

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Sustainability-Linked Bonds

SMI Group
19 July 2021

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	Sustainability-Linked Bonds
Relevant standard(s)	Sustainability-Linked Bond Principles, as administered by the International Capital Market Association (“ICMA”)
Lifecycle	Pre-issuance verification
Validity	As long as SMI Group’s Sustainability-Linked Bond Framework and benchmarks for the Sustainability Performance target(s) remain unchanged

CONTENTS

SCOPE OF WORK	3
SMI BUSINESS OVERVIEW	3
ISS ESG SPO ASSESSMENT SUMMARY	4
ISS ESG SPO ASSESSMENT	6
PART 1.A. KPI SELECTION & SPT CALIBRATION	6
PART 1.B. KPI SELECTION & SPT CALIBRATION	14
PART 2: ALIGNMENT WITH ICMA SUSTAINABILITY-LINKED BOND PRINCIPLES	21
PART 3: LINK TO SMI'S SUSTAINABILITY STRATEGY	24
ANNEX 1: Methodology	27
ANNEX 2: Quality management processes	28
About ISS ESG SPO	29

SCOPE OF WORK

San Miguel Industrias PET S.A. and *NG PET R&P Latin America S.A.* together as SMI Group (“SMI” or “the Company”) commissioned ISS ESG to assist with its Sustainability-Linked Bonds by assessing three core elements to determine the sustainability quality of the instrument:

1. The sustainability credibility of the KPIs selected and Sustainability Performance Target (SPT) calibrated – whether the KPIs selected are core, relevant and material to the issuer’s business model and sector, and whether the associated target are ambitious.
2. SMI’s Sustainability-Linked Bond Framework (July 2021 version) and structural components of the transaction – benchmarked against the Sustainability-Linked Bond Principles (SLBPs), as administered by the International Capital Market Association's (ICMA).
3. Sustainability-Linked Bonds link to SMI’s sustainability strategy – drawing on SMI’s overall sustainability profile and related objectives.

SMI BUSINESS OVERVIEW

SMI is the leading player in the rigid plastic market in Hispanic America, specialized in the manufacturing and distribution of plastic containers and closures.

Through its 3 business lines and 10 processing facilities strategically located across Latin America, SMI offers its products to clients in the food, beverage and consumer segments across 9 countries. SMI holds active operations in Peru, Ecuador, Colombia, El Salvador, Panama, Guatemala, Mexico, Argentina and Chile. SMI values its geographic diversification, as it enables the company to become a one-stop shop with a comprehensive packaging solution portfolio for regional clients.

SMI is committed to its recycling operations, with two PET resin recycling plants located in Peru and Colombia, aiming to develop value-added and sustainable products that further enhance its product offerings.

The company is fully owned since 2013 by Nexus Group, the largest private equity firm in Peru. The company has grown organically through the region and also via the acquisitions of Plastiglas in 2016, a containers manufacturer with operations across Central America and The Caribbean, and Sinea in 2018, the leading closures manufacturer across Hispanic America.

ISS ESG SPO ASSESSMENT SUMMARY

SECTION	EVALUATION SUMMARY ¹
<p>Part 1.A:</p> <p>KPI selection and SPT calibration</p> <p>KPI 1</p> <p>“Circular Economy - Percentage of rPET content used in preforms and thermoforming products across all of the combined operations of the Companies’ and their Subsidiaries”</p>	<p>KPI selection: Material to issuer’s business model and sustainability profile</p> <p>Sustainability Performance Target (SPT) calibration:</p> <ul style="list-style-type: none"> • Ambitious against issuer’s past performance • Ambitious against issuer’s sectorial peer group • Limited information to assess the level of ambition of the target against international target. However, the SPT surpasses local regulations. <hr/> <p>The KPI selected is core, relevant and material to the issuer’s business model and consistent with its sustainability strategy. It is appropriately measurable, quantifiable and externally verifiable. The KPI is benchmarkable with some limitations as there is no standard practice in reporting rPET content among international peers. It covers a material scope of the operations and activities of SMI.</p> <p>The SPT calibrated by SMI is ambitious against the company’s past performance and compared to Packaging (plastic) sector practices² in terms of defining a recycled content increase target. SMI is one of the only five companies in its peer group to have such target. Thus, it belongs to the top 33% tier of its peer group in terms of existence of such targets. Among this top 33% tier, comparability is limited as scopes covered by targets are different (SMI covers c.88% of its total production when some peers cover all plastic packaging produced). Limited information is available to assess the ambition of the target against international objectives but, importantly, it is worth noting that the company set its target aligning to and surpassing local regulations. The target is set in a clear timeline, is benchmarkable and supported by a credible strategy and action plan.</p>
<p>Part 1.B:</p> <p>KPI selection and SPT calibration</p> <p>KPI 2</p> <p>“Waste Diverted from Landfill”</p>	<p>KPI selection: Material to issuer’s business model and sustainability profile</p> <p>Sustainability Performance Target (SPT) calibration:</p> <ul style="list-style-type: none"> • Ambitious against issuer’s past performance • Limited information available for comparison against peer group • Limited information available for comparison against international target <hr/> <p>ISS ESG finds that the KPI selected is relevant, core and material to the issuer’s business model and consistent with its sustainability strategy. It is appropriately measurable, quantifiable, and externally verifiable. The KPI is benchmarkable with some limitations mainly due to the lack of similar indicators made publicly available by peers and to the fact that it is an absolute number (which makes benchmarkability challenging when looking at companies that differ in</p>

¹ ISS ESG’s evaluation is based on the engagement conducted in July 2021 and on SMI’s Sustainability-Linked Bond Framework (July 2021 version).

² ISS ESG conducted a benchmarking of the SPT set by SMI against a peer group of 15 companies composed of 13 listed companies derived from the ISS ESG Universe (Packaging industry with a focus on plastic), 1 additional peer not included in the ISS ESG Universe and SMI.

production capacities and annual revenues generated). The KPI covers a material scope of the operations and activities of SMI.

ISS ESG finds that the SPT calibrated by SMI's is ambitious against the company's past performance. In the absence of sufficient available data, ISS ESG is unable to determine whether the SPT is ambitious against peer performance and international targets. The target is set in a clear timeline and is supported by a credible strategy and action plan. The target is benchmarkable, but with limitations around lack of disclosure and the scale of the target.

Part 2: Aligned with ICMA Sustainability-Linked Bond Principles

Alignment with the SLBPs

The Issuer has defined a formal framework for its Sustainability-Linked Bonds regarding the selection of KPI, calibration of Sustainability Performance Target (SPT), Sustainability-Linked Bond characteristics, reporting and verification. The framework is in line with the Sustainability-Linked Bond Principles (SLBPs) administered by the ICMA.

Consistent with issuer's sustainability strategy

Part 3:

Link to issuer's sustainability strategy

SMI is a leading rigid plastic producer in Hispanic America, specialized in the manufacturing and distribution of plastic containers and closures. The company's social sustainability challenges mainly arise from product safety related issues. To address these challenges, SMI has established an integrated management system, which is built on the requirements of several international recognized management systems, including ISO 9001 (Quality Management), FSSC 22000 (Packaging Standards) ISO 45001 (Food Safety), and ISO 14001 (Management Systems). Other key sustainability challenges faced by the company are Environmental impacts of production, Packaging life cycle, Responsible sourcing of raw materials, Product safety and Resource-conserving production.

The majority of the SMI's products are single-use plastic products³, which hinder the advancement of global sustainable development goals such as preserving marine and terrestrial ecosystems, due to pollution through its inadequate disposal. Nonetheless, the company has a minor share of products that are to be made mainly from recycled materials.

