

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Sustainability-Linked
Financing Instruments

Teva
27 October 2021



VERIFICATION PARAMETERS

Type(s) of instruments contemplated	Sustainability-Linked Financing Instruments
Relevant standard(s)	Sustainability-Linked Bond Principles, as administered by ICMA
Scope of verification	Sustainability Linked Financing Framework (as of 24 October 2021)
Lifecycle	Pre-issuance verification
Validity	As long as Teva's Sustainability-Linked Financing Framework and benchmarks for the Sustainability Performance target(s) remain unchanged

CONTENTS

SCOPE OF WORK	3
TEVA BUSINESS OVERVIEW.....	3
ISS ESG SPO ASSESSMENT.....	7
PART 1: KPI SELECTION & SPT CALIBRATION	7
PART 2: ALIGNMENT WITH ICMA SUSTAINABILITY-LINKED BOND PRINCIPLES	33
PART 3: LINK TO TEVA'S SUSTAINABILITY STRATEGY.....	37
ANNEX 1: ISS ESG Corporate Rating.....	42
ANNEX 2: Methodology	44
ANNEX 3: Quality management processes	45
About ISS ESG SPO	46

SCOPE OF WORK

Teva Pharmaceutical Industries Ltd (“Teva”) commissioned ISS ESG to assist with its Sustainability-Linked Financing Instruments by assessing three core elements to determine the sustainability quality of the instrument:

1. The sustainability credibility of the KPI selected and Sustainability Performance Target (SPT) calibrated – whether the KPI selected is core, relevant and material to the issuer’s business model and sector, and whether the associated target is ambitious.
2. Teva’s Sustainability-Linked Financing Framework (24.10.2021 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), and the Sustainability-Linked Loan Principles (SLLPs), as administered by the Loan Market Association (LMA).
3. Sustainability-Linked Financing Instruments’ link to Teva’s sustainability strategy – drawing on Teva’s overall sustainability profile and related objectives.

TEVA BUSINESS OVERVIEW

Teva is one of the largest generics medicines manufacturers in the world. It also produces specialty medicines and active pharmaceutical ingredients (API) to other manufacturers. It has over 2800 medicines in its product portfolio and sold over 85 billion doses in 2020. It is headquartered in Israel and is particularly active in Europe and the US, with a market presence in 60 countries.

SECTION	EVALUATION SUMMARY ¹
Part 1a: KPI selection and SPT calibration	<p>KPI selection: Core, relevant and 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 • Qualitatively ambitious against issuer's sectoral peer group, based on opinion of the independent Access to Medicine Foundation (ATMF) • Qualitatively ambitious against international standards, based on opinion of the independent Access to Medicine Foundation (ATMF) • ATMF opinion provides more context on the significance and pioneering nature of SPT, such as the fact that Teva is the first company to provide transparency on this type of metric
KPI 1.a: Number of regulatory submissions across 6 key therapeutic areas (TA)	<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. The KPI is appropriately measurable, quantifiable and externally verifiable, although the historical data had not previously received external verification. The KPI is specific to Teva and unique, therefore it is not benchmarkable since there are no standardized metrics on medicine access in the pharmaceutical industry and no other organization uses the same metric publicly.</p> <p>ISS ESG finds that the SPT calibrated is ambitious against past performance (based on previously non-reported data). It is not possible to quantitatively evaluate the ambition of the SPT against industry peers or international standards, because the KPI is novel and unique to Teva. Qualitatively, the ATMF letter provides clear support for the ambition of the SPT in the international setting, by concluding a "strong" level of ambition. The letter also provides more context in terms of the SPT's ambition against Teva's past performance, and significance amongst Teva's industry peers, as well as a view on the feasibility of the action plan. The target is set in a clear timeline.</p>
Part 1b: KPI selection and SPT calibration	<p>KPI selection: Core, relevant and 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 • Qualitatively ambitious against issuer's sectoral peer group, based on opinion of the independent Access to Medicine Foundation (ATMF) • Qualitatively ambitious against international standards, based on opinion of the independent Access to Medicine Foundation (ATMF) • ATMF opinion provides more context on the significance and pioneering nature of SPT, such as the fact that Teva is the first company to provide transparency on this type of metric.
KPI 1.b: Product volume through four access programs, including donations and social business	<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. The KPI is appropriately measurable, quantifiable and externally verifiable, although the historical data had not previously received external verification. The KPI is not benchmarkable because it is novel and unique to Teva.</p>

¹ ISS ESG's evaluation is based on the engagement conducted in September to October 2021, on Teva's Sustainability-Linked Financing Framework (24.10.2021 version) and on the ISS ESG Corporate Rating applicable at the SPO delivery date (updated on the 24.09.2021).

across six key therapeutic areas (TA)

There are no standardized metrics on medicine access in the pharmaceutical industry and no other organization uses the same metric publicly.

ISS ESG finds that the SPT calibrated is ambitious against past performance (based on previously non-reported data). It is not possible to quantitatively evaluate the ambition of the SPT against industry peers or international standards, because the KPI is novel and unique to Teva. Qualitatively, the ATMF letter provides clear support for the ambition of the SPT in the international setting by concluding a “strong” level of ambition. The letter also provides more context in terms of the SPT’s ambition against Teva’s past performance, and significance amongst Teva’s industry peers, as well as a view on the feasibility of the action plan. The target is set in a clear timeline.

SECTION	EVALUATION SUMMARY
Part 1c: KPI selection and SPT calibration	KPI selection: Core and relevant to the issuer’s business model and sustainability profile. If used individually on a financial instrument as a stand-alone KPI, the KPI is material to the company’s direct operations but not to the whole Corporate Value Chain². If integrated with KPI 2.b on the same financial instrument, then together, both KPI 2.a and 2.b are material to the issuer’s business model and sustainability profile.
KPI 2.a: Absolute GHG Emissions reduction (Scope 1 and 2)	Sustainability Performance Target (SPT) calibration: <ul style="list-style-type: none"> • Limited information to assess the ambition against issuer’s past performance • Ambitious against issuer’s sectoral peer group • Committed to be aligned with Paris Climate Agreement <p>ISS ESG finds that the KPI selected is core, and relevant and moderately material to the issuer’s business model as a standalone KPI (because it does not cover Teva’s Scope 3 emissions, which represents around 90% of the company’s total GHG emissions) and consistent with its sustainability strategy. It is appropriately measurable, quantifiable, externally verifiable and benchmarkable. It covers 100% of the Teva’s Scope 1 & 2 emissions at Group level globally.</p> <p>ISS ESG finds that the SPT has been created by the issuer based on the Science Based Target initiative (SBTi) tool. Due to recent acquisitions and restructuring at the company, there is limited information to assess its ambition against past performance. As Teva’s target ranks in the top 12 companies of its group, the SPT is ambitious against peers. Teva has committed to the SBTi, and hence the company will be in line with the Paris Agreement. The target is set in a clear timeline and is supported by a strategy and action plan.</p>
Part 1d: KPI selection and SPT calibration	KPI selection: Core and relevant to the issuer’s business model and sustainability profile. When combined together with KPI 2.a on the same financial instrument, as the issuer commits to doing, KPI 2.b is material to the issuer’s business model and sustainability profile.

² Material to the company’s direct operations, but not material to the entire corporate value chain (covering around 10% of Teva’s overall GHG emissions).

KPI 2.b:

- **Committed to be aligned with the level of decarbonization required to keep global temperature increase to Well Below 2°C (WB2C) compared to preindustrial temperatures**

Absolute GHG
Emissions
reduction
(Scope 3)

ISS ESG finds that the KPI selected is core, relevant and material to the issuer's business model if integrated with KPI 2.a on the same financial instrument. The KPI is consistent with Teva's sustainability strategy. It is appropriately measurable, quantifiable, externally verifiable and benchmarkable. It covers 100% of the Teva's Scope 3 emissions at Group level globally. However, the KPI has not yet undergone third-party verification.

ISS ESG finds that the SPT has been created by the issuer based on the SBTi tool. Due to limited historical data, it is currently not possible to assess Teva's ambition against past performance. Teva's target is ambitious against peers in terms of existence of a target on the entirety of its scope 3 emissions. Teva has committed to the SBTi, and hence the company will be in line with the level of decarbonization required to keep global temperature increase to Well Below 2°C (WB2C) compared to preindustrial temperatures. The target is set in a clear timeline and it is benchmarkable (with some limitations due to the absolute emissions nature of the SPT). There is a strategy and action plan to achieve the target.

Part 2:

Aligned with ICMA Sustainability-Linked Bond Principles

**Alignment
with the
SLBPs and
SLLPs**

The Issuer has defined a formal framework for its Sustainability-Linked Financing Instruments regarding the selection of KPI, calibration of Sustainability Performance Target (SPT), sustainability-linked securities characteristics, reporting and verification. The framework is in line with the Sustainability-Linked Bond Principles (SLBPs) and the Sustainability-Linked Loan Principles (SLLPs).

Part 3:

**Link to
issuer's
sustainability
strategy**

Consistent with issuer's sustainability strategy

According to the ISS ESG Corporate Rating published 24.9.2021, the company currently shows a high sustainability performance against peers on key ESG issues faced by the Pharmaceuticals & Biotechnology sector and obtains a Decile Rank relative to industry group of 1, given that a decile rank of 1 indicates highest relative ESG performance out of 10. The issuer is rated 59th out of 468 companies within its sector as of 29.09.2021.

The KPIs selected by the issuer are related to climate change mitigation and medicine access. Climate change and access to medicines have been defined as key priorities of the issuer in terms of sustainability strategy and ISS ESG finds that they are both material sustainability topics for the issuer. ISS ESG finds that this issuance contributes to the issuer's sustainability strategy thanks to the two KPIs' clear link to the key sustainability priorities of the issuer. The SPTs will be further strengthened by receiving SBTi validation for the GHG emissions SPTs. The issuer has committed to the SBTi and is confident that they will receive SBTi validation.

ISS ESG SPO ASSESSMENT

PART 1: KPI SELECTION & SPT CALIBRATION

1.1. KPI 1.a selection

KPI selected by the issuer

FROM ISSUER'S FRAMEWORK

KPI 1.a: Number of regulatory submissions in Low- and Middle-Income Countries (LMICs) of medicines across the following 6 therapeutic areas (TA) of non-communicable diseases (NCD):

- Cardiovascular diseases
- Adult Oncology (KPI 1.b) and Pediatric Oncology (KPI 1.a and 1.b)
- Respiratory diseases
- Diabetes
- Mental health
- Pain/palliative care

These submissions will be based on medicines on the World Health Organization's Model List of Essential Medicines³. They will be targeting the Low- and Middle-Income Countries⁴ as defined by the World Bank. Submissions for the same medicine across different countries would be considered as separate submissions.

SPT 1.a: Increase the cumulative number of new regulatory submissions in LMICs on the WHO EML across 6 key TAs by 150% by 2025

Baseline:

Year	Number of submissions
2017	12
2018	5
2019	5
2020	4

Scope and Perimeter: The portfolio of medicines in scope includes those relevant to the six therapeutic areas in focus on the World Health Organization's Model List of Essential Medicines (EML)⁵ published in 2021.

