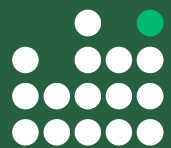


January 2023

# Second Party Opinion

PRE-ISSUANCE



Sustainability-Linked Financing Framework

Glamox AS

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## The Issuer

Glamox AS (“Glamox”, the “Company”) is a Norwegian industrial group that develops, manufactures and distributes professional lighting solutions for the global market. Applications include lighting solutions for professional buildings in Europe as well as lighting solutions for global marine and offshore energy. Glamox is headquartered in Oslo, and Glamox is Norway’s largest lighting company. It consists of nine brands<sup>1</sup> and employs around 2,200 people worldwide with manufacturing sites in Norway, China, Canada, Estonia, Germany, Poland, UK, and sales locations in Europe, Asia and North America.

The Glamox Group has two sales divisions: Professional Building Solutions (PBS) and Marine, Offshore & Wind (MOW). The sales divisions are supported by the Sourcing, Production & Logistics (SPL) division for a complete value chain.

Glamox intends to issue Sustainability-Linked Bonds and Loans (the “SLB”, “Bond”, or “Loan”) referencing this framework. The Company has commissioned Position Green Advisory to review the Sustainability-Linked Financing Framework (SLFF) and provide an opinion on the alignment of the framework with the ICMA Sustainability-Linked Bond Principles (SLBP).<sup>2</sup> According to statements issued by the International Capital Market Association (ICMA)<sup>3</sup>, there is a correlation between the Sustainability Linked Bond Principles (SLBP) and the Sustainability Linked Loan Principles (SLLP) as outlined by the Loan Syndications and Trading Association (LSTA). Based on this information, it is the perspective of PGA that frameworks consistent with the SLBP also adhere to the requirements of the SLLP.

## The Reviewer

Position Green Advisory (PGA) is the advisory branch of the Position Green Group, a Nordic leader in sustainability software and advisory. PGA provides expertise on environmental, social and governance (ESG) risk and compliance. The firm applies leading global ESG standards when conducting Company assessments, benchmarking and gap analysis.

PGA has worked with over 150 public and private entities across all industries, most notably the maritime sector, oil and gas, renewables, defence, real estate, technology and financial services. PGA also serves as a trusted advisor to public institutions such as the United Nations, the World Bank, and governmental agencies, as well as various NGOs and foundations.

PGA is a member of the Marine Transportation Advisory Group of the Sustainability Accounting Standards Board (SASB)/Value Reporting Foundation, an accredited CDP provider and a Certified Training Partner of the GRI. PGA is a signatory to the principles of the International Capital Market Association (ICMA).<sup>4</sup> PGA applies the International Standard on Quality Control 1 (ISQC) framework required for e.g. ISAE 3000 assignments.



<sup>1</sup> Glamox, Aqua Signal, ES-System, Luminell, Luxonic, LiteIP, Luxo, Küttel, and Wasco.

<sup>2</sup> Note that the ICMA SLBP and the Sustainability-Linked Loan Principles (SLLPs) established by the Loan Market Association (LMA) in 2018 correspond.

<sup>3</sup> <https://www.icmagroup.org/assets/documents/Sustainable-finance/Sustainability-Linked-Bond-Principles-Related-questions-February-2021-170221v2.pdf>

<sup>4</sup> The Secretariat of the Green Bond Principles, International Capital Market Association, includes PGA in its [membership list](#) on the ICMA website.

# Sustainability-Linked Financing Framework Pre-Issuance Second-Party Opinion

January 2023

## Summary

This review was conducted in accordance with ICMA's external review guidelines<sup>5</sup> using documentation provided by Glamox as well as discussions with the Company's senior management. PGA confirms it has in place processes to safeguard professional integrity, objectivity, competence, behaviour and confidentiality.