The KPIs selected by the issuer are related to (i) Environmental impacts of production, (ii) Packaging life cycle and (iii) Responsible sourcing of raw materials. Indeed, by increasing the rPET content in its preforms and thermoforming products and increasing the waste diverted from landfills, the company will have both a direct and indirect impact on those key issues. The issuer also highlights the positive social impact of its waste collection efforts (e.g., development of the recycling value chain, generating impact in low-income families and assisting in formalization efforts to recycler's association).

³ According to the company, most of single-use plastics are recyclable.

ISS ESG SPO ASSESSMENT

PART 1.A. KPI SELECTION & SPT CALIBRATION

KPI 1 'Circular Economy - Percentage of rPET content used in preforms and thermoforming products'

1.1. KPI selection

KPI selected by the issuer

FROM ISSUER'S FRAMEWORK

- **KPI 1:** The percentage of rPET content used in preforms and thermoforming products across all of the combined operations of the Companies' and their Subsidiaries
- **SPT 1.1 (2023):** Achieve at least 20% rPET content used in preforms and thermoforming products across all of the combined operations of the Companies' and their Subsidiaries for the year ended December 31, 2023, which will represent a total estimated GHG savings of at least 160,000 tons of CO₂ equivalent for the full year of 2023
- **SPT 1.2 (2025):** Achieve at least 25% rPET content used in preforms and thermoforming across all of the combined operations of the Companies' and their Subsidiaries for the year ended December 31, 2025, which will represent a total estimated GHG savings of at least 200,000 tons of CO₂ equivalent for the full year of 2025
- **Long-term goal:** Achieve an average of at least 50% rPET content used in preforms and thermoforming products across all of the combined operations of the Companies' and their Subsidiaries
- **Rationale:** Increasing the percentage of rPET content used in preforms and thermoforming products across all of the combined operations of the Companies' and their Subsidiaries is a key strategy for SMI as its main priorities are to contribute to the circular economy and to reduce the amount of GHG emissions from its operations. When considering only PET resin, as of December 31, 2020, approximately 89.2% of the Company's emissions come from Scope 3, with the remaining 10.8% coming from Scope 1 (0.5%) and Scope 2 (10.3%). Moreover, given that the GHG emissions per ton of virgin resin is approximately 10 times more carbon intensive than that of recycled resin, the Company's ongoing efforts to increase the percentage of rPET content in preforms and thermoforming products across all of the combined operations of the Companies' and their Subsidiaries will generate significant savings in tons of CO₂ equivalent emissions per annum. As such, increasing the average percentage of rPET content is the most material and core action SMI can focus on in the short and medium term as it allows the Company to bolster the circular economy in the countries where it operates as well allows as to reduce its carbon footprint
- **Relevant methodology and benchmark reference:** The percentage of rPET content used in preforms and thermoforming products across all of the combined operations of the Companies' and their Subsidiaries is calculated by dividing (x) the sum of total tons of rPET used for preforms and thermoforming products across all of the combined operations of the Companies' and their Subsidiaries for such period by (y) the total tons of PET and rPET used for preforms and thermoforming products across all of the combined operations of the Companies' and their Subsidiaries for such period). SMI strictly adheres, and strives to surpass, all local regulatory percentage of rPET content minimums in the countries where the Company operate

- **Baseline:** 10.8% rPET content used in preforms and thermoforming products across all of the combined operations of the Companies' and their Subsidiaries
- **Baseline year:** 2019
- **Scope:** This KPI applies to 100% of SMI's countries of operations and to 88% of total packaging produced

Materiality and Relevance

Packaging lifecycle is considered a key ESG issue faced by the Packaging sector, according to key ESG standards for reporting and ISS ESG assessment. SMI aims to reduce its GHG emissions by focusing on the biggest single issue it has in its supply chain which is reducing its carbon intensity by replacing usage of Virgin PET with Recycled PET. Recycled PET consumes 82% less energy to produce than aluminum and glass.

The biggest impact in terms of carbon intensity comes from the pre-production process. According to Libelula⁴, the production of one ton of Virgin PET generates 3.69 tons of CO₂e, while one ton of Recycled PET generates 0.37 tons of CO₂e. As such, SMI's focus to increase the percent of rPET content used in preforms and thermoforming products across all operations will generate savings in tons of CO₂ equivalent emissions per annum for the Company.

ISS ESG finds that KPI 1 selected by the issuer is:

- **Relevant** to the SMI's business as companies in the Packaging sector are responsible for and exposed to risks related to this KPI. Moreover, it is relevant for SMI as increasing the percent of rPET content will promote greater GHG savings.
- **Core** to the issuer's business as increasing rPET content will impact key processes and operations, requiring significant capital expenditure. SMI already invested \$36M USD CAPEX to build its two rPET facilities in Peru and Colombia and plans to invest an additional minimum of \$5M USD to reach its 2023 target. Additionally, to reach its target, SMI will need to work with local regulators to strengthen local recycling infrastructure as well as to educate and improve the culture of recycling in its core markets. Moreover, it will be key for SMI to expand its collection network (e.g., by collaborating with new suppliers, extending its network to new cities) to have access to the recyclable plastics.
- **Material** to SMI as the KPI focuses on preforms and thermoforming products, which represent c. 88% of the packaging produced (in tons), and the main raw material. Moreover, reaching this KPI will reduce SMI's GHG emissions in a significant way as virgin resin is approximately 10 times more carbon intensive than recycled resin and increasing the rPET content in preforms and thermoforming products will help to generate savings in tons of CO₂ equivalent emissions.

Consistency with overall company's sustainability strategy

For some years, SMI has been spearheading its sustainability efforts through a significant transition towards the circular economy, a model that preserves and limits the consumption of resources and

⁴ Source: Analysis de Ciclude Vida de las emisiones GEI de seis escenarios de produccion de bottles, 2019.

aims to reduce waste production. Recycled PET is at the heart of SMI's circular model and the company long-term goal is to achieve an average of at least 50% rPET content across all operations.

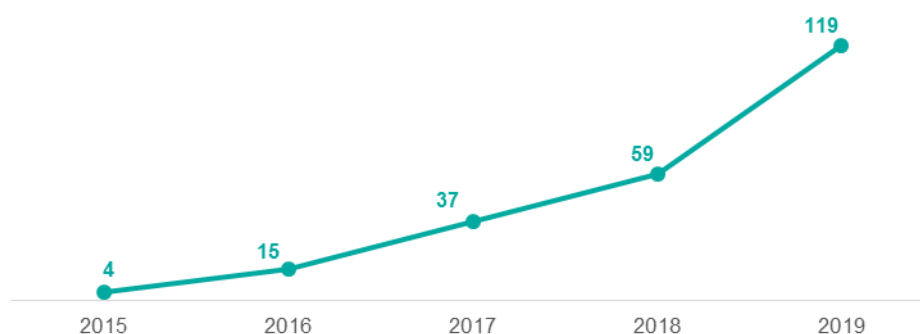
SMI aims to reduce its emissions by focusing on the biggest single issue it has in its supply chain: to reduce its carbon intensity by replacing usage of Virgin PET with Recycled PET. In 2020, SMI had a total estimated GHG savings of 63,000 tons of CO₂ equivalent per annum by increasing the percentage of rPET content in its preforms and thermoforming products.

SMI promotes its vision with Consumer Packaged Good actors (CPGs), who are committed to increasing the usage of Recycled PET in its products. Through the promotion of recycling, SMI reincorporates the waste generated by its production process as raw material, improving its energy efficiency, reducing its carbon footprint, and avoiding waste accumulation in landfills and oceans. In 2020, 96.6% of the plastics used were recyclable plastics.

In 2015, SMI opened its first recycling operation in Peru. In 2017, SMI developed its recycling capabilities in Colombia. Today, SMI has recycling plants in Peru and Colombia with 27,000 tons capacity per year, respectively. In addition, SMI has plans to expand its recycling infrastructure into Ecuador and Central American and Caribbean (CA&C), its other core markets.

