



CONFIRMATION
LETTER

Sustainability Quality of the Issuer and Sustainability-Linked Bond Framework

Jadran-Galenski Laboratorij d.d.

27 June 2025

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none">Sustainability-linked bonds
Relevant standard(s)	<ul style="list-style-type: none">Sustainability-Linked Bond Principles, ICMA, June 2024
Scope of verification	<ul style="list-style-type: none">Jadran-Galenski Laboratorij d.d.'s Sustainability-Linked Bond Framework (as of Sept. 27, 2024)Post-issuance recalculation event (as of Jun. 26, 2025)
Lifecycle	<ul style="list-style-type: none">Post-issuance confirmation
Validity	<ul style="list-style-type: none">Valid as long as Jadran-Galenski Laboratorij d.d.'s Sustainability-Linked Bond Framework and benchmarks for the sustainability performance target(s) remain unchanged

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CONTEXT

In 2024, Jadran-Galenski Laboratorij d.d. ("JGL," "the Issuer" or "the Company") commissioned ISS-Corporate to assist with its Sustainability-Linked Bonds Framework, under which JGL issued Sustainability-Linked Bonds in 2024. In the Second Party Opinion (SPO) published on Oct. 18, 2024, ISS-Corporate determined the sustainability quality of the instruments. Following a recalculation event, ISS-Corporate will determine the impact of this event on the KPI/SPT 2 on the previously assessed following three core elements:

- JGL's Sustainability-Linked Bond Framework (Sept. 27, 2024 version) and structural components of the transaction – benchmarked against the Sustainability-Linked Bond Principles ("SLBP") (June 2024 version), as administered by the International Capital Market Association's ("ICMA").
- The sustainability credibility of the key performance indicators (KPI) selected and sustainability performance targets (SPT) calibrated – whether the KPI selected is core, relevant and material to the Issuer's business model and sector, and whether the associated targets is ambitious.
- Consistency of the sustainability-linked bonds issuance with JGL's sustainability strategy, drawing on the key sustainability objectives and priorities defined by the Issuer.

SUMMARY

According to ISS-Corporate's analysis of the Redetermination Event, we confirm that KPI/SPT 2 has been addressed in accordance with the relevant Baseline Redetermination Event(s):

1. Is in line with or more ambitious than the Issuer's initial targets,
2. Is consistent with the Issuer's sustainability strategy;
3. Has no material impact on the Second Party Opinion originally provided to the Issuer in connection with the Issuer's sustainability-linked financing framework.

ASSESSMENT SUMMARY OF THE INITIAL SPO¹

KPI SELECTION	KPI 2. PERCENTAGE OF REDUCTION OF ABSOLUTE SCOPE 1 AND 2 GHG EMISSIONS
Relevant	Relevant
Core	Core
Material	Moderately Material

SPT Calibration	SPT 2 9% reduction of absolute Scope 1 and 2 GHG emissions by the end of 2028 from the baseline year 2023
Against Issuer's past performance	Ambitious against past performance based on limited evidence
Against Issuer's industry peer group	Ambitious against peer group
Against international targets	Limited information to assess the level of ambition against international targets

¹ Assessment results displayed here is the assessment results provided by ISS-Corporate in October 2024, based on the engagement conducted with JGL in September and October 2024 and on JGL's Sustainability-Linked Bond Framework (Sep. 27, 2024, version). The scope of this confirmation letter focuses on KPI 2 as it is affected by the recalculation event detailed in the "recalculations events" section of this letter. For detailed explanation to the assessment results please find the initial SPO offered by ISS-Corporate [here](#).

REDETERMINATION EVENT

Change of calculation methodology: The Issuer has indicated that its original 2023 baseline data for KPI 2 is calculated based on emission factors as provided by [the European Investment Bank](#). However, the Issuer has deemed it necessary to update its calculation methodology to employ emission factors as provided by [the International Energy Agency](#) (IEA) and [the Association of Issuing Bodies](#) (AIB), given that the Issuer confirms IEA and AIB databases to have more precise emission factors for JGL to measure its GHG emissions via a market-based approach, and that the usage of IEA and AIB databases for emission factors would allow JGL to align its GHG emissions reporting more accurately with current industry standards.

As recommended by the [SLBP](#), JGL committed in their Framework to recalculate SPT(s) and/or the baseline(s) in the occurrence of:

- Furthermore, the Issuer reserves the right to make adjustments in case of significant changes in scientific methodology and/or standards underpinning the emissions calculations. Any such adjustment will be disclosed on the Issuer's website and in the Annual Sustainability Report, with the relevant section of the report being reviewed by the External Reviewer, whose opinion will be published pursuant to section 5.4.10.6.