Position Green Advisory AS (PGA) is of the opinion that Glamox's Sustainability-Linked Financing Framework (SLFF) is aligned with the five core components of the ICMA Sustainability-Linked Bond Principles of June 2020<sup>6</sup> (SLBP). According to statements issued by the International Capital Market Association (ICMA)<sup>7</sup>, there is a correlation between the Sustainability Linked Bond Principles (SLBP) and the Sustainability Linked Loan Principles (SLLP) as outlined by the Loan Syndications and Trading Association (LSTA). Based on this information, it is the perspective of PGA that frameworks consistent with the SLBP also adhere to the requirements of the SLLP.

**B**

PGA regards the Key Performance Indicators (KPIs) to have a high degree of relevance and materiality to the Company's operations (score: 3). The Sustainability Performance Targets (SPTs) are deemed as being fairly ambitious (score: 3). This constitutes an overall 'B' rating of the SLFF.

PGA's opinion is based on the following:

### Principle One: Selection of Key Performance Indicators (KPIs)

The Company has selected three KPIs for its Sustainability-Linked Financing Framework (SLFF):

- Absolute Scope 1 and 2 GHG emissions in metric tonnes
- Share of turnover from connected lighting
- Non-hazardous waste to landfill in metric tonnes

PGA considers that the KPIs are highly relevant and material to the Company's operations.

### Principle Two: Calibration of Sustainability Performance Targets (SPTs)

The Company has selected three SPTs for its KPIs:

- SPT 1: Reduce absolute Scopes 1 and 2 GHG emissions 40% by 2025 from a 2021 base year
- SPT 2: Increase the share of turnover from connected lighting to 45% by 2025
- SPT 3: Reduce the share of non-hazardous waste sent to landfill to 1% by 2025

PGA considers that the SPTs support the Company's sustainability strategy. PGA regards the Company's selected SPTs to be related to its sustainability strategy and to be fairly ambitious.

<sup>5</sup> <https://www.icmagroup.org/assets/documents/Sustainable-finance/Guidelines-for-GreenSocialSustainability-and-Sustainability-Linked-Bonds-External-Reviews-February-2021-170221.pdf>

<sup>6</sup> <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Sustainability-Linked-Bond-Principles-June-2020-171120.pdf>

<sup>7</sup> <https://www.icmagroup.org/assets/documents/Sustainable-finance/Sustainability-Linked-Bond-Principles-Related-questions-February-2021-170221v2.pdf>

### **Principle Three: Security Characteristics**

*The Company's Sustainability-Linked Financing contains the characteristics of a conventional bond or loan but with a penalty provision attached.*

PGA notes that the proposed penalty structure is in line with comparable sustainability-linked securities in the market.

### **Principle Four: Reporting**

The Company commits to report on an annual basis on its performance of the KPIs against the SPTs. The Company will publish information regarding the development of the SPTs in the Group's annual report or standalone report.

### **Principle Five: Verification**

PGA is of the opinion that the Company's verification scheme is in line with the requirements outlined by ICMA in that the Company will commission competent and independent third parties to conduct the assurance, which will be made publicly available.

# 1. Methodology and rating scale

## Scope of review and responsibilities

This Second-Party Opinion (SPO) reflects PGA's independent opinion on the alignment of the reviewed SLF framework with the Sustainability-Linked Bond Principles. PGA confirms that it has:  
expertise in SLF framework requirements;  
assessed the potential sustainability impacts targeted by the SLFF;  
reviewed the Company's alignment with the five core components of the ICMA Principles.

PGA has relied on information provided by the Company's management team to understand the sustainability impact of their business strategy and SPTs, and the reporting and verification procedures applicable to the SLFF. The Company's representatives have confirmed that:

- 1) They understand it is the sole responsibility of the Company to ensure that the information provided is complete, accurate and up to date.
- 2) They have provided PGA with all relevant information.
- 3) The provided material information has been duly disclosed in a timely manner.

PGA received information through discussions with the Company and reviewed relevant documents published by the Company as well as non-public information to prepare this report. The opinion should be read in conjunction with the Sustainability-Linked Financing Framework<sup>8</sup> and other Financing Documents. PGA's SPO reflects PGA's opinion of the Framework's alignment with current market standards. As such, this SPO is no guarantee of alignment with future versions of relevant market standards. PGA's SPO addresses the defined SPT(s) of the KPI(s) but does not measure the KPI(s). The measurement and reporting of the KPI(s) are the sole responsibility of the Issuer.

