



Picard Groupe SAS

Sustainability-Linked Financing Framework

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1. Introduction

1.1 Background

Picard is the leading retailer of frozen food products in France and a pioneer in the sector. In 2020, we had a market share of 20.6%, over three times larger than our nearest competitors.

We serve our customers through more than 1,068 stores, among which 1,030¹ are located in France, and provide approximately 1,200 different frozen food SKUs. Our offer includes unprocessed meat, fish and seafood, fruits and vegetables and bakery products, as well as a full range of ready-made starters, main courses, desserts and ice cream at various price points. We introduced the concept of premium quality, appetizing frozen food to French consumers when we opened our first store in Paris in 1974. Since then, we have continued to develop the market for frozen food products in France by transforming the way the French public perceives and consumes frozen food.

More recently, we have developed our activities beyond brick-and-mortar stores, and in November 2020 we expanded our home delivery offering throughout France with a new partnership with Chronofresh. We have also refined our approach for international development, setting up partnerships with highly visible retailers and distributors in new markets such as Marks&Spencer and Ocado in the UK, and Redmart in Singapore.

Our focus on quality and sustainability is at the core of our expansion strategy and we are committed to reducing the impact of our business activities on the environment. Since 2009, we have structured a detailed action plan that covers issues such as reducing the environmental impact of our products (eco-design) and reducing our carbon footprint. We want to be a committed player beyond our economic responsibility.

At the same time, consumers are paying increased attention to the quality of ingredients used, as well as their traceability, sustainability and health effects. Frozen food products offer nutritional quality and taste similar to fresh food with the ability to retain nutrients and vitamins longer through deep freezing. The rising rates of cardiovascular disease and obesity have influenced and, we believe, will continue to influence food choices. The freezing process allows us to provide healthy products with less additives and, in addition, to dramatically reduce the food waste. Studies have proved that less than 1% of our products sold are wasted versus 20% on average for fresh products.

Our Sustainability-Linked Bond Framework provides an opportunity for investors to learn about our influence to drive positive transformation within the frozen food industry and support us in this journey.

1.2 Picard's commitment to sustainability

ESG is at the core of Picard's day-to-day operations, and we strive to make our brand ever more responsible and sustainable across our supply chain. Rather than making general statements about our intentions, we are working towards concrete, measurable goals that allow us to constantly improve.

Our ambitious sustainability policy is based on the following four pillars that are core and material to our operations.

I. Commit Towards Responsible Production

Picard are pioneers in the realm of organic frozen food, with the launch of our first organic products back in 1998. We are among the top 3 favorite brands in France (based on OC&C Research) and remain more than ever attentive to today's more informed customers, whose consumption patterns have changed considerably. As such our practices and products are constantly evolving, and we have made a number of commitments towards responsible production, including respect for animal welfare, reinforced support for local producers, and meeting demanding levels of quality and transparency.

¹ As of 31 March 2020.

Our specific initiatives include:

- Providing support to farmers switching to organic farming through higher vegetable prices
- Ensuring the sustainable sourcing of seafood supply, with our own-product offering including 55 Marine Stewardship Council labelled products, and 19 Aquaculture Stewardship Council labelled products
- Targeting 100% of egg-based products from cage-free eggs by 2025
- Providing support to the local production and farming industry, with 70% of our products made in France (with production abroad either where raw products are not available in France or where local factors contribute to quality and taste)

II. Encourage Healthy Consumption

At Picard we strive to constantly improve the nutritional value of our recipes in order to offer our consumers healthy products, without undermining their organoleptic qualities or detracting from the pleasure of eating. We have also been consistently increasing the organic nature of our offering; specifically, we are developing a wide range of organic products, with 114 items labelled as organic as of the end of 2020 vs. 14 in 2005.

