activities. For a description of the methodology, limitations and disclaimers relating to Sustainable Fitch's Analytical Products, please use this link: [www.sustainablefitch.com](http://www.sustainablefitch.com).

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