Since its inception in 2006, SMI has focused on creating a sustainable business model that, according to the issuer, focuses on maximizing stakeholder value and contributes positively to the countries where it operates. SMI's recycling operations have bolstered the atomization of a previously informal recycling network, as the company has offered know-how, logistic and formalization support to independent recyclers. The company has been able to expand its network of rPET suppliers from 4 suppliers in 2015 to 119 in 2019, thereby providing job security to 136,000 workers and their families, both directly and indirectly. The impact generated to these families is more meaningful considering that most of them are low-income families

Historical evolution of SMI's Network of Recycled PET suppliers



Source: SMI as of July 2021

ISS ESG finds that the KPI selected by the issuer is consistent with the overall company's sustainability strategy.

Measurability

- **Material scope and perimeter:** The KPI selected covers material operations and activities of the issuer. The KPI applies to 100% of SMI's countries of operations and 88% of its produced packaging.
- **Quantifiable:** The KPI is clearly defined and calculated by the issuer. SMI rPET usage is based on internal reports detailing the amount of rPET used in the production process. The percentage of rPET content used in preforms and thermoforming products across all of the combined operations of the Companies' and their Subsidiaries is calculated by dividing (x) the sum of total tons of rPET used for preforms and thermoforming products across all of the combined operations of the Companies' and their Subsidiaries for such period by (y) the total tons of PET and rPET used for preforms and thermoforming products across all of the combined operations of the Companies' and their Subsidiaries for such period.
- **Externally verifiable:** The past performance on the rPET content of the issuer have been verified by a third-party. An evaluation was carried out in accordance with the UNE-EN 15343 standard. This conformity evaluation and verification was carried out using the functional approach indicated in the ISO / IEC 17000 standard, which gives guidelines to carry out activities that consist of evaluating the conformity of projects, products, processes, facilities or people. This conformity assessment aims to determine that the SMI processes comply with the traceability criteria for recycled plastics established in UNE-EN 15343. Thus, this traceability verification serves as a basis for the calculation of the recycled content in the product.
- **Benchmarkable:** Although the KPI focuses on a specific scope of SMI's total product portfolio (i.e. preforms and thermoforming products), as opposed to total production, the KPI does cover 100% of the rPET usage. Thus, the KPI is benchmarkable with peers who are reporting data covering 100% of their rPET usage as well. However, there are limitations to benchmarking this data due to the lack of a clear market standard regarding the calculation of rPET.

Opinion on KPI selection: ISS ESG finds that the KPI selected is core, relevant and material to the issuer's business model and consistent with its sustainability strategy. It is appropriately measurable, quantifiable, and externally verifiable. The KPI is benchmarkable with some limitations as there is no standard practice in reporting rPET content among international peers. The KPI covers a material scope of the operations and activities of SMI.

1.2. Calibration of SPT

SPT set by the issuer

FROM ISSUER'S FRAMEWORK⁵

Sustainability Performance Target 1.1 (2023):

Achieve at least 20% rPET content used in preforms and thermoforming products across all of the combined operations of the Companies' and their Subsidiaries for the year ended December 31, 2023, which will represent a total estimated GHG savings of at least 160,000 tons of CO₂ equivalent for the full year of 2023

Sustainability Performance Target Trigger:

is calculated as follows: the percentage of rPET content used for preforms and thermoforming products across all of the combined operations of the Companies' and their Subsidiaries for the year ended December 31, 2023

Sustainability Performance Target Observation

Date: December 31, 2023

2019 Baseline Intensity: 10.8% rPET content used in preforms and thermoforming products across all of the combined operations of the Companies' and their Subsidiaries

Factors that support the achievement of the target:

- Strong commitment of SMI's Senior management on its Sustainability Strategy
- SMI's main customers are focused on increasing the percentage of rPET content in containers
- Infrastructure built across the region by supporting NGOs and collection sites
- Potential technology advancement in its processes

Risks to the target:

- Extreme events, such as pandemics and natural disasters
- Equipment failures, unexpected plant shutdown, among other operational factors
- Lack of support from SMI's mains clients when recycling costs surpass virgin resin costs
- Regulatory uncertainty, for example, related to changes in the minimum required rPET content by local regulations in countries where the company operates

Sustainability Performance Target 1.2 (2025):

Achieve at least 25% rPET content used in preforms and thermoforming across all of the combined operations of the Companies' and their Subsidiaries for the year ended December 31, 2025, which will represent a total estimated GHG savings of at least 200,000 tons of CO₂ equivalent for the full year of 2025

Sustainability Performance Target Trigger:

is calculated as follows: the percentage of rPET content used for preforms and thermoforming products across all of the combined operations of the Companies' and their Subsidiaries for the year ended December 31, 2025

Sustainability Performance Target Observation

Date: December 31, 2025

2019 Baseline Intensity: 10.8% rPET content used in preforms and thermoforming products across all of the combined operations of the Companies' and their Subsidiaries

⁵ This table is displayed by the issuer in its Sustainability-Linked Bond Framework and have been copied over in this report by ISS ESG for clarity.

Ambition

Against Companies’ and their Subsidiaries past performance⁶

Indicator	2018A	2019A - Baseline	2020A	2021E	2022E	2023E	2024E	2025E	Delta 18 - 20	Delta 21 - 25
SMI's rPET content (%)	9.9%	10.8%	9.8%	12.8%	15.9%	18.9%	22.0%	25.0%	-0.1%	+12.2%

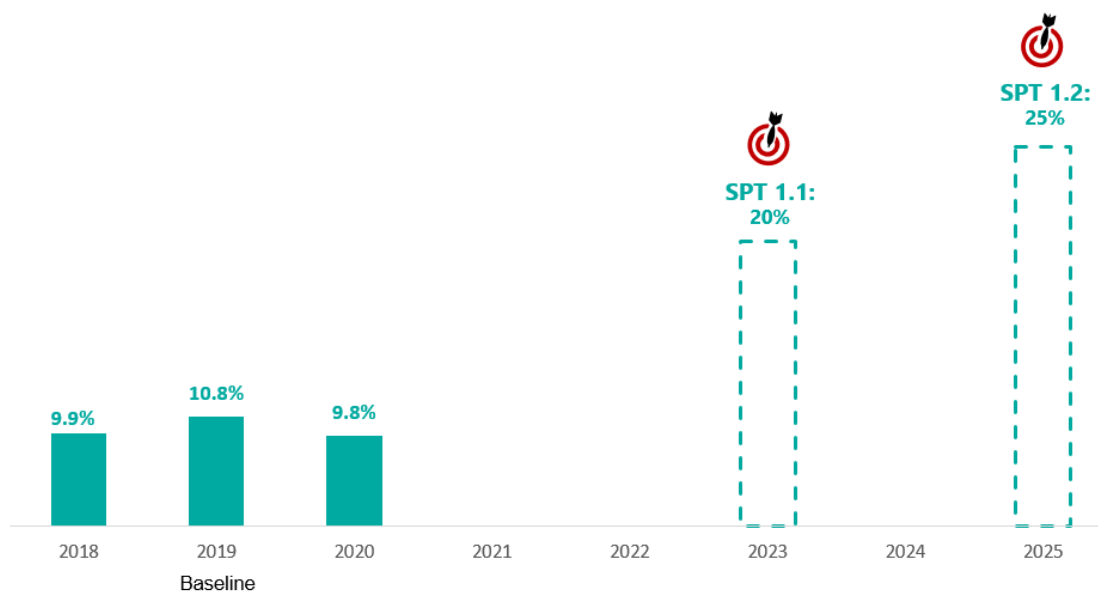
Estimates assume an annual growth rate of approximately 3% to meet the 2025 target of 25% rPET content

SMI increased its rPET content in preforms and thermoforming products across all of the combined operations of the Companies’ and their Subsidiaries by 0.9% from 9.9% in 2018 to 10.8% in its 2019 baseline year. If projected at the same rate over the next 5 years, the percentage of rPET content would be 14.3%; 10.7% less than their 2025 target.

