

Second-Party Opinion

Eramet Sustainability-Linked Financing Framework

Second-Party Opinion

Reviewed by:

MORNINGSTAR

SUSTAINALYTICS



Evaluation Summary

Sustainalytics is of the opinion that the Eramet Sustainability-Linked Financing Framework aligns with the Sustainability-Linked Bond Principles 2023 and the Sustainability-Linked Loan Principles 2023. This assessment is based on the following:

- Selection of Key Performance Indicators** The Eramet Sustainability-Linked Financing Framework defines the following KPIs: i) Absolute scope 1 and 2 GHG emissions; ii) Scope 1 and 2 GHG emissions intensity per tonne of sellable production; and iii) Share of suppliers and customers by emissions having decarbonization targets consistent with the well-below 2°C scenario of the Paris Agreement (see Table 1). Sustainalytics considers KPI 1 as very strong and KPIs 2 and 3 as strong based on their materiality, relevance, scope of applicability and comparability to external benchmarks.
- Calibration of Sustainability Performance Targets** Sustainalytics considers the SPTs to be aligned with Eramet's sustainability strategy. Sustainalytics further considers SPT 1, SPT 2a, SPT 2b, SPT 2c and SPT 3a to be ambitious and SPT 3b to be moderately ambitious based on comparison with past performance, peer performance and science.
- Instrument Characteristics** Eramet has linked the instruments' financial characteristics to the achievement of the SPTs, namely step-up in the bond's coupon or loan's margin, or a premium payment. This is aligned with the Sustainability-Linked Bond Principles and Sustainability-Linked Loan Principles.
- Reporting** Eramet commits to report on its progress on the KPIs on an annual basis until the maturity of the instruments in either a standalone report or integrated into its Universal Registration Document Report published on its website. Eramet also commits to disclose information for investors and lenders to monitor the SPTs' level of ambition. This is aligned with the Sustainability-Linked Bond Principles and Sustainability-Linked Loan Principles.
- Verification** Eramet commits to have external limited assurance conducted against each SPT for each KPI at least once a year, which is aligned with the Sustainability-Linked Bond Principles and Sustainability-Linked Loan Principles.

Evaluation Date	May 13, 2024 ¹
Issuer Location	Paris, France

The SPTs contribute to the following SDGs:



¹ This document is an update to a Second-Party Opinion originally published in July 2022 and subsequently revised in May 2023.

Overview of KPIs and SPTs

KPI	Baseline	Strength of KPI	SPT	Ambitiousness of SPT
KPI 1: Absolute scope 1 and 2 GHG emissions (MtCO ₂ e)	2019	Very Strong	SPT 1: Reduce absolute scope 1 and 2 GHG emissions by 40% by 2035	Ambitious
KPI 2: Scope 1 and 2 GHG emissions intensity per tonne of sellable production (tCO ₂ e/t)	2019	Strong	Reduce absolute scope 1 and 2 GHG emissions intensity per tonne of sellable production by: SPT 2a: 35% by 2025 SPT 2b: 37% by 2026 SPT 2c: 40% by 2030	Ambitious
KPI 3: Share of suppliers and customers by emissions having decarbonization targets consistent with the well-below 2°C scenario of the Paris Agreement	2021	Strong	Increase the share of suppliers and customers by emissions having decarbonization targets consistent with the well-below 2°C scenario of the Paris Agreement to: SPT 3a: 67% by 2025	Ambitious
			SPT 3b: 67% by 2026	Moderately Ambitious

Climate Transition Finance Handbook

Sustainalytics has evaluated Eramet's transition governance, strategy, decarbonization targets, and intentions to report on transition progress and finds the Company to be aligned with the recommendations of the Climate Transition Finance Handbook 2023. Eramet has established climate-related short- and medium-term targets in line with the well-below 2°C climate scenario of the Science Based Targets initiative (SBTi), which is consistent with the aims of the Paris Agreement. Furthermore, Eramet's strategy directly addresses the environmental impacts of its core business, and it commits to report on the climate-related outcomes from the implementation of its strategy.

Table of Contents

Scope of Work and Limitations	4
Introduction	5
Sustainalytics' Opinion	6
Section 1: Alignment with the Sustainability-Linked Bond Principles and Sustainability-Linked Loan Principles	6
Selection of Key Performance Indicators	6
Calibration of Sustainability Performance Targets	9
Instrument Characteristics	13
Reporting	13
Verification	14
Alignment against the Climate Transition Finance Handbook 2023	14
Section 2: Assessment of Eramet's Sustainability Strategy	15
Section 3: Impact of the SPTs	17
Conclusion	19

Scope of Work and Limitations

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent² opinion on the alignment of the Eramet Sustainability-Linked Financing Framework dated May 2024 (the "Framework") with current market standards. As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework's alignment with the Sustainability-Linked Bond Principles 2023³ and Sustainability-Linked Loan Principles 2023;⁴
- The credibility and anticipated positive impacts of the SPTs;
- The issuer's sustainability strategy, performance and sustainability risk management;
- The alignment with the recommendations of the Climate Transition Finance Handbook 2023;⁵

As part of this engagement, Sustainalytics held conversations with various members of Eramet's management team to understand the sustainability impact of its business processes and the core components of the Framework. Eramet representatives have confirmed that:

- (1) They understand it is the sole responsibility of issuer to ensure that the information provided is complete, accurate and up to date;
- (2) They have provided Sustainalytics with all relevant information; and
- (3) 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 the Framework. Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Eramet. Sustainalytics' Second-Party Opinion assesses alignment of the Framework with current market standards, but does not provide any guarantee of alignment nor warrants alignment with any future versions of such standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated SPTs of KPIs but does not measure KPI performance. The measurement and reporting of the KPIs is the responsibility of the issuer.

The Second-Party Opinion is valid for issuances aligned with the Framework until one of the following occurs:

- (1) A material change to the external benchmarks against which targets were set;
- (2) A material corporate action (such as a material M&A or change in business activity) which has a bearing on the achievement of the SPTs or the materiality of the KPIs.

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 Eramet has made available to Sustainalytics for the purpose of this Second-Party Opinion.

For inquiries, contact the Corporate Solutions project team:

Titus Vilches (Amsterdam)
Project Manager
titus.vilches@morningstar.com

Zoe Wittmann (Amsterdam)
Project Lead

Poonam Tarekar (Mumbai)
Project Support

Andrew Johnson (Paris)
Client Relations
susfinance.emea@sustainalytics.com

² 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.

³ The Sustainability-Linked Bond Principles are administered by the International Capital Market Association and are available at: <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/>

⁴ The loan-related principles and guidelines 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/?_industry_sector=guidelines-memos-primary-market

⁵ The Climate Transition Finance Handbook is administered by the International Capital Market Association and are available at: <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/>

Introduction

Eramet S.A. (“Eramet” or the “Company”) is a diversified mining and metallurgy company that focuses on the extraction, production and sale of alloying metals, principally manganese, nickel, mineral sands and lithium, as well as the production and transformation of alloys. Manganese constitutes nearly half of Eramet’s revenue, followed by nickel. Headquartered in Paris, France, Eramet derives the majority of its revenue from Asia and the rest from Europe, North America and other regions. As of December 2023, the Company had 10,700 employees globally.⁶

Eramet has developed the Framework, under which the Company and its subsidiaries intend to issue or obtain sustainability-linked bonds and sustainability-linked loans with the bond coupon, loan margin or premium payment tied to the achievement of sustainability performance targets for three KPIs related to scope 1, 2 and 3 GHG emissions.⁷ Eramet engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework’s alignment with the Sustainability-Linked Bond Principles 2023, Sustainability-Linked Loan Principles 2023 and the recommendations of the Climate Transition Finance Handbook 2023. The Framework will be published in a separate document.⁸

Eramet has defined the following KPIs and SPTs:

Table 1: KPI Definitions

KPI	Definition
KPI 1: Absolute scope 1 and 2 GHG emissions (MtCO ₂ e)	The KPI measures absolute scope 1 and 2 GHG emissions in million tonnes of carbon dioxide equivalent (MtCO ₂ e), where scope 1 includes direct emissions from fuel combustion and scope 2 includes indirect emissions from purchased electricity or heat for a given calendar year. Eramet follows the GHG Protocol standard (market-based when possible) in measuring its emissions.
KPI 2: Scope 1 and 2 GHG emissions intensity per tonne of sellable production (tCO ₂ e/t)	The KPI represents the emissions intensity metric from Eramet’s mines and metallurgical production activities over which it has direct operational control. It is calculated by dividing absolute scope 1 and 2 GHG emissions in MtCO ₂ e (market-based when possible) by the total volume of sellable production in metric tonnes for a given year (measured on the 31 of December).
KPI 3: Share of suppliers and customers by emissions having decarbonization targets consistent with the well-below 2°C scenario of the Paris Agreement	<p>The KPI represents the share of suppliers and customers, in terms of emissions, that have decarbonization targets consistent with the SBTi’s well-below 2°C criteria, in a given calendar year.</p> <p>The Company calculates its scope 3 emissions from customers and suppliers for all categories outlined in the GHG Protocol Corporate Value Chain standard (excluding GHG emissions from trading companies in category 10 and category 15), using the average-data method for customers⁹ and spend-based method for suppliers¹⁰ in cases where the physical data is missing. Emission factors are derived from databases, such as ADEME, Life Cycle Inventories of Metals, EPA, AIE, Quantis, Ecolinvent. The KPI is then calculated by dividing the total emissions of suppliers and customers with decarbonization targets that meet Eramet’s criteria by the total scope 3 emissions from suppliers and customers.</p>

⁶ Eramet, “2023 Universal Registration Document”, at: <https://www.eramet.com/wp-content/uploads/2024/04/2024-04-17-Eramet-DEU-2023-EN.pdf.pdf>

⁷ For sustainability-linked instruments issued by Eramet’s subsidiaries under the Framework, the Company has communicated to Sustainalytics that it will be responsible for ensuring continual alignment of the issuance with the criteria defined with the Framework.

⁸ The Eramet Sustainability-Linked Financing Framework is available on Eramet’s website at: <https://www.eramet.com/en/investors/publications-and-press-releases>

⁹ This method includes multiplying mass data (tonnes of goods and products) by a relevant emissions factor.

¹⁰ This method includes multiplying the economic value by a relevant emissions factor.

Table 2: SPTs and Past Performance

KPI	2019	2020	2021	2022	2023	SPT 2025	SPT 2026	SPT 2030	SPT 2035
KPI 1: Absolute scope 1 and 2 GHG emissions (MtCO ₂ e) ¹¹	3.651 (base line)	3.533	3.263	3.226	3.010	NA	NA	NA	SPT 1: Reduce scope 1 and 2 GHG emissions by 40% by 2035
KPI 2: Scope 1 and 2 GHG emissions intensity per tonne of sellable production (tCO ₂ e/t) ¹²	0.351 (base line)	0.298	0.269	0.271	0.247	SPT 2a: Reduce scope 1 and 2 GHG emissions intensity by 35% by 2025	SPT 2b: Reduce scope 1 and 2 GHG emissions intensity by 37% by 2026	SPT 2c: Reduce scope 1 and 2 GHG emissions intensity by 40% by 2030	NA
KPI 3: Share of suppliers and customers by emissions having decarbonization targets consistent with the well-below 2°C scenario of the Paris Agreement	28	27	30 (base line)	33	46	SPT 3a: Increase the share of suppliers and customers by emissions having decarbonization targets consistent with the well-below 2°C scenario of the Paris Agreement to 67% by 2025	SPT 3b: Increase the share of suppliers and customers by emissions having decarbonization targets consistent with the well-below 2°C scenario of the Paris Agreement to 67% by 2026	NA	NA

Sustainalytics' Opinion

Section 1: Alignment with the Sustainability-Linked Bond Principles and Sustainability-Linked Loan Principles

Sustainalytics is of the opinion that the Eramet Sustainability-Linked Financing Framework aligns with the five core components of the SLBP and SLLP.



Selection of Key Performance Indicators

Relevance and Materiality of KPIs

In assessing the materiality and relevance of a KPI, Sustainalytics considers: i) whether the KPI speaks to a material impact of the issuer's activities on environmental or social issues; and ii) to what extent the KPI is applicable.

¹¹ The 2021 and 2022 data for KPIs 1 and 2 have been restated to cancel out the incidental decrease in absolute and intensity carbon emissions due to an outage of an electric power plant unit in New Caledonia to ensure more representative datapoints in the decarbonization trajectory and reflect a business-as-usual scenario.

¹² Ibid.

KPI 1: Absolute scope 1 and 2 GHG emissionsKPI 2: Scope 1 and 2 GHG emissions intensity per tonne of sellable productionKPI 3: Share of suppliers and customers by emissions having decarbonization targets consistent with the well-below 2°C scenario of the Paris Agreement

Sustainalytics has taken a combined view towards assessing the materiality and relevance of KPIs 1, 2 and 3. The KPIs collectively address the issue of GHG emissions from Eramet's own operations, purchased electricity and value chain emissions (suppliers and customers).

Sustainalytics considers the KPIs to be material and relevant given that Sustainalytics' ESG Risk Rating of Eramet and the Industry Report on Diversified Metals identify Carbon – Own Operations¹³ and Carbon – Products and Services¹⁴ as material ESG issues for diversified mining and metallurgical companies.

In terms of applicability, Sustainalytics notes that KPIs 1, 2 and 3 combined accounted for approximately 85% of the Company's total GHG emissions (scope 1, 2 and 3) in 2023.¹⁵ KPIs 1 and 2 (scope 1 and 2) accounted for approximately 16% of the Company's total emissions (scope 1, 2 and 3), where KPI 1 represented 100% of Eramet's operations in 2023. In addition, KPI 3 accounted for approximately 69% of the Company's total GHG emissions (scope 1, 2 and 3 emissions) in 2023, which covers all scope 3 GHG emissions of the Company except from sales to trading companies and category 15 (Investments). Sustainalytics notes that compared with Eramet's SBTi-validated target on customer and supplier engagement, KPI 3 covers a broader boundary as it includes category 10 emissions (Processing of Sold Products, excluding sale to traders).¹⁶ In 2023, Eramet's total GHG emissions amounted to 18.44 MtCO₂e, including scope 3 category 10, the processing of sold products, which was excluded from the SBTi-validated targets, as the Company does not have direct influence on how its products are processed once sold.¹⁷ Sustainalytics further notes that the said applicability excludes subsidiaries that the Company has divested from since 2019.¹⁸ Thus, Sustainalytics considers the KPIs to jointly represent a high scope of applicability.

Based on the above, Sustainalytics considers the KPIs to be material and highly applicable.

KPI Characteristics

In assessing a KPI's characteristics, Sustainalytics considers: i) whether it uses a clear and consistent methodology; ii) whether it follows an externally recognized definition; iii) whether the KPI is a direct measure of the issuer's performance on a material environmental or social issue;¹⁹ and iv) whether the methodology can be compared against an external contextual benchmark.²⁰

KPI 1: Absolute scope 1 and 2 GHG emissions

Sustainalytics considers Eramet's definition and methodology to calculate progress on KPI 1 to be clear and consistent given that it has followed the GHG Protocol since 2005. In addition, the Company follows: i) the latest emissions factors by ADEME (the French Agency for Ecological Transition)²¹ in its carbon database; ii) the IEA's

¹³ Sustainalytics' Carbon – Own Operations material ESG issue refers to a company's management of risks related to its own operational energy use and GHG emissions (scope 1 and 2). It also includes parts of scope 3 GHG emissions.

¹⁴ Sustainalytics' Carbon – Products and Services material ESG issue refers to a company's management of the energy efficiency and/or GHG emissions of its services and products during the use phase.

¹⁵ The Eramet Sustainability-Linked Financing Framework is available on Eramet's website at: <https://www.eramet.com/en/investors/publications-and-press-releases>

¹⁶ Eramet has communicated to Sustainalytics that GHG emissions from scope 3 category 10 related to traders represent approximately 8% of the Company's total emissions.

¹⁷ The Eramet Sustainability-Linked Financing Framework is available on Eramet's website at: <https://www.eramet.com/en/investors/publications-and-press-releases>

¹⁸ These subsidiaries are ETI, Aubert & Duval, Erasteel and Sandouville.

¹⁹ A direct measure refers to a metric selected for the KPI that shows a specific indicator of performance or an outcome on the material ESG issue.

²⁰ External contextual benchmarks are standards or points of reference established by recognized third-party organizations to facilitate comparability.

²¹ ADEME, "Base carbone", at: <https://www.data.gouv.fr/fr/datasets/base-carbone-r-1/>

emissions factors from the World Energy Balances²² and GHG Emissions from Energy²³ databases for electricity from grids; iii) local emissions factors for location-based purchases of electricity; and iv) specific emissions factors depending on the technology for other sources of electricity, such as hydro, nuclear and wind.