Rationale: Increase access to Teva's portfolio of medicines, on the World Health Organization's Model List of Essential Medicines (EML) to address the rising burden of non-communicable diseases (NCDs) in low- and middle-income countries (LMICs). These TAs are strategically aligned to Teva's portfolio, with 62 products (including adult oncology) and 54 products (not including adult oncology) across these key TAs already registered in LMICs. NCDs are targeted in the KPI, because generally they are not targeted by industry peers and there are significant unmet needs within LMICs for medicines in those TAs.

Completing regulatory submissions is the first step toward approval, launch and developing sustainable

³ <https://www.who.int/groups/expert-committee-on-selection-and-use-of-essential-medicines/essential-medicines-lists>

⁴ <https://data.worldbank.org/country/XO>

⁵ <https://apps.who.int/iris/bitstream/handle/10665/325771/WHO-MVP-EMP-IAU-2019.06-eng.pdf>

access to safe, essential medicines in LMICs. Each submission represents a unique product and country combination and requires the development of an individual, customized market dossier.

While Teva plans to maintain its robust donations programs, a submissions target pushes the commitment to access further, as it moves towards providing long-term, sustainable access to medicines essential for functioning health systems. Teva's commitment to filing registrations for essential medicines highlights the company's commitment to going above and beyond to ensure access even when business realities for these submissions may be less favourable or would not naturally attract investment.

Submissions are an essential component of Teva's 2021 access commitment to register and authorize medicines in Teva's access programs in high-burden countries. Additionally, submissions (i.e., registration filings) are a measure utilized in external evaluations, such as the ATMF. Teva believes that this KPI is both impactful and ambitious, as it requires time and resource commitments. Once a submission is filed, reviewed and approved, the product can then be launched in the new country and lifesaving treatments can be made available to patients locally.

Materiality and relevance

Access to medicines in underserved regions is considered as a key ESG issue for the Pharmaceuticals & Biotechnology sector, according to key ESG standards⁶ for reporting and ISS ESG assessment. In particular, global pharmaceutical companies may generally be slower to submit medicines for approval in LMIC as the process is time consuming and not potentially rewarding enough, as the revenues they can derive from those medicines are relatively lower than in richer countries. So far, the focus on access to medicines in LMIC have been on communicable diseases, however, there are trends showing that NCD are also on the rise in LMIC.

As a leading global manufacturer of affordable generics medicines covering a wide range of diseases, the company has an opportunity to contribute to helping with this global issue.

ISS ESG finds that the "number of regulatory submissions" KPI selected by the issuer is:

- **Relevant** to Teva's business, as increasing access to medicines is one of the key ESG issues for the Pharmaceuticals & Biotechnology sector.
- **Core** to the issuer's business as submissions are a fundamental and initial part of the company's business development and market expansion. Also, as the LMICs are not the key target markets for the issuer, it will need to adapt its operations and other key processes such as manufacturing and logistics to supply those countries, when those submissions are approved.
- **Material** to Teva from an ESG perspective as the KPI can have an impact on this significant unmet demand for TEVA's medicines on the EML for populations who need them. Whilst the KPI does not cover all of Teva's medicine portfolio, the focus on the 6 NCD TAs showcases a particularly impactful subset of Teva's portfolio, because most other medicine access programs are focused on communicable diseases. This assessment is based on Teva's experience of high approval rates for submissions, as the submissions need to result in actual availability of the medicines to achieve real world impacts.

⁶ Key ESG Standards include SASB and TCFD, among others.

Consistency with overall company's sustainability strategy

Teva identified access to medicines as one of its priority goals. For example, in 2021, the company linked its access goals to executive compensation. It has a commitment to register and authorize medicines in Teva's access programs in high-burden countries.

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

Measurability

- **Scope and perimeter:** The KPI selected covers regulatory submissions of EML products in the six focal TAs in LMICs. It does not include the company's regulatory submissions in "high income" countries which by their nature and different dynamics, are considered outside the scope of this KPI, and separate from the key ESG issue identified.
- **Quantifiable:** The KPI selected is measurable and quantifiable. The data is reported by the company and a regulatory submission will be recorded when it has been received by the local country regulator.
- **Externally verifiable:** The KPI is externally verifiable because Teva commits to receiving external verification on this KPI for the purpose of the Sustainability Linked Financing instruments. However the historical data had not previously received external verification.
- **Benchmarkable:** The criterion for calculating the KPI is explained by Teva and transparent. However its specific focus on LMICs, NCDs and medicines on the EML, make it novel and unique to Teva. There are no standardized metrics on medicine access in the industry and different pharmaceutical companies report on the topic differently. Therefore, it is not possible to quantitatively benchmark the KPI against external references such as data or reported by industry peers or international references.

***Opinion on KPI selection:** ISS ESG finds that the KPI selected is relevant, core and material to the issuer's business model and consistent with its sustainability strategy. The KPI is appropriately measurable, quantifiable and externally verifiable, although the historical data had not previously received external verification. The KPI is specific to Teva and unique, therefore it is not benchmarkable since there are no standardized metrics on medicine access in the pharmaceutical industry and no other organization uses the same metric publicly.*

1.2. Calibration of SPT 1.a

SPT set by the issuer

FROM ISSUER'S FRAMEWORK

Sustainability Performance Target (SPT) 1.a: Increase the cumulative number of new regulatory submissions in LMICs on the WHO EML across 6 key TAs by 150% by 2025.

Sustainability Performance Target Trigger: is calculated as the total submissions between 2022-2025

Sustainability Performance Target Observation Date: December 31, 2025

Baseline: 26 submissions for the period 2017-2020

Rationale: Teva believes this level of SPT shows ambition and leadership with transparency

Factors that support the achievement of the target: Teva's prior success in submitting products for regulatory approval and for receiving approval in LMICs and non-LMICs supports the achievement of this target. Additionally, beyond this KPI Teva has previously committed to: Register and authorize medicines in our access programs in high-burden countries.

Risks to the target: The main limiting factor for the regulatory process is the timelines set by regulatory bodies in target countries. The time from submission to launch varies based on resources and capacity of the regulatory authorities, but it typically takes between one and four years.

Ambition

Against company's past performance

Teva's number of submissions for the period 2017-2020 was 26, although this number was not publicly reported nor received external verification previously. The SPT of 65 for a similar 4 year period between 2022-2025 is clearly higher than the previous record. Whilst the KPI focuses on submissions and not approvals, ISS ESG notes for the sake of understanding the impact of the KPI that the increased number of submissions may not necessarily lead to increased number of regulatory approvals, although Teva explains that they will only provide submissions that are likely to be successful and they have a track record of a high success rate for submissions.

In this context, ISS ESG concludes that the SPT is ambitious against Teva's past performance. In addition, the ATMF letter highlights the significance of the target in the context of the company's past performance.

Against company's sectorial peers

Whilst there are 468 companies listed in the Pharmaceuticals & Biotechnology sector in the ISS ESG universe and a large number of them are generics medicines manufacturers, the KPI that has been selected is unique, only reported by Teva and no other peer. This is because Teva is one of the first companies to provide transparency on this type of metric and other companies are not publicly reporting on similar metrics. Given the novelty of the KPI, it is not possible for ISS ESG to quantitatively assess the level of ambition of this target against Teva's peer group. Still, the ATMF letter provides a qualitative assessment and highlights the significance of the target in the context of the industry's contribution towards this topic, such as the fact that "Teva is the first generic medicine manufacturer to issue a sustainability-linked bond and one of the first companies with a specific access-to-medicine KPI".

Against international targets

Whilst there are various organizations that work with pharmaceutical companies like Teva to improve access in LMIC to essential medicines, such as the WHO and the independent Access to Medicine Foundation⁷, they do not have quantitative industry benchmarks or targets with metrics similar to the KPI selected. It is not possible to quantitatively evaluate the ambition of the SPT against an international standard or target. Qualitatively, the ATMF letter provides clear support for the ambition of the SPT in the international setting, by concluding a “strong” level of ambition.

Measurability & comparability

- **Historical data:** The issuer provided relevant historical data by setting the baseline year of its KPI to 26 submissions between 2017-2020. However, this data was not previously published by Teva, or had received external verification.
- **Benchmarkable:** The KPI selected focuses on 6 specific TAs as well as medicines on the WHO EML, for a specific category of countries. This focused nature of the KPI is more specific than the generalized submission numbers that some industry peers report, which are not targeted towards a specific category of country or medicine. Hence, this KPI is not benchmarkable, unless another company chooses to use the same criteria to report on their submissions metrics.
- **Timeline:** The issuer defined a precise timeline related to the SPT achievement, including the target observation date and the trigger event. The KPI will be reported publicly on an annual basis.

Supporting strategy and action plan

- Planning for the SPT is well underway for the SLB period (2022 – 2025) and the efforts for these considerations are product and market-specific;
- Expanding the portfolio of relevant products in LMICs with existing footprint;
- Introducing any relevant products to LMICs without existing footprint;
- Maximizing the potential of products involved in access programs to formally apply for regulatory approval in LMICs within the programs’ scopes;
- Working with business partners and global health organizations to leverage submission opportunities.

Opinion on SPT calibration: ISS ESG finds that the SPT calibrated is ambitious against past performance (based on previously non-reported data). It is not possible to quantitatively evaluate the ambition of the SPT against industry peers or international standards, because the KPI is novel and unique to Teva. Qualitatively, the ATMF letter provides clear support for the ambition of the SPT in the international setting, by concluding a “strong” level of ambition. The letter also provides more context in terms of the SPT’s ambition against Teva’s past performance, and significance amongst Teva’s industry peers, as well as a view on the feasibility of the action plan. The target is set in a clear timeline.

⁷ <https://accesstomedicinefoundation.org/>

1.3. KPI 1.b selection

KPI selected by the issuer

FROM ISSUER'S FRAMEWORK

KPI 1.b: Product volume⁸ through four access programs in LMICs, including donations and social business⁹ across the following 6 therapeutic areas (TA) of non-communicable diseases (NCD):

- Cardiovascular diseases
- Adult Oncology (KPI 1.b) and Pediatric Oncology (KPI 1.a and 1.b)
- Respiratory diseases
- Diabetes
- Mental health
- Pain/palliative care

Medicines selected for the programs will be Teva's products on the WHO EML.

Social business includes advance market commitments, global health tenders, innovative pricing strategies, strategic manufacturing partnerships, product delivery partnerships with local and civil society organizations, maintaining commercial availability and more.

SPT 1.b: Increase access program product volume by 150% by 2025 compared to 2020 through four access programs, including donations and social business in LMIC on the WHO EML across six key TAs

Baseline: 496,430 doses in 2020

Baseline year: 2020

Scope and Perimeter: Medicines that are in Teva's current and future product portfolio, on the WHO EML addressing the six focal therapeutic areas and Low- and Middle-Income Countries¹⁰ as defined by the World Bank.

