

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Sustainability-Linked Bond Framework

Jadran-Galenski Laboratorij d.d.

18 October 2024

VERIFICATION PARAMETERS

Type(s) of instruments contemplated

- Sustainability-linked bonds

Relevant standard(s)

- Sustainability-Linked Bond Principles, ICMA, June 2024

Scope of verification

- Jadran-Galenski Laboratorij d.d.'s Sustainability-Linked Bond Framework (as of Sept. 27, 2024)

Lifecycle

- Pre-issuance verification

Validity

- Valid as long as Jadran-Galenski Laboratorij d.d.'s Sustainability-Linked Bond Framework and benchmarks for the sustainability performance target(s) remain unchanged

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SCOPE OF WORK

Jadran-Galenski Laboratorij d.d. (“JGL,” “the Issuer” or “the Company”) commissioned ISS-Corporate to assist with its sustainability-linked bonds by assessing three core elements to determine the sustainability quality of the instruments:

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

JGL BUSINESS OVERVIEW

Jadran-Galenski Laboratorij d.d. is a Croatian pharmaceutical company headquartered in Rijeka, Croatia. Founded in 1991, JGL focuses on an extensive product portfolio, including prescription medications, over-the-counter medicines and medical devices, and has expertise in ophthalmology, dermatology, and cough, cold and allergy.

ESG risks associated with the Issuer’s industry

JGL is classified in the pharmaceutical and biotechnology industry, as per ISS ESG’s sector classification. Key sustainability issues faced by companies¹ in this industry are access to medicine in underserved regions, business ethics, lobbying and ethical marketing, ethics in research and development, health benefits of products and drug safety, and water management and pharmaceutical residues.

This report focuses on the sustainability credentials of the issuance. Part III of this report assesses the consistency between the issuance and the Issuer’s overall sustainability strategy.

¹ Please note that this is not a company-specific assessment but rather areas that are of particular relevance for companies within that industry. Key ESG issues by industry are sourced from ISS ESG’s Corporate Rating methodology.

ASSESSMENT SUMMARY

EVALUATION SUMMARY		
Part I: Alignment with the SLBP	The Framework is in line with the Sustainability-Linked Bond Principles.	
Part II: KPI selection	KPI 1. Total number of beneficiaries of JGL’s ocular hypertension exams across all countries of operations	KPI 2. Absolute GHG emissions reduction (Scope 1 and 2)
Relevant	Relevant	Relevant
Core	Moderately Core	Core
Material	Moderately Material	Moderately Material
Assessment	Aligned	Aligned
SPT calibration	SPT 1. Reaching a total of 70,000 beneficiaries of JGL’s ocular hypertension exams administered in all countries with JGL operations by the end of 2028 (cumulative)	SPT 2. 9% reduction of absolute Scope 1 and 2 GHG emissions by the end of 2028 from the baseline year 2023
Against Issuer’s past performance	Qualitatively ambitious based on limited evidence	Qualitatively ambitious based on limited evidence
Against Issuer’s industry peer group	In line with peers	Ambitious
Against international targets	Limited information	Limited information
Level of ambition	Good³	Good⁴

² The evaluation is based on the engagement conducted between September and October 2024, on the Issuer’s Sustainability-Linked Bond Framework (as of Sept. 27, 2024).

³ Two of the SPT’s three benchmarking approaches have been assessed positively.

⁴ Ibid.

<p>Part III:</p> <p>Consistency of sustainability-linked bonds with JGL's sustainability strategy</p>	<p>Consistent with the Issuer's sustainability strategy</p> <p>The key sustainability objectives and the rationale for issuing sustainability-linked bonds are clearly described by the Issuer.</p> <p>The KPIs selected by the Issuer are related to ocular hyperextension exams and climate change. GHG emissions and providing ocular hyperextension exams and subsequently promoting health and wellbeing has been defined as one of the key priorities of the Issuer's sustainability strategy and has been assessed as a material sustainability topic for the Issuer. This transaction contributes to the Issuer's sustainability strategy because of the KPI's clear link to one of the Issuer's key sustainability priorities and an ambitious SPT against the company's past performance and peer group.</p> <p>At the date of publication of the report and leveraging ISS ESG research, no severe controversies have been identified.</p>
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SPO ASSESSMENT

PART I: ALIGNMENT WITH SUSTAINABILITY-LINKED BOND PRINCIPLES

This section describes ISS-Corporate's assessment of the alignment of the JGL's Sustainability-Linked Bond Framework (as of Sept. 27, 2024) with the SLBP.

SLB PRINCIPLES	ASSESSMENT	OPINION
1. Selection of KPIs		A detailed analysis of the sustainability credibility of the KPI selection is available in Part II of this report.
2. Calibration of SPTs		A detailed analysis of the sustainability credibility of the SPT calibration is available in Part II of this report.
3. Bond characteristics	✓	The description of the sustainability-linked bond characteristics provided by the Issuer is aligned with the SLBP. The Issuer gives a detailed description of the potential variation of the financial characteristics of the securities, including applicable coupon variation, the coupon variation date and payment frequency, and the bond coupon mechanism for multiple KPIs or maximum cumulative step-up at maturity. Furthermore, the Issuer commits to having the conditions for recalculations and back-up mechanisms in case SPTs cannot be calculated, observed or observed in a satisfactory manner as set out in the bond documentation.
4. Reporting	✓	The reporting description provided by the Issuer is aligned with the SLBP. This will be made available annually to investors in the Issuer's Sustainability Progress Report. It will include valuable information such as up-to-date information on the performance of the selected KPIs and a verification assurance report relative to the SPTs, outlining the performance against SPTs and the related impact and timing of such impact on the bond's financial/structural characteristics. The Sustainability Progress Report will also include any information enabling investors to monitor the level of ambition of the SPTs and, if applicable, any recalculation or modification of the SPTs.

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5. External verification



The verification description provided by the Issuer is **aligned** with the SLBP. This report constitutes the SPO. The performance of the SPTs against the KPIs will be externally verified for each KPI annually until maturity of the transaction.

PART II: KPI SELECTION AND SPT CALIBRATION

1. Selection of KPI 1

KPI 1 is defined as the “Total number of beneficiaries of JGL’s ocular hypertension exams across all countries of operations”

Opinion	<i>The KPI is relevant, moderately core and moderately material to the Issuer’s overall business, and of strategic significance to the Issuer’s current and/or future operations. It is appropriately measurable, quantifiable, externally verifiable and benchmarkable with limitations. It covers all locations where JGL operates in, including Croatia, Kazakhstan, Bosnia and Herzegovina, Serbia, Slovenia, North Macedonia, Kosovo, Ukraine, Uzbekistan, Belarus and Russia, as well as any additional location that JGL establishes its own operations during the bond period.</i>
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Assessment⁵	Not Aligned	Aligned	Best Practice
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KPI 1 Characteristics and features	KPI definition:	Total (cumulative) number of beneficiaries of JGL’s ocular hypertension exams administered in all countries with JGL operations. Glaucoma is the non-communicable disease in scope of this KPI. Specifically, early detection of glaucoma and prevention of blindness caused by glaucoma through administering complimentary ocular hypertension exams available to the general public.
	Scope and perimeter:	Countries in scope are the countries with JGL operations, specifically: Croatia, Kazakhstan, Bosnia and Herzegovina, Serbia, Slovenia, North Macedonia, Kosovo, Ukraine, Uzbekistan, Belarus and Russia. Tests are offered free of charge to all individuals and are administered by professional healthcare providers. These professionals are either partners or partner institutions, such as independent clinics or hospitals. During the bond period, any additional country in which JGL establishes its own operations will also enter into the scope of the KPI.