Sustainalytics considers KPI 1 to be directly linked to the performance of the Company regarding the material environmental impacts, given that the KPI measures scope 1 and 2 GHG emissions in absolute terms.

Furthermore, the KPI supports benchmarking against external GHG emissions reduction trajectories such as the the SBTi's absolute contraction approach.²⁴

KPI 2: Scope 1 and 2 GHG emissions intensity per tonne of sellable production

Sustainalytics considers Eramet's definition and methodology to calculate progress on KPI 2 to be clear and consistent given the Company's adherence to the GHG Protocol standard in calculating KPI 2 since 2018. In addition, the Company follows: i) the latest emissions factors by ADEME in its carbon database;²⁵ ii) the IEA's emissions factors from the World Energy Balances²⁶ and GHG Emissions from Energy²⁷ databases for electricity from grids; iii) local emissions factors for location-based purchases of electricity; and iv) specific emissions factors depending on the technology for other sources of electricity, such as hydro, nuclear and wind. Sustainalytics considers KPI 2 to be directly linked to the performance of the Company regarding material environmental impacts given that the KPI measures the physical intensity of Eramet's scope 1 and 2 GHG emissions. KPI 2 does not lend itself well to be benchmarked against sectoral GHG emissions intensity reduction pathways, such as the TPI's carbon intensity benchmark for the diversified mining industry, as the denominator to calculate the emissions intensity benchmark is based on copper (Cu) equivalent of sales volume, and Eramet's denominator does not represent production in terms of Cu equivalent, thus lending it to be incomparable with the TPI's carbon intensity benchmarks.²⁸

KPI 3: Share of suppliers and customers by emissions having decarbonization targets consistent with the well-below 2°C scenario of the Paris Agreement

Sustainalytics considers Eramet's definition and methodology to calculate progress on KPI 3 to be clear and consistent, and in line with external references, i.e. the SBTi and the GHG Protocol. Sustainalytics considers KPI 3 to be indirectly linked to the climate performance of the Company as it is a measure of the percentage of Eramet's suppliers and customers that have decarbonization targets rather than actual reduction of suppliers' and customers' emissions nor Eramet's scope 3 emissions. Moreover, while KPI 3 does not facilitate a direct comparison with a sectoral or cross-sectoral decarbonization pathway, the KPI is consistent with the SBTi as the external reference relating to targets on customer and supplier engagement. Sustainalytics notes that the Company has added scope 3 GHG emissions' category 10 (Processing of Sold Products) in KPI 3, excluding emissions from sales to traders and category 15 (see the Relevance and Materiality of KPIs section).

Overall Assessment

Sustainalytics considers KPI 1 to be very strong given that it: i) speaks to a material environmental issue directly related to the Company's performance; ii) has a high scope of applicability; iii) follows a clear and consistent methodology that is externally defined; and iv) supports benchmarking against external emissions reduction trajectories.

Sustainalytics considers KPI 2 to be strong given that it: i) speaks to a material environmental issue directly related to the Company's performance; ii) has a high scope of applicability; iii) follows clear and consistent methodology that is externally defined; and iv) does not lend itself well to be compared against external benchmarks.

²² IEA, "World Energy Balances", (2024), at: <https://www.iea.org/data-and-statistics/data-product/world-energy-balances?msckid=21a86fe4a611ec9310b92d02753d00>

²³ IEA, "Greenhouse Gas Emissions from Energy", (2023), at: <https://www.iea.org/data-and-statistics/data-product/greenhouse-gas-emissions-from-energy?msckid=5e970f2db4a611ec9f722b87ee8fc023>

²⁴ SBTi, "Corporate Manual" (2023), at: <https://sciencebasedtargets.org/resources/files/SBTi-Corporate-Manual.pdf>

²⁵ ADEME, "Base carbone", at: <https://www.data.gouv.fr/fr/datasets/base-carbone-r-1/>

²⁶ IEA, "World Energy Balances", (2024), at: <https://www.iea.org/data-and-statistics/data-product/world-energy-balances?msckid=21a86fe4a611ec9310b92d02753d00>

²⁷ IEA, "Greenhouse Gas Emissions from Energy", (2023), at: <https://www.iea.org/data-and-statistics/data-product/greenhouse-gas-emissionsfrom-energy?msckid=5e970f2db4a611ec9f722b87ee8fc023>

²⁸ TPI, "TPI Sectoral Decarbonisation Pathways," (2022), at: <https://www.transitionpathwayinitiative.org/publications/100.pdf?type=Publication>

Sustainalytics considers KPI 3 to be strong given that it: i) speaks to a material environmental issue indirectly related to the Company's performance; ii) has a high scope of applicability; iii) follows a clear and consistent methodology in line with an external reference; and iv) does not facilitate a direct comparison with a decarbonization pathway but is consistent with the SBTi as an external reference.

KPI	Strength of KPI			
KPI 1: Absolute scope 1 and 2 GHG emissions	Not Aligned	Adequate	Strong	Very strong
KPI 2: Scope 1 and 2 GHG emissions intensity per tonne of sellable production	Not Aligned	Adequate	Strong	Very strong
KPI 3: Share of suppliers and customers by emissions having decarbonization targets consistent with the well-below 2°C scenario of the Paris Agreement	Not Aligned	Adequate	Strong	Very strong



Calibration of Sustainability Performance Targets

Alignment with Eramet's Sustainability Strategy

Eramet has set the following SPTs for its KPIs:

- SPT 1: Reduce absolute scope 1 and 2 GHG emissions by 40% by 2035 from a 2019 baseline
- SPTs 2a-2c: Reduce scope 1 and 2 GHG emissions intensity per tonne of sellable production by 35% by 2025, by 37% by 2026 and by 40% by 2030 from a 2019 baseline
- SPTs 3a-3b: Increase the share of suppliers and customers by emissions having decarbonization targets consistent with the well-below 2°C scenario of the Paris Agreement to 67% by 2025 and 2026 from a 2021 baseline

Sustainalytics considers the SPTs to be aligned with Eramet's sustainability strategy. Please refer to Section 2 for an analysis of the credibility of Eramet's sustainability strategy.

- Eramet has identified carbon neutrality as a strategic goal in line with its objectives to develop a low-carbon business model and reduce GHG emissions from its business activities. The Company has committed to become carbon neutral by 2050, with interim targets to reduce its absolute scope 1 and 2 GHG emissions by 40% by 2035 compared to 2019 levels.²⁹ As of 2023, the Company has reduced its absolute scope 1 and 2 emissions by 18% compared to 2019, as well as its carbon intensity (in tCO₂e/t of product output) by 30% as of 2022 from 2019.³⁰ Eramet has achieved these reductions mainly through the following: i) energy performance improvements in the Norwegian facilities; ii) increase in electricity generation efficiency from 30% to 43% in 2023 due to an offshore power plant in New Caledonia; and iii) low fuel consumption at mining sites in Gabon.³¹

Strategy to Achieve the SPTs

Eramet intends to achieve the SPT through the following strategy:

SPT 1: Reduce absolute scope 1 and 2 GHG emissions by 40% by 2035 from a 2019 baseline

SPTs 2a-2c: Reduce scope 1 and 2 GHG emissions intensity per tonne of sellable production by 35% by 2025, by 37% by 2026 and by 40% by 2030 from a 2019 baseline

²⁹ Eramet, "2023 Integrated Report", at: <https://www.eramet.com/wp-content/uploads/2024/04/2024-04-09-Eramet-integrated-report-2023-EN.pdf>

³⁰ Eramet, "2023 Universal Registration Document", at: <https://www.eramet.com/wp-content/uploads/2024/04/2024-04-17-Eramet-DEU-2023-EN.pdf.pdf>

³¹ Eramet, "Our actions for the planet and living being", at: <https://www.eramet.com/en/commitments/environment/>