Rationale: Although regular commercial availability is typically the preferred method to provide access to medicines, there may be gaps that make regular commercial availability difficult, particularly in LMICs. These include affordability gaps—patients or governments may not have the ability to pay prices for products that are charged elsewhere. There may also be inconsistent demand in LMICs. These gaps make it difficult for manufacturers to supply product through regular commercial channels. Additional methods such as access programs (e.g., donations) and social business solutions (e.g., tenders, pooled procurement solutions) are essential solutions to increasing access to Teva essential medicines in LMICs. While providing access to essential medicines through registration is a strong pillar of Teva's access strategy in LMICs, access programs are needed to complement this strategy and further increase the reach of Teva's essential medicines, especially in LMICs.

⁸ Number of doses of medicines

⁹ the private public partnerships that involve capacity building and local training that indirectly involves the supply of more medicine doses⁹, which generate revenues for the company, as explained in https://www.who.int/alliance-hpsr/resources/FR_Ch5_Annex4.pdf?ua=1

¹⁰ <https://data.worldbank.org/country/XO>

Materiality and relevance

ISS ESG finds that the increasing production volumes through donations and increased social business KPI selected by the issuer is:

- **Relevant** to Teva's business, as increasing access to medicines is one of the key ESG issues for the Pharmaceuticals & Biotechnology sector.
- **Core** to Teva's business, because
 - Providing access to medicines generally is a key business driver and overall strategic priority for Teva;
 - The company needs to invest substantial time and resources into working with local partners in the different countries;
 - The types of programmes and social businesses highlighted are the only ways in which Teva can make those medicines available in some markets.

ISS ESG notes that the increased volumes do not represent a significant increase to the company's overall production volume because they will be fully absorbed in the company's overall production volume. Therefore does not substantially affect the company's other key operations or processes, such as manufacturing, R&D, nor distribution and logistics.

- **Material** to Teva from an ESG perspective, as the KPI can have an impact on the significant unmet demand for Teva's medicines on the EML for populations who need them. Whilst the KPI does not cover all of Teva's medicine portfolio, the focus on the 6 NCD TAs showcases a particularly impactful subset of Teva's portfolio, because most other medicine access programs are focused on communicable diseases.

Consistency with overall company's sustainability strategy

Teva identified access to medicines as one of its priority goals. For example, in 2021, the company linked its access goals to executive compensation and committed to launch 8 access programs by 2025 that address vulnerable populations and those in the last mile in low and middle income countries. 4 of these programs will be targeted toward addressing the burden of NCDs in LMICs.

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

Measurability

- **Scope and perimeter:** The KPI selected covers EML products in the six focal TAs in LMICs. It does not include the company's donations nor business activities in "high income" countries which by their nature and different dynamics, are considered outside the scope of this KPI, and separate from the key ESG issue identified.
- **Quantifiable:** The donations portion of the KPI is measurable and quantifiable, however the reporting of the KPI must be appropriate to ensure that the donated doses are also delivered to the populations in need and not kept in long term storage, for example. The quantified

doses attributed to the social business portion of the KPI is also measurable and quantifiable. ISS ESG recommends that the annual reporting disclose detail to explain the partners and programs involved who will help deliver the doses as part of the social businesses.

- **Externally verifiable:** Teva commits to receiving external verification on this KPI for the purpose of the Sustainability Linked Financing instruments, however the historical data was not publicly reported nor received external verification before.
- **Benchmarkable:** The KPI's focus on LMICs, NCDs and medicines on the EML, combined with the mix of donation and social business programs make it novel and unique to Teva. There are no standardized metrics on medicine access in the industry and different pharmaceutical companies report on the topic differently. Therefore, it is not possible to quantitatively benchmark the KPI.

***Opinion on KPI selection:** ISS ESG finds that the KPI selected is relevant, core and material to the issuer's business model and consistent with its sustainability strategy. The KPI is appropriately measurable, quantifiable and externally verifiable, although the historical data had not previously received external verification. The KPI is not benchmarkable because it is novel and unique to Teva. There are no standardized metrics on medicine access in the pharmaceutical industry and no other organization uses the same metric publicly.*

1.4. Calibration of SPT 1.b

SPT set by the issuer

FROM ISSUER'S FRAMEWORK

Sustainability Performance Target (SPT) 1.b: Increase access to medicine program product volume by 150% by 2025 vs 2020 through four access to medicine programs, including donations and social business in LMIC on the WHO's EML across six key TAs

Sustainability Performance Target Trigger: Total volume of doses in calendar year 2025

Sustainability Performance Target Observation Date: December 31, 2025

Baseline in 2020: 496,430 doses

Factors that support the achievement of the target:

- There is a growing focus on NCDs from public health organizations, which may result in opportunities for new social business partnerships.

Risks to the target:

- Successful access programs via donation and social business activities require strong local infrastructure. Teva will need to undertake a robust approach of identifying LMICs and local partners with sufficient infrastructure-building activities to ensure delivery of Teva medicines to patients in need.
- Not all partner organizations can offer the scale required to meet the access target of a 150% volume increase in 2025, and complexities may arise when executing access programs in countries with potential geo-political instability. Teva will need to develop a robust partnership approach to ensure scale and reliability of operation.
- There are recognized barriers in the supply chain, including dependency on quality API availability of Teva suppliers.
- The current absence of forecasting of volumes in LMIC may be a barrier for continued supply of some oncology EML medicines that are manufactured in limited volumes
- For social business, there may be situations where Teva does not win tenders, or despite winning, no purchases occur.

Ambition

Against company's past performance

Teva first began such access to medicine programs (including strategic donation and new types of social business programs for NCD in those 6 TA) in 2020. Its donated medicines prior to 2020 were mainly related to emergency situations and short-dated donation programs.

Teva has provided data for the KPI in 2020, which is the first year in which such strategic donations and social businesses for NCD were launched. As the SPT is higher than the level in 2020, SPT is ambitious against the past performance. Qualitatively, the ATMF letter provides clear support for the ambition of the SPT in the international setting, by concluding a "strong" level of ambition.

Against company's sectorial peers

It is not possible to evaluate the ambition of the SPT against historical data or targets reported by peers because of the KPI's specific focus on medicines within the 6 TAs, that are on the WHO EML and also because the KPI includes a mix of donated products and social business.

Given the novelty and unique nature of the KPI and the fact that there are no standardized metrics for reporting on medicine access in the industry, it is not possible for ISS ESG to assess the quantitative level of ambition of this target against Teva's peer group. However the ATMF letter provides a qualitative assessment and highlights the significance of the target in the context of the industry's contribution towards this topic, such as the fact that "Teva is the first generic medicine manufacturer to issue a sustainability-linked bond and one of the first companies with a specific access-to-medicine KPI". In particular, the letter highlights the significance of the target in the context of the industry's contribution towards this topic, noting that "the level of ambition is strong" and that "Teva is the first generic company to issue a sustainability-linked bond and one of the first with a specific access-to-medicine KPI".

Against international targets

Whilst there are various organizations that work with pharmaceutical companies like Teva to improve access in LMIC to essential medicines, such as the WHO and the Independent Access to Medicine Foundation¹¹, they do not have quantitative industry benchmarks or targets with metrics similar to the KPI selected. It is not possible to quantitatively evaluate the ambition of the SPT against an international standard or target. Qualitatively, the ATMF letter provides clear support for the ambition of the SPT in the international setting, by concluding a "strong" level of ambition.

Measurability & comparability

- **Historical data:** The issuer has provided relevant historical data for 2020, when the access to medicines program (including strategic donations and social businesses for the 6 TA in NCD) was first launched, and therefore the first year for which there is available data. This data had not been previously published publicly or received external verification.
- **Benchmarkable:** Given the unique nature of the SPT, which involves a mix of donations and social business programs through partnerships, the SPT cannot be quantitatively benchmarked with external references.
- **Timeline:** The issuer defined a precise timeline related to the SPT achievement, including the target observation date and the trigger event. The KPI will be reported publicly on an annual basis.

Supporting strategy and action plan

- Launch 8 access programs by 2025 that address vulnerable populations and those in the last mile in low- and middle-income countries
- Four of the eight programs will be dedicated to LMICs and support the present bond target.

¹¹ <https://accesstomedicinefoundation.org/>

- One program, Global HOPE¹², is currently underway and provides pediatric oncology product donations in sub-Saharan Africa.

Opinion on SPT calibration: ISS ESG finds that the SPT calibrated is ambitious against past performance (based on previously non-reported data). It is not possible to quantitatively evaluate the ambition of the SPT against industry peers or international standards, because the KPI is novel and unique to Teva. Qualitatively, the ATMF letter provides clear support for the ambition of the SPT in the international setting by concluding a “strong” level of ambition. The letter also provides more context in terms of the SPT’s ambition against Teva’s past performance, and significance amongst Teva’s industry peers, as well as a view on the feasibility of the action plan. The target is set in a clear timeline.

¹² <https://www.directrelief.org/2020/02/global-hope-teva-and-direct-relief-partner-for-increased-access-to-pediatric-cancer-therapies-in-africa/>

1.5. KPI 2.a selection

KPI selected by the issuer

FROM ISSUER'S FRAMEWORK

KPI 2.a: Absolute GHG Emissions reduction (Scope 1 and 2) (in tCO2e)

SPT 2.a:

- 25% reduction in absolute Scope 1 and 2 greenhouse gas (GHG) emissions by 2025 (vs 2019 baseline)
- 46% reduction in absolute Scope 1 and 2 greenhouse gas (GHG) emissions by 2030 (vs 2019 baseline)

Baseline: 732,111 tCO2e as of December 31st, 2019

Baseline year: 2019

Perimeter: Group level globally

Scope: Approximately 10% of Teva's global carbon footprint

Methodology: Teva follows the methodologies and definitions of the GHG Protocol.

Rationale: Climate change is the biggest environmental challenge the world faces. Teva is conscious that gradually reducing its carbon footprint will contribute to efforts to meet the Paris Climate Agreement, in limiting mean global temperature rises to Well Below (WB2C) above pre-industrial temperature levels and preferably limit the increase to 1.5°C.

Scope 1 and 2 emissions together account for approximately 10% of Teva's total carbon footprint. GHG emissions reduction is the main pathway for companies aiming to take action against climate change, especially companies with a large manufacturing footprint such as Teva (55 manufacturing facilities globally). Teva has publicly committed to the SBTi for this target. Should the GHG emissions reduction validated by SBTi be more ambitious than our SPT2.a as currently set out, Teva will comply with the most stringent target as SPT.

Materiality and relevance

The pharmaceutical industry, in absolute terms, is generally considered a medium-impact sector¹³ (FTSE4Good) with regard to CO₂e emissions. Since climate change mitigation is a key issue for the Teva, the company commits to minimizing the impact of its operations and products on the planet. Specifically, the company is addressing increased energy efficiency across their value chains.

ISS ESG finds that the GHG emissions reduction KPI selected by the issuer is:

- **Relevant** to Teva's business as environmental impacts of products and services are a key issue for the company.
- **Core** to the issuer's business as emission-reduction measures affect all direct operations of the company at Group level globally. Initiatives to reduce Scope 1 & 2 emissions involve projects around energy and process efficiencies, renewable energy procurement and generation, and network optimization, as the company states in their action plan.