Given such, JGL commissioned ISS-Corporate to confirm the innocuity of this change on the sustainability quality of the instruments.

IMPACT OF THE RECALCULATION EVENT ON THE ASSESSMENT

KPI SELECTION	KPI 2. 'Percentage of reduction of absolute Scope 1 and 2 GHG emissions'
PREVIOUS BASELINE 2023	4,202 tCO ₂ e
Δ CHANGE ASSOCIATED WITH THE CHANGE OF EMISSION FACTORS AND CALCULATION APPROACH	+3,336 tCO ₂ e
UPDATED BASELINE 2023	7,538 tCO ₂ e

Provided that the one recalculation event specified above are the only changes to affect JGL's Framework and that all of the other data remain equal:

- KPI 2 remains relevant and core to the Issuer's business model as those assessments are not affected by such quantitative update.
- The updated KPI 2 represents 100% of JGL's Scope 1 and 2 GHG emissions, but only 5.4% of its total GHG emissions, therefore KPI 2 remains moderately material.
- SPT 2 remains ambitious against past performance on limited evidence given that the initial targets were defined as a percentage reduction from the baseline, any recalculation of the baseline would proportionally affect the target.

TABLE 1.	2021	2022	2023 - BASELINE	2028 – SPT 2
Prior to recalculation (location-based method)				
Scope 1 and 2 GHG emissions (tCO ₂ e)	2,436	3,445	4,202	3,822
CAGR 2021-2023			+31.34%	
CAGR 2023-2028				-1.88%
After recalculation (market-based method)				
Scope 1 and 2 GHG emissions (tCO ₂ e)	4,533	3,125	7,538	6,859
CAGR 2021-2023			+28.95%	
CAGR 2023-2028				-1.87%

Source: JGL

As shown in Table 1, JGL's estimated historical GHG emissions for 2021 and 2022 are also recalculated based on the change in methodology for baseline year 2023 GHG emissions data, including the employment of a market-based approach for GHG emissions calculation, and updating the emission factors to use emission factors from IEA and AIB databases. The recalculation of JGL's estimated GHG emissions during 2021 and 2022 suggests that the comparison using compound annual growth rate (CAGR) between JGL's historical GHG emissions trajectory and JGL's SPT trajectory to be similar to the comparisons prior to the recalculation, where the CAGR to achieve SPT 2 is quantitatively larger than its historical data.²

It should be noted that, from the recalculated historical data provided by JGL, a sharp decrease in GHG emissions is observed in 2022, but 2023 data reflects a significant rebound. JGL explains that the sharp drop in 2022 is contributed by JGL being able to procure 100% of its electricity from certified renewable sources through green energy contracts,³ but further explains that they were unable to do the same for 2023 due to changes in market conditions and supplier availability. The Issuer states that they are committed to increasing the share in the future, and are actively working with suppliers to improve availability and affordability of green energy.

- Furthermore, the redetermination event does not affect the assessments against peers for SPT 2, as the SPT is measured as a percentage of reduction, which remains unaffected by changes in baseline data. Therefore, the assessment against peers remains the same conclusion.
- For the international targets, since the baseline recalculation does not result in SPT 2 being Paris-aligned and the Issuer has not provided new evidence of SBTi verification, the assessment of SPT 2 against international targets remains the conclusion of "limited information to assess".

² The Issuer has confirmed that the new 2021 and 2022 historical data consists of actual emissions data for JGL's Croatian operations (including JGL d.d., Adrialab d.o.o., Moda&Ljepota, offices in Zagreb and Split), as well as estimated emissions data based on 2023 actual emissions data for JGL's operations outside of Croatia.

³ It should be noted that, under market-based method for [calculation of Scope 2 GHG emissions](#), certified renewable energy sources, e.g. renewable energy certificates (RECs) are taken into account for calculation, where electricity contributed by eligible renewable energy sources are subtracted from emissions calculations.

CONCLUSION

Based on the above, we confirm that KPI/SPT 2 has been addressed in accordance with the relevant Baseline Redetermination Event(s):

1. Is in line with or more ambitious than the Issuer's initial targets;
2. Is consistent with the Issuer's sustainability strategy;
3. Has no material impact on the Second Party Opinion originally provided to the Issuer in connection with the Issuer's sustainability-linked financing framework.

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