- Efforts towards continuous improvement and energy efficiency: In 2022, Eramet implemented the Temporary Docked Power Plant solution at its Doniambo site to ensure a continuous electricity supply. This resulted in efficiency gains and savings of nearly 30% in 2023 for each kilowatt-hour produced by using combustion engines instead of steam turbines. Eramet has also implemented a management system initiative to embed energy and climate performance in its employees' operational choices; such programmes or systems include ISO 50001 certification for all of the company's mining and metallurgical sites.
- Increasing the use of bio-reducers in ore reduction:³² Eramet is engaged with several suppliers to scale up the use of bio-reducers in the Company's various production sites. In 2023, the Company appointed a project director to focus on these initiatives in collaboration with the Company's suppliers. In 2023, Eramet initiated a forest waste programme in Gabon for the manufacture of charcoal as a bio-reducer for metallurgical use.
- Substituting heavy fuel oil with natural gas: To reduce the carbon content in its electricity consumption, Eramet aims to substitute heavy fuel oil with natural gas for electricity production at its Doniambo plant, in New Caledonia and Grande Côte Operation site in Senegal. The Company has engaged oil operators in Senegal to assess the feasibility of different gas transport options from Dakar to its Diogo site, where the power plant is located.
- Developing carbon capture and sequestration: Eramet has engaged various stakeholders and manufacturers to develop carbon sequestration technologies for the capture, transport and storage of emissions. In 2023, Eramet launched a pre-feasibility study for a CO₂ capture and storage project and installed a pilot project at its site in Sauda, Norway. The Company also held discussions with various partners to explore opportunities to enhance the reuse of CO₂ through third-party industrial applications at its Porsgrunn site in Norway.
- Implementing renewable electricity: To procure low-carbon electricity for its Doniambo plant in New Caledonia and the Marietta plant in the US, Eramet intends to sign a power purchase agreement with a solar farm in Centenario, Argentina, with a capacity of 15 MW for generation and 10 MW for battery storage. Furthermore, the Company is undertaking a project to build a 12 MWp solar plant with an 11 MW electrochemical storage facility to reduce its fuel consumption at its Grande Côte Operation site.

SPTs 3a-3b: Increase the share of suppliers and customers by emissions having decarbonization targets consistent with the well-below 2°C scenario of the Paris Agreement to 67% by 2025 and 2026 from a 2021 baseline

- Supplier engagement and procurement policy: Eramet has established criteria to evaluate suppliers' positioning on climate change on all its purchases. Additionally, Eramet has developed a questionnaire on suppliers' climate strategies and initiatives, which it disseminates through the Company's supplier management systems.
- Customer engagement on product and service design: Eramet plans to offer customers products with low-carbon content and expertise on how to decarbonize the processing of the Company's metals and innovate customers' business models.
- Engagement with suppliers and customers: Eramet intends to conduct focused engagement with its customers and suppliers to discuss joint decarbonization measures.
- Data collection and quality: Eramet is investing in improving the collection of quality data along its value chain across its product lines and geographies.

Ambitiousness, Baseline and Benchmarks

To determine the ambitiousness of an SPT, Sustainalytics considers: i) whether the SPT goes beyond a business-as-usual trajectory; ii) how the SPT compares to targets set by peers; and iii) how the SPT compares with science-based references.³³

Eramet has set the baseline for SPTs 1 and 2 at 2019 in line with the Company's SBTi target submissions. For KPI 3, Eramet has set the baseline at 2021, which is the KPI's first reporting year. Eramet has also confirmed that

³² The use of bio-reducers in ore reduction processes offers a more sustainable approach to metal extraction with reduced environmental impacts and improved resource efficiency.

³³ We refer here to contextual benchmarks that indicate the alignment of targets with ecosystem boundaries.

it will adhere to the SLLP on setting annual SPTs for sustainability-linked loans. The Company has further confirmed that these annual targets will be incorporated in the relevant loan documentation. While this is aligned with the SLLP, Sustainalytics' assessment is limited to the SPTs covered in this Second-Party Opinion.

SPT 1: Reduce scope 1 and 2 GHG emissions by 40% by 2035 from a 2019 baseline

Sustainalytics was able to use the following benchmarks to assess ambitiousness: past performance, peer performance and science-based references.³⁴

Eramet reduced its absolute scope 1 and 2 emissions at an average annual rate of 4.4% between 2019 and 2023. To achieve the SPT by 2035, the Company will need to reduce its absolute scope 1 and 2 GHG emissions by an implied average annual rate of 2.3% compared to 2023 levels. Given the above, Sustainalytics considers SPT 1 to be below past performance.

Based on Sustainalytics' analysis of Eramet's peer group, SPT 1 is aligned with the scope 1 and 2 GHG emissions reduction targets set by its peers in the diversified mining industry. Additionally, the SBTi has validated SPT 1 as aligned with reductions required to keep global warming well below 2°C.

SPTs 2a-2c: Reduce scope 1 and 2 GHG emissions intensity per tonne of sellable production by 35% by 2025, by 37% by 2026 and by 40% by 2030 from a 2019 baseline

Sustainalytics was able to use the following benchmarks to assess ambitiousness: past performance, peer performance and science-based trajectories.³⁵

Between 2019 and 2023, the Company reduced its scope 1 and 2 GHG emissions intensity by an average annual rate of 7%. To achieve SPTs 2a, 2b and 2c, Eramet will need to reduce its scope 1 and 2 GHG emissions intensity by 35% by 2025, by 37% by 2026 and by 40% by 2030 compared to the 2019 baseline. This represents an average annual reduction of 4% by 2025, 3% by 2026 and 2% by 2030 when compared to the latest reported GHG emissions intensity values in 2023. Thus, Sustainalytics notes that SPTs 2a, 2b and 2c are below past performance but represent a continuous improvement.

In assessing SPTs 2a, 2b and 2c against peer performance and alignment with science-based scenarios, Sustainalytics utilized the data on Eramet's scope 1 and 2 GHG emissions as a proxy due to the lack of an applicable contextual benchmark on the physical intensity of the SPTs.³⁶ Eramet has confirmed that the data for its scope 1 and 2 emissions relating to the overall trajectory for SPT 2 represents the same data set for SPT 1.³⁷ Based on this approach, Sustainalytics notes that Eramet's scope 1 and 2 GHG emissions reduction targets are in line with those of its industry peers.

In terms of science-based references, Sustainalytics notes that Eramet's absolute scope 1 and 2 emissions target for 2035 has been validated by the SBTi as aligned with a well-below 2°C scenario. For absolute scope 1 and 2 emissions associated with the interim targets for 2025 (SPT 2a) and 2026 (SPT 2b), Sustainalytics notes the potential misalignment with the linear trajectory toward the 2035 target given that: i) Eramet plans to expand lithium and nickel production for the growing battery sector in the short to medium term; ii) Eramet's key decarbonization initiatives are expected to yield results starting in 2026 only; and iii) extraordinary circumstances – specifically production challenges at SLN New Caledonia and the global energy crisis in 2022 and 2023, which played significant roles in reducing emissions in previous years – are absent. With regard to SPT 2c, Sustainalytics notes that the potential impacts from the aforementioned initiatives are expected to yield results in the years following 2026 and hence considers the target to align with the general trajectory of the Company's 2035 target on absolute scope 1 and 2 emissions.

SPTs 3a-3b: Increase the share of suppliers and customers by emissions having decarbonization targets consistent with the well-below 2°C scenario of the Paris Agreement to 67% by 2025 and 2026 from a 2021 baseline

³⁴ Sustainalytics refers to contextual benchmarks that indicate the alignment of targets with ecosystem boundaries.

³⁵ Sustainalytics refers to contextual benchmarks that indicate the alignment of targets with ecosystem boundaries.

³⁶ Although SPT 2's metric is not based on the copper equivalent of sales volume as activity base as used in the diversified mining industry, it is relatively aligned with other production-based intensities well adopted in the industry. In addition, the Company has disclosed that a copper-based metric would not be suitable for its highly diverse product portfolio.

³⁷ The data set for SPT 2 includes emissions from SETRAG, a railway subsidiary whose activity base (transportation of people) is not consistent with the definition of SPT 2. SETRAG's emissions are included in the data for scope 1 and 2 emissions (the numerator of SPT 2), but its physical output is not included in the activity base (the denominator of SPT 2). This subsidiary's absolute scope 1 and 2 emissions were 21 ktCO₂e, about 1% of Eramet's total emissions, in 2023.

Sustainalytics was able to use the following benchmarks to assess ambitiousness: past performance, peer performance and science-based scenarios.³⁸

Between 2019 and 2023, the Company's share of suppliers and customers with decarbonization targets consistent with the well-below 2°C scenario of the Paris Agreement increased by an average of approximately five percentage points per year. For SPT 3a, the Company's target to increase the share of suppliers and customers with decarbonization targets consistent with the well-below 2°C scenario of the Paris Agreement to 67% by 2025 represents an average annual increase of approximately 11 percentage points between 2023 and 2025. Therefore, Sustainalytics considers SPT 3a and 3b to be above past performance.