¹³ European Federation of Pharmaceutical Industries and Associations, June 2020, '[White Paper on Climate Change](#)'

- **Moderately material** to issuer's business model and sustainability profile if used individually on a financial instrument as a stand-alone KPI, but **material** if integrated with KPI 2.b on the same financial instrument. As the levers to achieve the targets for Scope 1 & 2 are very different than for Scope 3, the issuer like the majority of their selected peers (25 of 27 companies) have set individual KPIs:
 - KPI 2.a is material to the company's direct operations, because the KPI focuses on Scope 1 & 2 emissions covering 100% of activities by the company at Group level globally. However, Scope 1 & 2 emissions only represent 10% of the emissions of Teva. Therefore, KPI 2.a is deemed not material to the Corporate Value Chain of the company as per ISS ESG's methodology. While this KPI covers 10% of the overall GHG emissions and would not be considered as entirely material as per ISS ESG's methodology, setting an individual target to track Scope 1 and 2 is the most common approach used by peers.
 - It is worth noting that KPI 2.b addresses indirect GHG emissions throughout the upstream and downstream value chain (i.e., Scope 3 emissions), which represent an estimated 90% of total emissions of the company and cover the whole Corporate Value Chain of the company. Therefore, KPI 2.a and 2.b together would be considered fully material if they are integrated in the same financial instrument and both linked to the bond characteristics. As the issuer covers emissions across the value chain in two individual KPIs, the end results will be material to the entire value chain.

Consistency with overall company's sustainability strategy

Teva's ESG strategy is structured around three focus areas: environmental, social and governance. For the environmental pillar, the company intends to minimise the impact of its operations and products on the planet and has identified climate action as one of its priority long-term goals. The company's strategy includes the specific goals and targets relating to climate action and resilience. As part of its GHG emissions reduction strategy, Teva is targeting scope 1, 2 and 3 emissions.

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

Measurability

- **Scope and perimeter:** The KPI selected covers Teva's direct operations and activities. Specifically, the KPI covers all activities at Group level globally.
- **Quantifiable:** The KPI selected is measurable and quantifiable. Absolute levels of Scope 1 & 2 emissions have been calculated based on primary data, e.g., electricity purchased and fossil fuels used, as per the GHG Protocol.
- **Externally verifiable:** The KPI selected is externally verifiable thanks to the conformance with the requirements of GHG Protocol. For Scope 1 & 2 Teva has the baseline data and the KPI is based on the primary data collected from our Teva's operations; these have been 3rd party verified.

- **Benchmarkable:** The KPI is set by referring to commonly acknowledged GHG accounting standards and protocol.

Opinion on KPI selection: ISS ESG finds that the KPI selected is core, and relevant and moderately material to the issuer's business model as a standalone KPI (because it does not cover Teva's Scope 3 emissions, which represents around 90% of the company's total GHG emissions) and consistent with its sustainability strategy. It is appropriately measurable, quantifiable, externally verifiable and benchmarkable. It covers 100% of the Teva's Scope 1 & 2 emissions at Group level globally.

1.6. Calibration of SPT 2.a

SPT set by the issuer

FROM ISSUER'S FRAMEWORK¹⁴

Sustainability Performance Target (SPT) 2.a:

- 25% reduction in absolute Scope 1 and 2 greenhouse gas (GHG) emissions by 2025 (vs 2019 baseline)
- 46% reduction in absolute Scope 1 and 2 greenhouse gas (GHG) emissions by 2030 (vs 2019 baseline)

Sustainability Performance Target Trigger: achievement of the absolute GHG emission reduction targets for the years ended 2025 and 2030

Sustainability Performance Target Observation Date: December 31, 2025 and December 31, 2030

Baseline: 732,111 tCO₂e as of December 31st, 2019

In tons of CO ₂ e	2017	2018	2019 (baseline)	2020
Total direct emissions Scope 1	458,755	372,604	335,704	326,667
Total indirect emissions Scope 2	472,358	454,598	396,407	370,018
Total indirect emissions (Scope 1 and 2)	931,113	827,202	732,111	696,685
% Change vs 2019				-4.8%

Methodology for calculating the SPT: Teva has used the SBTi tool (SBT-Tool-v1.2.1) to construct an SPT with outcome for a 1.5°C pathway.

Rationale and ambition of target: Teva is committed to following a decarbonisation pathway and to set a long-term climate target benchmarked against the Paris Climate Agreement, in order to keep the rise in mean global temperature to Well Below (WB2C) above pre-industrial levels, and preferably limit the increase to 1.5°C.

Climate Action and Resilience is a pillar of Teva's ESG strategy and the company has established an ambitious Scope 1 and 2 GHG reduction goal to demonstrate Teva's commitment to tackling this global challenge.

This target replaces and builds upon the issuer's January 2021 target of a 33% reduction for Scope 1 and 2 GHG emissions by 2030 (vs 2017), in line with a Well Below 2°C (WB2C) scenario.

Teva plans to validate the

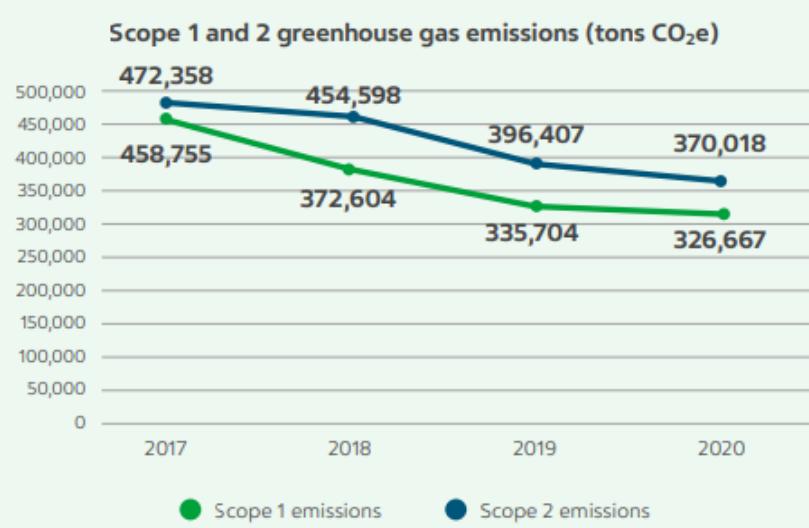


Figure 1. Historical Scope 1 and 2 emission reduction
 Source: Teva ESG Progress Report 2020

¹⁴ This table is displayed by the issuer in its Sustainability-Linked Financing Framework and has been copied over in this report by ISS ESG for clarity.

reduction target by the SBTi. The intermediary target for 31st December 2025 has been set using the SBTi methodology to ensure that Teva's KPI progress is on track to achieve Teva's 2030 target.

Strategy for the achievement of the target:

- Energy and process efficiencies
- Renewable energy procurement and generation
- Teva network optimization

Risks to the target:

1. Teva plans to validate its GHG emission targets by the SBTi. During this process, there is risk that refinement of the target/baseline by SBTi may be requested.
2. Complexities arising from increasing the proportion of renewable energy generated/purchased by Teva due to infrastructure and administrative issues.
3. Macroeconomic risks driven by the transition to low carbon economy and may include increased regulation and legislation, which may cause changes in market conditions.
4. Like many other production based organizations, there is a lack of feasible technologies in the short- to mid-term for replacing fossil fuel for generation of thermal energy.

Ambition

Against company's past performance

	2017	2018	2019 - baseline	2020	2025 target	2030 target
Total direct emissions Scope 1 (tCO₂e)	458,755	372,604	335,704	326,667		
Total indirect emissions Scope 2 (tCO₂e)	472,358	454,598	396,407	370,018		
Total indirect emissions Scope 1 & 2 (tCO₂e)	931,113	827,202	732,111	696,685	549,083	395,340
YoY Reduction (%)		-11.16%	-11.50%	-4.84%		
CAGR¹⁵ (Baseline to Target)					-4.68%	-5.45%

Source: Teva as of October 2021

Looking back to the past three years of emission reductions, in the period 2017 – 2019, Scope 1 & 2 emissions reduced by 21.37%. Year-on-Year reductions were 11.16% for 2018 and 11.5% for 2019.

It is worth noting that the reduction in the period 2017-2019 was partly due to a significant restructuring process. After the acquisition of Actavis in 2016, Teva realized planned efficiencies, which included site closures. Part of the reduction in GHG emissions is due to these site closures and the GHG reductions from these scheduled site closures were reported and externally verified in accordance with the GHG Protocol. Therefore, Teva has adjusted its baseline and recalculated the subsequent yearly emissions for site divestment.

To be clear, Teva does not integrate the GHG reductions of the facilities that have left their network. However, for sites that are closed the realized GHG reductions are accounted for by Teva as being a reduction of their overall GHG emissions.

Teva sets the SPT to reduce its Scope 1 & 2 GHG emissions with an absolute reduction target of 25% in 2025 and 46% in 2030, compared to the 2019 baseline. As shown in the table above, this equates to a CAGR of -4.68% for the 2025 target and -5.45% for the 2030 target.

Currently, the company's restructuring activities have been largely completed. Therefore, Teva does not expect further restructuring to play a significant role in future GHG emissions reductions.

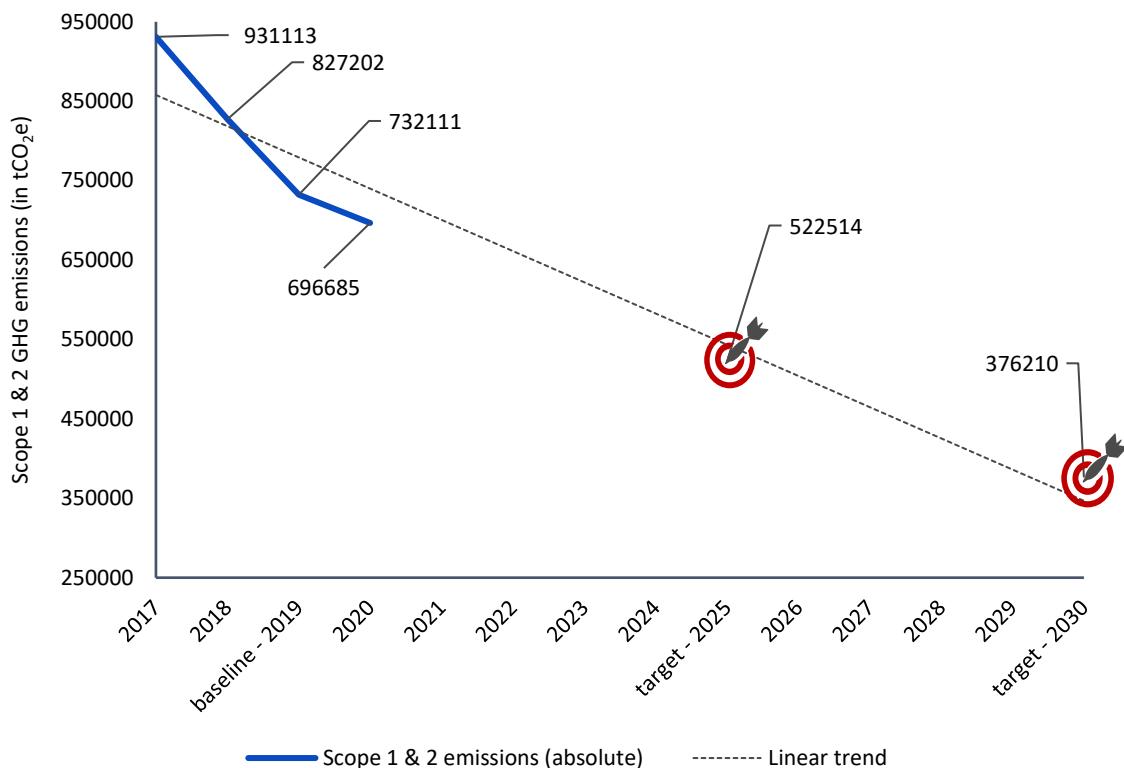
It is best practice to set the baseline year after such major changes, in order to avoid skewed results. The fact that Teva has set their baseline for this SPT in 2019, after the acquisition of Actavis and associated efficiency activities (such as site closures), ensures that the target accurately reflects emission reduction efforts in the operations of the company.

