

Second-Party Opinion

New World Development Sustainable Finance Framework



Evaluation Summary

Sustainalytics is of the opinion that the New World Development Sustainable Finance Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2021, Green Loan Principles 2021, and Social Loan Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Green Buildings, Green Landscapes, Energy Efficiency and Renewable Energy, Clean Transportation, Water Management, Circular Economy and Waste Management, Climate Change Adaptation, Access to Basic Infrastructure and Essential Services, Affordable Housing, Socio-economic Advancement and Employment Generation – are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Green Loan Principles, and Social Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDG 3, 4, 6, 7, 8, 10, 11 and 12.



PROJECT EVALUATION / SELECTION New World Development Company Limited will establish a Sustainable Finance Review Panel that will be responsible for evaluating and selecting eligible assets. The Panel consists of senior representatives from various departments, including finance and accounts, group audit and management services, sustainability, and relevant departments selected on a project-by-project basis to select eligible assets. The CFO or CEO and chairperson of the Group Sustainability Steering Committee will provide final approval for eligible assets in line with the eligibility criteria under the Framework. New World Development Company Limited's environmental and social risk management systems are applicable for all allocation decisions under the Framework. Sustainalytics considers the risk management systems to be adequate and the project selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS New World Development Company Limited's Finance team will oversee the management of proceeds and will track the proceeds via a register. New World Development Company Limited's Finance commits to fully allocate net proceeds within 24 months of issuance. Pending allocation, unallocated proceeds will temporarily be held in cash instruments. This is in line with market practice.



REPORTING New World Development Company Limited intends to report on allocation of proceeds on its website or annual report, on an annual basis, until full allocation. Allocation reporting will include information on the details of eligible projects and their allocated amounts and balance of unallocated proceeds. In addition, New World Development Company Limited is committed to reporting on relevant impact metrics. Sustainalytics views New World Development Company Limited's allocation and impact reporting as aligned with market practice.

Evaluation Date	May 25, 2022
Issuer Location	Hong Kong, China

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Introduction

New World Development Company Limited (“NWD”, or the “Company”) is an investment holding company that invests in, develops, and manages properties and infrastructure in Hong Kong, mainland China, and internationally. Although the Company predominantly engages in residential and commercial real estate, NWD’s subsidiaries provide a diversified set of services in other sectors such as aviation, roads and insurance. Founded in 1970, the Company is headquartered in Hong Kong and had 18,522 employees at the end FY2021.

NWD has developed the New World Development Sustainable Finance Framework dated May 2022 (the “Framework”) under which it intends to issue green, social and sustainability bonds and loans, and use the proceeds to finance and refinance, in whole or in part, existing and future projects that are expected to contribute to a low-carbon economy transition and provide social benefits in Hong Kong and mainland China.

The Framework defines eligible green categories in the following seven areas:

1. Green Buildings
2. Green Landscapes
3. Energy Efficiency and Renewable Energy
4. Clean Transportation
5. Water Management
6. Circular Economy and Waste Management
7. Climate Change Adaptation

The Framework defines eligible social categories in the following three areas:

1. Access to Basic Infrastructure and Essential Services
2. Affordable Housing
3. Socio-economic Advancement and Employment Generation

NWD engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP), Social Bond Principles 2021 (SBP)¹, Green Loan Principles 2021 (GLP), and Social Loan Principles 2021 (SLP).² This Framework has been published in a separate document.³ The Framework updates and replaces NWD’s 2020 Sustainable Financing Framework, for which Sustainalytics provided a previous second-party opinion.⁴

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁵ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2021, as administered by ICMA, and the Green Loan Principles 2021 and Social Loan Principles 2021, as administered by LMA, APLMA, and LSTA;
- The credibility and anticipated positive impacts of the use of proceeds; and

¹ The Sustainability Bond Guidelines, Green Bond Principles, and Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

² The Green Loan Principles and Social Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at: <https://www.lsta.org/content/green-loan-principles/#>

³ The New World Development Sustainable Finance Framework is available on New World Development Company Limited’s website at: <https://sustainability.nwd.com.hk/sustainable-finance/>

⁴ Sustainalytics’ 2020 Second-Party Opinion is available at: <https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/new-world-development/new-world-development-sustainable-finance-framework-second-party-opinion/new-world-development-sustainable-finance-framework-second-party-opinion-pdf>

⁵ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.11, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of NWD’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. NWD representatives have confirmed: (1) they understand it is the sole responsibility of NWD to ensure that the information provided is complete, accurate or up to date; (2) they have provided Sustainalytics with all relevant information; and (3) any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and NWD.