⁵ The KPI selection assessment is classified on a three-level scale: “Not Aligned,” “Aligned” or “Best Practice.” For further information on ISS-Corporate’s methodology for assessing KPIs, please refer to Annex 1.

	Quantifiable/Externally verifiable:	The KPI is quantifiable because it is calculated as the arithmetic sum of all beneficiaries of ocular hypertension exams administered by JGL in every country JGL operates in. Annually, the number of beneficiaries from all participating countries will be collected, reflecting the actual count of people benefiting from the program by the end of the calendar year. JGL's subsidiaries in the participating countries will be in charge of collecting the data and monitoring the process. The target will be stated in cumulative terms (i.e., total number of all beneficiaries by the end of 2028). The reported annual progress (number of beneficiaries) will also be reported in cumulative terms (i.e., total number of all beneficiaries by the end of n-1, where n = reporting year). It is externally verifiable because external auditors can access this information and cross-check it to confirm its veracity.
	Externally verified:	The historical and baseline data for the KPI selected have not been verified by a an external third party. The Issuer commits to having the future data verified by an external reviewer.
	Benchmarkable:	The KPI that the Issuer has chosen is tailor-made to JGL. Although many pharmaceuticals might offer the same type of programs, the programs do not necessarily cover the same healthcare service or the same disease detection. This would make it difficult to compare with data from other companies. Because of this, KPI 1 is found to be benchmarkable with limitations.

KPI 1	The KPI considered is:
Analysis	

Relevant to JGL's business as the early detection of non-curable diseases such as glaucoma is critical for the pharmaceutical and biotechnology industry because it allows for better management of the disease. Yet, while early detection is important, it does not directly address

the key issues of the industry, as it primarily focuses on the initial stages of disease management without promoting the affordability and accessibility of medical product and service for the patient. One of the five key barriers to medicine is the patient-level barrier. Patient-level barriers usually stem from a lack of understanding or awareness of the disease. Poor health literacy leads to delayed treatment and suboptimal outcomes. Companies in this industry play an important role in the successful treatment and management of diseases through the development of detection tests and subsequent treatments, particularly with diseases such as glaucoma where around 50% of patients diagnosed with glaucoma show no visible symptoms. The detection of glaucoma is a fundamental part of the treatment process, as healthcare providers can immediately administer patients with relevant treatment to prevent blindness. Treatment for glaucoma cannot restore vision that has already been lost, so early detection of glaucoma, coupled with a tailored treatment and adherence to therapy, is essential to prevent the progression of blindness. However, it is noted that JGL is operating in the pharmaceutical sector and accordingly will not be administering the relevant treatments to the patients. Additionally, there is uncertainty regarding the accessibility and affordability of these treatments across different countries where JGL operates. Furthermore, ICMA considers the number of beneficiaries from specific programs as a secondary potential KPI for the pharmaceutical industry. JGL is expanding access to detection tests for glaucoma for free to all individuals.

Moderately Core to the Issuer's business. As JGL's business model focuses on the production and distribution of generic pharmaceuticals and contract manufacturing, the KPI will not impact key processes. Indeed, the KPI does not focus on changes to the core manufacturing or production processes of JGL or expanding the existing portfolio associated with its core business model. However, JGL is planning to implement significant efforts that go beyond business-as-usual operations to implement KPI 1. To reach its goal, JGL states that it will onboard JGL's medical representatives and key opinion leaders in the region,⁶ train them and integrate them into the program; set up the necessary infrastructure, such as the purchasing of medical devices (i.e., 100 tonometers and over 100,000 probes as each patient requires a new probe for their screening); and establish partnerships and awareness campaigns. Furthermore, JGL plans on deploying additional resources to roll out the program across all markets and cover the additional costs, which include: purchases of tonometer machines and probes, healthcare team fees (fees for ophthalmologists and other healthcare professionals vary by country), location costs (any expenses related to the venues where tests are conducted), promotional campaign costs (expenses related to marketing and raising awareness about the program), printing and promotional material costs (costs for producing and distributing informational and promotional materials), and JGL employee expenses (costs related to the organization and management of the events, facilitating the testing process, and collecting and managing data). The estimated costs for JGL's additional efforts to meet KPI 1 are around EUR 3 million. These new activities will be rolled out as the Company establishes its new business presence in Bosnia and Herzegovina, Russia, Belarus, Kazakhstan,

⁶ JGL considers key opinion leaders to be highly regarded professionals and experts within the healthcare field who are deemed to have influence on the opinions and decisions of peers and the broader medical community. JGL confirms that, for the Trust Your Eyes program, ophthalmologists are invited as key opinion leaders for their expertise in eye health and vision care, which helps the program maintain its quality standards of relevant services.

Ukraine and Uzbekistan. In Croatia, Serbia and Slovenia, where the Company already has a presence, JGL will expand outreach efforts to increase the number of exams conducted and reach more beneficiaries. JGL looks to do so through engaging in new partnerships with pharmacies and other healthcare-related providers and companies to increase the scope of glaucoma screening projects, and also looks to collaborate with local healthcare professionals to expand the participation of said projects.

Moderately Material to JGL's business model and sustainability profile from an ESG perspective:

- Ophthalmology represents 14.6% of the JGL's total sales in 2023.⁷
- Access to medicine is widely recognized as a key topic for the pharmaceutical and biotechnology industry. Access to medicine touches on topics such as pricing, patents, licensing and responsible intellectual property management, product donations, and manufacturing and distribution.⁸ As such, it is conceptualized as a strategic effort by companies to have a responsible approach in the marketing of their products. While the KPI tangentially addresses the topic by enabling people to get diagnostic exams, it falls short of a strategic and holistic approach as exams/consultations do not necessarily result in a cure and does address core aspects in terms of fair pricing and accessibility (e.g., product donation, local manufacturing, distribution). However, as there is no cure, the detection of glaucoma is a fundamental part of the treatment process, as healthcare providers can immediately administer patients with relevant treatment to prevent blindness. Treatment for glaucoma cannot restore vision that has already been lost, so early detection of glaucoma, coupled with a tailored treatment and adherence to therapy, is essential to prevent the progression of blindness.
- Lower socioeconomic levels and worse access to eyecare services are associated with higher prevalence of glaucoma-related blindness and vision loss. These findings provide evidence for policymakers that investments in these areas may reduce the burden of the leading cause of irreversible blindness. While this KPI increases the number of ocular exams offered to individuals, it remains a preventative measure and will not serve as a cure for glaucoma. For reference, the World Health Organization lists antiglaucoma medicines on its latest Model List of Essential Medicines, focusing on the medication rather than on the diagnosis. Furthermore, ICMA considers number of beneficiaries from specific programs as a secondary potential KPI for the pharmaceutical industry. However, JGL commits to always using KPI 1 in conjunction with KPI 2 (which is assessed as a core KPI) in financial transactions, thereby broadening the scope of its efforts.