III. Promote Sustainable Logistics and Retail Practices

As the leading frozen food retailer in France, we are very conscious of the impact and environmental footprint of both our wider supply chain and own operations. This includes the logistics behind our day-to-day operations, the packaging used for our products, and the direct energy consumption at our retail and corporate locations. As such, we have developed a number of commitments in this space, including:

- Targeting 100% recyclable packaging by 2025 (vs. 71% today)
- Committing to the FRET21 scheme to reduce the carbon footprint of shipping and logistics operations within our supply chain and more generally
- Continuing our site and services audit to maintain our ISO 50001 (Energy management) certification and optimizing our energy consumption across corporate and retail locations, e.g. through the continued rollout of propane freezers and investment in power optimizers

IV. Build on Trust and Equalities at the Workplace

At Picard, we are convinced that sustainable results must be based on a balance of economic performance and consideration for employees, and actively prioritizing a long-term high quality of life at work. This includes a number of policies and initiative to raise our employee satisfaction, including:

- Determining a new agreement with our employees signed in October 2018 on professional equality and quality of life at work
- Employing dedicated Disability Project Managers to increase recognition of disabled employees
- Developing remote work policies to accommodate for special employee situations, particularly in light of the Covid-19 pandemic and resulting shifts in ways of working
- Improving working conditions in stores by introducing e.g. since 2018 lighter and safer rolls (carts used to transport goods), and modern frost-free freezers
- Continuing to dedicate ourselves to reducing gender inequalities, with Picard outperforming the French index with a 94/100 score²

² Additional details available at: <https://travail-emploi.gouv.fr/droit-du-travail/egalite-professionnelle-discrimination-et-harcelement/indexegapro>

1.3 Sustainability governance

Picard has implemented a clear governance structure to align our operations to our sustainability priorities. Alongside a Quality and CSR director reporting directly to the company CEO, we also have a dedicated ESG team comprising four full-time staff as well as regular committees across various departments including HR, Technic, and Supply Chain to follow and ensure implementation of our various action plans. Our annual CSR KPIs are monitored and collected across the relevant operational divisions, with internal consistency checks to ensure alignment to our historically collated figures.

2. Rationale for establishing a Sustainability-Linked Financing (SLF) Framework

At Picard, we understand the positive role that we can play in combating the climate crisis by providing climate change mitigation through the improvement of the energy efficiency of our stores and by reducing the GHG emitted by the transport of our products.

As such, we intend to issue Sustainability-Linked Securities (SLs), which may include Sustainability-Linked Bonds (SLBs), Sustainability-Linked Loans (SLLs) or any other Sustainability-Linked instruments (Commercial Paper, derivatives instruments, etc.).

This approach links our sustainability strategy with our funding policy, incentivizing the achievement of pre-determined Sustainability Performance Targets and leveraging ambitious timelines to achieve sustainability performance that is relevant, core and material to our business.

Our framework provides a high-level approach to our Sustainability-Linked Securities and investors should refer to relevant documentation for any securities transactions.

3. Picard Sustainability-Linked Bond Framework

At Picard, we are committed to integrating sustainability across our business, and view the incorporation of sustainability into our financing as a core means of demonstrating this commitment. This Sustainability-Linked Bond Framework (the “Framework”) has been developed on the basis of our core values and in alignment with the Sustainability-linked Bond Principles (SLBPs) released and administered by ICMA in June 2020. This Framework follows the five key components of the SLBPs:

- 1 Selection of Key Performance Indicators (KPIs)
- 2 Calibration of Sustainability Performance Targets (SPTs)
- 3 Bond characteristics
- 4 Reporting
- 5 Verification

DNV has provided a Second Party Opinion on this Framework which can be found on our website at www.picard.fr.

3.1 Selection of Key Performance Indicators (KPIs)

Picard has selected the following KPIs to measure sustainability improvements in our operations that are deemed material to the success of our business.

KPI 1: Energy consumption of stores (Scope 1 and 2)

Rationale: With 100% of Picard’s electricity already being generated from renewable sources³, we have managed to largely minimize the overall Scope 1 and 2 emissions from our business operations. The overall energy usage and energy efficiency of our stores therefore represents the most material sustainability issue in our longer term strategy, and the issue in which we are able to achieve the greatest contribution to our overall sustainability targets.

³ Renewable sources verified via Guarantees of Origin.

We consider that the most suitable KPI to capture the specificities of our business is the notion of energy consumed per m3 of cold equipment (freezers & cold storage volume at constant outside temperature, measured as kWh °C / m3 of cold). Cooling production including freezers and cold storage accounts for over 60% of our global electricity consumption is therefore a key lever for us to reduce our overall energy usage.

Since 2015, our energy management system has allowed us to materially improve the global energy performance of our stores as such that we reduced our energy consumed per m3 at constant cold by 10% vs. 2012. We are certified under ISO 50001 since 2015 and our energy consumption data is audited annually by Bureau Veritas.