To achieve a 25% target by 2025, SMI would need to have an average growth rate of nearly 3% each year for the next 5 years. The delta from 2018 to 2020 is -0.1%; therefore, to reach a target of 25% by 2025, SMI will need to achieve an additional +12.2%. With their recycling facilities at 82% and 88% utilization rates, there is room to support this target.

SMI expects to contribute an additional \$5M of capital expenditure (CAPEX) to increase the capacity of its recycling facilities, which will allow the company to achieve the target. However, if the company surpasses this CAPEX, it may be able to reach a more ambitious target.

Percentage of rPET content used in preforms and thermoforming products across all of the combined operations of the Companies’ and their Subsidiaries



Source: SMI as of July 2021

⁶ The growth projected in the table is indicative and does not represent exact expected values for the company from 2021 to 2025.

In this context and compared to the baseline year, the SPT set by SMI is perceived by ISS ESG as ambitious against the company's past performance. Further ambition could be envisioned with additional investments to increase the production capacities of its existing recycling facilities, and expanding the number of facilities in operation.

Against company's sectorial peers

ISS ESG conducted a benchmarking of the SPT set by SMI against a peer group of 15 companies composed of 13 listed companies derived from the ISS ESG Universe (Packaging industry with a focus on plastic), 1 additional peer not included in the ISS ESG Universe and SMI.

In terms of targets set, SMI is one of five companies in its industry, and one of two companies in emerging markets, to have a concrete recycled content in plastic packaging target, and it thus belongs to the top 33% tier of its sector in terms of the existence of such targets.

Among this top 33% tier, comparability is limited as scopes covered by targets are not exactly the same (SMI covers c.88% of its total production when some peers cover all plastic packaging produced). However, quantitatively SMI's target is part of the two most ambitious target (reach at least an average of 25% rPET content in preforms and thermoforming products by 2025).

ISS ESG concludes that the SPT set by the issuer is ambitious compared to the peer group selected in terms of defining a recycled content target as it covers 100% of the issuer's PET production. The SPT, however, could have been considered as even more ambitious if it had covered 100% of the issuer's production.

Against international targets

According to the issuer, as of today, there is no industry-specific target available as an international reference point in terms of use of rPET content in bottles (or equivalent).

However, SMI benchmarked its SPT to align with and surpass all local regulatory percentages of rPET content minimums in the countries it operates.

- Peru has established a 15% minimum percentage of rPET for all plastic PET containers manufactured in the country (law effective in December 2021). By the end of 2021, SMI should manage to comply with this percentage by achieving a c.18% of rPET content in its production in Peru.
- Ecuador is implementing a 25% minimum rPET content (effective in 2023)
- Colombia is implementing a regulation to collect post-consumer PET bottles equivalent to 30% of the produced amount by 2030 (effective in 2030).

In the absence of a definite international on a minimum rPET content in bottles (or equivalent), ISS ESG is not able to assess the level of ambition of SMI's target against international objectives. However, it is worth noting that the company did set this target aligning to and surpassing local regulations.

UN Sustainable Development Goals

In addition, ISS ESG, using a proprietary methodology, assessed that the SPT achievement would have a positive contribution to the SDG 12 "Responsible Consumption and Production".

Measurability & Comparability

- **Historical data:** The issuer provided three years of historical data. The issuer selected 2019 as the baseline year for the SPT as it believes 2019 is a year reflective of usual business activities, as opposed to 2020 which was a COVID-19 year with (i) abnormal functioning of collection networks due to stay-at-home orders and (ii) different product mixes (less single-sized serving packages due to stay-at-home orders) that affected volume. SMI has provided historical data since 2018 for the average percentage of rPET content in preforms and thermoforming products and total estimated GHG emission savings (CO₂e tons) per annum for sourcing more recycled resin.⁷
- **Benchmarkable:** The SPT is comparable with the data reported by other companies with the limitations as mentioned above around the lack of a clear market standard regarding the calculation of rPET.
- **Timeline:** The issuer defined a precise timeline related to the SPT achievement, including the target observation date, the trigger event and the frequency of SPTs measurement.

Supporting strategy and action plan

To achieve its target by 2025, the company could implement a set of investments in its operation to:

- Increase its recycling capacity:
 - In 2015, SMI opened its first recycling operation in Peru. In 2017, SMI developed its recycling capabilities in Colombia. Today, SMI has recycling plants in Peru and Colombia with 27,000 tons capacity per year, respectively.
 - The company plans to extend the capacity of its existing plants by investing a minimum of \$5M USD
 - In addition, SMI has plans to expand its recycling infrastructure into Ecuador and CA&C, its other core markets.
- Extending its collection networks:
 - Improve its commercial terms to improve market share
 - Accept different types of recyclable waste
 - Open collection centers in new cities

This action plan is perceived as credible to support the achievement of the SPT set by SMI.

Opinion on SPT calibration: ISS ESG finds that the SPT calibrated by SMI is ambitious against the company's past performance and peer group. Limited information is available to assess the ambition of the target against international objectives, although it is worth noting that the company set this target aligning and surpassing local regulations. The target is set in a clear timeline, is benchmarkable and is supported by a credible strategy and action plan.

⁷ SMI notes that these figures have not been audited

PART 1.B. KPI SELECTION & SPT CALIBRATION

KPI 2 ‘Waste Diverted from Landfill’

1.1. KPI selection

KPI selected by the issuer

FROM ISSUER’S FRAMEWORK

- **KPI 2:** The total tons of post-consumer waste managed by the Companies’ and their Subsidiaries in their combined operations per annum
- **SPT 2.1 (2023):** Increase the total tons of post-consumer waste managed by the Companies’ and their Subsidiaries in their combined operations to at least 34,000 tons per annum for the year ended December 31st, 2023
- **SPT 2.2 (2025):** Increase the total tons of post-consumer waste managed by the Companies’ and their Subsidiaries in their combined operations to at least 55,000 tons per annum for the year ended December 31st, 2025
- **Long-term goal:** No quantitative long-term target. However, SMI’s objective is to assist in building sustainable communities by maximizing the total tons of post-consumer waste managed by the Companies’ and by their Subsidiaries in their combined operations
- **Rationale:** SMI recognizes that its largest waste impact in the regions the Company operates are related to the disposal of its packages. As such, SMI is committed to increasing the total tons of post-consumer waste managed by the Companies’ and by their subsidiaries in the countries of operation per annum to do its part in increasing recycling practices. SMI aims to strengthen local waste and recycling infrastructures as well as collaborate with local non-governmental organizations to expand recycling networks and capabilities. SMI’s effort to expand its waste collection efforts expand the circular economy as SMI sells this waste as raw materials to SME’s that use them for their production processes. In addition, SMI waste collection efforts spark the transition to a sustainability-driven community by creating a value to waste which incentivizes higher recycling participation and they aid in keeping public areas clean (such as parks and beaches). This reflects the Companies’ and their Subsidiaries vision of being a socially responsible enterprise creating a positive impact across the countries we operate
- **Relevant methodology and benchmark reference:** The total tons of post-consumer waste per annum is calculated as the total tons of post-consumer waste that the Companies’ and their Subsidiaries manages in their combined operations on an annual basis
- **Baseline:** 24,010 tons of post-consumer waste managed by the Companies’ and by their Subsidiaries in their combined operations in 2018
- **Baseline year:** 2018
- **Scope:** This KPI applies to 100% of SMI’s countries of operations

Materiality and relevance

Waste Management is not considered as one of the key ESG issues faced by the Packaging sector according to ISS ESG proprietary methodology. However, diverting waste from landfills enables to address other key ESG issues for the sector such as the Environmental impacts of Production, the Packaging life cycle and the Responsible sourcing of raw materials.