Sustainalytics’ Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics’ Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. The Second-Party Opinion is valid for issuances aligned with the respective Framework for which the Second-Party Opinion was written for a period of twenty-four (24) months from the evaluation date stated herein.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond and loan proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that NWD has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics’ Opinion

Section 1: Sustainalytics’ Opinion on the New World Development Sustainable Finance Framework

Sustainalytics is of the opinion that the New World Development Sustainable Finance Framework is credible, impactful and aligns with the four core components of the GBP, SBP, GLP and SLP. Sustainalytics highlights the following elements of NWD’s Sustainability Finance Framework:

- Use of Proceeds:
 - The eligible categories – Green Buildings, Green Landscapes, Energy Efficiency and Renewable Energy, Clean Transportation, Water Management, Circular Economy and Waste Management, Climate Change Adaptation, Access to Basic Infrastructure and Essential Services, Affordable Housing, Socio-economic Advancement and Employment Generation – are aligned with those recognized by the GBP, SBP, GLP and SLP.
 - Sustainalytics notes that NWD will limit refinancing under the Framework to capital expenditures and therefore, no look-back period has been established. This is in line with market practice.
 - The Framework allows for the financing of R&D expenditures. Sustainalytics recognizes that R&D investments may lead to environmental and social benefits but that there is generally more uncertainty around the specific impacts achieved. NWD has confirmed that R&D expenditures will be limited to less than 10% of the total use of proceeds under the Framework, which Sustainalytics considers to be aligned with market practice.

- Under the Green Building category, NWD may finance or refinance the following expenditures related to the development, redevelopment, refurbishment and retrofit of new or existing residential, commercial and retail buildings, which include the following:
 - Buildings that are expected to receive the following green building certification levels: Hong Kong BEAM Plus New Buildings (Gold or above),⁶ Hong Kong BEAM Plus Existing Buildings (Gold or above),⁷ China Green Building Evaluation Label (2 stars or above),⁸ LEED (Gold or above),⁹ Living Building Challenge,¹⁰ BREEAM (Excellent or above)¹¹ and WELL Building Standard.¹² NWD has confirmed to Sustainalytics that the use of WELL Building Standard will be limited to buildings that have achieved one of the other certification schemes included in the Framework. Sustainalytics views these certifications as credible, and the levels selected to be in line with market practice.
 - Consultancy and related fees to obtain the above certifications, which is in line with market practice.
 - Tenant engagement projects and activities that measure energy and water use and support the Company's residential and commercial tenants with energy efficiency and waste management initiatives, such as the installation of utility metering systems. NWD clarified that expenditures under this criterion are anticipated to be a small part of the Framework. Although Sustainalytics views positively expenditures that are related to directly and indirectly improving energy efficiency, water conservation and waste management, Sustainalytics encourages the Company to report on the environmental benefits of the financed projects.
 - R&D or procurement of smart and green building technologies, such as indoor air quality monitoring systems and grey water drainage systems, which help meet the requirements of the eligible green building standards listed above. This is in line with market practice.
- Under the Green Landscape category, NWD may finance or refinance the development or redevelopment of green landscapes¹³ using the SITES certification¹⁴ (any level). This may include projects related to increasing vegetation, the installation of functional LED lamp posts, and solar panels. This is in line with market practice.
- Under the Energy Efficiency and Renewable Energy category, NWD may finance or refinance the following:
 - Technologies, services, operational improvements, and upgrades that will result in at least a 20% energy performance improvement in residential and commercial buildings. Projects may include operational improvements, the installation of digital-, artificial intelligence- or machine learning-based building management systems and energy management systems, retro-commissioning services, energy audits, feasibility studies as well as equipment upgrades in new and existing buildings. This is in line with market practice.
 - The R&D and adoption of renewable energy system, which may include solar PV, wind power projects and other renewable energy projects. As such, Sustainalytics is not able to opine on the potential net environmental impact of the expenditures due to inadequate insight into the types of renewable energy systems and considers this to be a limitation of the Framework. Sustainalytics encourages NWD to provide full disclosure on the intended projects in order to provide more transparency.
 - The procurement of renewable energy certificates (RECs) that are directly tied to specific and identifiable renewable energy projects, and exclude one-time, short-term purchases of unbundled RECs. This is in line with market practice.