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

## Alignment and rating scale

### *Alignment*

When conducting a SPO review, PGA assesses whether the proposed framework can be said to be *aligned* or *not aligned* with the Sustainability-Linked Bond Principles issued by International Capital Market Association (ICMA). Where evidence is found that the said principles are covered, PGA deems a framework to be *aligned*.

### *Materiality and relevance*

When reviewing the materiality and relevance of the Key Performance Indicator(s) (KPI(s)), PGA applies the following ratings, where the Issuer:

Rationale	Degree of materiality	Score
Has applied a recognized and quantifiable method of identifying KPIs material to the business model and sustainability effects.	Very high degree of relevance and materiality	4
Has employed a structured approach when identifying KPIs material to the Company.	High degree of relevance and materiality	3
Explains with limited quantifiable evidence the materiality of its KPIs.	Medium degree of relevance and materiality	2
Has insufficient explanation of the materiality of its KPIs.	Low level of relevance and materiality	1
Has no explanation of the materiality of its KPIs.	Clearly lacking relevance and materiality.	0

<sup>8</sup> Glamox, Sustainability-Linked Financing Framework, January 2023

### Level of ambition

When reviewing the ambition level of the Sustainability Performance Targets (SPTs), PGA has applied the following ratings, where the Issuer:

Rationale	Degree of ambition	Score
Provides an absolute and a relative benchmark of sustainability impact.	Highly ambitious	<b>4</b>
Provides evidence that the sustainability impact is material to society at large.	Fairly ambitious	<b>3</b>
Describes how the target is important to the sustainable operation of the Company, but not the effect on its surroundings.	To some degree ambitious	<b>2</b>
Provides insufficient description and evidence of the sustainability impact.	Low level of ambition	<b>1</b>
Provides no description and/or evidence of the sustainability impact.	Lacking ambition	<b>0</b>

## Overall rating

By combining the scores on materiality and level of ambition, PGA arrives at an overall score ranging from E (lowest rating) to A (highest rating). Generally, a 'D' or 'E' rating indicates that the issuer should refrain from using the term sustainability-linked. A 'C' rating means that the basic requirements for a sustainability-linked framework have been met. The two top level ratings (A and B) indicate that the issuer has a sustainability-linked framework that is fairly or highly material and ambitious.

For the Company and its Sustainability-Linked Financing Framework, PGA assessed the KPIs to have a *high degree of relevance and materiality* (score: 3) to the Company and the SPTs as being *fairly ambitious* (score: 3). This constitutes an overall 'B' rating of the instrument.

Combined score	Rating
8	<b>A</b>
7	<b>B+</b>
6	<b>B</b>
5	<b>C+</b>
4	<b>C</b>
3	<b>D</b>
2	<b>D-</b>
0-1	<b>E</b>

## 2. Alignment with core principles

PGA is of the opinion that the Company's Sustainability-Linked Financing Framework *is aligned* with the five core elements of the Sustainability-Linked Bond Principles (SLBP) of June 2020. The KPIs and SPTs employed by the Company are described in Table 1 and Table 2 below. The Company's Sustainability-Linked Financing Framework includes three KPIs and three SPTs:

**Table 1: KPI definition**

<b><i>Key Performance Indicators</i></b>	<b>Definition</b>
<i>KPI 1: Absolute Scope 1 and 2 GHG emissions in metric tonnes</i>	Scope 1 emissions are defined as direct GHG emissions that occur from sources that are controlled by an organisation. For Glamox, this is measured through energy usage from fuel combustion in our operations. Scope 2 emissions are defined as indirect GHG emissions and refer to emissions that are associated with the purchase of, e.g., electricity, heat, cooling, and steam. For Glamox, this is pertaining to energy usage from utilities. In accordance with the GHG protocol, Glamox calculates Scope 2 emissions in two ways: i) based on the location-based method, and ii) based on the market-based method. For the purpose of this KPI, a market-based approach is used for calculating Scope 2 emissions.
<i>KPI 2: Share of turnover from connected lighting</i>	The percentage share of turnover generated from connected lighting.
<i>KPI 3: Non-hazardous waste to landfill in metric tonnes</i>	The weight of non-hazardous waste disposal from production units sent to landfill as a percentage share of total non-hazardous waste disposal. The boundary is set without increasing the total waste to landfill in absolute terms.