ISS ESG finds that KPI 2 ‘Waste Diverted from Landfill’ selected by the issuer is:

- **Relevant** to the issuer's business as companies in the Packaging sector are responsible for and exposed to risks related to this KPI.
- **Core** to the issuer's business as to reach the target associated to KPI 2, SMI will have to develop and improve collection networks on the countries it operates to source post-collection waste locally and recycle it in its plants. SMI will thus play an active role in the recycling ecosystem (e.g., by giving training and education for recyclers, help recyclers in their formalization processes). As such, this KPI affects SMI's core processes and operations.
- **Material** to the issuer's business SMI as the KPI covers the post-consumer bottles that represent 10.3% of SMI's total production (waste) as of 2018. In 2025, this figure is estimated to be 21%. Moreover, it is worth noting that as one of the largest rigid plastic packaging companies in Hispanic America, SMI's impact on waste in the region countries is significant. Finally, it is worth noting that due to the COVID-19 pandemic and the associated lockdowns, recycling businesses have had to declare bankruptcy. By setting targets to improve the recycling of post-consumer waste, SMI is working on reinstating the recycling collection network.

Consistency with overall company's sustainability strategy

Since its inception in 2006, SMI has focused on creating a sustainable business model that, according to the issuer, focuses on maximizing stakeholder value and contributes positively to the countries where it operates. SMI's recycling operations have bolstered the atomization of a previously informal recycling network, as the company has offered know-how, and logistic and formalization support to independent recyclers. Setting such KPI will enhance SMI's efforts to develop the recycling ecosystem in Hispanic America.

ISS ESG finds that the KPI selected by the issuer is consistent with the overall company's sustainability strategy.

Measurability

- **Material scope and perimeter:** The KPI selected covers material operations and activities of the company as it requires tracking 100% of the company's waste sourcing operations.
- **Quantifiable:** The KPI selected is measurable and quantifiable. It is expressed in tons and its calculation is based on purchases information⁸.
- **Externally verifiable:** The past performance on the rPET content of the issuer have been verified by a third-party. An evaluation was carried out in accordance procedures in the management system related to the reception of post-consumer waste. This conformity assessment was carried out using the functional approach indicated in the ISO / IEC 17000 standard⁹. This conformity assessment aims to determine that the processes SMI implemented meet the traceability criteria of post-consumer bottles according to the

⁸ The calculation is done using SMI purchases information. Materials that come in trucks operated by recycling companies are received in the raw material warehouse (specifically, post-consumer bottles). These trucks unload their materials and are later weighed by SMI operators. In turn, the quality of the material is verified by means of samples. If it complies with both filters, the material is purchased and registered in the company's internal systems.

⁹ Standard which provides guidelines for carrying out activities that consist of assessing the conformity of projects, products, processes, facilities or people.

records of its management system. Thus, giving basis for a true estimate of the calculation of tons of post-consumer bottles collected.

- **Benchmarkable:** The company follows a clear calculation methodology described above and, thus, the KPI can be easily benchmarked against waste diverted disclosures made by other companies. However, it is benchmarkable with limitations such as the lack of similar indicators made publicly available by peers and the fact that the SPT is set in absolute numbers which makes benchmarkability challenging when looking at companies that differ in production capacities and annual revenues generated.

Opinion on KPI selection: ISS ESG finds that the KPI selected is core, relevant and material to the issuer’s business model and consistent with its sustainability strategy. It is appropriately measurable, quantifiable, and externally verifiable. The KPI is benchmarkable with some limitations mainly due to the lack of similar indicators made publicly available by peers. The KPI covers a material scope of the operations and activities of SMI.

1.2. Calibration of SPT

SPT set by the issuer

FROM ISSUER’S FRAMEWORK¹⁰

Sustainability Performance Target 2.1 (2023):

Increase the total tons of post-consumer waste managed by the Companies’ and their Subsidiaries in their combined operations to at least 34,000 tons per annum for the year ended December 31st, 2023

Sustainability Performance Target Trigger:

is calculated as follows: the total tons of post-consumer waste managed by the Companies’ and their Subsidiaries in their combined operations per annum for the year ended December 31st, 2023

Sustainability Performance Target Observation

Date: December 31, 2023

2018 Baseline: 24,010 tons of post-consumer waste managed by the Companies’ and by their Subsidiaries in their combined operations

Factors that support the achievement of the targets:

- Strong commitment of SMI’s Senior management on its Sustainability Strategy
- Robust partnerships with local governments and NGOs to increase the absolute tons of waste diverted to landfills per annum

Sustainability Performance Target 2.2 (2025):

Increase the total tons of post-consumer waste managed by the Companies’ and their Subsidiaries in their combined operations to at least 55,000 tons per annum for the year ended December 31st, 2025

Sustainability Performance Target Trigger:

is calculated as follows: the total tons of post-consumer waste managed by the Companies’ and their Subsidiaries in their combined operations per annum for the year ended December 31st, 2025

Sustainability Performance Target Observation

Date: December 31, 2025

2018 Baseline: 24,010 tons of post-consumer waste managed by the Companies’ and by their Subsidiaries in their combined operations

¹⁰ This table is displayed by the issuer in its Sustainability-Linked Bond Framework and have been copied over in this report by ISS ESG for clarity.

Risks to the target:

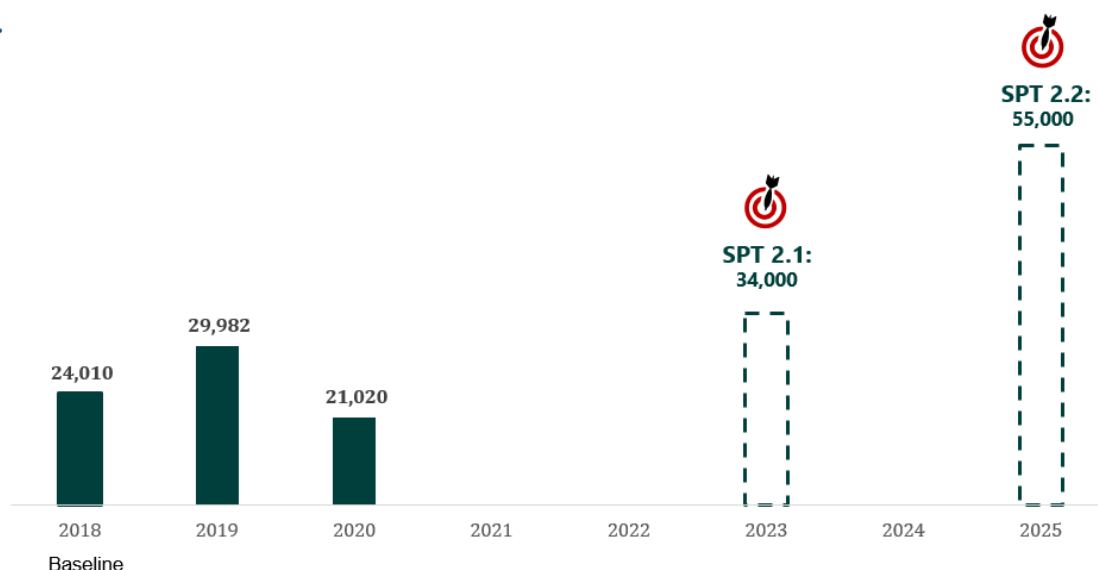
- Extreme events, such as pandemics and natural disasters
- Equipment failures, unexpected plant shutdown, termination of partnerships among other operational factors
- Competition from overseas recyclers, particularly for the textile segment

Ambition

Against Companies’ and their Subsidiaries past performance¹¹

Indicator	2018 - Baseline	2019	2020	2023 – SPT 2.1	2025 – SPT 2.2	CAGR '18-'23	CAGR '18-'25
Total tons of post-consumer waste managed by the Companies’ and their Subsidiaries in the countries of operation per annum	24,010	29,982	21,020	34,000	55,000	7%	13%

Total tons of post-consumer waste managed by the Companies’ and their Subsidiaries in their combined operations per annum



Source: SMI as of July 2021

SMI has provided three years of historical performance around the tons of post-consumer waste managed by SMI and its subsidiaries. Past performance has been scattered during those three years, with a 25% improvement in performance from 2018-2019, and a 30% decrease in performance from 2019-2020. On average between 2018-2020, past performance was in a negative trajectory, with a total decrease of 12% in performance. This variation in performance was due to the fact that in 2019, SMI purchased bottles in excess and imported 2,000 tons of post-consumer material. The

¹¹ The growth projected in the table is indicative and does not represent exact expected values for the company from 2021 to 2025.

company recognizes this is an unsustainable practice and goes against the principle of a circular economy, which is why the company has committed to improve its performance in this area.