⁷ As outlined on Page 32 of JGL Group's 2023 Integrated Annual Report.

⁸ As outlined on Page 12 of the Sustainability Accounting Standards Board's standards for biotechnology and pharmaceuticals and on Page 7 of the Access to Medicine Foundation's methodology document for the 2024 Access to Medicine Index.

- In the markets where JGL is active, the availability of antiglaucoma medication varies. In Russia, Belarus, Uzbekistan and Bosnia and Herzegovina, medications for glaucoma are available, but access may be unevenly distributed across regions. In Croatia and Slovenia, medications for glaucoma are available and supported by a robust healthcare system. In Serbia, glaucoma medication is available and there are ongoing efforts to expand availability across the country. Kazakhstan is encountered with a similar situation, as glaucoma medications are available with ongoing improvements to healthcare access. Glaucoma medications are available in Ukraine, though access may be affected by local healthcare infrastructure. Therefore, KPI 1 addresses a disease in countries where access to care is not limited, addressing unmet medical needs for other reasons than limited access.
- The KPI aims to offer 70,000 tests in Croatia, Serbia, Slovenia, Bosnia and Herzegovina, Russia, Belarus, Kazakhstan, Ukraine and Uzbekistan. The combined population of these countries as of 2023 is 262.12 million. This would mean offering tests to roughly 0.027% of the combined population. Glaucoma is most commonly diagnosed in people over 40 years old, and roughly 45% of the combined population mentioned above is over the age of 39.⁹ As such, the Company could offer the exams to 0.059% of the most relevant cohort.
- In 2022, around 80 million people globally had glaucoma. It is estimated that about 50% of individuals are not aware that they have glaucoma. Glaucoma is more likely to develop in individuals who live longer, and with the increased life expectancy globally, it is estimated that the number of people subject to blindness from glaucoma will increase from 8.4 million in 2010 to 22 million in 2040.

Of strategic significance to JGL's current and future operations as the KPI is consistent with the Company's overall sustainability strategy and business model. One of JGL's three main pillars of its ESG strategy is promoting health and well-being, for which there is a direct key objective under this pillar: expanding access to glaucoma detection services across JGL's countries of operation. Given that the early detection of non-curable diseases such as glaucoma is a critical part of the pharmaceutical and biotechnology industry as it allows for better management of the disease, JGL's strategy of promoting health and well-being demonstrates the KPI's consistency with JGL's overall sustainability strategy and business model.

⁹ These percentages are calculated using U.N. data for every country except Russia. Data for Russia was unavailable from U.N. databases, so the analysis was conducted using data from Statista. Additionally, for data from Ukraine, the U.N. notes that the Government of Ukraine is not in a position to provide statistical data concerning the Autonomous Republic of Crimea and the city of Sevastopol.

2. Calibration of SPT 1

SPT 1 is defined as “Reaching a total of 70,000 beneficiaries of JGL’s ocular hypertension exams administered in all countries with JGL operations by the end of 2028 (cumulative)”

Opinion	<i>The SPT is (i) qualitatively ambitious against the JGL’s past performance based on limited evidence, (ii) in line with industry peers, and (iii) there is limited information to assess the level of ambition against international targets. The target is set in a clear timeline and is supported by a strategy and action plan disclosed in JGL’s Framework.</i>
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Level of ambition of SPT 1¹⁰	No Evidence	Moderate	Good	Robust
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SPT 1 Characteristics and features	SPT definition:	Reach a total of 70,000 beneficiaries of JGL’s ocular hypertension exams administered in all countries with JGL operations by the end of 2028 (cumulative).
	Baseline performance and year:	7,056 beneficiaries in 2023.
	Target performance and observation date:	70,000 beneficiaries in 2028 (cumulative). Target observation date is Dec. 31, 2028.
	Trigger event:	The trigger events are to be specified in the bond documentation. The trigger event will result in a coupon adjustment (interest rate increase) or cumulative step-up (penalty) at maturity in case of non-achievement.
	Long-term target:	N/A
	Strategy and action plan to reach the target:	<ul style="list-style-type: none"> Onboard a dedicated team of local JGL employees and key opinion leaders in the region

¹⁰ The SPT selection assessment is classified on a four-level scale: “No Evidence,” “Moderate,” “Good” or “Robust.” For further information on ISS-Corporate’s methodology for assessing SPTs, please refer to Annex 1.

		<ul style="list-style-type: none"> ▪ Provide extensive training on the program's objectives, procedures and the importance of early glaucoma detection and prevention ▪ Work on establishing partnerships with local pharmacies, healthcare and other facilities, and ophthalmologists who will participate in administering the exams and consultations ▪ Launch awareness campaigns to educate the public about the importance of early glaucoma detection and encourage participation in the program
	<p>Key factors/risks beyond the Issuer direct control that may affect the achievement of the SPTs:</p>	<ul style="list-style-type: none"> ▪ Unforeseeable circumstances such as natural disasters, political instability or pandemics could disrupt the program's operations and logistics, hindering its ability to conduct ocular hypertension exams and consultations. ▪ Securing the participation of qualified ophthalmologists in various countries to administer exams and offer consultations may be challenging. Differences in healthcare regulations, availability and willingness to participate could pose significant obstacles. ▪ Identifying and partnering with pharmacies or other facilities in different countries to host the program could be difficult. Variations in local healthcare infrastructure, regulations and business interest levels might affect the ability to establish these partnerships. ▪ Effectively marketing and promoting the program to reach potential

		<p>beneficiaries in diverse regions can be complex. Cultural differences, varying levels of public awareness and communication barriers may impact the success of outreach campaigns.</p> <ul style="list-style-type: none">▪ Shortages of active ingredients or excipients needed for JGL’s glaucoma medications could result in product shortages. This risk could disrupt the supply chain and affect the availability of essential treatments for glaucoma patients.▪ Navigating different regulatory environments and ensuring compliance with local laws and healthcare regulations in each country can be complex and time-consuming. Failure to meet these requirements could delay or halt the program's progress.▪ Coordinating logistics, managing cross-border operations and ensuring the seamless execution of the program across multiple countries may present significant challenges. Maintaining consistency and quality in service delivery will be critical.▪ Securing adequate funding and allocating resources efficiently to support the program's expansion and sustainability could be challenging. Financial constraints or misallocation of resources could impede the program's success.▪ Gaining the support and cooperation of key stakeholders, including healthcare providers, government agencies and community leaders, is crucial. Lack of engagement or resistance from these
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		<p>stakeholders could hinder the program's implementation.</p> <ul style="list-style-type: none"> Ensuring consistent quality control and monitoring of the program's activities across different regions will be essential. Variations in implementation standards could affect the program's credibility and effectiveness.
	Historical data verified:	The historical data has not been verified.
	Recalculations or pro-forma adjustments of baselines	The bond documentation will include a recalculation policy.

SPT 1 Analysis	The level of ambition of the SPT is assessed as follows:
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(i) Against past performance:

The Issuer provided three years of relevant historical data, including for the baseline year of 2023. The data are shown in Table 1. Calculating the compound annual growth rate (CAGR) of the past performance shows that the Issuer has achieved an average yearly change of 114.86% between 2021 and 2023 for KPI 1.