**Table 2: SPT**

<b><i>Sustainability Performance Targets</i></b>	<b>Details</b>
<i>SPT 1: Reduce absolute Scopes 1 and 2 GHG emissions 40% by 2025 from a 2021 base year</i>	FY 2021: 4,607 tonnes FY 2025: 2,764 tonnes
<i>SPT 2: Increase the share of turnover from connected lighting to 45% by 2025</i>	FY 2021: 35% FY 2022: 37.5% FY 2023: 40% FY 2024: 42.5% FY 2025: 45%
<i>SPT 3: Reduce the share of non-hazardous waste sent to landfill to 1% by 2025</i>	FY 2021: 4% FY 2022: 3.3% FY 2023: 2.5% FY 2024: 1.8% FY 2025: 1%



## Principle One

### Selection of Key Performance Indicators (KPIs)

Glamox conducted a materiality assessment in 2020, together with external sustainability advisers. The assessment included dialogues with internal and external stakeholders, including owners, NGOs, customers, employees, and governments and regulators. In addition, an analysis was conducted of Glamox' business priorities and supply chains, as well as emerging sustainability topics. This identified a number of topics, with the most material being:

- Climate action
- Sustainable products
- Sustainable solutions
- Occupational health and safety
- ESG governance and structure
- Responsible procurement
- Business ethics
- Competence development
- Transition to a circular economy

Using the results of the materiality assessment, Glamox developed its four strategic pillars:

- Ensuring sustainability for clients
- Environmental excellence in operations
- Responsible leadership
- Light up people and society

Glamox has set goals and targets connected to the pillars.

### KPI 1: Absolute Scope 1 and 2 GHG emissions in metric tonnes

#### Definition and methodology

Glamox will reduce its scope 1 and 2 emissions by 40% by 2025, using 2021 as a baseline year.

Scope 1 emissions are measured through energy usage from fuel combustion in Glamox's operations.

For Glamox, Scope 2 emissions are pertaining to energy usage from utilities. For the purpose of this KPI, a market-based approach is used for calculating the emissions.

GHG emissions are calculated in accordance with the GHG Protocol and reported according to the GRI 305: Emissions 2016.

PGA is of the view that the KPI and methodology are clearly defined.

#### Relevance and materiality

As a manufacturer and provider of lighting products, emissions are a core part of Glamox' business and value chain. Lighting accounts for around 15-20% of the world's electricity consumption and 5% of the world's greenhouse gas emissions. This impact is why Glamox has committed to the Science-based Targets initiative.

KPI 1 links to Glamox' "Climate action" material topic and its strategic pillar of "Environmental excellence in operations". In addition, Glamox is Committed to SDG 13: Climate Action and has committed to becoming net zero in its own operations by 2030. This is evidenced by the commitment Glamox has made to the Science Based Targets initiative (SBTi). As such, as well as committing to reducing Scope 1 and 2 emissions, Glamox is also engaged assessing its Scope 3 footprint so that it can submit its targets to the SBTi.

In addition, this KPI is also relevant for industry and society as it connects with SDG 13: Climate Action.

### **Ability to be benchmarked**

This KPI may be benchmarked as Glamox has provided historic data regarding the KPI, clear definitions and peer benchmarking.

### **Assessment**

PGA has assessed the KPI to have *very high degree of relevance and materiality*. KPI 1 can be regarded as having a very high degree of relevance and materiality to the operational characteristics of the Company's business areas, of high strategic significance to the Company.