To achieve its 2025 target, SMI's compound annual growth rate will be at 13%, compared against the baseline year of 2018. To achieve its 2023 target, a 7% annual growth rate will be required. Given that past performance was in a negative trajectory, the SPTs defined by SMI are certainly ambitious against past performance. Furthermore, performance in 2025 will be more than double the performance in the baseline year, with a total growth of 129%.

Furthermore, the KPI is ambitious when looking at the proportion of collected post-consumer waste versus total tons of PET produced. In the 2018 baseline year, SMI collected 24,000 tons of post-consumer waste while producing 233,000 tons of PET – meaning that SMI collected 10.3% of its produced quantity. By 2025, SMI estimates that the percentage of waste collected from its produced quantity will be 21% - more than double the rate in the baseline year (55,000 tons of waste collected versus 256,000 tons of PET produced). This is seen as further ambitious when compared to their 2025 SPT for KPI 1: *to achieve at least 25% rPET content used in preforms and thermoforming across all of the combined operations of the Companies' and their Subsidiaries*, as SMI is committing to source and use post-consumer waste for almost the entire amount of the 25% target, whereas most peers do not collect or recycle post-consumer waste, but rather buys rPET directly from third-parties.

In this context and compared to the baseline year, the SPT set by SMI is perceived by ISS ESG as ambitious against the company's past performance.

Against company's sectorial peers

SMI is the only company in the Packaging sector that has disclosed a target focused on post-consumer waste. This makes peer comparison of the ambition of SMI's SPT difficult.

Additionally, the SPT is set in absolute terms and is therefore not normalized by revenue or production. This adds to the difficulty of making comparison across peer groups when looking at companies of different sizes and production capacities. Further, this is difficult to compare across regions as recycling rates and post-consumer waste collection rates differ significantly across countries.

In the absence of any accurate data, ISS ESG is not able to assess the level of ambition of SMI's target against sectorial peers.

Against international targets

As of today, there is no industry-specific target available as a reference point in terms of post-consumer waste managed by companies.

- However, companies across the globe, including those in the packaging industry, have been developing action plans focused on the circular economy¹² – although no available data on targets set in terms of post-consumer waste. The Ellen MacArthur Foundation is a network

¹² A circular economy is defined by the Ellen MacArthur Foundation as being based on three principles: 1- Design out waste and pollution; 2- Keep products and materials in use; 3- Regenerate natural systems. It entails gradually decoupling economy activity from the consumption of finite resources, and designing waste out of the system. <https://www.ellenmacarthurfoundation.org/circular-economy/concept>

that brings together businesses, innovators, governments and other stakeholders across the globe to build and scale a circular economy.

- The United Nations Sustainable Development Goal 12 “Responsible Consumption and Production” define the following sub-targets: “12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse” and “12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle”. However, no quantitative targets have been set focused on post-consumer waste collection efforts.

The SPT defined by SMI contributes to goal of circular economy as it looks beyond the current take-make-waste extractive industrial model. However, no quantitative international/local targets have been set specific to the tons of post-consumer waste managed by companies.

In the absence of a definite international/local target on the tons of post-consumer waste collected, ISS ESG is not able to assess the level of ambition of SMI’s target against international/local objectives.

UN Sustainable Development Goals

In addition, ISS ESG, using a proprietary methodology, assessed that the SPT achievement would have a positive contribution to the SDG 12 “Responsible Consumption and Production”.

Measurability & comparability

- **Historical data:** The issuer provided three years of historical data by setting the baseline year of its SPT to 2018 and provided yearly estimates of tons of post-consumer waste managed by the companies and its subsidiaries.
- **Benchmarkable:** The SPT could be benchmarked against targets set by other companies as the tons of post-consumer waste collected by companies can be compared with data reported by other companies around waste diverted from landfill, but with several limitations:
 - The SPT is set in absolute numbers, which makes benchmarkability challenging when looking at companies that differ in production capacities and annual revenues generated;
 - There is limited data available to benchmark this SPT against other targets.
- **Timeline:** The issuer has defined a precise timeline related to the SPT achievement, including the target observation date, the trigger event and the frequency of SPT measurement.

Supporting strategy and action plan

SMI plans to achieve this target through (1) Training & Strategic Partnerships and (2) Investments.

(1) Training & Strategic Partnerships:

- SMI invests resources to train recyclers, people involved in the collection network, and related associations.

- SMI provides machinery and equipment in exchange for exclusivity agreements with recyclers.
- SMI also helps the NGO Recycla, PeI, among others, in contractual matters to carry out campaigns or work with municipalities or other government entities.

(2) Investments / CAPEX

- Investing in recycling capabilities¹³. SMI plans to invest at least USD5m in Ecuador and CA&C to help build the local recycling infrastructure to start buying waste from recyclers in those markets.
- Investing in the collection network. In Peru and Colombia, SMI has already invested approximately US\$ 1 million in compactors given to local recyclers to facilitate transportation of the material and in working capital. SMI expects to invest at least another million in the upcoming years.

This action plan is perceived as credible to support the achievement of the SPT set by SMI.

Opinion on SPT calibration: ISS ESG finds that the SPT calibrated by SMI's is ambitious against the company's past performance. In the absence of sufficient available data, ISS ESG is unable to determine whether the SPT is ambitious against peer performance and international targets. The target is set in a clear timeline and is supported by a credible strategy and action plan. The target is benchmarkable, but with limitations around lack of disclosure and the scale of the target.

¹³ E.g., same-day payments, own collection centers, supply of compactors to recyclers, support to local NGOs to develop educational campaigns, among others.

PART 2: ALIGNMENT WITH ICMA SUSTAINABILITY-LINKED BOND PRINCIPLES

Rationale for Framework

FROM ISSUER'S FRAMEWORK

Through the issuance of Sustainability-Linked Bonds ("SLBs"), SMI aims to further use the power of company to address green and social projects that align with its sustainability priorities: usage of RPET resin, waste management oriented to a circular economy, people (safety, community involvement, employees, recycling awareness campaigns), partnerships with NGOs, governance, among others. SMI hopes the issuance of Sustainability-Linked Bond will inspire other similar companies in its industry to do the same.

SMI's framework provides a high-level approach to the company's SLB and investors should refer to relevant documentation for any transactions.

Opinion: ISS ESG considers the Rationale for Issuance description provided by SMI as aligned with the SLBPs. The issuer has created and committed to publicly disclose the framework and relevant documentation in a comprehensive and credible manner.

2.1. Selection of KPI

ISS ESG conducted a detailed analysis of the sustainability credibility of KPI selection available in section 1 of this report.

Opinion: ISS ESG considers the Selection of KPIs as per the description provided by SMI as aligned with the SLBPs.

- **KPI 1:** ISS ESG finds that the KPI selected is core, relevant and material to the issuer's business model and consistent with its sustainability strategy. It is appropriately measurable, quantifiable, and externally verifiable. The KPI is benchmarkable with some limitations as there is no standard practice in reporting rPET content among international peers. The KPI covers a material scope of the operations and activities of SMI.
- **KPI 2:** ISS ESG finds that the KPI selected is core, relevant and material to the issuer's business model and consistent with its sustainability strategy. It is appropriately measurable, quantifiable, and externally verifiable. The KPI is benchmarkable with some limitations mainly due to the lack of similar indicators made publicly available by peers. The KPI covers a material scope of the operations and activities of SMI.