However, the recent acquisition activities also limit the comparability of the historical emission data. During the period 2017-2019 Scope 1 & 2 emissions decreased by 21.37%, equating to a year-on-year reduction rate of -11.16% and -11.50% respectively. Due to this limitation, these numbers cannot be

¹⁵ Compound annual growth rate.

compared to the CAGR with regards to the 2025 and 2030 target years, which are -4.68% and -5.45% respectively.

In this context and compared to the baseline year, ISS ESG has limited information to assess the level of ambition of the SPT against the company's past performance.



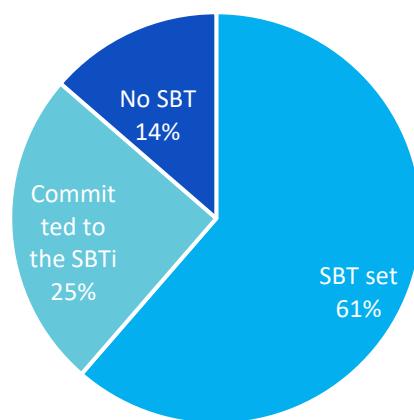
Against company's sectorial peers

ISS ESG conducted a benchmarking of the SPT set by Teva against a peer group¹⁶ composed of 44 companies (including Teva).

In the peer group, 61% have set validated Science-Based Targets (SBT) for Scope 1 & 2 emissions, 25% have committed to the SBTi (including Teva¹⁷), and 14% of peers have neither an SBT commitment or target set.

Regarding those peers who have set SBTs, 25 out of 27 companies have a Scope 1 & 2 emission reduction target and 2 companies have a Scope 1 & 2 & 3 target. The CAGR¹⁸ of those companies with a Scope 1 & 2 target ranges from -2% to -7%. With a CAGR at -5.5%, Teva would rank in the top 12 companies of the group. Teva has committed to the SBTi, and is confident in receiving an approval from the SBTi as the

Figure 2: GHG emission reduction targets set by peer group



¹⁶ The peer group was provided by the issuer, consisting of similar pharmaceutical companies.

¹⁷ Teva has committed to the SBTi.

¹⁸ CAGR = Compound Annual Growth Rate

process and the emissions data have been reviewed and supported by a third party who has been retained to provide their SBTi expert services.

Upon the condition that the SBTi approves the SPT without significant changes, Teva can be considered ambitious against its sectorial peer group. By ranking in the top 12 companies of its peer group, Teva's target is judged as ambitious against peers.

Against international targets

Paris Agreement

Teva developed its SPT through the SBTi online tool for Scope 1 and 2 emissions¹⁹. While other benchmarking tools and scenarios could be used to define the alignment of the SPT with the Paris Agreement, the SBTi tool and analysis is considered credible as it is provided by an independent third party based on a methodology established in the industry.

However, the calibrated target that has been chosen has not yet been verified by the SBTi. Teva has committed to the SBTi. Formal verification of the SBTi is necessary to conclude that the target is ambitious against international targets.

In this context, limited information is available to assess the alignment of the target with the Paris Agreement. However, with the commitment to get its target SBTi-approved, Teva commits to be in line with the Paris Agreement.

Measurability & comparability

- **Historical data:** The issuer provided relevant historical data going back to 2017 on Scope 1 & 2 emissions, which meets the SLBP recommendations of 3 years of data. However, there are limitations in evaluating this data as the company has gone through acquisitions and restructuring during this period. The historical data and progress made against the previous 2017 baseline target has been verified by a third party.
- **Benchmarkable:** The SPT may be benchmarked against targets set by industry peers as the KPI is calculated in accordance with the GHG Protocol and other relevant industry standards.
- **Timeline:** The issuer 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

To reduce its Scope 1 & 2 GHG emissions and achieve the targets set, Teva outlines the following actions:

- Energy and process efficiencies
- Renewable energy procurement and generation
- Teva network optimisation

¹⁹ The target was not verified by the SBTi.

Moreover, the company's 2020 ESG Progress Report states several concrete actions that have been recently taken, such as capital investments of more than \$1.5 million invested in Teva facilities in 2020 on energy conservation and reduction projects, including for LED lighting replacements, boiler upgrades, air compressor system upgrades, fitting of insulation on steam pipes and enabling HVAC systems to work in energy-saving mode.

To achieve the SPT, Teva has established a multi-disciplinary taskforce as part of Teva's Transformation Office to reduce GHG emissions. The taskforce is led by a global taskforce to which regional taskforces report. The taskforce uses the Transformation Office tools and governance structure to measure, monitor and report progress. The taskforce currently has a number of initiatives planned or underway, which will contribute to performance against Teva's GHG reduction target, for example including:

- The performance of energy assessments at sites to identify energy and utility efficiency and optimization opportunities
- Detailed energy audits at larger energy consuming sites coupled with the implementation of identified recommendations
- Purchasing of EAC's in certain markets
- Installation of on-site renewable energy facilities (i.e. photovoltaic panels)
- Virtual Power Purchase Agreements (VPPA) in certain markets

Additional measures outside of the taskforce include efforts to move to green fleets in certain markets

Opinion on SPT calibration: ISS ESG finds that the SPT has been created by the issuer based on the SBTi tool. Due to recent acquisitions and restructuring at the company, there is limited information to assess its ambition against past performance. As Teva's target ranks in the top 12 companies of its group, the SPT is ambitious against peers. Teva has committed to the SBTi, and hence the company will be in line with the Paris Agreement. The target is set in a clear timeline and is supported by a strategy and action plan.

1.7. KPI 2.b selection

KPI selected by the issuer

FROM ISSUER'S FRAMEWORK

KPI 2.b: Absolute GHG Emissions reduction (Scope 3) (in tCO2e) ²⁰

SPT 2.b: 25% reduction in absolute Scope 3 greenhouse gas (GHG) emissions by 2030 (vs 2020 baseline)

Baseline: 6,190,558 tCO2e as of December 31st, 2020

Baseline year: 2020

Perimeter: Group level globally

Scope: approximately 90% of Teva's global carbon footprint

Rationale: Climate change is the biggest environmental challenge the world faces. Teva is conscious that gradually reducing its carbon footprint will contribute to efforts to meet the Paris Climate Agreement, in limiting mean global temperature rises to well below 2°C above pre-industrial temperature levels and preferably limit the increase to 1.5°C.

Scope 3 emissions account for approximately 90% of Teva's global carbon footprint. GHG emissions reduction is the main pathway for companies aiming to take action against climate change, especially companies with a large manufacturing footprint such as Teva (50 manufacturing facilities globally).

Teva has chosen to measure GHG emissions in absolute terms (total tons of CO₂e emitted) rather than a CO₂ intensity measure, as the company vows to reduce its overall GHG emissions, irrespective of growth.

The company recognizes Scope 3 emissions is the most complex reduction for companies to target, as it entails the entire value chain. This is especially difficult for companies with a large and complex pharmaceutical manufacturing supply chain such as Teva, with over 30,000 suppliers across the globe.

It is difficult at this time to accurately baseline and set forward a short-term target. Due to these complexities and aforementioned risks, Teva has committed to establishing a scope 3 target on a Well Below 2°C (WB2C) pathway, which corresponds to a 25% reduction in scope 3 GHG emissions by 2030 (vs 2020). Teva has publicly committed to the SBTi for this target. Should the GHG emissions reduction validated by SBTi be more ambitious than our SPT 2.b as currently set out, Teva will comply with the most stringent target as SPT.

Materiality and relevance

The pharmaceutical industry, in absolute terms, is generally considered a medium-impact sector²¹ (FTSE4Good) with regard to CO₂e emissions. Since climate change mitigation is a key issue for the Teva, the company commits to minimizing the impact of its operations and products on the planet. Specifically, the company is addressing increased energy efficiency across their value chains.

ISS ESG finds that the GHG emissions reduction KPI selected by the issuer is:

- **Relevant** to Teva's business as environmental impacts of products and services are a key ESG issue for the company.

²⁰ The issuer states that "in any SLB issued under this Framework, KPI 2.b will only be used in combination with KPI 2.a".

²¹ European Federation of Pharmaceutical Industries and Associations, June 2020, '[White Paper on Climate Change](#)'

- **Core** to the issuer's business as climate change mitigation reduction measures affects all indirect operations of the company at the Group level globally. The KPI will entail significant consequences on the entire value chain.
- **Material** to Teva from an ESG perspective if integrated with KPI 2.a as part of the same financial instrument²²:
 - KPI 2.b is material to the company's entire value chain, because the KPI focuses on the upstream and downstream value chain activities at Group level globally. Moreover, Scope 3 emissions represent around 90% of total GHG emissions generated by Teva. However, the KPI does not cover direct operations where the company has the most immediate impact. It is worth noting that keeping the KPI 2b as a separate KPI is highly recommended by the SBTi and the recommended approach has been adopted by the majority of the peers (25 of 27) are approaching a Scope 3 target.
 - It is worth noting that KPI 2.a addresses GHG emissions from direct operations (Scope 1 and 2 emissions), representing an estimated 10% of total emissions of the company. Therefore, KPI 2.a and 2.b together are considered fully material if they are integrated in the same financial instrument and both linked to the characteristics of the financial instrument. While separating the KPI 2b from KPI 2a would not meet the materiality criteria of the financial instrument, it is recommended by the SBTi and it is the approach used by the majority of the peers (25 of 27).

Consistency with overall company's sustainability strategy

Teva's ESG strategy is structured around three focus areas: environmental, social and governance. For the environmental pillar, the company intends to minimise the impact of its operations and products on the planet and has identified climate action as one of its priority long-term goals. The company's strategy includes the specific goals and targets relating to climate action and resilience.