## **KPI 2: Share of turnover from connected lighting**

### **Definition and methodology**

Connected lighting is defined as luminaries that are addressable and can be connected to networks and controlled remotely from which data can be extracted. For Glamox, connected lighting encompasses all products that can be connected in a network as well as revenue from commission of the network.

The KPI will focus on the percentage share of turnover generated from connected lighting.

PGA is of the view that the KPI and methodology are clearly defined.

### **Relevance and materiality**

As a manufacturer and provider of lighting products, the type of lighting that Glamox produces is core to its overall business.

Connected lighting links to Glamox's strategic pillar "Ensuring sustainability for clients" and is linked to material topics such as sustainable products, sustainable solutions and climate action. This has led to Glamox already pursuing a strategy of producing connected lighting products, and it has a higher share of connected lighting products than many of its peers.<sup>9</sup>

This KPI links to SDG 13: Climate Action and SDG 9: Industry, Innovation and Infrastructure. This is because lighting contributes to around 5% of worldwide greenhouse gas emissions,<sup>10</sup> meaning that solutions that reduce these emissions are relevant. Connected lighting can result in up to 90% energy savings, which is higher than the 50% savings of LED lights. As such, by increasing the share of energy efficient products sold Glamox will reduce its own scope 3 emissions.

### **Ability to be benchmarked**

PGA notes that no known peers are currently reporting on targets for this metric. As a result, benchmarking against future goals is not possible. However, the KPI can be benchmarked against the company's own historical data regarding the KPI and clear definitions, along with historical peer data, as reported by Centre for Industrial Studies (CSIL) in their report 'LEDs and the Worldwide Market for Connected Lighting'<sup>9</sup>.

### **Assessment**

PGA has assessed the KPI to have a *high degree of relevance and materiality*. The KPI can be regarded as highly relevant and material to the operational characteristics of the Company's business areas, of high strategic significance to the Company.

## **KPI 3: Non-hazardous waste to landfill in metric tonnes**

### **Definition and methodology**

The weight of non-hazardous waste disposal from production units sent to landfill as a percentage share of total non-hazardous waste disposal. The boundary is set without increasing the total waste to landfill in absolute terms.

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<sup>9</sup> See CSIL report.

<sup>10</sup> [LED | Climate Group \(theclimategroup.org\)](https://www.climategroup.org/led)

Waste is defined as either hazardous or non-hazardous, and the definition in each production units follows local regulation and may or may not be linked to permits. Hazardous waste typically includes, but is not limited to, the following: Solvents, flammable/hazardous raw materials, chemical waste, batteries, acids (low pH liquids), strong bases or caustic (high pH liquids). Glamox aims to eliminate the use of landfill for all types of waste.

PGA is of the view that the KPI is clearly defined.

### **Relevance and materiality**

Although arising in Glamox' materiality assessment, Waste Management was not one of the most material topics for Glamox. However, the Company has reported on waste since 2020 and has prioritised reducing waste to landfill. This can be demonstrated through Glamox switching recycling partners and increasing the frequency of reporting to emphasise the importance of the topic. In addition, Glamox is sharing best practices of waste handling across the production footprint. However, non-hazardous waste to landfill accounts for only 4% of Glamox' waste.

This KPI does touch upon another of Glamox's material topics: transition to a circular economy. However, although a higher recycling is part of the transition to the circular economy, it is only a small part, as the main focus is to produce products that can be reused over several lifecycles. As such, the KPI does not fully target the circular economy and it is not considered to have a significant degree of relevance to the transition to a circular economy material topic.

Waste management is connected to Glamox's sustainability strategy, particularly transition to a circular economy, sustainable products, and sustainable solutions. It is in line with one of Glamox's strategic pillars: Environmental excellent in operations. In addition, Glamox is continuously looking for new ways to reduce the impact from material use in its products and the packaging, maximize waste recycling and minimize, or find alternatives to, harmful chemicals. Furthermore, in 2021 Glamox established circular design criteria for the development of new products to ensure that the circularity of all new products is optimized. The criteria address issues such as energy efficiency, built-in quality aspects, choice of materials, repairability, recyclability and modularity.