2.2. Calibration of Sustainability Performance Target (SPT)

ISS ESG conducted a detailed analysis of the sustainability credibility of SPT is available in section 1 of this report.

Opinion: ISS ESG considers the Calibration of Sustainability Performance Target (SPT) description provided by SMI as aligned with the SLBPs.

- *SPT 1.1 & 1.2: ISS ESG finds that the SPT calibrated by SMI's is ambitious against the company's past performance and peer group. Limited information is available to assess the ambition of the target against international objectives, but it is worth noting that the company did set this target aligning and surpassing local regulations. The target is set in a clear timeline, is benchmarkable and supported by a credible strategy and action plan.*
- *SPT 2.1 and 2.2: ISS ESG finds that the SPT calibrated by SMI's is ambitious against the company's past performance. In the absence of sufficient available data, ISS ESG is unable to determine whether the SPT is ambitious against peer performance and international targets. The target is set in a clear timeline and is supported by a credible strategy and action plan. The target is benchmarkable, but with limitations around lack of disclosure and the scale of the target.*

2.3. Sustainability-Linked Bonds Characteristics

FROM ISSUER'S FRAMEWORK

The financial characteristics of any security issued under this Framework, including a description of the selected KPI(s), SPTs, step-up margin amount or the premium payment amount, as applicable, will be specified in the relevant documentation of the specific transaction (e.g. Final Terms of the relevant SLB).

For any bonds issued under this Framework, there will be various Trigger Events impacting the financial characteristics of the security. The occurrence of a Trigger Event will result in a coupon step-up, accruing from date specified in the relevant bond (or an increase of the premium, as the case may be). The relevant timing of the potential coupon step-up will be specified in the bond documentation.

A step-up of the coupon shall be triggered if:

- a KPI has not achieved the SPT on the Target Observation Date (as detailed in the relevant documentation of the specific transaction);
- the verification (as per the verification section of this Framework) of the SPTs has not been provided and made public by the time of the Notification Date, as defined in the bond documentation; or
- the Company fails to provide Satisfaction Notice as of the Notification Date related to achieving the SPT, each as defined in the bond documentation.

Opinion: ISS ESG considers the Sustainability-Linked Bonds Characteristics description provided by SMI as aligned with the SLBPs. The issuer gives a detailed description of the potential variation of the financial characteristics of the securities, while clearly defining the KPIs, associated SPTs and their calculation methodologies.

2.4. Reporting

FROM ISSUER'S FRAMEWORK

Annually, and in any case for any date/period relevant for assessing the trigger of the SPT performance leading to a potential coupon adjustments, such as, a step-up of its Sustainability-Linked Bond financial characteristics, SMI will publish and keep readily available and easily accessible on SMI's website a Sustainability-Linked Bond update included within its Sustainability Annual Report including:

- i. Up-to-date information on the performance of the selected KPI, including the baseline where relevant;
- ii. a verification assurance report relative to the SPT outlining the performance against the SPT and the related impact, and timing of such impact, on a bond's financial performance; and
- iii. any relevant information enabling investors to monitor the progress of the SPT.

Information may also include when feasible and possible:

- i. Qualitative or quantitative explanation of the contribution of the main factors, including M&A activities, behind the evolution of the performance/KPI on an annual basis;
- ii. Illustration of the positive sustainability impacts of the performance improvement; and/or
- iii. Any re-assessments of KPIs and/or restatement of the SPT and/or pro-forma adjustments of baselines or KPI scope.

Opinion: ISS ESG considers the Reporting description provided by SMI as aligned with the SLBPs. This will be made publicly available annually and include valuable information, as described above.

2.5. Verification

FROM ISSUER'S FRAMEWORK

Annually, and in any case for any date/period relevant for assessing the SPT performance leading to a potential coupon adjustment, such as a step-up of the Sustainability-Linked Bond financial characteristics, until after the SPT trigger event of a bond has been reached, SMI will seek independent and external verification of its performance level against the SPT for the stated KPI by a qualified external reviewer with relevant expertise. The verification of the performance against the SPT will be made publicly available on SMI's website.

Opinion: ISS ESG considers the Verification description provided by SMI as aligned with the SLBPs. The issuer plans on having all annual values of the SPT published and verified. This will outline the performance against the SPT, and the related impact and timing of such impact on the securities' financial characteristics.

PART 3: LINK TO SMI'S SUSTAINABILITY STRATEGY

Methodological note: Please note that SMI is not part of the ISS ESG Corporate Rating Universe. Thus, the below sustainability profile is an assessment conducted by the analyst in charge of the 'Packaging' sector, based primarily on publicly available information. The below is not based on an ISS ESG Corporate Rating, but considers ISS ESG Research's methodology.

Industry classification: Packaging

Key Issues of the industry:

1. Environmental impacts of production
2. Packaging life cycle
3. Responsible sourcing of raw materials
4. Product safety
5. Resource-conserving production

Indicative ESG risk and performance assessment:

SMI Group is a rigid plastic producer in Hispanic America, specialized in the manufacturing and distribution of plastic containers and closures. The company's social sustainability challenges mainly arise from product safety related issues. To address these challenges, SMI has established an integrated management system, which is built on the requirements of several internationally recognized management systems, including ISO 9001 (quality) and FSSC 22000 (food safety). In addition, some of the operations are certified to these standards.

In the environmental sphere, SMI faces risks regarding its own operations as well as environmental impacts in the value chain of its products. For its own operations, the company's integrated management system refers to the ISO 14001 standard for environmental management, and some operations are certified. Moreover, the company demonstrate initial actions in reducing greenhouse gases emissions, and has started measuring its GHG emissions as a first step to develop a climate change strategy (e.g., greenhouse gases emission reduction target). With regard to its value chain, SMI conducts assessments on key suppliers to check if they have acceptable environmental practices (e.g., environmental policies, assessment and records on environmental impacts, measures to manage environmental risks and emergency plan).

To mitigate environmental impacts from its products and production value chain, SMI has conducted comprehensive life cycle assessments for its bottle products to understand their carbon footprint. To improve material efficiency in products, the company engages in light-weighting initiatives. The company has also implemented convincing measures to increase material efficiency in its production processes. Regarding recycling aspect, the company is committed to increase the recycled content in bottle products as well as measures to increase recycling rate of plastics (e.g., recycling facility, cooperation with NGOs, working with surrounding communities). Furthermore, the company is developing products that use other ecofriendly materials such as biodegradable plastics. As for substances of concern, while the company has implemented a system to monitor and assess risks from hazards, it remains unclear whether the company has made sufficient efforts to reduce the use of these substances in its products or production processes.

Sustainability impact of products and services portfolio

- **Social impact of the product portfolio:**

The company's product offering consists mainly of plastic packaging products for consumer industries, which neither positively contribute nor obstruct global social objectives in a direct way.

- **Environmental impact of the product portfolio:**

The majority of the SMI's products are single-use plastic products¹⁴, which hinder the advancement of global sustainable development goals such as preserving marine and terrestrial ecosystems, due to pollution through its inadequate disposal. Nonetheless, the company has a minor share of products that are to be made mainly from recycled materials.

Key controversy risks for the industry

Based on a review of controversies in the period of 1 January 2019 - 29 June 2021, the greatest risk reported against companies operating in the Packaging industry relate to activities that may have adverse impacts on the environment and to business malpractice. This is closely followed by activities related to labor rights. The top three issues that have been reported against companies within the industry are as follows: alleged failure to prevent pollution, anti-competitive behavior, and failure to prevent air pollution. This is closely followed by the alleged failure to respect the right to safe and healthy working conditions, failure to prevent water pollution and failure to respect the right to just and favorable conditions of work.