Firstly, Teva commits to improve transparency of Scope 3 GHG emissions and increase engagement on climate issues with key suppliers throughout the value chain. Secondly, the company previously set an absolute Scope 1 and 2 GHG emissions reduction target of 33% vs. 2017 levels to support efforts to limit the global temperature increase to well below 2°C, aligning with the 2015 Paris Climate Agreement. However, Teva has recently replaced this target with a more ambitious one, being the new reduction target set by KPI 1.a.

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

Measurability

- **Scope and perimeter:** The KPI selected covers Teva's operations and activities at Group level globally.

²² In any SLB issued under Teva's Framework, KPI 2.b will only be used in combination with KPI 2.a.

- **Quantifiable:** The KPI selected is measurable and quantifiable. Teva has performed its first scope 3 screening using the Quantis tool, the recommended tool as per the GHG Protocol.
- **Externally verifiable:** The KPI selected is externally verifiable thanks to the various standards and protocols mentioned above. However, the KPI has not yet undergone third-party verification.
- **Benchmarkable:** The KPI is set by referring to commonly acknowledged GHG accounting standards and protocol.

***Opinion on KPI selection:** ISS ESG finds that the KPI selected is core, relevant and material to the issuer's business model if integrated by KPI 2.a in the same financial instrument. The KPI is consistent with Teva's sustainability strategy. It is appropriately measurable, quantifiable, externally verifiable and benchmarkable. It covers 100% of the Teva's Scope 3 emissions at Group level globally. However, the KPI has not yet undergone third-party verification.*

1.8. Calibration of SPT 2.b

SPT set by the issuer

FROM ISSUER'S FRAMEWORK

Sustainability Performance Target (SPT) 2.b:

- 25% reduction in absolute Scope 3 greenhouse gas (GHG) emissions by 2030 (vs 2020 baseline)

Sustainability Performance Target Trigger: achievement of the absolute GHG emission reduction target for the year ending 2030

Sustainability Performance Target Observation Date: December 31, 2030

Baseline: 6,190,558 tCO₂e as of December 31st, 2020

Baseline year: 2020

Methodology for calculating the SPT: Teva has used the SBTi tool (SBT-Tool-v1.2.1) to construct an SPT with outcome for a well below 2°C above pre-industrial levels

Rationale and ambition of target:

Teva has established a Scope 3 GHG reduction goal to demonstrate the company's commitment to tackling this global challenge. Teva's 2030 GHG goal has been benchmarked against the Intergovernmental Panel on Climate Change (IPCC) and the Paris Climate Agreement, aiming to limit global temperature rises to well below 2°C. Teva has chosen to measure GHG emissions in absolute terms (total tons of CO₂e emitted) rather than a CO₂ intensity measure, as the company vows to reduce its overall GHG emissions, irrespective of growth. The company recognizes scope 3 emissions is the most complex reduction for companies to target, as it entails the entire value chain. This is especially difficult for companies with a large and complex pharmaceutical manufacturing supply chain such as Teva, with over 30,000 suppliers across the globe. It is difficult at this time to accurately baseline and set forward a short-term target. Due to these complexities and aforementioned risks, Teva has committed to establishing a scope 3 target that is to be validated by the SBTi on a well below 2C (WB2C) pathway, which we have calculated to represent a 25% reduction in scope 3 GHG emissions by 2030 (vs 2020).

Strategy for the achievement of the target:

Currently, only a very few of the company's suppliers have set Science Based Target initiative (SBTi) targets, and the company is going to start a scope 3 emissions reduction program that will heavily rely on supplier engagement programs.

Based on the company's initial screening performed this year, Teva estimates the scope 3 program amass a 1,547,647 tCO₂e reduction. The initiatives that will lead this reduction will heavily rely on supplier engagement programs, including incorporation into Teva's tendering process. In addition, based on current trends, Teva anticipates additional legislative actions that will contribute to the overall reduction.

Risks to the target:

Teva has committed to the SBTi for this target. During this process, there is the risk that refinement of the target/baseline by the SBTi may be requested. There is an underlying risk that key suppliers may not put decarbonization strategies in place, which will have a negative impact on Teva's scope 3 emissions.

In addition, changes to Teva's business model may produce a sudden increase in scope 3 emissions that may intermittently disrupt our reduction progress. Specifically, in the bio-pharma industry, scope 3 has not gained as much traction as in other industries and remains immature.

Ambition

Against company's past performance

2020 represents the first year that Teva performed an estimate of its Scope 3 GHG emissions using the Quantis tool (recommended by the GHG Protocol). Therefore, there is no previous Scope 3 data to review Teva's past performance against.

In this context and compared to the baseline year, ISS ESG has no information to assess the level of ambition against the company's past performance.

Against company's sectorial peers

ISS ESG conducted a benchmarking of the SPT set by Teva against a peer group²³ provided by Teva and composed of 13 companies (including Teva). In addition to this, ISS ESG conducted a benchmarking of the SPT against another peer group composed of 389 companies in the Pharmaceutical and Biotechnology sector derived from the ISS ESG Universe.

From the peer group provided by Teva, 54% have set Science-Based Targets (SBT) for scope 3 or a portion of scope 3 emissions, 8% have SBT commitment only (including Teva), and 38% have neither an SBT commitment or SBT set. Only 4 peer companies (representing 31% of the peer group) with an SBT plan to reduce scope 3 emissions across the entire value chain. Their CAGR²⁴ ranges from 1.3% to 2.5%. With a 5% CAGR, Teva would rank first among its competitors when it comes reducing scope 3 emissions. As this group also includes SBTi-validated targets, the SPTs are not fully comparable.

²³ The peer group was provided by the issuer, consisting of similar pharmaceutical companies.

²⁴ CAGR = Compound Annual Growth Rate

From the ISS ESG Universe on Pharmaceutical and Biotechnology sector, ISS ESG finds that only 4 companies out of 389 have a target on the entirety of their scope 3 emissions. Therefore, Teva's target is ambitious against peers in terms of existence of a target on the entirety of its scope 3 emissions.

Against international targets

Paris Agreement

Teva built its SPT through the SBTi online tool for Scope 3 emissions²⁵. Therefore, its scope 3 target is considered sufficiently ambitious against the IPCC well below 2° C (WB2C) scenario. While other benchmarking tools and scenarios could be used to define the alignment of the SPT with the Paris Pledge, the SBTi tool and analysis is considered credible as it is provided by an independent third party based on a methodology established in the industry. However, the calibrated target that has been chosen has not yet been verified by the SBTi. Formal verification of the SBTi is necessary to conclude that the target is ambitious against international targets. Teva has committed to the SBTi.

In this context, limited information is available to assess the current alignment of the target with the Paris agreement. However, by officially committing to the SBTi, Teva is in line with the Paris Agreement in the future.

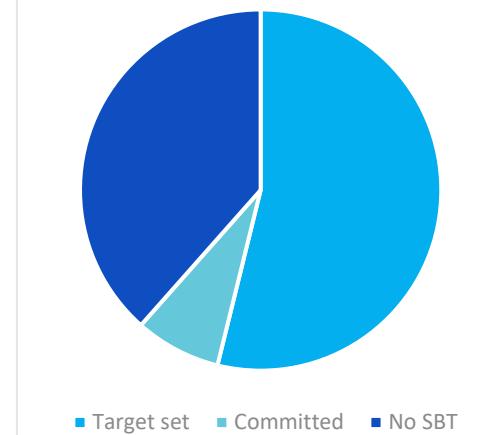
Measurability & comparability

- **Historical data:** The issuer did not provide enough relevant historical data as Teva started estimating its Scope 3 GHG emissions in 2020 only. The SLBP recommendations include 3 years of historical data.
- **Benchmarkable:** By referring to commonly acknowledged GHG accounting standards and protocol, the SPT is easily comparable with the data reported by other companies. Teva has committed to the SBTi and, as such, its SPT is benchmarkable with peers. However, limited data on past performance are available.
- **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

The initiatives that will lead the scope 3 reduction will heavily rely on supplier engagement programs for which the relevant categories and geographies have been identified, as well as the most relevant tenders over time. Through established relationship programs, Teva will drive innovations with its suppliers that would positively impact CO₂ emissions. Teva will be releasing a Sustainable Procurement kit for suppliers so that they have full understanding on Teva's environmental plans and

Figure 3: GHG emission reduction targets set by peer group



²⁵ The target was not verified by the SBTi.

expectations of its suppliers. The company will also be requesting its suppliers to commit to SBTi targets. With all new tenders, suppliers would also be evaluated on their CO₂ reductions and plans. In addition, based on current trends, Teva anticipates additional legislative actions that will contribute to the overall reduction.

The supporting strategy by Teva details the steps the company will concretely take in future to achieve an absolute reduction on Scope 3 GHG emissions.

Opinion on SPT calibration: ISS ESG finds that the SPT has been created by the issuer based on the SBTi tool. Due to limited historical data, it is currently not possible to assess Teva's ambition against past performance. Teva's target is ambitious against peers in terms of existence of a target on the entirety of its scope 3 emissions. Teva has committed to the SBTi, and hence the company will be in line with the level of decarbonization required to keep global temperature increase to Well Below 2°C (WB2C) compared to preindustrial temperatures. The target is set in a clear timeline and it is benchmarkable (with some limitations due to the absolute emissions nature of the SPT). There is a strategy and action plan to achieve the target.

PART 2: ALIGNMENT WITH ICMA SUSTAINABILITY-LINKED BOND PRINCIPLES

Rationale for Framework

FROM ISSUER'S FRAMEWORK

The issuer states to intend to issue Sustainability-Linked financing instruments, which include Sustainability-Linked Bonds ("SLBs") in order to accelerate its sustainability journey. Through its issuance, the company commits to its ESG strategy plan, which has been updated in 2020 and is structured around the following three focus areas:

- Environmental: Minimizing the impact of its operations and products on the planet
- Social: Advancing health and equity through its medicines and across its business
- Governance: Dedicating the company to quality, ethics and transparency

In particular, the company commits to mitigate the impact of climate change and improve access to health and medicines worldwide.

The company addresses climate change, as it is the biggest environmental challenge the world faces, by committing to gradually reduce its carbon footprint. This will support Teva's wider Sustainability Strategy and 2030 long-term goals.

In addition, the company, including all of its subsidiary and affiliated companies, is committed to bringing more treatments to more people in more countries. The company recognizes the connection between affordable medicines, healthcare and optimal health and is committed to help more people around the world access medicines.

Opinion: ISS ESG considers the Rationale for Issuance description provided by Teva as aligned with the SLBPs and the SLLPs. The issuer has created and committed to publicly disclose the framework 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 Part 1 of this report.

Opinion for KPI 1.a (Medicines Access - Submissions): ISS ESG finds that the KPI selected is relevant, core and material to the issuer's business model and consistent with its sustainability strategy. The KPI is appropriately measurable, quantifiable and externally verifiable, although the historical data had not previously received external verification. The KPI is specific to Teva and unique, therefore it is not benchmarkable since there are no standardized metrics on medicine access in the pharmaceutical industry and no other organization uses the same metric publicly.