Year (Jan-Dec)	2012	2013	2014	2015	2016	2017	2018	2019	2020
kWh °C / m3 of cold	13,760	13,642	13,381	13,234	13,226	12,994	12,581	12,543	12,363
Change vs. prior year		-0.9%	-2.0%	-1.1%	-0.1%	-1.8%	-3.3%	-0.3%	-1.5%
Change vs. 2012		-0.9%	-2.7%	-3.8%	-3.9%	-5.6%	-8.6%	-8.8%	-10.2%
Targeted reduction		-5%	-5%	-5%	-5%	-10%	-10%	-10%	-10%

Methodology for calculating KPI 1:

Our developed “energy” tool has enabled us to estimate the theoretical energy consumption of a selling point by taking into account all criteria judged as having a significant impact on consumption. It gives a detailed thermal summary per store.

Theoretical energy consumption is derived from a formula incorporating various factors applicable to the energy consumption of our individual stores, including degree days, sunshine hours, the indoor store temperature, and the opening hours, in relation to constants from a 2012 reference year.

The algorithm that determines the theoretical (or reference) store consumptions also provides the evolution of the key energy performance indicator for each selling point.

The energy performance indicator (*IPE = “Indice de performance énergétique”*) is defined as the difference between the real energy consumed in store (C_R) and the theoretical one computed by the algorithm (C_T).

C_R being the invoiced consumption and C_T being the theoretical consumption:

$$IPE = (C_R - C_T) / C_T$$

Each store has its own performance indicator (*IPE*).

The tracking and analysis indicators are:

- Degree days (comparison of the mean outdoor temperatures recorded relative to a determined threshold)
- Number of sunshine hours
- Stores’ equipment rate (in m3 of cold per m2 of selling surface area)
- Frozen showcases’ rate = showcases’ volume / total cold volume
- Type of air conditioning (central or split)
- Number of freezers & showcases
- Average age of equipment
- Frequency of visits (number of sales receipts in the IT system)
 - o Commercial sales unit (*UVC - Unité de Vente Commercial*)
 - o Traffic (number of checkouts)

KPI 2: CO2 emissions from transportation (Scope 3)

Rationale: Our Scope 3 emissions are primarily defined by the CO2 emissions from transportation activities. Our transportation from suppliers to warehouses and stores are fully outsourced, and while Picard leases approximately 100 vans for home delivery services, this represents only a limited volume of our overall transportation activities. We are therefore working with our suppliers to reduce their own CO2 emissions and have a positive impact on emissions that are not in full control of the group. The relevant CO2 emissions under this KPI represent approximately 13% of our total emissions excluding any product-related emissions, or 5% including product-related emissions, and therefore represent a material factor in our overall sustainability ambitions.

In 2019 Picard made a voluntary commitment to be aligned with FRET21 (<http://fret21.eu/>), an initiative that aims to reduce freight transport's impact on the environment and encourages companies acting as contractors for transport operators to integrate the impact of transport in their sustainability strategies. Following the launch of FRET21 in 2019, we have been able to measure the GHG emissions relevant for this KPI; given the recency of this launch, we currently do not have available relevant data for any periods prior to 2019. The relevant emissions data is externally verified, with an annual report sent to the French Environment Agency via ECO-CO2.

(in gCO2e / ton-km)	2019	2020
GHG Emitted	123	In progress
% reduction		[●]

Methodology for calculating KPI 2:

The methodology used for the calculation of KPI 2, measured in gCO2 equivalent / ton-km, relies on 4 parameters⁴:

- Truck average consumption – theoretical CO2 emission
- Number of pallets
- Average weight of pallets
- Average distance between sites (industrial, platforms, stores)

3.2 Calibration of Sustainability Performance Targets (SPTs)

We have developed two separate SPTs for each of the KPIs outlined above. These SPTs are in line with our 2025 aims, a timeline chosen to facilitate ambitious and meaningful change, while also encouraging near-term action. The SPTs include interim 2023 targets to track our progress and we will consider adding longer-term targets in the future, as appropriate, to align with potential future financings.