There is no indication of SMI of being involved in any of the above-mentioned controversies according to a high-level controversy screening of publicly available information.

Contribution of Use of Proceeds categories to sustainability objectives and priorities

ISS ESG mapped the KPIs selected by the issuer for its SLB with the sustainability objectives defined by the issuer, and with the key ESG industry challenges as defined in the ISS ESG Corporate Rating methodology for the Packaging sector. Key ESG industry challenges are key issues that are highly relevant for a respective industry to tackle when it comes to sustainability, e.g. climate change and energy efficiency in the buildings sector. From this mapping, ISS ESG derived a level of contribution to the strategy of each KPIs selected.

KPIs SELECTED	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG INDUSTRY CHALLENGES	CONTRIBUTION
Circular Economy	✓	✓	Contribution to a material objective
Waste Diverted from Landfills	✓	✓	Contribution to a material objective

Opinion: *ISS ESG finds that the KPIs linked to this bond are consistent with the issuer's sustainability strategy and material ESG topics for the issuer's industry. The rationale for issuing sustainability-linked bonds is clearly described by the issuer.*

¹⁴ According to the company, most of single-use plastics are recyclable.

DISCLAIMER

1. Validity of the SPO: For SMI's Sustainability-Linked Bonds issuances as long as the Sustainability-Linked Bonds Framework, SPTs benchmarks and structural securities characteristics described in this document do not change.
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) on bonds based on data from the issuer.
3. We would, however, point out that we do not warrant that the information presented in this SPO is complete, accurate or up to date. Any liability on the part of ISS ESG in connection with the use of these SPO, the information provided in them and the use thereof shall be excluded. In particular, we point out that the verification of the compliance with the selection criteria is based solely on random samples and documents submitted by the issuer.
4. All statements of opinion and value judgements given by us do not in any way constitute purchase or investment recommendations. In particular, the SPO is no assessment of the economic profitability and credit worthiness of a bond but refers exclusively to the social and environmental criteria mentioned above.
5. We would point out that this SPO, in particular the images, text and graphics contained therein, and the layout and company logo of ISS ESG and ISS-ESG are protected under copyright and trademark law. Any use thereof shall require the express prior written consent of ISS. Use shall be deemed to refer in particular to the copying or duplication of the SPO wholly or in part, the distribution of the SPO, either free of charge or against payment, or the exploitation of this SPO in any other conceivable manner.

The issuer that is the subject of this report may have purchased self-assessment tools and publications from ISS Corporate Solutions, Inc. ("ICS"), a wholly-owned subsidiary of ISS, or ICS may have provided advisory or analytical services to the issuer. No employee of ICS played a role in the preparation of this report. If you are an ISS institutional client, you may inquire about any issuer's use of products and services from ICS by emailing disclosure@issgovernance.com.

This report has not been submitted to, nor received approval from, the United States Securities and Exchange Commission or any other regulatory body. While ISS exercised due care in compiling this report, it makes no warranty, express or implied, regarding the accuracy, completeness or usefulness of this information and assumes no liability with respect to the consequences of relying on this information for investment or other purposes. In particular, the research and scores provided are not intended to constitute an offer, solicitation or advice to buy or sell securities nor are they intended to solicit votes or proxies.

ISS is an independent company owned by entities affiliated Genstar Capital ("Genstar"). ISS and Genstar have established policies and procedures to restrict the involvement of Genstar and any of Genstar's employees in the content of ISS' reports. Neither Genstar nor their employees are informed of the contents of any of ISS' analyses or reports prior to their publication or dissemination. The issuer that is the subject of this report may be a client of ISS or ICS, or the parent of, or affiliated with, a client of ISS or ICS.

© 2021 | Institutional Shareholder Services and/or its affiliates

ANNEX 1: Methodology

ISS ESG Corporate Rating

The ESG Corporate Rating universe, which is currently expanding from more than 8,000 corporate issuers to a targeted 10,000 issuers in 2020, covers important national and international indices as well as additional companies from sectors with direct links to sustainability and the most important bond issuers that are not publicly listed companies.

The assessment of a company's social & governance and environmental performance is based on approximately 100 environmental, social and governance indicators per sector, selected from a pool of 800+ proprietary indicators. All indicators are evaluated independently based on clearly defined performance expectations and the results are aggregated, taking into account each indicator's and each topic's materiality-oriented weight, to yield an overall score (rating). If no relevant or up-to-date company information with regard to a certain indicator is available, and no assumptions can be made based on predefined standards and expertise, e.g. known and already classified country standards, the indicator is assessed with a D-.

In order to obtain a comprehensive and balanced picture of each company, our analysts assess relevant information reported or directly provided by the company as well as information from reputable independent sources. In addition, our analysts actively seek a dialogue with the assessed companies during the rating process and companies are regularly given the opportunity to comment on the results and provide additional information.

Alignment of the concept set for transactions against the Sustainability-Linked Bond Principles, as administered by ICMA

ISS ESG reviewed the Sustainability-Linked Bonds Framework of SMI, as well as the concept and processes for issuance against the Sustainability-Linked Bond Principles administered by the ICMA. Those principles are voluntary process guidelines that outline best practices for financial instruments to incorporate forward-looking ESG outcomes and promote integrity in the development of the Sustainability-Linked Bond market by clarifying the approach for issuance.

ISS ESG reviewed the alignment of the concept of the SMI's issuance with mandatory and necessary requirements as per the Appendix II - SLB Disclosure Data Checklist of those principles, and with encouraged practices as suggested by the core content of the Principles.

Analysis of the KPI selection and associated SPT

In line with the voluntary guidance provided by the Sustainability-Linked Bond Principles, ISS ESG conducted an in-depth analysis of the sustainability credibility of the KPI selected and associated SPT. ISS ESG analysed if the KPI selected is core, relevant and material to the issuer's business model and consistent with its sustainability strategy thanks to its long-standing expertise in evaluating corporate sustainability performance and strategy. ISS ESG also reviewed if the KPI is appropriately measurable by referring to key GHG reporting protocols and against acknowledged benchmarks. ISS ESG analysed the ambition of the SPT against SMI's own past performance (according to SMI's reported data), against SMI's Packaging peers (as per ISS ESG Peer Universe and additional data), and against international benchmarks when available and the UN SDGs (according to the ISS ESG proprietary methodology). Finally, ISS ESG evaluated the measurability & comparability of the SPT, and the supporting strategy and action plan of SMI.

ANNEX 2: Quality management processes

SCOPE

SMI commissioned ISS ESG to compile a SLB SPO. The Second Party Opinion process includes verifying whether the SLB Framework aligns with the ICMA SLBPs and to assess the sustainability credentials of its SLB, as well as the issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA SLBPs

ISSUER'S RESPONSIBILITY

SMI's responsibility was to provide information and documentation on:

- Framework

ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

ISS ESG has conducted this independent Second Party Opinion of the SLB to be issued by SMI based on ISS ESG methodology and in line with the ICMA SLBPs.

The engagement with SMI took place in June/July 2021.

ISS ESG'S BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behaviour and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About ISS ESG SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

For Information about SPO services, contact:

Federico Pezzolato

SPO Business Manager EMEA/APAC

Federico.Pezzolato@isscorporatesolutions.com

+44.20.3192.5760

Miguel Cunha

SPO Business Manager Americas

Miguel.Cunha@isscorporatesolutions.com

+1.917.689.8272

For Information about this SLB SPO, contact: SPOOperations@iss-esg.com

Project team

Project lead

Armand Satchian
Associate
ESG Consultant

Project support

Oriana Mansur
Analyst
ESG Consultant

Project support

Karsen Bell
Analyst
ESG Consultant

Project supervision

Viola Lutz
Associate Director
Deputy Head of Climate Services