Opinion for KPI 1.b (Medicines Access - Volumes): ISS ESG finds that the KPI selected is relevant, core and material to the issuer's business model and consistent with its sustainability strategy. The KPI is appropriately measurable, quantifiable and externally verifiable, although the historical data had not previously received external verification. The KPI is not benchmarkable because it is novel and unique to Teva. There are no standardized metrics on medicine access in the pharmaceutical industry and no other organization uses the same metric publicly.

Opinion for KPI 2.a (Scope 1 and 2 GHG emissions): ISS ESG finds that the KPI selected is core, and relevant and moderately material to the issuer's business model as a standalone KPI (because it does not cover Teva's Scope 3 emissions, which represents around 90% of the company's total GHG emissions) and consistent with its sustainability strategy. It is appropriately measurable, quantifiable, externally verifiable and benchmarkable. It covers 100% of the Teva's Scope 1 & 2 emissions at Group level globally.

Opinion for KPI 2.b (Scope 3 GHG emissions): ISS ESG finds that the KPI selected is core, relevant and material to the issuer's business model if integrated with KPI 2.a on the same financial instrument. The KPI is consistent with Teva's sustainability strategy. It is appropriately measurable, quantifiable, externally verifiable and benchmarkable. It covers 100% of the Teva's Scope 3 emissions at Group level globally. However, the KPI has not yet undergone third-party verification.

2.2. Calibration of Sustainability Performance Target (SPT)

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

Opinion for SPT 1.a (Medicines Access - Submissions): ISS ESG finds that the SPT calibrated is ambitious against past performance (based on previously non-reported data). It is not possible to quantitatively evaluate the ambition of the SPT against industry peers or international standards, because the KPI is novel and unique to Teva. Qualitatively, the ATMF letter provides clear support for the ambition of the SPT in the international setting, by concluding a "strong" level of ambition. The letter also provides more context in terms of the SPT's ambition against Teva's past performance, and significance amongst Teva's industry peers, as well as a view on the feasibility of the action plan. The target is set in a clear timeline.

Opinion for SPT 1.b (Medicines Access - Volumes): ISS ESG finds that the SPT calibrated is ambitious against past performance (based on previously non-reported data). It is not possible to quantitatively evaluate the ambition of the SPT against industry peers or international standards, because the KPI is novel and unique to Teva. Qualitatively, the ATMF letter provides clear support for the ambition of the SPT in the international setting by concluding a "strong" level of ambition. The letter also provides more context in terms of the SPT's ambition against Teva's past performance, and significance amongst Teva's industry peers, as well as a view on the feasibility of the action plan. The target is set in a clear timeline.

Opinion for SPT 2.a (Scope 1 and 2 GHG emissions): ISS ESG finds that the SPT has been created by the issuer based on the SBTi tool. Due to recent acquisitions and restructuring at the company, there is limited information to assess its ambition against past performance. As Teva's target ranks in the top 12 companies of its group, the SPT is ambitious against peers. Teva has committed to the SBTi, and hence the company will be in line with the Paris Agreement. The target is set in a clear timeline and is supported by a strategy and action plan.

Opinion for SPT 2.b (Scope 3 GHG emissions): ISS ESG finds that the SPT has been created by the issuer based on the SBTi tool. Due to limited historical data, it is currently not possible to assess Teva's

ambition against past performance. Teva's target is ambitious against peers in terms of existence of a target on the entirety of its scope 3 emissions. Teva has committed to the SBTi, and hence the company will be in line with the level of decarbonization required to keep global temperature increase to Well Below 2°C (WB2C) compared to preindustrial temperatures. The target is set in a clear timeline and it is benchmarkable (with some limitations due to the absolute emissions nature of the SPT). There is a strategy and action plan to achieve the target.

2.3. Sustainability-Linked Securities Characteristics

FROM ISSUER'S FRAMEWORK

All financing issued under Teva's Framework has a sustainability-linked feature that will result in a coupon or margin adjustment, or a premium payment, as the case may be, if a Trigger Event occurs.

A Trigger Event occurs if:

- One or more of the selected KPIs have not achieved the SPT(s) on the target observation date. Each selected KPI will be assessed individually and assigned a share of the potential total coupon step-up, margin adjustment or premium payment
 - or
- The verification (as per the verification section of this Framework) of the SPT has not been provided and made public as set out in the External Verification section of this Framework

The relevant KPIs, SPTs, step-up, margin amount or premium payment amount, as applicable, will be specified in the relevant documentation of the specific transaction (e.g., Final Terms of the relevant sustainability-linked bond).

The Issuer will notify the investors of the achievement or not of the SPT on the day of publication of its ESG Progress Report and in any event by May of the year following the relevant Target Observation Date.

For the avoidance of doubt, if all selected KPI(s) have achieved their SPT(s), and reporting and verification for the SPT have been provided and made public in accordance with the reporting and verification sections of this Framework, the financial characteristics of any security issued by Teva under this Framework shall remain unchanged.

Opinion: ISS ESG considers the Sustainability-Linked Securities Characteristics description provided by Teva as aligned with the SLBPs and the SLLPs. The issuer gives a detailed description of the potential variation of the financial characteristics of the financing instruments, while clearly defining the KPI and SPT and its calculation methodologies.

2.4. Reporting

FROM ISSUER'S FRAMEWORK

The issuer commits to publish and keep readily available and accessible on its website and in its annual Sustainability-Linked Financing Progress Report:

- Up-to-date information on the performance of each selected KPI
- Any additional relevant information enabling investors to monitor the progress of each selected KPI towards the SPT(s)

Reporting may also include:

- Qualitative or quantitative explanation of the contribution of the main factors, including M&A activity, behind the evolution of each selected KPI on an annual basis
- Illustration of the positive sustainability impact of the performance improvement
- Any re-assessments of KPIs due to any changes to the calculation methodology for a KPI or significant changes in data due to better data accessibility, if relevant
- Any adjustments of baselines or KPI scope, if relevant
- Updates on new or proposed regulations from regulatory bodies relevant to the KPIs and the SPTs

When relevant, Teva may also provide information on changes to its sustainability strategy or governance.

The report shall be published annually by the end of the first half of the following year and included in the annual ESG Progress Report.

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

2.5. Verification

FROM ISSUER'S FRAMEWORK

The issuer commits to the following in its Sustainability-Linked Financing Framework:

- **Pre-issuance verification**

A Second Party Opinion has been provided by ISS ESG to ensure this Framework is respecting every principle of the SLBP 2020. It will be made publicly available on [Teva's website](#).

- **Post-issuance verification**

The annual performance of each selected KPI included in the Sustainability-Linked Financing Progress Report will be subject to external verification by ERM Certification and Verification Services (ERM CVS) and SGS, or any other qualified provider of third-party assurance. Verification of KPI performance will be conducted on an annual basis and at "Limited Assurance" standard.

Opinion: ISS ESG considers the Verification description provided by Teva as aligned with the SLBPs and the SLLPs. The issuer plans on having each selected KPI externally verified on an annual basis.

PART 3: LINK TO TEVA'S SUSTAINABILITY STRATEGY

The ISS ESG Corporate Rating provides material and forward-looking environmental, social and governance (ESG) data and performance assessments.

COMPANY	SECTOR	DECILE RANK	TRANSPARENCY LEVEL
TEVA	PHARMACEUTICALS & BIOTECHNOLOGY	1	VERY HIGH

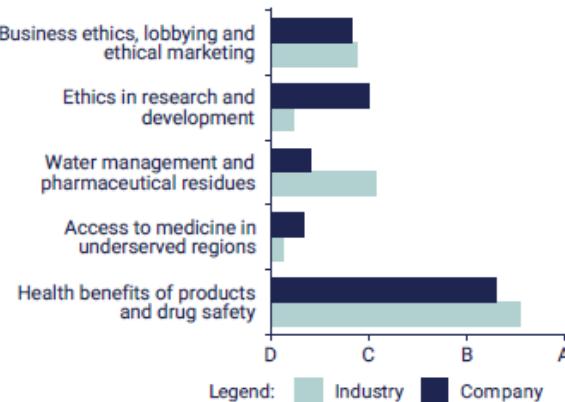
This means that the company currently shows a medium sustainability performance against peers on key ESG issues faced by Pharmaceuticals & Biotechnology sector and obtains a Decile Rank relative to industry group of 1, given that a decile rank of 1 indicates highest relative ESG performance out of 10.

ESG performance

As of 29.09.2021, this Rating places Teva 49th out of 468 companies rated by ISS ESG in the Pharmaceuticals & Biotechnology sector.

Key Challenges faced by companies in term of sustainability management in this sector are displayed in the chart on the right, as well as the issuer's performance against those key challenges in comparison to the average industry peers' performance.

Key Issue Performance



Sustainability Opportunities

Teva is among the world's largest producers of generic medicines which generally offer a good cost benefit ratio. In addition to its generics segment, the company also generates a significant amount of sales with new compounds. Its specialty portfolio includes, among others, therapies for central nervous system disorders, respiratory disorders, and oncology. Pharmaceutical products play an essential role in the context of the universal human right to health as well as achieving related sustainable development goals. In addition, Teva has expanded its access to medicine strategy in recent years but it does not yet disclose price changes in developed countries.

Sustainability Risks

Teva has improved its overall ESG management in recent years and tackles most relevant issues in varying degrees of detail. While Teva is committed to the ethical conduct of clinical trials and transparent disclosure of study results it does not demonstrate concrete measures on the implementation of ethical standards (e.g. through precautionary measures to protect vulnerable trial participants). Teva presents a reasonable framework on product safety including a high degree of transparency on quality performance. In addition, a detailed policy governing responsible marketing has been set up.

However, recent allegations of misleading marketing with regard to its opioid painkillers indicate major gaps in the company's risk management structures. In May 2019, Teva agreed to pay \$85 million to settle a lawsuit alleging that it contributed to the opioid epidemic in the state of Oklahoma, United States.

In the area of ethical business practices, recent controversies revealed apparent gaps in the company's compliance system. Teva and its subsidiaries have recently been involved in an allegedly major price-fixing scheme in the USA along with 42 other generic drugs manufacturers. In March 2021 the European Commission opened a formal antitrust investigation to assess whether Teva abused its dominant market position by delaying the market entry of generic versions of its multiple sclerosis drug Copaxone since at least 2015.

Looking at the environmental dimension, the company's sustainability framework includes relevant inventories, general targets and measures to ensure environmental standards in its supply chain. Although Teva demonstrates an awareness for some environmental risks of active pharmaceutical ingredients (antimicrobial resistance), it still seems to lack robust measures to mitigate drug discharges from its own and outsourced production activities.

Governance opinion

Almost all members of Teva's board of directors are independent, including the chair (Sol J. Barer, as at May 26, 2021). Board committees tasked with audit, nomination and remuneration are completely independent. Moreover, the company's remuneration policy for executives includes long-term incentive components, which could promote sustainable value creation.

With regard to the governance of sustainability, Teva has created an independent board committee in charge of ESG topics. It remains unclear to what extent sustainability performance targets determine variable remuneration of the executive management team. While Teva has set up a reasonable code of conduct that is implemented through a set of compliance procedures recent controversies revealed apparent gaps in the company's compliance system. Teva has been facing significant controversies regarding anticompetitive practices including a lawsuit over its involvement in a major price-fixing scheme in the US along with other pharmaceutical companies.