While Waste Management is somewhat relevant to the industry and aligns with Sustainable Development Goal 12.5 (Reducing waste generation through prevention, reduction, recycling, and reuse), a limited number of peers within the industry report on this topic. Additionally, the KPI currently utilized by Glamox does not fully encompass the company's goal of increasing recycling efforts.

### **Ability to be benchmarked**

This KPI may be benchmarked as Glamox has provided historic data regarding the KPI and clear definitions.

### **Assessment**

PGA has assessed the KPI to have a *medium degree of relevance and materiality*. KPI 3 can be regarded as relevant and material to the operational characteristics of the Company's business areas. However, the Company's materiality mapping identified more material and relevant topics, furthermore, this is not an issue reported on by many of Glamox' peers.

## **Principle Two**

### **Calibration of Sustainability Performance Targets (SPTs)**

SPTs are the expression of the level of ambition the Company is willing to commit to. As such, they should go beyond a "Business as Usual" trajectory, be consistent with the Company's sustainability strategy and be able to be compared to a benchmark or an external reference. This is what PGA will assess in this section.

## **SPT 1: Reduce absolute Scopes 1 and 2 GHG emissions by 40% by 2025 from a 2021 base year**

The target is structured as a linear trajectory to be aligned with Glamox's ambition to become a net zero company by 2030.

### **Strategy to achieve the SPT**

Glamox will optimise its production footprint with initiatives, such as:

- Reducing and optimizing space used in production, reduce energy consumption through for example further implementation of efficient HVAC solutions and lighting solutions.
- Electrification of the Company's car fleet, by shifting to Electric and hybrid cars for sales personnel.
- Increase the share of renewable energy that the Company sources. Glamox's Norwegian, Polish and Estonian production units' source 100% of their electricity supply from renewable sources, and it aims to increase that portion in other production units.
- Improving factory infrastructure to produce renewable energy solution, i.e. roof mounted solar panels.

In addition, Glamox will explore switching to biofuel for heating its factors, as it has done for its Kirkenær and Molde production units.

### **Alignment with the Company's sustainability strategy**

Glamox aims to be net zero by 2030 and has already begun switching to biofuel in some of its factories, has committed to the SBTi and is currently mapping its scope 3 emissions.

The SPT also aligns with the Glamox's sustainability strategy in the relevance and materiality section of KPI 1.

There is a clear link between KPIs, SPTs and Glamox's sustainability strategy. The Company has a stated goal of becoming net zero by 2030. The 40% reduction until 2025 is on trajectory to the net zero goal. In addition, the SPT is directly linked to Glamox's most material topic, namely climate action.

### **Level of ambition, baseline and benchmarks**

Glamox' largest emissions are Scope 3, which are not included in this KPI/SPT. This is because, despite committing to the SBTi, Glamox has not yet finished mapping its Scope 3 emissions. In order to have its targets validated by the SBTi, Glamox has set this SPT to be in line with the SBTi's expectations, meaning that it is in line with the 1.5 degree scenario.

Despite not including Scope 3 in this target, Glamox has manufacturing sites in a number of countries, with 2,200 employees, meaning that its Scope 1 and 2 emissions are still significant and reducing them will have a positive impact. In 2021, Glamox produced 4.607 tonnes Co2-equivalent and achieving its target would reduce its emissions to 2764 tonnes CO2-eq.

The SPT will also place Glamox ahead of many of its peers,<sup>11</sup> only one of which has a validated target with the SBTi, and one other also being committed to the SBTi, without a validated target.

### **Assessment**

Overall, PGA regards the SPT to be aligned with the Company's sustainability strategy and the SPT as being fairly ambitious due to no Scope 3 targets being set, despite this being the largest part of the Company's emissions. However, this target will still place Glamox ahead of its peers.

## **SPT 2: Increase the share of turnover from connected lighting to 45% by 2025**

This translates as an increase of 2.5 percentage points each year.

### **Strategy to achieve the SPT**

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<sup>11</sup> See Glamox Peer Mapping.