TABLE 1.	2021	2022	2023 - BASELINE	2028 – SPT 1
KPI 1: Total number of beneficiaries of JGL’s ocular hypertension exams in all countries with JGL operations	806	3,335	7,056	70,000
Number of added beneficiaries of JGL’s ocular	806	2,529	3,721	62,944 (sum between 2023 and 2028)

hyperextension exams				
CAGR 2021-2023			114.86%	
CAGR 2023-2028				76.06%
Annual average increase of beneficiaries (2021-2023)			+3,125	
Annual average increase of beneficiaries (2023-2028)				+12,589

Source: JGL Framework

JGL sets SPT 1 to achieve an increase in the total number of beneficiaries of JGL’s ocular hypertension exams in all countries with JGL operations to 70,000 in 2028 compared to a 2023 baseline. Calculating the CAGR amounts to an average of 76.06% annual increase between 2023 and 2028. Therefore, based on CAGR calculations, SPT 1 is deemed to be quantitatively not ambitious.

However, ISS-Corporate finds it important to comment that this assessment is due in large part to the aggressive rollout of the glaucoma detection tests in the two years prior to the implementation of SPT 1 (2021 and 2022), given that 2021 is the year of initiation for the glaucoma detection test campaign. Hence, ISS-Corporate extended its benchmarking to consider the annual average increase of beneficiaries, which reflects the absolute number of beneficiaries that receive the glaucoma detection tests. From 2021 to 2023, the average annual increase of beneficiaries was 3,125, whereas the projected average annual increase of beneficiaries in the 2023-2028 period is 12,589. Considering that achieving the projected average annual increase would require at least four times the resources compared to that of 2021-2023, we conclude that SPT 1 is qualitatively ambitious against past performance due to the rise in the average annual increase of beneficiaries. The conclusion is made based on limited evidence as historical data was not externally verified.

(ii) Against peers:¹¹

ISS-Corporate conducted a benchmarking of the SPT 1 set by JGL against the pharmaceuticals and biotechnology peer group of 20 companies (including the Issuer). The peer group was identified based on the NACE classification within the ISS ESG database and the provision of peers by JGL. Companies within the peer group are located in Austria, Bulgaria, Croatia, Czechia, Hungary, Serbia, Slovakia, Slovenia, Egypt, Canada, India, the U.S. and the U.K.

¹¹ ISS-Corporate assesses the ambitiousness of the Issuer’s SPT against its peers by computing the CAGR of the SPTs and the targets publicly disclosed by the Issuer’s sectorial peers. The calculation assumes that every peer will follow a linear trajectory to achieve the targets set, at least until the Issuer’s target year.

JGL has selected a tailor-made KPI/SPT. Among the peer group, only the Issuer has explicitly defined and disclosed a quantified target and provided relevant data regarding beneficiaries from glaucoma testing. Four of the companies from the peer group have glaucoma awareness campaigns in place, but no publicly disclosed target on the distribution of glaucoma testing nor any quantifiable data is available. The remaining companies have not disclosed any public targets or information related to the provision of diagnostic exams as a target. JGL's SPT 1 is the sole disclosure for ocular hyperextension exams from the selected peer group. This places JGL's SPT 1 as one of the 25% of peers within the peer group to be tackling the issue.

Although there is no information publicly available regarding ocular hyperextension exams conducted by peers, peers may still have provided such exams to beneficiaries and have set relevant targets, without publicly disclosing such information. As such, we find JGL's SPT 1 to be in line with peers with limited evidence.

(iii) Against international targets:

The International Agency for the Prevention of Blindness published [2030 In Sight](#), a strategic plan building on Vision 2020 aiming to eradicate preventable blindness globally. The three main pillars of 2030 In Sight are: no one experiences unnecessary or preventable sight loss and everyone can achieve their full potential; eye care and rehabilitation services are accessible, inclusive and affordable to everyone, everywhere, whenever they are needed; and people understand the importance of caring for their own eye health and demand access to services, free from the weight of any social stigma. SPT 1 is directly related to the second pillar of 2030 In Sight, increasing the accessibility of eye care services in different countries. However, the International Agency for the Prevention of Blindness does not provide specific targets or thresholds that must be met at company level to be on track for 2030 In Sight. As a result, due to no fault of JGL, there is limited information available to assess the level of ambition of SPT 1 in comparison to the international and sectorial targets.

Consistency with the Issuer's sustainability strategy:

Promoting health and well-being is one of the pillars of JGL's ESG strategy. One of the key objectives under this pillar is to expand access to glaucoma detection tests across JGL's countries of operation under the Trust Your Eyes program. SPT 1 is consistent with the Issuer's goal to expand the access of beneficiaries to glaucoma detection tests.

3. Selection of KPI 2

KPI 2 is defined as “Percentage of reduction of absolute Scope 1 and 2 GHG emissions”

Opinion	<i>The KPI is relevant, core and moderately material to the Issuer’s overall business, and of strategic significance to the Issuer’s current and/or future operations. It is appropriately measurable, quantifiable, externally verifiable and benchmarkable. It covers 100% of JGL’s Scope 1 and 2 GHG emissions, which represents 3.1% of its total GHG emissions.</i>
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Assessment ¹²	Not Aligned	Aligned	Best Practice
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KPI 2 Characteristics and features	KPI definition:	Percentage of reduction of absolute Scope 1 and 2 GHG emissions.
	Scope and perimeter:	The KPI scope and perimeter are transparently defined as it covers Scope 1 and 2 GHG emissions of all JGL operations. The KPI represents 3.1% of JGL’s total GHG emissions.
	Quantifiable/Externally verifiable:	The KPI is quantifiable because it is calculated as the percentage reduction of absolute Scope 1 and 2 GHG emissions in tCO ₂ e. It is externally verifiable because GHG emissions are a widely disclosed and standardized KPI in the market. The Issuer is referring to key reporting and accounting protocols for GHG emissions, such as the GHG Protocol, the 2006 IPCC Guidelines for National Greenhouse Gas Inventories, the IPCC Fifth Assessment Report, CDP Technical Note: Conversion of fuel data to MWh, the Digest of U.K. Energy Statistics’ estimated average calorific values and density of fuels, and the European Investment Bank’s EIB Project Carbon Footprint Methodologies.
	Externally verified:	The historical and baseline data for the KPI selected have not been verified by an external third party. The Issuer commits to having the future data verified by an external reviewer.
	Benchmarkable:	By referring to commonly acknowledged GHG accounting standards and protocols, the KPI is easily comparable with the data reported by other companies and with international targets

¹² The KPI selection assessment is classified on a three-level scale: “Not Aligned,” “Aligned” or “Best Practice.” For further information on ISS-Corporate’s methodology for assessing KPIs, please refer to Annex 1.

	such as the Paris Agreement. Benchmarking of the SPT in relation to this KPI has been analyzed below.
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KPI 2	
Analysis	The KPI considered is:

Relevant to JGL’s business as its industry is highly GHG-emitting and exposed to climate change mitigation solutions. GHG emissions are considered a key ESG issue faced by the pharmaceuticals and biotechnology industry according to the ICMA KPI registry and ISS ESG’s assessment. The pharmaceutical industry generates approximately 52 megatons of carbon dioxide equivalent annually, indicating the relevance of JGL and the pharmaceutical industry as a whole in reducing GHG emissions.

