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## Second Party Opinion

# Bacardi Ltd.'s Green Financing Framework

May 31, 2023

Bacardi Ltd. is a family-owned and privately held international spirits company. Bacardi's portfolio comprises more than 200 brands and labels, including Bacardi Rum, Grey Goose vodka, Patron tequila, Dewar's blended Scotch whisky, and others. The company operates production facilities in the U.S. (including Puerto Rico), Europe, India, Mexico, and Brazil and sells its brands in more than 160 markets. Bacardi was founded in Santiago de Cuba in 1862 and has been headquartered in Bermuda since 1965.

In our view, Bacardi's green financing framework, published on May 31, 2023, is aligned with:

 Green Bond Principles (GBP), ICMA, 2021 (with June 2022 Appendix 1)

## Issuer's Sustainability Objectives

Bacardi focuses its ESG strategy, "Good Spirited," on four areas:

- "Good Footprint": Bacardi aims to have a positive environmental impact by reducing 50% of its absolute operational greenhouse gas (GHG) emissions (scope 1 and 2) by 2025, using 2015 as a base year;
- "Good Sources": Bacardi aspires to responsible sourcing practices and partnerships. By 2025, the company plans to source 100% of its key ingredients from sustainably certified suppliers and make all of its product packaging recyclable;
- "Good Futures": Bacardi aims to create a fair and inclusive workplace and bolster the communities in which it operates. The company has a goal for 90% of its employees to participate in internal training and development programs. Bacardi seeks to increase its workplace gender diversity by raising both the percentage of its female employees to more than 45% and increasing the number of women in leadership positions; and
- "Good Choices": Among its objectives, Bacardi plans to market its products responsibly and increase its support of responsible drinking partnerships and initiatives in its top 80% markets.

Bacardi developed its green financing framework under which it will finance projects that meet its eligibility criteria and support its sustainability strategy. The company may elect to use green bonds (notes), private placements, commercial paper, convertible bonds, or other debt-like financing to finance its eligible projects.

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### Second Party Opinion Summary


#### Use of proceeds

**Alignment**  Bacardi's green financing framework is aligned with this component of the GBP.

**Score** Not aligned Aligned **Strong** Advanced

Bacardi will allocate the net proceeds from the financing instruments issued under the framework to finance or refinance expenditure related to the eligible project categories. In our view, the framework outlines the company's relevant green eligibility criteria and sustainability objectives. Bacardi communicates how the eligible projects fit with its sustainability strategy and will report on the percentage of net proceeds allocated to financing and refinancing.


#### Process for project evaluation and selection

**Alignment**  Bacardi's green financing framework is aligned with this component of the GBP.

**Score** Not aligned Aligned **Strong** Advanced

Bacardi's green financing framework outlines the process it will use to select and approve eligible projects. The company's ESG finance committee will identify and select projects that meet the framework's stated eligibility criteria and are not on its exclusion list. Bacardi also has an environmental and social risk assessment and management process. The process is aided its supply chain leadership team (SCLT) and the global leadership team (GLT).

#### Management of proceeds

**Alignment**  Bacardi's green financing framework is aligned with this component of the GBP.

Bacardi's finance and treasury department will track and manage its allocation of the proceeds from the outstanding instruments. Prior to allocation, the ESG finance committee will track the expenditures related to eligible green projects via an enterprise resource planning system. The company will manage any temporarily unallocated proceeds by holding them in short-term financial instruments, such as cash and cash equivalents in line with its treasury management policies.

#### Reporting

**Alignment**  Bacardi's green financing framework is aligned with this component of the GBP.

**Score** Not aligned Aligned **Strong** Advanced

Bacardi commits to publicly disclose its allocation of the proceeds at the eligible category level and will issue an impact report annually until full allocation of the proceeds. The final allocation reports will be subject to third-party review by an independent registered public accounting firm or an independent third-party environmental consultant or rating agency with experience in sustainable research and analysis.