In order to achieve this SPT, Glamox will:

- Ensure its product offering is "connected ready" and available for the complete product portfolio.
- Work to increase awareness and commitment about the benefits of connected lighting, both internally in terms of sale communication, as well as in marketing material and other communication with our customers and other stakeholders. For example, by supporting green building standards and ensuring alignment with relevant guiding principles.
- Leverage its position in PBS into Glamox's MOW division, increasing adoption in segments that today have lower penetration.

### **Alignment with the Company's sustainability strategy**

Glamox already has a higher share of revenue attributed to connected lighting than the majority of its competitors. This is a key part of its strategy, as it is in line with the Company's ambition to enable sustainability for all customers.

The SPT also aligns with the Glamox's sustainability strategy in the relevance and materiality section of KPI 2.

There is a clear link between KPI, SPT and Glamox's sustainability strategy. In order to enable sustainability for clients, it aims to increase share of connected, circular and LED products, letting customers save GHG emissions. It is directly linked to their most material topic, namely climate action.

### **Level of ambition, baseline and benchmarks**

The average share of connected lighting on total LED-based Lighting market was approximately 9% in 2021 (c. 17% when only looking at the top 50 companies in terms of connected lighting sales).<sup>12</sup> This means that Glamox has already been highly ambitious in reaching its current share of turnover from connected lighting of 35%.

Given its baseline is already high compared to its peers – which do not report on their share of turnover from connected lighting – a target of 45% by 2025 appears to be ambitious. In addition, Glamox has a large industrial client based, particularly in its Professional Building Solutions and Marine, Offshore and Wind divisions, and should it be successful in working with its customers to move toward connected lighting, the SPT will be impactful. This is because of the possibility of industrial customers reaching an energy efficiency of 90% on their lighting – above the 50% provided by LED lighting against conventional lighting.

This SPT targets Glamox's Scope 3 emissions and will contribute toward achieving a validated SBTi target. However, it is not possible to say what its contribution to the 1.5 degree scenario is without the Company's Scope 3 data.

### **Assessment**

Overall, PGA regards the SPT to be related to the Company's sustainability strategy and the SPTs as being *highly ambitious*.

## **SPT 3: Reduce the share of non-hazardous waste sent to landfill to 1% by 2025**

The boundary is set without increasing the total waste to landfill in absolute terms.

### **Strategy to achieve the SPT**

In order to achieve this SPT, Glamox will:

- Continue to work with suppliers to reduce packaging in incoming goods and ensure that the packaging used is recyclable, such as moving from plywood to cardboard.
- Ensure that waste from operations can be sorted in recyclable fractions and reducing the share of mixed waste.
- Reduce use of plastics and having "paper-less" operations, by further digitalizing operations

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<sup>12</sup> CSIL report cited in SLBF

- Pursue local cooperation and agreements with the suppliers to collect and return cardboard packages or plastic packaging cases in connection with deliveries.
- Reduce impact from material used in products through product development, as well as smart and suitable packaging. Simplifying packaging both results in less material used but also less waste.

In addition, and in line with its strategic pillar "responsible leadership", Glamox will work to increase awareness and commitment for waste management procedures among its employees by engaging them in trainings and sharing best practice across its regions of operations.

### **Alignment with the Company's sustainability strategy**

Glamox has prioritised the reduction of waste and, in 2021, established circular design criteria for the development of new products.

The SPT also aligns with the Glamox's sustainability strategy as outlined in the relevance and materiality section of KPI 3.

There is a link between the KPI, SPT and Glamox's sustainability strategy, which aims to increase recycling rate, and is in line with the waste management topic identified in its materiality assessment. Although a higher recycling is part of the transition the circular economy, it is only a small part, as the main focus is to produce products that can be reused over several lifecycles. As such the KPI does not fully target the circular economy.

### **Level of ambition, baseline and benchmarks**

In 2021, only 4% of Glamox's waste was sent to landfill, showing that the Company is already doing much to reduce the waste it sends to landfill. It is likely that the remaining waste to landfill is the most difficult, with some countries that Glamox is present in not having satisfactory recycling options. This would mean that, despite the low baseline, the ambition level should not be impacted for this reason.