Core to the Issuer’s business as Scope 1 and 2 GHG emission reduction measures affect key processes and operations that are core to the Issuer’s business model. The company has an action plan to reduce its Scope 1 and 2 GHG emissions:

- **Renewable energy transition:** JGL focuses on the development of solar power plants on the company’s premises. The installation of solar panels at the Svilno location, projected to be completed between 2024 and 2025, is expected to produce approximately 241,613 kWh of electricity annually and reduce emissions by 40.59 tCO_{2e} per year.
- **Energy efficiency improvements:** To further reduce emissions, JGL will install 5 cm of insulation on the south side of the Svilno 1 warehouse in 2024, aiming to mitigate the effects of UV radiation, stabilize storage conditions for raw materials and reduce annual energy consumption. Furthermore, by 2025, JGL will replace fluorescent lighting with LED lighting at the Svilno 1 facility, expecting to cut energy consumption by 67,669 kWh per year, translating into an emissions reduction of 11.4 tCO_{2e} annually.
- **Infrastructure enhancements:** In 2024, shading installations will be introduced in the Svilno location to reduce glare and lower cooling energy requirements.
- **Fleet optimization:** JGL will introduce hybrid and electric vehicles where feasible to reduce emissions associated with its transportation and logistics operations.
- **Transition to natural gas:** At the Svilno location, JGL plans to transition from extra light heating oil to natural gas. This switch is anticipated to result in a 9% reduction in CO_{2e} emissions due to the lower carbon content of natural gas compared to liquefied petroleum gas.

Furthermore, JGL confirms to not have any plans rely on carbon offsets nor on long-term power purchase agreements to achieve its targets regarding GHG emissions, as set out in its SPT.

Moderately Material¹³ to JGL's business model and sustainability profile from an ESG perspective. JGL confirms that the KPI covers 100% of its operations, which subsequently translate to 100% of JGL's Scope 1 and 2 GHG emissions. JGL's Scope 1 and 2 GHG emissions account for 3.1% of its total GHG emissions. For a pharmaceutical and biotechnology company like JGL, Scope 3 GHG emissions are typically nearly five times higher than Scope 1 and 2 GHG emissions combined, so the fact that JGL's KPI 2 covers only Scope 1 and 2 GHG emissions may limit the impact of the KPI to its direct operations, which, in turn, limits the KPI's impact on JGL's entire value chain. Therefore, KPI 2 is deemed to be material to JGL's direct operations but not to the corporate value chain as it does not cover JGL's Scope 3 GHG emissions.

Of strategic significance to JGL current and future operations as the KPI is consistent with the Company's overall sustainability strategy and business model. One of JGL's three main pillars of its ESG strategy is "Protecting Green & Blue," for which there is a key objective under this pillar: to reduce Scope 1 and 2 GHG emissions. Given that the pharmaceutical industry generates approximately 52 megatons of carbon dioxide equivalent annually, JGL's strategy on addressing its GHG emissions, alongside the action plans it has initiated regarding GHG emissions reduction, demonstrates the KPI's consistency with JGL's overall sustainability strategy and business model.

¹³ ISS ESG bases this analysis on the Issuer's own emissions reporting and makes no comment on the quality or consistency of the Issuer Scope 1, 2 or 3 GHG emissions reporting, either in relation to the GHG Protocol or to established norms for the Issuer's sector. ISS ESG notes that Scope 3 reporting may be different between companies in the same sector and does not undertake any benchmarking of an Issuer's reporting.

4. Calibration of SPT 2

SPT 2 is defined as “9% reduction of absolute Scope 1 and 2 GHG emissions by the end of 2028 from the baseline year 2023”

Opinion	<i>The SPT is (i) ambitious against past performance based on limited evidence, (ii) ambitious against industry peers, and (iii) there is limited information to assess the level of ambition against international targets. The target is set in a clear timeline and is supported by a strategy and action plan disclosed in the Company’s Framework.</i>
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Level of ambition of SPT 2¹⁴	No Evidence	Moderate	Good	Robust
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SPT 2 Characteristics and features	SPT definition:	9% reduction of absolute Scope 1 and 2 GHG emissions by the end of 2028 from the baseline year 2023.
	Baseline performance and year:	4,202 tCO ₂ e in 2023
	Target performance and observation date:	3,822 tCO ₂ e in 2028 Target observation date is Dec. 31, 2028.
	Trigger event:	The trigger events are specified in the Framework. A trigger event occurs as a result of the observation of whether a KPI has achieved or not, the predefined SPT that may cause a change in the financial and/or structural characteristic of the bond. For the purpose of this Framework, the trigger event will result in a coupon adjustment (interest rate increase) or cumulative step-up (penalty) at maturity in case of non-achievement of predefined SPTs for each selected KPI at the target observation

¹⁴ The SPT selection assessment is classified on a four-level scale: “No Evidence,” “Moderate,” “Good” or “Robust.” For further information on ISS-Corporate’s methodology for assessing SPTs, please refer to Annex 1.

	<p>date. The details regarding the trigger event will be made available in the prospectus.</p>
	<p>Long-term target: JGL confirms to have various long-term targets regarding GHG emissions.</p> <p>Reduction of Scope 1 and 2 GHG emissions: JGL looks to continuously decarbonize its operations, including enhancing energy efficiency, transitioning to renewable energy sources and improving operational processes to reduce GHG emissions year by year.</p> <p>Scope 3 GHG emissions: JGL is looking to expand and refine its Scope 3 GHG emissions reporting and reduction strategies through engaging suppliers and partners. JGL aims to significantly reduce GHG emissions from its supply chain through enhanced data accuracy and targeted initiatives.</p> <p>Science-based targets: JGL is working to align its GHG emissions reduction targets with the SBTi to ensure that its goals are in line with global climate mitigation efforts. JGL looks to meet its net-zero target by 2050.</p>
	<p>Strategy and action plan to reach the target:</p> <p>Renewable energy transition: JGL focuses on the development of solar power plants at the company premises. The installation of solar panels at the Svilno location, projected to be completed between 2024 and 2025, is expected to produce approximately 241,613 kWh of electricity annually and reduce emissions by 40.59 tCO₂e per year.</p> <p>Energy efficiency improvements: To further reduce emissions, JGL will install 5 cm of insulation on the south side of the Svilno 1 warehouse in 2024, aiming to mitigate the effects of UV radiation, stabilize storage conditions for raw materials and reduce annual energy consumption. Furthermore, by 2025, JGL will replace fluorescent lighting with LED lighting at the Svilno 1 facility, expecting to cut energy consumption by 67,669 kWh per year,</p>

	<p>translating into an emissions reduction of 11.4 tCO₂e annually.</p> <p>Infrastructure enhancements: In 2024, shading installations will be introduced at the Svilno location to reduce glare and lower cooling energy requirements.</p> <p>Fleet optimization: JGL will introduce hybrid and electric vehicles where feasible to reduce emissions associated with its transportation and logistics operations.</p> <p>Transition to natural gas: At the Svilno location, JGL plans to transition from extra light heating oil to natural gas. This switch is anticipated to result in a 9% reduction in CO₂e emissions due to the lower carbon content of natural gas compared to liquefied petroleum gas.</p>
<p>Key factors/risks beyond the Issuer’s direct control that may affect the achievement of the SPTs:</p>	<ul style="list-style-type: none"> ▪ Events of force majeure: Unforeseen and uncontrollable events such as natural disasters, pandemics or geopolitical conflicts could disrupt project timelines, affect infrastructure development or impact overall operational capacity, thereby hindering progress toward emission reduction goals. ▪ Infrastructure development challenges: Issues related to the development of solar power plants, including delays in construction, technical difficulties or regulatory hurdles, could affect the timely deployment of renewable energy solutions and the associated reduction in GHG emissions. ▪ Power purchase agreements: Challenges related to securing power purchase agreements, such as limited availability in certain regions, price volatility or unfavorable contract terms, may impede JGL’s ability to transition to renewable energy sources effectively and cost-efficiently.