Sustainability impact of products and services portfolio

Using a proprietary methodology, ISS ESG assessed the contribution of Teva's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs). This analysis is limited to evaluation of final product characteristics and does not include practices along the Teva's production process.

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED PERCENTAGE OF REVENUE	DIRECTION OF IMPACT	UN SDGS
non-prescription pharmaceuticals, pharmaceutical contract manufacturing services, prescription pharmaceuticals	100%	CONTRIBUTION	

Breaches of international norms and ESG controversies

The company is facing two severe controversies:

Teva Pharmaceutical Industries Ltd. and various affiliates including subsidiary Cephalon, Inc. (collectively, Teva) continue to face numerous lawsuits, most of which are consolidated into a multidistrict litigation, over their alleged contribution to the opioid epidemic in the United States (U.S.), which has led to thousands of overdose deaths. The lawsuits allege that Teva employed deceptive marketing practices such as funding unbranded marketing which overstated opioids' benefits and understated their risks, touting unsubstantiated claims, and misrepresenting addiction risk of opioids, among others. In its most recent quarterly report, Teva stated that as of October 2020, it is in discussions with a group of state attorneys general over the terms of a nationwide settlement framework that will resolve all pending and potential opioid-related claims of different government entities. In investor dialogue facilitated by ISS ESG in May and August 2020, Teva noted that it has ceased promotion and marketing activities for its specialty opioid-based products, Actiq and Fentora, in 2006 and 2018, respectively, and that past activities were based on the company's commitment to accurately communicate the drugs' addictive nature and efficacy in treating pain. The company is also developing non-opioid pain medication and opioid dependency treatment drugs. Teva also noted that it maintains advanced anti-diversion programs for identifying, monitoring, preventing and reporting suspicious orders of opioid products. ISS ESG will continue to monitor developments on the ongoing litigation, including settlement discussions, and the effectiveness of the company's remedial measures.

More than 40 generic drug manufacturers, including Teva Pharmaceutical Industries Ltd.'s subsidiaries Teva Pharmaceuticals USA, Inc. (collectively Teva) and Actavis Holdco US, Actavis Pharma, Inc. (collectively Actavis), have been named in a number of anti-trust lawsuits filed in the United States since 2016. One of the lawsuits was filed in March 2020 by Harris County, U.S., over restricting competition and price-fixing claims. The lawsuit alleges that Teva and Actavis were involved in the price-fixing scheme with 96 and 66 drugs, respectively. Among the mentioned generic drugs produced by Teva and Actavis, was medication to treat HIV infections and certain types of cancer. In August 2020 the U.S. Department of Justice (DoJ) announced that it had charged Teva with conspiring to fix prices, rig bids and allocate customers for generic drugs between 2013 and 2015. The lawsuits and actions filed against Teva have been consolidated in a multi district litigation (MDL) in the Eastern District of Pennsylvania and are in the early stages. The company informed ISS ESG in September 2020 that Teva's U.S. subsidiary operates two cross-functional committees, a brand drug and a generic drug

pricing committee, to provide appropriate governance over pricing decisions, and potential price increases. Teva's Code of Conduct states that the company does not engage in agreements with competitors. Patients' dependency on affordable medication raises the gravity of these allegations. ISS ESG remains vigilant of developments concerning the investigations' outcome and the company's response towards addressing the allegations.

DISCLAIMER

1. Validity of the SPO: For Teva's Sustainability-Linked Financing Instruments as long as the Sustainability-Linked Financing Framework (1.10.2021), SPT 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.

Deutsche Börse AG ("DB") owns an approximate 80% stake in ISS HoldCo Inc., the holding company which wholly owns ISS. The remainder of ISS HoldCo Inc. is held by a combination of Genstar Capital ("Genstar") and ISS management. ISS has formally adopted policies on non-interference and potential conflicts of interest related to DB, Genstar, and the board of directors of ISS HoldCo Inc. These policies are intended to establish appropriate standards and procedures to protect the integrity and independence of the research, recommendations, ratings and other analytical offerings produced by ISS and to safeguard the reputations of ISS and its owners. Further information regarding these policies are available at <https://www.issgovernance.com/compliance/due-diligence-materials>.

ANNEX 1: ISS ESG Corporate Rating

The following pages contain extracts from Teva's ISS ESG Corporate Rating.

Methodology - Overview

The ESG Corporate Rating methodology was originally developed by Institutional Shareholder Services Germany (formerly oekom research) and has been consistently updated for more than 25 years.

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.

Analyst Opinion - Qualitative summary and explanation of the central rating results in three dimensions:

- (1) Opportunities - assessment of the quality and the current and future share of sales of a company's products and services, which positively or negatively contribute to the management of principal sustainability challenges.
- (2) Risks - summary assessment of how proactively and successfully the company addresses specific sustainability challenges found in its business activity and value chain, thus reducing its individual risks, in particular regarding its sector's key issues.
- (3) Governance - overview of the company's governance structures and measures as well as of the quality and efficacy of policies regarding its ethical business conduct.

Norm-Based Research - Severity Indicator - The assessment of companies' sustainability performance in the ESG Corporate Rating is informed by a systematic and comprehensive evaluation of companies' ability to prevent and mitigate ESG controversies. ISS ESG conducts research and analysis on corporate involvement in verified or alleged failures to respect recognized standards for responsible business conduct through Norm-Based Research.

Norm-Based Research is based on authoritative standards for responsible business conduct such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights and the Sustainable Development Goals.

As a stress-test of corporate disclosure, Norm-Based Research assesses the following:

- Companies' ability to address grievances and remediate negative impacts
- Degree of verification of allegations and claims
- Severity of impact on people and the environment, and systematic or systemic nature of malpractices

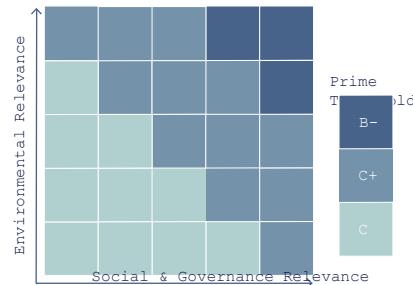
Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

Decile Rank - The Decile Rank indicates in which decile (tenth part of total) the individual Corporate Rating ranks within its industry from 1 (best – company's rating is in the first decile within its industry) to 10 (lowest – company's rating is in the tenth decile within its industry). The Decile Rank is determined based on the underlying numerical score of the rating. If the total number of companies within an industry cannot be evenly divided by ten, the surplus company ratings are distributed from the top (1 decile) to the bottom. If there are Corporate Ratings with identical absolute scores that span a division in decile ranks, all ratings with an equal decile score are classified in the higher decile, resulting in a smaller number of Corporate Ratings in the decile below.

Distribution of Ratings - Overview of the distribution of the ratings of all companies from the respective industry that are included in the ESG Corporate Rating universe (company portrayed in this report: dark blue).

Industry Classification - The social and environmental impacts of industries differ. Therefore, based on its relevance, each industry analyzed is classified in a Sustainability Matrix.

Depending on this classification, the two dimensions of the ESG Corporate Rating, the Social Rating and the Environmental Rating, are weighted and the sector-specific minimum requirements for the ISS ESG Prime Status (Prime threshold) are defined (absolute best-in-class approach).



Industry Leaders - List (in alphabetical order) of the top three companies in an industry from the ESG Corporate Rating universe at the time of generation of this report.

Key Issue Performance - Overview of the company's performance with regard to the key social and environmental issues in the industry, compared to the industry average.

Performance Score - The ESG Performance Score allows for cross-industry comparisons using a standardized best-in-class threshold that is valid across all industries. It is the numerical representation of the alphabetic ratings (D- to A+) on a scale of 0 to 100 with 50 representing the prime threshold. All companies with values greater than 50 are Prime, while companies with values less than 50 are Not Prime. As a result, intervals are of varying size depending on the original industry-specific prime thresholds.

Rating History - Development of the company's rating over time and comparison to the average rating in the industry.

Rating Scale - Companies are rated on a twelve-point scale from A+ to D-:

A+: the company shows excellent performance.

D-: the company shows poor performance (or fails to demonstrate any commitment to appropriately address the topic).

Overview of the range of scores achieved in the industry (light blue) and indication of the grade of the company evaluated in this report (dark blue).

Sources of Information - A selection of sources used for this report is illustrated in the annex.

Status & Prime Threshold - Companies are categorized as Prime if they achieve/exceed the sustainability performance requirements (Prime threshold) defined by ISS ESG for a specific industry (absolute best-in-class approach) in the ESG Corporate Rating. Prime companies are sustainability leaders in their industry and are better positioned to cope with material ESG challenges and risks, as well as to seize opportunities, than their Not Prime peers. The financial materiality of the Prime Status has been confirmed by performance studies, showing a continuous outperformance of the Prime portfolio when compared to conventional indices over more than 14 years.

Transparency Level - The Transparency Level indicates the company's materiality-adjusted disclosure level regarding the environmental and social performance indicators defined in the ESG Corporate Rating. It takes into consideration whether the company has disclosed relevant information regarding a specific indicator, either in its public ESG disclosures or as part of the rating feedback process, as well as the indicator's materiality reflected in its absolute weight in the rating. The calculated percentage is classified in five transparency levels following the scale below.

0% - < 20%: very low

20% - < 40%: low

40% - < 60%: medium

60% - < 80%: high

80% - 100%: very high

For example, if a company discloses information for indicators with a cumulated absolute weight in the rating of 23 percent, then its Transparency Level is "low". A company's failure to disclose, or lack of transparency, will impact a company's ESG performance rating negatively.

ANNEX 2: 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 Financing Framework of Teva, 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 Teva'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 Teva's own past performance (according to Teva's reported data), against Teva's Pharmaceuticals & Biotechnology peers (as per ISS ESG Peer Universe and data), and against international benchmarks 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 Teva.

ANNEX 3: Quality management processes

SCOPE

Teva commissioned ISS ESG to compile a Sustainability Linked Financing Instrument SPO. The Second Party Opinion process includes verifying whether the Sustainability Linked Financing Framework aligns with the ICMA Sustainability-Linked Bond Principles and to assess the sustainability credentials of its Sustainability Linked Financing Instruments, as well as the issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Sustainability-Linked Bond Principles

ISSUER'S RESPONSIBILITY

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

- Framework
- Documentation of rationale behind selection of KPI and SPT ambition

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 Sustainability Linked Financing Instrument to be issued by Teva based on ISS ESG methodology and in line with the ICMA Sustainability-Linked Bond Principles.

The engagement with Teva took place from September to October 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 Sustainability Linked Financing Instrument SPO, contact:

SPOOperations@iss-esg.com

Project team

Project lead	Project support	Project support	Project supervision
Carman Mak Associate ESG Consultant	Giorgio Teresi Analyst ESG Consultant	Leontine Schijf Associate ESG Consultant	Viola Lutz Associate Director Deputy Head of Climate Services