However, the impact of the SPT is less clear. Reducing waste and contributing to a circular economy will be impactful, but it is likely that Glamox's development of products for the circular economy will have more of an impact within its value chain. In addition, there is no ambition to increase the share of recycling. This means that the SPT could feasibly be achieved through increasing the share of waste sent for incineration.

Although incineration is viewed as a better solution than landfill, it is linked to negative impacts on the environment and people, with incinerators often being within more deprived areas.<sup>13</sup> This increases noise, litter, vehicle traffic, smells and air pollution in these areas.

In addition, increasing the amount of waste to incineration can have a negative impact on the amount of waste that gets recycled, as incentives increase for incineration. This means that, although the SPT will have a positive impact on the use of landfill, it is possible that it may not reduce the negative impact of incineration.

### **Assessment**

For these reasons, PGA regards the SPT to be related to the Company's sustainability strategy and the SPT as being some to some degree ambitious.

## **Principle Three**

### **Securities Characteristics**

The Company's Sustainability-Linked Financing Framework states that the financial characteristics of any Sustainability-Linked Debt instrument issued under this Framework will be specified in its related transaction documentation. For any Sustainability-Linked Debt Instrument issued under this framework, the characteristics may change and lead to a financial impact in the form of either a premium payment, coupon step-up or margin adjustment in the event that a trigger event occurs.

A trigger event occurs if:

- The KPI(s) has not achieved the SPT(s) as at the relevant Target Observation Date(s) or

<sup>13</sup> [What are the environmental impacts of waste incineration? | ClientEarth](#)

- the reporting has not been completed in line with the requirements set out in the related transaction documentation, or
- the verification has not been provided and made publicly available as set out in the related transaction documentation.

#### **Assessment**

Should the Sustainability-Linked Debt instrument lead to a financial impact in the form described above, following a trigger event, it will be in line with comparable sustainability-linked securities in the market.

## **Principle Four** **Reporting**

Glamox will annually publish a Sustainability-Linked Progress Report to ensure that investors and other stakeholders have updated and adequate information about Glamox' sustainability strategy and the performance of the KPI(s) against the SPT(s).

The reporting can be in the form of either a stand-alone report or integrated into the annual report. It will be published on Glamox' website no later than 120 days after each calendar year and until the Reporting End Date. Specifically, the last report concerning the Reporting End Date will be published as a stand-alone document to ensure transparency regarding the Target Observation Date.

In the case Glamox would have other Sustainability-Linked Debt Instruments than bonds outstanding the company may choose to report, in relation to these other financial instruments, directly and non-publicly, to the lenders or counterparts.

The Sustainability-Linked Progress Report will include the following reporting points:

- Any relevant information enabling investors and others to monitor the progress of the KPIs versus the SPTs (including the changes to baseline if relevant)
- Information on any relevant updates to Glamox' sustainability strategy and/or governance with a potential impact on the KPI

Where feasible and relevant the reporting will also include:

- Illustration of the positive sustainability impacts of the performance improvements
- Qualitative and quantitative elaborations of the contribution of the main factors behind the evolution of the performance
- Updates on new or proposed regulations from regulatory bodies relevant to the KPI(s) and the SPT(s)

#### **Assessment**

PGA views the reporting structure to be in line with the ICMA principles.

## **Principle Five** **Verification**

To confirm the transparency and robustness of the Company's Sustainability-Linked Financing Framework, the performance level of the KPIs against their SPTs shall be verified by a qualified external reviewer with relevant expertise, with the report being made publicly available.

#### **Assessment**

PGA is of the opinion that the Company's verification scheme is in line with the requirements outlined by ICMA in that the Company will commission independent and external verification to conduct the assurance.

Alignment with Sustainability-Linked Bond Principles of June 2020

**Conclusion**

*PGA finds that the Company's January 2023 SLFF is aligned with the five core elements of the ICMA Sustainability-Linked Bond Principles.*



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