		<ul style="list-style-type: none"> ▪ Vehicle electrification issues: The transition to hybrid and electric vehicles may face obstacles such as insufficient charging infrastructure, high costs or logistical difficulties in some countries, which could delay the implementation of this component of the emission reduction strategy. ▪ Tender and project development risks: The risk of losing out on competitive tenders for the development of the solar power plant at the Svilno location could impact the ability to establish this critical renewable energy source, potentially affecting the overall emission reduction efforts.
	Historical data verified:	The historical data has not been verified since 2021.
	Recalculations or pro-forma adjustments of baselines	The bond documentation will include a recalculation policy.

SPT 2 Analysis	The level of ambition of the SPT is assessed as follows:
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(i) Against past performance:

The Issuer has provided three years of relevant historical data regarding SPT 2, including the data for SPT 2's baseline year of 2023. The Issuer confirms that it is unable to collect and compile any historical data prior to 2023, explaining that JGL adopted the ECO COMPASS initiative in 2024, which implements a new data collection and consolidation system for GHG emissions beginning in 2023. Prior to the system's implementation, JGL only tracked its GHG emissions data for production sites in Croatia, but not at non-production sites and locations outside Croatia. The Issuer further explains that it is unable to recalibrate its historical data for GHG emissions using the latest data collection system, given that there are data collection challenges in key markets such as Russia, Ukraine and Kazakhstan given the geopolitical and logistical situation, time and resource limitations, and methodological changes between the

old and new data collection system and calculation systems, which ultimately leads to the Issuer being unable to recalibrate its historical GHG emissions data. Subsequently, JGL has provided quantitative estimates of its historical data for 2021 and 2022. JGL confirms that the historical data for 2021 and 2022 are estimated using calculation methodologies based on the GHG Protocol. JGL confirms that the 2021 and 2022 estimations are specifically calculated by first making use of the original data collected from production sites in Croatia for 2021 and 2022, and then extrapolating group-level Scope 1 and 2 GHG emissions by applying the different proportions of its various emission sources that are reflected in the GHG emissions data in 2023. The data is shown in Table 2.

TABLE 2.	2021	2022	2023 - BASELINE	2028 – SPT 2
Scope 1 and 2 GHG emissions (tCO₂e)	2,436	3,445	4,202	3,822
CAGR 2021-2023			+31.34%	
CAGR 2023-2028				-1.88%

Source: JGL Framework

Calculating the CAGR of the past performance shows that the Issuer has shown an annual average increase of 31.34% between 2021 and 2023 for absolute Scope 1 and 2 GHG emissions.

JGL has set its SPT 2 to achieve a reduction of absolute Scope 1 and 2 GHG emissions by 9% by 2029 from a 2023 baseline. The CAGR amounts to an annual average reduction of 1.88% between 2023 and 2028.

JGL acknowledges that its 2023 baseline data for Scope 1 and 2 GHG emissions is significantly higher than that of its historic performance in 2021 and 2022 and that its SPT 2 is set above its historic performance in 2021 and 2022. JGL explains that such change is due to its business expansion between 2021 and 2023. The Issuer has provided relevant data for explanation, as shown in Table 3.

TABLE 3.	2021	2022	2023 - BASELINE	2028 – SPT 2
Scope 1 and 2 GHG emissions (tCO₂e)	2,436	3,445	4,202	3,822
Units produced ('000)	44,273	46,103	59,111	98,600
Scope 1 and 2 GHG emissions intensity	0.055	0.075	0.071	0.039

(tCO₂e/'000 units produced)				
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Source: JGL

JGL explains that the increasing trend in Scope 1 and 2 GHG emissions from 2021 to 2023 is aligned with its business growth trajectory during the same period in terms of unit products produced. JGL further explains that its business is expected to grow moving forward, pointing out that operational efficiency enhancement measures, innovations and sustainable practices will be implemented as production is scaled up in the future. SPT 2 is subsequently set in a manner that in turn translates to an expected Scope 1 and 2 GHG emissions intensity reduction of 45.5% in 2028 from the 2023 baseline.

JGL does not anticipate linear growth between the base year of 2023 and target year of 2028. The Company plans to drive business expansion through new product launches, entry to new therapeutic areas and expansion to new markets. JGL anticipates that mergers and acquisitions will play a key role in its business expansion, therefore anticipating more significant growth in the mid-term. This implies that JGL may be required to put more effort into GHG emissions reduction due to its anticipated business expansion.

Since the CAGR to achieve SPT 2 is quantitatively larger than its historical data, we conclude that the SPT is quantitatively ambitious against past performance. This conclusion is based on limited evidence because the historical data of 2021 and 2022 provided by JGL is estimated and the historical data in 2023 was not verified.

(ii) Against peers:¹⁵

ISS-Corporate conducted a benchmarking of SPT 2 set by JGL against the pharmaceuticals and biotechnology peer group of 20 companies (including the Issuer). The peer group was identified based on the NACE classification within the ISS ESG database and the provision of peers by JGL. Companies within the peer group are located in Austria, Bulgaria, Canada, Croatia, Czechia, Egypt, Hungary, India, Serbia, Slovakia, Slovenia, the U.S. and the U.K.

Aside from JGL, three other peers also set a target covering Scope 1 and 2 GHG emissions. From this subgroup, all companies have set an absolute emissions reduction target, meaning that all of the companies have comparable targets. The remaining 16 companies do not have any publicly disclosed Scope 1 and 2 GHG emissions targets. By comparing JGL with peers that have comparable targets and peers without targets, JGL is ranked third out of 20 in the peer group, placing JGL's SPT 2 in the top 15% of the peer group.

Therefore, we conclude that SPT 2 set by JGL is ambitious compared to industry peers.

¹⁵ ISS-Corporate assesses the ambitiousness of the Issuer's SPT against its peers by computing the CAGR of the SPTs and the targets publicly disclosed by the Issuer's sectorial peers. The calculation assumes that every peer will follow a linear trajectory to achieve the targets set, at least until the Issuer's target year.

(iii) Against international targets:

Paris Agreement

The [Paris Agreement](#) has set out long-term goals to guide nations to substantially reduce global GHG emissions to hold the global temperature increase to well below 2°C above pre-industrial levels and pursue efforts to limit it to 1.5°C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change. Subsequently, the [Science Based Targets initiative](#) (SBTi) acts as the governing body that ensures corporates also align with the Paris Agreement in terms of GHG emissions reduction via verifying the GHG emissions targets by corporates. However, given that there is no evidence that suggests that JGL has set SPT 2 and other GHG emissions reduction targets with a science-based methodology, nor has the target been verified by the SBTi, there is limited information to assess SPT 2's ambition against international targets, specifically the Paris Agreement.