Sustainalytics notes that maintaining the targeted share of partners (suppliers and customers) that have decarbonization targets consistent with the well-below 2°C scenario poses challenges in terms of a fluctuating list of customers and suppliers as well as decarbonization dynamics in the emerging markets.³⁹ Eramet's GHG emissions from sales represent 70% of total scope 3 GHG emissions,⁴⁰ indicating the greater significance of customer enrolment and corresponding emissions from processing of sold products⁴¹ compared to supplier engagement in maintaining such a target, where Eramet has limited influence over customers compared to suppliers. Eramet's partner portfolio includes industrial manufacturers from hard-to-abate industries, including steel producers, sea transportation service providers and ferroalloys producers, primarily in Europe and Asia. In this context, setting and maintaining a well-below 2°C scenario is an inherent challenge as these hard-to-abate customers are taking their transition steps that should result in reducing Eramet's GHG emissions, and considering addition of new partners to the list of Eramet's suppliers and customers in new markets. Therefore, Sustainalytics considers that SPT 3b goes beyond business as usual.

Eramet's targets were compared with seven peers from the mining industry. None of the peers have set targets on supplier and customer engagement to decarbonize their scope 3 emissions in line with the well-below 2°C scenario of the Paris Agreement. Therefore, Eramet can be considered a precursor in the industry. However, Sustainalytics notes that the majority of peers compared set targets to reduce scope 3 GHG emissions either in absolute or intensity terms. The SPT is not directly comparable with peers due to the differences in targeted scope 3 categories, but Sustainalytics notes that mitigating the carbon impacts of the value chain is critical to reduce Eramet's scope 3 GHG emissions. Considering the above context, Sustainalytics considers SPT 3a and SPT 3b to be aligned with peer performance.

Regarding comparison with science, Sustainalytics notes that SPT 3a is aligned with the SBTi as an external reference based on a well-below 2°C scenario. Regarding SPT 3b, Sustainalytics notes that it is not validated by the SBTi, and that Eramet has confirmed to Sustainalytics that it plans to seek validation of SPT 3b after 2026.

Overall Assessment

Sustainalytics considers the SPTs to align with Eramet's sustainability strategy and SPT 1 to be ambitious given that it: i) is below historical performance but represents a continuous material improvement; ii) aligns with the targets set by peers; and iii) aligns with the SBTi's well-below 2°C scenario.

Sustainalytics considers SPTs 2a, 2b and 2c to be ambitious given that they: i) are below past performance but represent a continuous material improvement; ii) generally align with the targets set by its peers; and iii) with reference to Eramet's emission reduction targets by 2035, align with the SBTi's well-below 2°C scenario.

Sustainalytics considers SPT 3a to be ambitious given that it: i) represents a material improvement compared to past performance that goes beyond a business-as-usual trajectory; ii) aligns with the targets set by its peers; and iii) aligns with an external reference, i.e. the well-below 2°C targets validated by the SBTi.

Sustainalytics considers SPT 3b to be moderately ambitious given that it: i) presents a performance that goes beyond a business-as-usual trajectory; ii) aligns with the targets set by its peers; but iii) not aligned with an external reference, and is subject for validation in the medium term.

³⁸ Sustainalytics refers to contextual benchmarks that indicate the alignment of targets with ecosystem boundaries.

³⁹ It is recognized that companies' partner lists will fluctuate every year, which may impact performance against an engagement target. Therefore, companies will need to refresh their scope 3 inventories and related supplier data annually over the target timeframe.

⁴⁰ Eramet, "Universal Registration Document", (2023), at: <https://www.eramet.com/wp-content/uploads/2024/04/2024-04-17-Eramet-DEU-2023-EN.pdf.pdf>

⁴¹ Processing of sold products in line with category 10 as per the GHG Protocol: https://ghgprotocol.org/sites/default/files/standards_supporting/Chapter10.pdf

SPT	Ambitiousness of SPT			
SPT 1: Reduce scope 1 and 2 GHG emissions by 40% by 2035 from a 2019 baseline	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
SPTs 2a-2c: Reduce scope 1 and 2 GHG emissions intensity by 35% by 2025, by 37% by 2026 and by 40% by 2030 from a 2019 baseline	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
SPT 3a: Increase the share of suppliers and customers by emissions having decarbonization targets consistent with the well-below 2°C scenario of the Paris Agreement to 67% by 2025 from a 2021 baseline	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
SPT 3b: Increase the share of suppliers and customers by emissions having decarbonization targets consistent with the well-below 2°C scenario of the Paris Agreement to 67% by 2026 from a 2021 baseline	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious



Instrument Characteristics

The financial characteristics of the bonds and other sustainability-linked instruments, such as loans, issued under the Framework will vary depending on Eramet's performance against the predefined SPTs of selected KPIs. The applicable financial characteristics of a given instrument will be specified in the relevant instrument's documentation. The financial characteristics for sustainability-linked instruments, including bonds and loans, are as follows:

- Coupon step-up during the lifetime of the bond: Failure to meet one or more SPTs will result in a coupon step-up applicable to all coupon periods starting on the next coupon payment after the observation date and applicable until maturity of the bond. If only some of the SPTs used in an instrument are met on a given observation date, an intermediary step-up could apply.
- Premium at maturity: Failure to meet one or more SPTs will result in an additional cash payment on top of the principal amount to investors at maturity of the bond.
- For the sustainability-linked loans, meeting or failing to achieve one or more predefined SPTs of selected KPIs will trigger a margin adjustment in the form of a discount or a premium, respectively.

Sustainalytics considers the financial characteristics of the sustainability-linked instruments to be aligned with the SLBP and the SLLP.

However, considering that Sustainalytics has taken a combined approach to assessing the applicability of KPIs 1, 2 and 3, Sustainalytics encourages Eramet to link the financial characteristics of all the instruments under the Framework to KPIs, which jointly represent at least 50% of the Company's total GHG emissions (scope 1, 2 and 3).



Reporting

Eramet commits to report on its progress on the KPIs on an annual basis and until the maturity of the instrument and expects to include the relevant figures in its Universal Registration Document Report on its website or any other equivalent or standalone report or document, which is aligned with the SLBP and SLLP. Eramet further commits to disclose relevant information for investors and lenders to monitor the level of ambition of the SPTs, which will include: i) the progress on the selected KPIs, including baselines and historical trajectory where relevant;

ii) any update in the issuer's sustainability strategy or on related KPI or ESG governance; and iii) any information relevant to the analysis of the KPIs and SPTs. For loans, Eramet will provide a sustainability confirmation statement, attached to the verification information, to lenders. The sustainability confirmation statement will outline the Company's performance against the SPTs for the relevant year. Sustainalytics considers Eramet's reporting commitments to be aligned with the SLBP and SLLP.



Verification

Eramet commits to have an independent external verifier provide limited assurance for each KPI at least once a year and until the maturity of the instruments. Additionally, a specific Verification Assurance Report will be provided by the external verifier at the time of a target observation date for a given SPT, based on which a potential adjustment of the financial characteristics of a specific sustainability-linked financial instrument will be triggered. This annual assurance report will be included in Eramet's Universal Registration Document Report or any other equivalent or standalone report or document. The verification commitments are aligned with the SLBP and SLLP.