## Framework Assessment

### Use of proceeds

The Principles make optional recommendations for stronger structuring practices, which inform our alignment opinion as aligned, strong, or advanced. For use of proceeds, we consider the commitments and clarity on how the proceeds are used.

✓ Bacardi's green financing framework is aligned with this component of the GBP.

#### Commitments score

Not aligned

Aligned

**Strong**

Advanced

We consider Bacardi's overall use of proceeds commitments to be strong.

Bacardi is committed to allocating an amount equivalent to the net proceeds from the instruments issued under the framework to finance or refinance eligible green projects. In our view, the projects fall within GBP-aligned eligible categories, including green buildings, renewable energy, circular economy and sustainable packaging, sustainable water and wastewater management, energy efficiency, and environmentally sustainable management of living natural resources and land use. The framework illustrates the eligible projects' alignment with Bacardi's overarching environmental objectives to reduce its GHG emissions, lower its water consumption, manage its waste, and use sustainable packaging, among others.

Bacardi communicates how all of the eligible projects fit with its sustainability strategy. However, the company does not explicitly identify relevant environmental objectives or benefits for all of the eligible environmental projects.

Bacardi specifies a 24-month lookback period for refinanced projects, which we view as in line with best market practices. The company also commits to detail the proportion of each issuance allocated to refinancing.

### Process for project evaluation and selection

The Principles make optional recommendations for stronger structuring practices, which inform our alignment opinion as aligned, strong, or advanced. For our process for project selection and evaluation, we consider the commitments and clarity on the process used to evaluate and select eligible projects to fund with the proceeds of the sustainable finance instrument.

✓ Bacardi's green financing framework is aligned with this component of the GBP.

#### Commitments score

Not aligned

Aligned

**Strong**

Advanced

We consider Bacardi's overall process for project evaluation and selection commitments to be strong.

The framework outlines Bacardi's process for identifying and approving eligible green projects led by its ESG finance committee, which comprises members of its treasury, legal, procurement, ESG, communications, supply chain, finance, and marketing teams. This committee will govern the evaluation and selection of eligible green projects based on the criteria included in the framework. Bacardi is committed to reviewing the investments over the duration of the allocation period to ensure they remain aligned with the eligibility criteria. It is Bacardi's responsibility to provide transparency on the investments.

Bacardi's framework shows that it has processes and systems to identify and mitigate potential social and environmental risks associated with the eligible projects. This environmental and social risk assessment process assist the SCLT and GLT. The focus areas include respect for

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human rights, safety and quality standards, product design, and responsible consumption, among others.

The framework may be updated periodically to ensure that the eligible projects align with voluntary market practices, emerging standards, and classification systems where there are applicable standards. Among the voluntary market practices, emerging standards, and classification systems are LEED Gold or Platinum for the green buildings category; Pro Terra certified sugar cane derivatives, Ecocert Certified Botanicals, and SAI Certified alcohol for the environmentally sustainable management of living natural resources and land use.

## Management of proceeds

The Principles require disclosure of the issuer's management of proceeds from sustainable finance over the life of the funding. The alignment opinion focuses on how clear in the documentation is the issuer's commitment to ensure that the funds raised will remain dedicated to eligible sustainability projects throughout the life of the sustainable finance funding.

✓ Bacardi's green financing framework is aligned with this component of the GBP.

Bacardi commits to track the allocation of the net proceeds from the relevant instruments to the eligible projects through its finance and treasury department. Prior to allocation, Bacardi's ESG finance committee will track the expenditures related to eligible green projects internally via an enterprise resource planning system. The company will manage any outstanding net proceeds from a green financing issued under the framework through this department and match them to eligible activities on an ongoing basis. If any eligible green projects are removed from the portfolio, Bacardi will substitute replacement eligible green projects as soon as possible. The company will hold any temporarily unallocated funds from outstanding green financing instruments in temporary investments, in line with its treasury management policies, or to repay portions of its outstanding debt, which is not a market best practice. Positively, the issuer clearly commits to allocate all of the net proceeds from eligible projects in the 36 months following the issuance of each green instrument.