National targets

JGL has set an emissions reduction target of cutting absolute Scope 1 and 2 GHG emissions by 9% by 2028 from a 2023 baseline.

Croatia has set a national GHG emissions [target](#) of 7% reduction by 2030 from a baseline of 2005. However, it is generally not possible to benchmark the SPT against government targets directly because there are many differences in the GHG inventory's calculation between the GHG Protocol for a company and the national GHG accounting methods used at the government level (for example, country target setting does not have Scope 1, 2 or 3 GHG emissions).

Further, this SPT covers countries beyond Croatia as it includes operations in Russia, Ukraine, Kazakhstan, Belarus, Uzbekistan, Bosnia and Herzegovina, Serbia, Slovenia, North Macedonia and Kosovo. Each country has its own defined target and a different trajectory. It is generally not possible to compare the covered area's trajectory against each of its national targets. Therefore, there is limited information to conclude that the target is in line with the national target.

Consistency with the Issuer's sustainability strategy:

"Protecting Green & Blue" is one of the pillars of JGL's ESG strategy, for which there is a key objective under this pillar: to reduce Scope 1 and 2 GHG emissions. The SPT is consistent with the Issuer's attempt to reduce its GHG emissions from its business activities.

PART III: CONSISTENCY OF SUSTAINABILITY-LINKED BONDS WITH JGL'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the Issuer

TOPIC	ISSU/BORROWER APPROACH
<p>Strategic ESG topics</p>	<p>JGL's ESG strategy is an integral part of JGL's corporate business strategy, encompassing all key aspects of sustainability and social responsibility to achieve sustainable business goals. JGL has three foundational pillars for its ESG strategy:</p> <p>Protecting Green & Blue: JGL focuses on managing practices aimed at protecting natural resources, ecosystems and biodiversity (green), as well as marine and aquatic environments (blue). JGL's commitment involves reducing its ecological footprint through the adoption of energy-efficient technologies, optimizing resource utilization and elevating environmental standards across its operations. By minimizing its negative environmental impact, JGL contributes to the preservation of both terrestrial and marine environments.</p> <p>Promoting Health and Well-Being: JGL is committed to enhancing the health and well-being of employees and patients. The Company fosters a culture of equality, inclusion and respect, providing a supportive environment. JGL's initiatives benefit local communities through programs like early glaucoma detection, breastfeeding support and healthy breathing. By collaborating with healthcare providers and investing in innovative solutions, JGL enhances patient care and quality of life.</p> <p>Practicing Effective Governance: JGL implements policies that ensure adherence to high governance standards, ethical principles and transparency in all business processes. JGL focuses on establishing clear ethical guidelines that permeate all aspects of business, ensuring transparency, accountability and trust among all of the organization's stakeholders. Integration of these values helps minimize risks,</p>

	<p>preserve reputation and support long-term and stable growth and success of the company.</p>
<p>ESG goals/targets</p>	<p>Protecting Green & Blue:</p> <ul style="list-style-type: none"> ▪ Increase the use of renewable electricity to 100% at production facility in Croatia by 2027. ▪ Implement the environmental management system (to ISO 14001:2015 standard) by 2024. ▪ Reduce carbon dioxide emissions intensity (Scope 1 and 2) by 25% on JGL Group level by 2027 from a 2023 baseline. <p>Promoting Health and Well-Being:</p> <ul style="list-style-type: none"> ▪ Sustain industry-leading employee satisfaction ratings ▪ Enhance continuous professional development system, with full implementation by 2025 ▪ Develop a DEI framework: Create a comprehensive diversity, equity and inclusion framework, including policies and an action plan, for the entire JGL Group by 2026. ▪ Trust Your Eyes program: Perform 100,000 glaucoma tests across markets by the end of 2029 to promote early detection and improve patient outcomes <p>Practicing Effective Governance:</p> <ul style="list-style-type: none"> ▪ Implement anti-corruption policies by 2025 and conduct regular training for all managers and key people ▪ During 2024-2025, conduct an in-depth analysis of the supply chain and set policies that will develop partnerships with suppliers and partners who share values of ethics and integrity ▪ Improve the system for reporting irregularities by 2026
<p>Consistency with the KPIs</p>	<p>KPI 1: The KPI is consistent with the Company's overall sustainability strategy and business model. One of JGL's three main pillars of its ESG strategy is promoting</p>

	<p>health and well-being, for which there is a direct key objective under this pillar: to expand access to glaucoma detection services across JGL’s countries of operation. Given that the early detection of non-curable diseases such as glaucoma is a critical part of the pharmaceutical and biotechnology industry as it allows for better management of the disease, JGL’s strategy of promoting health and well-being demonstrates the KPI’s consistency with JGL’s overall sustainability strategy and business model.</p> <p>KPI 2: The KPI is consistent with the Company’s overall sustainability strategy and business model. One of JGL’s three main pillars of its ESG strategy is “Protecting Green & Blue,” for which there is a key objective under this pillar: to reduce Scope 1 and 2 GHG emissions. Given that the pharmaceutical industry generates approximately 52 megatons of carbon dioxide equivalent annually, JGL’s strategy to address its GHG emissions, alongside the action plans JGL initiated regarding GHG emissions reduction, demonstrates the KPI’s consistency with JGL’s overall sustainability strategy and business model.</p>
<p>Action plan</p>	<p>The Issuer confirms that it has several action plans to be put in place that look to enable the achievement of objectives for each of the three pillars under JGL’s ESG strategy.</p> <p>For “Protecting Green & Blue,” JGL launched its ECO COMPASS initiative in various phases, which looks to help JGL identify its baseline GHG emissions inventory and set targets, strategies and measures to achieve decarbonization within JGL.</p> <p>For promoting health and well-being, JGL has created a framework that promotes equal opportunities and competitive pay across its operations to ensure fairness and equity; launched an initiative to set up practices that assess its working environment and conditions of employees to improve employee health and efficiency, including monitoring absenteeism behavior and developing measures that improve the working environment; and implemented a model of</p>

	<p>systematic employee education to enable lifelong learning and development, with training that focuses on professional qualifications, education and key technical skills.</p> <p>For practicing effective governance, JGL focuses on enhancing business continuity, planning to identify and assess risks that could impact JGL’s business and operations, including launching an initiative called Pure Source, which is a business continuity plan for addressing acute marine pollution, as well as a cybersecurity-focused business continuity plan to address cyber incidents. JGL also upgraded its sustainable procurement practices to align its supply chain policies and practices with its sustainable business objectives.</p>
<p>Climate transition strategy</p>	<p>JGL launched ECO COMPASS, an overarching strategy that oversees JGL’s climate transition. Currently, JGL has implemented two phases of the initiative: Phase 1 – Carbon Emission Baseline and Phase 2 – Setting the Strategy. The goal is to define clear goals and guidelines that will direct the organization toward reducing greenhouse gas emissions, increasing energy efficiency and promoting sustainable business practices.</p> <p>The Issuer does not have a science-based target yet, and a specific decarbonization plan is not defined and implemented.</p>
<p>ESG risk and sustainability strategy management</p>	<p>The Group has identified ESG risks, and specifically climate change risk as part of its operating risk, and has identified both physical and transition risks as its climate change risk. The risks stemming from climate change impact various macroeconomic indicators such as inflation, economic growth and financial stability. Climate change may disrupt the global supply chain of pharmaceutical products and directly affect public health, which could also influence the pharmaceutical industry. JGL aims to ensure patients have reliable access to effective and sustainable medicines through environmentally friendly processes and measures that reduce GHG emissions. Other factors, including food</p>