Alignment against the Climate Transition Finance Handbook 2023

Sustainalytics has assessed Eramet's alignment with the recommendations of the Climate Transition Finance Handbook and considers the Company's transition strategy to be aligned. Sustainalytics highlights the following key elements of the assessment:

Key Elements	ICMA Recommendation	Sustainalytics' Assessment	
Issuer's climate transition strategy and governance	<ul style="list-style-type: none"> - Transition strategy to address climate-related risks and contribute to alignment with the goals of the Paris Agreement - Relevant interim targets on the trajectory towards long-term goal - Governance of transition strategy 	<ul style="list-style-type: none"> - Eramet has developed a group-level climate transition strategy and a revised CSR roadmap for 2024-26, describing the deployment of technological innovations to achieve value chain transformation and operational decisions, which will support the Company's decarbonization objectives.⁴² - The Board of Directors, the Executive Committee and the Energy & Climate Department are responsible for overseeing and managing Eramet's CSR roadmap and climate transition strategy.⁴³ - At the executive level, the CEO and Executive Vice-President of Strategy are responsible for assessing and managing climate-related physical and transitional short-, medium- and long-term risks and opportunities. The Decarbonization Director reports to the Vice-President of Strategy and oversees the implementation of the climate transition strategy. Climate-related risks for each business and product category is updated yearly, and overall progress on climate transition is reviewed quarterly at the executive level.⁴⁴ - Please see the detailed assessment in Section 2. 	Aligned
Business model environmental materiality	<ul style="list-style-type: none"> - Transition trajectory should be relevant to the environmentally material parts of the issuer's business model 	<ul style="list-style-type: none"> - Eramet's transition trajectory addresses environmentally material aspects of its business model. Its decarbonization roadmap aims to address the transition from carbon-intensive mining and metallurgical activities by expanding the use of renewable energy, reducing the use of fossil carbon resources by using bio-reducers and hydrogen, using electric conveyors and mining trucks, replacing fuel oil by natural gas for electricity production and developing carbon capture and storage solutions.⁴⁵ 	Aligned

⁴² Eramet, "CSR Roadmap", at: <https://www.eramet.com/en/commitments/csr-roadmap/#>

⁴³ Eramet, "Universal Registration Document", (2023), at: <https://www.eramet.com/wp-content/uploads/2024/04/2024-04-17-Eramet-DEU-2023-EN.pdf.pdf>

⁴⁴ Ibid.

⁴⁵ Eramet, "Eramet on the road to decarbonization", at: <https://www.eramet.com/en/commitments/decarbonization/>

Climate transition strategy to be science-based, including targets and pathways	<ul style="list-style-type: none"> - Transition strategy should reference science-based targets and transition pathways 	<ul style="list-style-type: none"> - Eramet has established short- and medium-term GHG emissions reduction targets aligned with the well-below 2°C climate scenario and validated by the SBTi.⁴⁶ - Eramet's has also set a long-term goal of achieving carbon neutrality for its scope 1 and 2 GHG emissions by 2050, which is benchmarkable.⁴⁷ 	Aligned
Implementation transparency	<ul style="list-style-type: none"> - Disclosure of capex and opex plans - Intended climate-related outcomes and impacts from expenditures 	<ul style="list-style-type: none"> - Eramet commits to publicly report on the climate-related outcomes of its transition strategy in its annual Universal Registration Document and via the CDP.⁴⁸ - In 2023, Eramet disclosed that it intends to allocate EUR 500 million as capital expenditure for emissions reduction projects between 2023 and 2035.⁴⁹ Eramet has communicated that this will be complemented by other investments relevant to its transition strategy, which involve third parties and are disclosed as part of the Company's financial reporting. 	Aligned

Section 2: Assessment of Eramet's Sustainability Strategy

Credibility of Eramet's Climate Transition Strategy

Sustainalytics recognizes that proceeds from the sustainability-linked instruments issued or obtained under the Framework would be for general corporate purpose use, which supports the Company's transition to low-carbon operations. In this context, Sustainalytics has assessed Eramet's climate transition strategy below.

Climate Transition Governance

The governance of Eramet's climate transition-related strategies is organized at three levels: the Board of Directors, the Executive Committee and the Decarbonization Department, all of which are responsible for overseeing and managing the strategies. At the executive level, the CEO, the Executive Vice-President of Strategy and the Environmental Director are responsible for assessing, managing and implementing climate-related risks and opportunities. At an operational level, the Decarbonization Department oversees the Company's decarbonization effort, as per the CSR governance roadmap, by reducing energy use, and controlling and reducing GHG emissions. In addition, the Energies Purchase Department is responsible for managing and controlling energy purchases, and the Central Technical Office linked to the Company's operations division is responsible for implementing decarbonization projects.⁵⁰

Emissions Reduction Targets

Eramet has set a medium-term target to reduce its absolute scope 1 and 2 GHG emissions by 40% by 2035 compared to 2019 levels, which is aligned with the SBTi's well-below 2°C scenario. The Company has set a long-term scope 1 and 2 GHG emissions reduction target to achieve carbon neutrality by 2050.⁵¹

Eramet has also set short- and medium-term targets to reduce its scope 1 and 2 GHG emissions intensity by 35% by 2025, by 37% by 2026 and by 40% by 2030 compared to 2019 levels. In addition, Eramet has committed to procuring 67% of its customers and suppliers to set Paris Agreement-aligned emission targets by 2025 or 2026. As of 2023, the Company has reduced its absolute scope 1 and 2 emissions by 17.5 % compared to 2019 and 46% of its suppliers have set applicable targets.⁵²

Decarbonization Pathway and Implementation Plan

⁴⁶ Eramet, "Universal Registration Document", (2023), at: <https://www.eramet.com/wp-content/uploads/2024/04/2024-04-17-Eramet-DEU-2023-EN.pdf.pdf>

⁴⁷ Ibid.

⁴⁸ Ibid.

⁴⁹ Eramet, "Universal Registration Document", (2023), at: <https://www.eramet.com/wp-content/uploads/2024/04/2024-04-17-Eramet-DEU-2023-EN.pdf.pdf>

⁵⁰ Eramet, "Universal Registration Document", (2023), at: <https://www.eramet.com/wp-content/uploads/2024/04/2024-04-17-Eramet-DEU-2023-EN.pdf.pdf>

⁵¹ Ibid.

⁵² Ibid.

In 2023, Eramet published a revised decarbonization roadmap, which centres around the following initiatives:^{53,54}

- **Electrification of its mines and decarbonization of consumed energy:** Eramet plans to advance the electrification of its mines by using electric conveyors and mining trucks. The Company also aims to increase the purchase and production of renewable energy across its operations, mainly through the deployment of solar power plants. In Senegal, Eramet is developing a hybrid solar PV plant, which, coupled with battery storage capacity, is expected to start reducing the Company's reliance on fossil fuels for electricity generation by 2024. In Norway, Eramet has established an energy recovery unit that generates electricity and heat from the gases produced by furnaces. The heat generated is used again in the furnaces, reducing the need for electricity. For operations that rely on heavy fuel oil in electricity production, Eramet aims to substitute oil with natural gas.
- **Use bio-reducers in the reduction of ore and develop hydrogen in the reduction of ore:** The Company plans to replace a significant portion of the carbon materials with hydrogen and pre-treated biocarbon produced from biomass. By taking these steps, the Company aims to decarbonize its metallurgical production processes.
- **Use carbon capture and storage technology:** For several years, Eramet has employed carbon capture and utilization technology in its pyrometallurgy site in Norway to use emitted gasses in fertilizer production.
- **Optimize the consumption of mineral resources, water, energy and raw materials by applying a circular approach at its mines and plants.** Eramet aims to develop a model for the recycling of batteries in Europe by 2027.

Sustainalytics considers Eramet's climate transition strategy as credible and supportive of Eramet's short- and medium-term decarbonization targets and long-term decarbonization goal.

Eramet's Environmental and Social Risk Management

Sustainalytics recognizes that Eramet's defined targets are impactful, but achieving the SPTs bears environmental and social risks. Sustainalytics' ESG Risk Rating identifies Resource Use; Emissions, Effluents and Waste; Occupational Health and Safety; and Community Relations as key material ESG issues for Eramet.

In the following section, Sustainalytics comments on Eramet's ability to address such potential risks:

- **Environmental and Social Risk Management:** Eramet has established a Risk Management System, which provides an integrated approach to identify, categorize and manage risks that the Company may face. The Company's 2022 risk-mapping exercise identified three main risks to which it is exposed: strategic and financial, compliance, and operational, the latter addressing physical impacts of climate change and decarbonization. In addition, Eramet assessed the Company's ESG risks and identified risks related to the environment, human rights and anti-corruption as priority issues.⁵⁵ Based on the assessment, the Company established its CSR Roadmap, which includes numerical key performance indicators for each target area.
- **Resource Use:** The Company's Environmental Responsibility Policy outlines its commitment to promoting a more resource-efficient and circular economy model in its operations.⁵⁶ The Company has monitored the water footprint of all its active sites since 2020 to assess the risks associated with water use at different plants.⁵⁷ Eramet has also created a special circular economy committee, whose role is to identify and validate projects related to the circular economy. Regarding biodiversity protection, Eramet's Environmental Responsibility Policy guides the Company to avoid and reduce biodiversity impacts at all sites and rehabilitate and offset impacts that cannot be avoided. The Company has committed to increasing mining area rehabilitation, and in 2022, it surpassed its target of having a ratio of rehabilitated areas to cleared areas greater or equal to 1.⁵⁸

⁵³ Eramet, "2023 Integrated Report", at: <https://www.eramet.com/wp-content/uploads/2024/04/2024-04-09-Eramet-integrated-report-2023-EN.pdf>

⁵⁴ Eramet, "Universal Registration Document", (2023), at: <https://www.eramet.com/wp-content/uploads/2024/04/2024-04-17-Eramet-DEU-2023-EN.pdf.pdf>

⁵⁵ Ibid.