SPT 1a: Reduce energy consumption of stores by 6% by 2023 from a 2020 baseline

SPT 1b: Reduce energy consumption of stores by 10% by 2025 from a 2020 baseline

(in kWh °C / m3 of cold)	2020 (baseline)	2023	2025
Energy Consumption	12,363	11,621	11,126
% reduction		-6%	-10%

Rationale for SPTs: As demonstrated in the historical data provided in Section 3.1, Picard has already materially improved the energy efficiency of its stores since 2012. We believe that reaching an additional longer-term reduction of 10% by 2025 represents a very ambitious target as this represents a shorter timeframe and is based off a lower baseline than the 10.2% reduction we achieved between 2012 and 2020, while also being in line with or exceeding

⁴ Additional details are available from FRET21 at <https://fret21.eu/entreprise/picard/>

current or previous targets set by our peers. Alongside this trajectory we are targeting a 6% reduction by 2023. The 2020 baseline is chosen as it represents our most recent data point as well as the end point of our previous target.

Strategy for achieving SPTs: The measures we will undertake to meet the targets outlined above include a combination of replacing existing equipment (mainly via more energy efficient fridges and freezers) and optimizing our energy management system (including freezer energy best practices, night regulation, and power optimizer device deployment).

SPT 2a: Reduce CO2 emissions from transportation by 10% by 2023 from a 2019 baseline

SPT 2b: Reduce CO2 emissions from transportation by 15% by 2025 from a 2019 baseline

(in gCO2e / ton-km)	2019 (baseline)	2023	2025
GHG Emitted	123	111	105
% reduction		-10%	-15%

Rationale for SPTs: Picard's voluntary commitment to be aligned with FRET21 requires us, with our transport suppliers, to reduce the GHG emissions of our transport fleet by at least 5% within the coming 3 years. Understanding the importance of minimizing these relevant emissions, and with the conviction that we can do more, our target for SPT 2 represents a commitment to overachieve the FRET21 target and reduce the GHG emissions by 10% in 2023 and by 15% by 2025. The 2019 baseline was chosen as it marks the start of our FRET21 commitment.

In a broader European context, our target also exceeds the CO2 emission performance requirements for heavy-duty vehicles set by the European Commission in 2019, under which the specific CO2 emissions of the Union fleet of new heavy-duty vehicles shall be reduced by 15% for the reporting periods of the year 2025 onwards, and by 30% for the reporting periods of the year 2030 onwards⁵. Our 2025 target commits Picard to have already achieved the required 15% reduction by 2025 using a combination of new and existing fleet vehicles. As such we cannot rely only on new cleaner transportation vehicles only to meet our target but also require additional measures (above and beyond the vehicle regulations) as described below.

Strategy for achieving SPTs: In order to meet our commitment, Picard has defined 4 work axes that group 13 distinct actions, including:

- Increasing average loading rates to allow for better optimization of routes
- Creating 2 Rail-Road flows in the transport plans
- Installing biogas transport loops
- Increasing the proportion of carriers labeled "CO2 objective"

3.3 Bond characteristics

We will tie our performance with respect to the selected KPIs to the financial structure of any Sustainability-Linked Bond(s) issued in reference to this Framework. Specifically, this will comprise a sustainability-linked feature that will result in a coupon adjustment if our performance does not achieve the relevant SPT for the selected KPIs.

The proceeds of Picard's Sustainability-Linked instruments will be used for general corporate purposes.

The relevant step-up margin amount and reference date for the chosen SPTs will be specified in the relevant documentation of the specific transaction (e.g. the Final Terms of the relevant Sustainability-Linked Bond).

⁵ As per Article 1 of Regulation (EU) 2019/1242 of the European Parliament and of the Council, of 20 June 2019.

3.4 Reporting

Picard will disclose the progress on the KPIs and SPTs at least once a year, and in any case for any date/period relevant for assessing the trigger of the SPT performance. This will be made available either in our annual reporting or as a separate document readily accessible on our website.

The reporting will also include an explanation of any methodologies and supporting documentation used to derive the performance figures against the SPTs, as well as, where relevant and/or possible, an assessment of the positive impacts resulting from the progress against the SPTs.

3.5 Verification

Pre-issuance:

Picard has engaged DNV as an independent external reviewer to provide a Second Party Opinion and confirm the alignment of this Framework with the SLBP principles outlined above. For any material changes to the Framework, including an alignment to any updated versions of the SLBP as and when such versions are published by ICMA, we will seek an another Second Party Opinion.

The Second Party Opinion is available alongside this Framework on our website at www.picard.fr.

Post-issuance:

For any Sustainability-Linked Bond(s) issued in relation to this Framework, Picard will seek external verification on the performance against the selected KPIs by a qualified external reviewer, at least once a year. The resulting verification report will be published alongside the reporting outlined in *Section 3.4*.