	<p>insecurity, an energy crisis and worsening air quality may exacerbate existing medical conditions.</p> <p>JGL looks to protect itself from this risk through ongoing improvements in energy efficiency, consistently addressing its environmental footprint and minimizing harmful gas emissions, investing in infrastructure and improving work and climate conditions across all sites, and by educating employees about the health implications of climate change.¹⁶</p>
Top three areas of breaches of international norms and ESG controversies in the industry¹⁷	Failure to respect consumer health and safety, anti-competitive behavior, and patent infringement.
Breaches of international norms and ESG controversies by the Issuer	At the date of publication and leveraging ISS ESG research, no controversy in which the Issuer would be involved has been identified.
Sustainability reporting	The Issuer reports on its ESG performance and initiatives annually. The report is prepared in accordance with Article 8 of the EU Taxonomy Regulation (EU) 2020/852 and supplementary delegated acts, and with reference to the European Sustainability Reporting Standards.
Industry associations, collective commitments	JGL is a member of the Croatian Business Council for Sustainable Development.
Previous sustainable/sustainability-linked issuances or transactions and publication of sustainable financing framework	-

Rationale for issuance

JGL is set to issue a sustainability-linked bond to demonstrate its commitment to sustainability and align its financing strategy with its ESG objectives. By linking the bond's terms to sustainability performance targets, JGL not only raises capital but also drives improvements in key areas central to its corporate business strategy. This underscores JGL's dedication to

¹⁶ As outlined in JGL Group's [2023 Integrated Annual Report](#).

¹⁷ Based on a review of controversies identified by ISS ESG over a two-year period, the top three issues that have been reported against companies in the pharmaceuticals and biotechnology industry are displayed above. Please note that this is not a company-specific assessment but rather areas that can be of particular relevance for companies within that industry.

integrating sustainability into its financial framework, ensuring that capital-raising efforts support and advance the company's ESG goals. The bond's performance metrics will be tied to the Company's ability to meet these sustainability performance targets.

By embedding sustainability into its financing strategy and issuing the sustainability-linked bond, JGL looks to channel resources toward initiatives that yield both financial returns and positive environmental and social outcomes. This alignment strengthens its ability to attract investors who prioritize sustainability. The bond issuance is a testament to JGL's long-term commitment to ESG principles and aims to contribute to the pharmaceutical industry and global sustainability objectives.

Furthermore, the Sustainability-Linked Bond Framework provides a structured approach for measuring and reporting progress against sustainability targets. It aligns JGL's financial incentives with its sustainability performance, creating a mechanism for achieving ESG goals. This strategic alignment not only drives sustainable development within JGL's operations but also reflects a broader commitment to leading by example in the global push for responsible and impactful business practices.

Opinion: *The key sustainability objectives and the rationale for issuing sustainability-linked bonds are clearly described by the Issuer. The majority of the KPIs/SPTs financed are in line with the Issuer's sustainability objectives.*

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ANNEX 1: ISS-CORPORATE SUSTAINABILITY-LINKED BONDS AND SUSTAINABILITY-LINKED LOANS METHODOLOGY

The ISS-Corporate SPO provides an assessment of labeled transactions against international standards using ISS-Corporate's proprietary [methodology](#).

Analysis of the KPI selection and associated SPTs

In line with the voluntary guidance provided by the Sustainability-Linked Bond Principles, an in-depth analysis of the sustainability credibility of the KPIs selected and associated SPTs has been conducted.

The analysis has determined whether the KPIs selected are core, relevant and material to the Issuer's business model and consistent with its sustainability strategy thanks to long-standing expertise in evaluating corporate sustainability performance and strategy. The analysis also reviewed whether the KPI is appropriately measurable by referring to key reporting standards and against acknowledged benchmarks. Based on the factors derived from the SLBP and using proprietary methodology, the KPI selection assessment is classified on a three-level scale:

Not Aligned	Aligned	Best Practice
The KPI is not aligned if one of the core requirements from the SLBP selection of KPIs section is not satisfied.	The KPI is aligned if all core requirements from the SLBP selection of KPIs section are satisfied.	The KPI follows best practice if all core requirements from the SLBP selection of KPIs section are satisfied and if the KPI is fully material and follows best market practices in terms of benchmarkability.

The ambition of the SPTs has been analyzed against the Issuer's own past performance (according to Issuer's reported data), against the Issuer's industry peers (e.g., per ISS ESG Peer Universe data) and against international benchmarks such as the Paris Agreement (based on data from the Transition Pathway Initiative or Science Based Targets initiative). Finally, the measurability and comparability of the SPT and the supporting strategy and action plan of the Issuer have been evaluated.

Based on the factors derived from the SLBP and using proprietary methodology, the SPT selection assessment is classified on a four-level scale:

No Evidence	Moderate	Good	Robust
If none of the three dimensions (past performance, industry peers and international benchmarks) are positively assessed.	One of the three SPTs' benchmarking approaches have been assessed positively.	Two of the three SPTs' benchmarking approaches have been assessed positively.	All the SPTs' benchmarking approaches have been assessed positively.

ANNEX 2: QUALITY MANAGEMENT PROCESSES

SCOPE

JGL commissioned ISS-Corporate to compile a sustainability-linked bonds SPO. The second-party opinion process includes verifying whether the Sustainability-Linked Bond Framework aligns with the Sustainability-Linked Bond Principles and assessing the sustainability credentials of its sustainability-linked bonds, as well as the Issuer's sustainability strategy.

CRITERIA

Relevant standards for this second-party opinion:

- Sustainability-Linked Bond Principles, ICMA, June 2024

ISSUER'S RESPONSIBILITY

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

- Framework

ISS-CORPORATE'S VERIFICATION PROCESS

Since 2014, ISS Group, which ISS-Corporate is part of, 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.

This independent second-party opinion of the sustainability-linked bonds to be issued by JGL has been conducted based on proprietary methodology and in line with the Sustainability-Linked Bond Principles.

The engagement with JGL took place in September and October 2024.

ISS-CORPORATE'S BUSINESS PRACTICES

ISS-Corporate has conducted this verification in strict compliance with the ISS Group Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior 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 this SPO

Companies turn to ISS-Corporate for expertise in designing and managing governance, compensation, sustainability and cyber risk programs that align with company goals, reduce risk and manage the needs of a diverse shareholder base by delivering best-in-class data, tools and advisory services.

ISS-Corporate assesses alignment with external principles (e.g., the Sustainability-Linked Bond Principles/Sustainability-Linked Loan Principles), analyzes the sustainability quality of the assets and reviews the sustainability performance of the Issuer itself. 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 from a sustainability perspective.

Learn more: <https://www.iss-corporate.com/solutions/sustainable-finance/bond-issuers/>.

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