⁵⁶ Eramet, "Environmental Responsibility Policy", (2020), at: https://www.eramet.com/sites/default/files/2021-01/PO_G_CSR_Environmental_Responsibility.pdf

⁵⁷ Eramet, "Universal Registration Document", (2023), at: <https://www.eramet.com/wp-content/uploads/2024/04/2024-04-17-Eramet-DEU-2023-EN.pdf.pdf>

⁵⁸ Eramet, "Environmental Responsibility Policy", (2020), at: https://www.eramet.com/sites/default/files/2021-01/PO_G_CSR_Environmental_Responsibility.pdf

- **Emissions, Effluents and Waste:** Eramet's Environmental Responsibility Policy details the implementation and risk management systems at all the Company's sites and in its transport and supply chain.⁵⁹ Eramet's Environmental Department is responsible for monitoring the policy and the emergency plans defined to ensure an effective response in the event of an incident. As of 2023, 100% of Eramet's industrial⁶⁰ and mining sites that were likely to have significant impacts on the environment were ISO 14001-certified. To reduce aqueous waste, preventive systems, such as ponds and double-walled storage tanks, are used along with curative mechanisms, such as effluent treatment plants.⁶¹ For continuous a reduction of channeled dust, Eramet monitors air quality in communities near its sites, reduces diffuse dust and manages aqueous wastes at its sites.⁶²
- **Occupational Health and Safety:** Eramet's Health Policy and its Safety Policy, updated in 2023, reflect the emphasis placed by the Company on the health and safety of its employees. The prevention of occupational accidents is based on a comprehensive operational analysis, the Workplace Risks Assessment, conducted at Eramet's plants. The Company's Essential Safety Requirements outline critical activity rules that are required to be implemented at all sites. Additionally, the Company has established a reporting system that monitors the effectiveness of accident prevention on a monthly basis, the results of which are reviewed by the board-level Executive Committee. Eramet also has in place a safety management system, revised in 2020 and based on international standards OHSAS 18001 and ISO 45000.^{63,64} In addition, Eramet adheres to the International Bill of Human Rights and International Labour Organization's Fundamental Conventions and follows the recommendations of the UN Guiding Principles on Business and Human Rights. The Company's Human Rights Policy establishes a human rights due diligence mechanism for its employees and commercial partners, including customers, suppliers, subcontractors and partners to identify, prevent, mitigate and manage any human rights violations.⁶⁵ In December 2023, Eramet published its human rights report, available on the Group's website.
- **Community Relations:** Eramet's Ethics Charter guides the Company's risk management systems related to community relations. It emphasizes Eramet's commitment to a relationship of respect and trust with all stakeholders, including communities adjacent to the Company's operating sites. The Ethics Charter further underlines the Company's commitment to developing sustainable relationships with local populations, authorities and communities in its various locations, and it requires that the rights of all individuals and communities are respected.⁶⁶ The Company has also established risk assessment and management mechanisms related to community relations under its human rights risk assessment mechanism.⁶⁷

In addition to the above, Sustainalytics notes that it has found no evidence of any major environmental or social controversies related to Eramet. Overall, Sustainalytics considers that Eramet has strong management programmes and policies to mitigate risks that could arise in achieving the SPTs.

Section 3: Impact of the SPTs

Importance of reducing emissions in the mining industry

As of 2021, the mining industry was responsible for only 2-3% of global CO₂ emissions based on scope 1 and 2 emissions,⁶⁸ but this proportion significantly rises when factoring in scope 3 emissions, which accounts for 28% of the global emissions.⁶⁹ The

⁵⁹ Ibid.

⁶⁰ Excluding the CAT under indirect management

⁶¹ Eramet, "Universal Registration Document", (2023), at: <https://www.eramet.com/wp-content/uploads/2024/04/2024-04-17-Eramet-DEU-2023-EN.pdf.pdf>

⁶² Ibid.

⁶³ Eramet, "Safety Policy", (2020), at: https://www.eramet.com/sites/default/files/2021-01/PO_G_SAFETY_Safety.pdf

⁶⁴ Eramet, "Health Policy", (2020), at: https://www.eramet.com/sites/default/files/2021-01/PO_G_HEALTH_Health.pdf

⁶⁵ Eramet, "Human Rights Policy", (2023), at: <https://www.eramet.com/sites/default/files/inline-files/Eramet-Human-Rights-Policy.pdf>

⁶⁶ Eramet, "Ethics Charter", (2023), at: <https://www.eramet.com/sites/default/files/inline-files/Eramet%20Ethics%20Charter%20-%20EN-2020.pdf>

⁶⁷ Eramet, "Universal Registration Document", (2023), at: <https://www.eramet.com/wp-content/uploads/2024/04/2024-04-17-Eramet-DEU-2023-EN.pdf.pdf>

⁶⁸ Bellois, G. (2022), "The Impacts of Climate Change on the Mining Sector", Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development, at: <https://www.iisd.org/publications/brief/impacts-climate-change-mining-sector>

⁶⁹ Henderson, K. et al. (2020), "Here's how the mining industry can respond to climate change", McKinsey Sustainability, at: <https://www.mckinsey.com/capabilities/sustainability/our-insights/sustainability-blog/here-is-how-the-mining-industry-can-respond-to-climate-change>

industry is energy-intensive, accounting for 10% of global energy consumption,⁷⁰ and the majority of the energy is consumed in the operational phase of mining, including crushing, pumping and other processes, with machines and vehicles used for extraction consuming approximately 60% of it.⁷¹ Annually, the mining sector generates between 1.9 and 5.1 gigatons of CO₂ equivalent of emissions and are projected to increase by a further 45-60% by 2050 compared to 2010 production levels.^{72,73} Furthermore, implementation of low-carbon energy solutions is expected to increase demand for metals used in these technologies, such as lithium, cobalt and nickel by 965%, 585% and 108%, respectively, by 2050 compared to demand levels in 2017.⁷⁴ Reducing the industry's GHG emissions is therefore imperative while sustainably keeping pace with increasing demand from the transition to a low-carbon economy.

In October 2021, most of the members of the International Council on Mining and Metals (ICMM), which make up about one-third of the global mining industry, have committed to achieving net zero scope 1 and 2 emissions by 2050 or earlier in line with the Paris Agreement and have set short- and medium-term targets to achieve this goal.^{75,76} ICMM has adopted a unified approach to achieving net zero, which includes setting scope 1 and 2 targets, covering all material sources, focusing on absolute reductions and accelerating action on scope 3 emissions.⁷⁷ Regarding scope 3 emissions, ICMM has committed to set targets as soon as possible.⁷⁸ According to the Climate Disclosure Project, scope 3 emissions account for 75% of the emissions of a company on an average, which rise to 95% in case of metal and mining companies' emissions depending on the commodity portfolio.⁷⁹ To support the sector's decarbonization pathway, companies must adopt strategies to tackle scope 3 emissions, such as collaborating with suppliers to build more sustainable value chains and partnering with customers to jointly develop clean solutions along the value chain.

Sustainalytics is of the opinion that Eramet's SPTs to reduce scope 1 and 2 emissions and address scope 3 emissions by collaborating with suppliers and customers are expected to contribute to reducing the mining industry's environmental footprint and support the industry's net zero goals by 2050.