## Reporting

The Principles make optional recommendations for stronger disclosure practices, which inform our disclosure opinion as aligned, strong, or advanced. We consider plans for updates on the sustainability performance of the issuer for general purpose funding, or the sustainability performance of the financed projects over the lifetime of any dedicated funding, including any commitments to post-issuance reporting.

✓ Bacardi's green financing framework is aligned with this component of the GBP.

### Disclosure score

Not aligned

Aligned

**Strong**

Advanced

We consider Bacardi's overall reporting practices to be strong.

Bacardi commits to disclose the allocation and impact of its investments at the category level through an annual allocation and impact report, which it will make available on its website until the full allocation of the proceeds. In this report, Bacardi will include the following: a list of eligible project categories with brief descriptions; the net proceeds from the outstanding green financing instruments; the percentage of the allocation of the net proceeds to financing and refinancing; the amount of net proceeds allocated to the eligible project categories; estimated impact metrics, where feasible; and the remaining balance of any unallocated funds. Each allocation report will be verified by an independent registered public accounting firm or an independent third-party environmental consultant or rating agency with experience in sustainable research and analysis.

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In this report, Bacardi will also disclose the actual and estimated impacts of its eligible projects, where feasible. Examples of the impact metrics Bacardi intends to report include office or manufacturing space that is certified (Gold or Platinum LEED); annual renewable energy generation (megawatt hours [MWh] or gigawatt hours [GWh]); waste prevented, minimized, recycled, or directed from landfill (metric tons); and reduction in water consumption (megaliters/cubic meters of water), among others. We view these metrics as supporting a high level of transparency for stakeholders.

Bacardi's framework states that, if feasible, it will report on the social co-benefits and broader social impacts of the eligible green projects where applicable. Additionally, Bacardi may use case studies outlining qualitative or quantitative metrics to discuss the impacts of the eligible projects, where appropriate. The company commits to communicate on the expected environmental impacts of the projects, in addition to their resulting lifetime impacts. Bacardi also commits to disclosing the key underlying methodology and assumptions it used to calculate the quantitative performance measures and commits to adopt the guidance in the Harmonized Framework for Impact Reporting, where feasible.

## Mapping To The U.N.'s Sustainable Development Goals

The Sustainable Development Goals (SDGs), which the United Nations (U.N.) set up in 2015, form an agenda for achieving sustainable development by 2030.

We use the International Capital Market Association's (ICMA's) SDG mapping for this part of the report. We acknowledge that ICMA's mapping does not provide an exhaustive list of SDGs and that ICMA recommends each project category be reviewed individually to map it to the relevant SDGs.

Bacardi's Green Financing Framework intends to contribute to the following SDGs:

### Use of proceeds

### SDGs

Green Buildings



**11\*. Sustainable cities and communities**

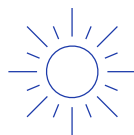


**13. Climate action**

Renewable Energy



**3\*. Good health and well-being**



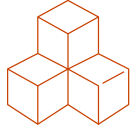
**7\*. Affordable and clean energy**



**13. Climate action**

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Circular Economy and Sustainable Packaging



**9. Industry, innovation and infrastructure**

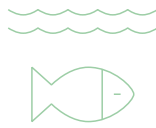


**12\*. Responsible consumption and production**

Sustainable Water and Wastewater Management

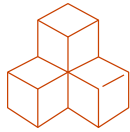


**6\*. Clean water and sanitation**



**14. Life below water**

Energy Efficiency



**9\*. Industry, innovation and infrastructure**



**11. Sustainable cities and communities**

Environmentally Sustainable Management of Living Natural Resources and Land Use



**12\*. Responsible consumption and production**

\*The eligible project categories link to these SDGs in the ICMA mapping

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