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 sustainability-linked instruments issued under the Framework are expected to help advance the following SDGs and targets:

KPI	SDG	SDG Target
KPI 1: Absolute scope 1 and 2 GHG emissions (MtCO ₂ e)	7. Affordable and Clean Energy 9. Industry, Innovation and Infrastructure	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
KPI 2: Scope 1 and 2 GHG emissions intensity per tonne of production (tCO ₂ e/t)		7.3 By 2030, double the global rate of improvement in energy efficiency 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

⁷⁰ Salgaocar, V. (2022), "Why innovation in the mining sector is critical for the energy transition", World Economic Forum, at: <https://www.weforum.org/agenda/2022/11/why-innovation-in-the-mining-sector-is-critical-for-the-energy-transition/>

⁷¹ CEEC The Future, "Mining Energy Consumption 2021", at: <https://www.ceecthefuture.org/resources/mining-energy-consumption-2021>

⁷² BSR-Cambridge, "Climate Change: Implications for Extractive and Primary Industries", (2014), at: <https://www.bsr.org/en/reports/climate-change-implications-for-extractives-and-primary-industries>

⁷³

Henderson, K. et al. (2020), "Climate risk and decarbonization: What every mining CEO needs to know", McKinsey Sustainability, at: <https://www.mckinsey.com/capabilities/sustainability/our-insights/climate-risk-and-decarbonization-what-every-mining-ceo-needs-to-know>

⁷⁴ World Bank, "Climate-Smart Mining: Minerals for Climate Action", (2019), at: <https://www.worldbank.org/en/topic/extractiveindustries/brief/climate-smart-mining-minerals-for-climate-action>

⁷⁵ ICMM, "Our Members", at: <https://www.icmm.com/en-gb/our-story/our-members>

⁷⁶ ICMM, "Climate Change", at: <https://www.icmm.com/en-gb/our-work/environmental-resilience/climate-change>

⁷⁷ ICMM, "ICMM makes landmark climate commitment to net zero by 2050 or sooner", (2021), at: <https://www.icmm.com/en-gb/news/2021/net-zero-commitment>

⁷⁸ ICMM, "Our Commitment to a Goal of Net Zero by 2050 or Sooner", (2021), at: <https://www.icmm.com/en-gb/our-work/environmental-resilience/climate-change/net-zero-commitment>

⁷⁹ ICMM, "Scope 3 Emissions Accounting and Reporting Guidance", (2023), at: https://www.icmm.com/website/publications/pdfs/environmental-stewardship/2023/guidance_scope-3-reporting.pdf?cb=69120

		processes, with all countries taking action in accordance with their respective capabilities
KPI 3: Share of suppliers and customers by emissions having decarbonization targets consistent with the well-below 2°C scenario of the Paris Agreement	12. Responsible Consumption and Production	<p>12.5 By 2030, achieve the sustainable management and efficient use of natural resources</p> <p>12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle</p>

Conclusion

Eramet has developed the Eramet Sustainability-Linked Financing Framework, under which it may issue sustainability-linked bonds and sustainability-linked loans. Under such sustainability-linked instruments, Eramet intends to tie the coupon rate, margin rate or premium to the achievement or non-achievement of the following SPTs:

- (1) SPT 1: Reduce absolute scope 1 and 2 GHG emissions by 40% by 2035;
- (2) SPT 2a-2c: Reduce absolute scope 1 and 2 GHG emissions intensity per tonne of sellable production by 35% by 2025; by 37% by 2026 and by 40% by 2030;
- (3) SPT 3a-3b: Increase the share of suppliers and customers by emissions, having decarbonization targets consistent with the well-below 2°C scenario of the Paris agreement to 67% by 2025 and 2026.

Sustainalytics considers KPI 1 to be very strong given that it: i) speaks to a material environmental issue directly related to the Company's performance; ii) has a high scope of applicability; iii) follows a clear and consistent methodology that is externally defined; and iv) supports benchmarking against external emissions reduction trajectories.

Sustainalytics considers KPI 2 to be strong given that it: i) speaks to a material environmental issue directly related to the Company's performance; ii) has a high scope of applicability; iii) follows clear and consistent methodology that is externally defined; and iv) does not lend itself well to be compared against external benchmarks.

Sustainalytics considers KPI 3 to be strong given that it: i) speaks to a material environmental issue indirectly related to the Company's performance; ii) has a high scope of applicability; iii) follows a clear and consistent methodology in line with an external reference; and iv) does not facilitate a direct comparison with a decarbonization pathway but is consistent with the SBTi as an external reference.

Furthermore, Sustainalytics considers all SPTs to align with Eramet's sustainability strategy and SPT 1 to be ambitious given that it: i) is below historical performance but represents a continuous material improvement; ii) aligns with the targets set by peers; and iii) aligns with the SBTi's well-below 2°C scenario.

Sustainalytics considers SPTs 2a, 2b and 2c to be ambitious given that they: i) are below past performance but represent a continuous material improvement; ii) generally align with the targets set by its peers; and iii) with reference to Eramet's emission reduction targets by 2035, align with the SBTi's well-below 2°C scenario.

Sustainalytics considers SPT 3a to be ambitious given that it: i) represents a material improvement compared to past performance that goes beyond a business-as-usual trajectory; ii) aligns with the targets set by its peers; and iii) aligns with an external reference, i.e. the well-below 2°C targets validated by the SBTi.

Sustainalytics considers SPT 3b to be moderately ambitious given that it: i) presents a performance that goes beyond a business-as-usual trajectory; ii) aligns with the targets set by its peers; but iii) not aligned with an external reference, and is subject for validation in the medium term.

Additionally, Sustainalytics considers the reporting and verification commitments to be aligned with market expectations.

Furthermore, Sustainalytics considers that the Eramet Sustainability-Linked Financing Framework is aligned with the recommendations of the Climate Transition Finance Handbook 2023, and that Eramet has strong ESG risk management policies and procedures in place.

Based on the above, Sustainalytics considers the Eramet Sustainability-Linked Financing Framework to be aligned with the five core components of the Sustainability-Linked Bond Principles 2023 and Sustainability-Linked Loan Principles 2023 and to be partially aligned with the four core components of the Climate Transition Finance Handbook 2023.

Disclaimer

Copyright ©2024 Sustainalytics, a Morningstar company. All rights reserved.

The information, methodologies, data and opinions contained or reflected herein are proprietary of Sustainalytics and/or content providers, and may be made available to third parties only in the form and format disclosed by Sustainalytics. They are not directed to, or intended for distribution to or use by India-based clients or users and their distribution to Indian resident individuals or entities is not permitted.

They are provided for informational purposes only and (1) shall not be considered as being a statement, representation, warranty or argument either in favor or against the truthfulness, reliability or completeness of any facts or statements that the issuer has made available to Sustainalytics for the purpose of this deliverable, in light of the circumstances under which such facts or statements have been presented; (2) do not constitute an endorsement of any product, project, investment strategy or consideration of any particular environmental, social or governance related issues as part of any investment strategy; (3) do not constitute investment advice, financial advice, or a prospectus, nor represent an "expert opinion" or "negative assurance letter" as these terms are commonly understood or defined by any applicable legislation; (4) are not part of any offering and do not constitute an offer or indication to buy or sell securities, to select a project or make any kind of business transactions; (5) do not represent an assessment of the issuer's economic performance, financial obligations nor of its creditworthiness; (6) are not a substitute for professional advice; (7) past performance is no guarantee of future results; (8) have not been submitted to, nor received approval from, any relevant regulatory body; (9) have not and cannot be incorporated into any offering disclosure, unless otherwise agreed in writing.

These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-datedness or fitness for a particular purpose. Sustainalytics has not independently verified any such information or data. The deliverables are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics does not undertake any obligation to update or revise any of the statements in the deliverable to reflect events, circumstances, changes in expectations which may occur after the date of the opinion or any statements included in the opinion. Neither Sustainalytics/Morningstar nor their content providers accept any liability from the use of the information, data or opinions contained herein or for actions of third parties in respect to this information, in any manner whatsoever, except where explicitly required by law. Sustainalytics does not assume any responsibility shall the bond default. Any reference to content providers' names is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our content providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

Sustainalytics may receive compensation for its ratings, opinions and other deliverables, from, among others, issuers, insurers, guarantors and/or underwriters of debt securities, or investors, via different business units. Sustainalytics believes it has put in place appropriate measures designed to safeguard the objectivity and independence of its opinions. For more information, visit [Governance Documents](#) or contact compliance@sustainalytics.com.

This deliverable, in particular the images, text and graphics contained therein, and the layout and company logo of Sustainalytics are protected under copyright and trademark law. Any use thereof shall require express prior written consent. Use shall be deemed to refer in particular to the copying or duplication of the opinion wholly or in part, the distribution of the opinion, either free of charge or against payment, or the exploitation of this opinion in any other conceivable manner.

The issuer is fully responsible for certifying and ensuring compliance with its commitments, for their implementation and monitoring.

About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. With 17 offices globally, Sustainalytics has more than 1500 staff members, including more than 500 analysts with varied multidisciplinary expertise across more than 40 industry groups.

For more information, visit www.sustainalytics.com

Or contact us contact@sustainalytics.com