⁶ "BEAM Plus": <https://www.hkgbc.org.hk/eng/beam-plus/introduction/>

⁷ The Company has confirmed that it will only refinance existing buildings that achieve BEAM Plus Existing Buildings (Gold or above) limited to the Comprehensive Scheme. "BEAM Plus Existing Buildings": <https://www.hkgbc.org.hk/eng/beam-plus/beam-plus-existing-buildings/index.jsp>

⁸ "Green Building Evaluation Label": <http://www.gbig.org/collections/14970>

⁹ "LEED": <https://www.usgbc.org/leed>

¹⁰ "Living Building Challenge": <https://living-future.org/lbc/>

¹¹ BREEAM: <https://www.breeam.com/>

¹² WELL: <https://www.wellcertified.com/>

¹³ NWD confirmed that it does not intend to finance green buildings under the green landscape projects using SITES certification.

¹⁴ "SITES": <https://sustainablesites.org/>

- Under the Clean Transportation category, NWD may finance or refinance the installation and upgrade of electric vehicle chargers and relevant infrastructure. This may include artificial intelligence and machine-learning-based demand response ventilation systems. This is in line with market practice.
- Under the Water Management category, NWD may finance or refinance projects that will improve the water efficiency of buildings. This may include rainwater harvesting, wastewater recycling and treatment, drip irrigation, drainage management, water audits, sub-meters for detecting water leakage, and equipment upgrades including retrofitting existing buildings' sanitary fittings to meet the Water Efficiency Labelling Scheme (WELS).¹⁵ NWD has confirmed that treatment of wastewater from fossil fuel operations is excluded. Sustainalytics considers these investments to be in line with market practice.
- Under the Circular Economy and Waste Management category, NWD may finance or refinance the following:
 - Waste management projects aimed at reducing, recycling and upcycling waste generated in commercial and residential properties and during the construction process. This may include the installation of food decomposers, the reuse and upcycle of construction and demolition waste, and the upcycle of plastic waste where chemical recycling of plastic waste is excluded.
 - Responsible sourcing of timber certified by the Forest Stewardship Council (FSC)¹⁶ and the Programme for the Endorsement of Forest Certification (PEFC).¹⁷
 - Sustainalytics considers these investments, in the Circular Economy and Waste Management category, to be in line with market practice.
- Under the Climate Change Adaptation category, the Company may finance or refinance the following:
 - Climate risk scenario planning tools and third-party vulnerability assessments.
 - Based on third-party climate feasibility studies and adaptation plans,¹⁸ (i) upgrades of flood protection hardware and systems and insulation, and (ii) R&D and the procurement of hardware and technology that aims to mitigate climate-related risks, such as the installation of floodgates and sensors in buildings.
 - Development of carbon sequestration projects that naturally sequester carbon, such as habitat conservation and reforestation. This is aligned with market practice.
- Under the Access to Basic Infrastructure and Essential Services category, the Company may finance or refinance the following activities:
 - Development of drinking water infrastructure, sewage and sanitation services for public use. This is aligned with market practice.
 - Projects that expand access to healthcare services, such as COVID-19 relief measures, including the distribution of surgical masks and test kits that will be provided for free and accessible to all regardless of their ability to pay. The Company has communicated that intended projects may include philanthropy-related activities and confirmed that financing to such projects will be less than 10% of the total use of proceeds under the Framework, which is in line with market practice.
 - Education and skill development projects that are accessible to all regardless of their ability to pay. This may include workshops, training and virtual internships for university students, as well as training programmes for upskilling athletes. NWD confirmed that the beneficiary groups will be identified through collaboration with NGOs and relevant entities on a case-by-case basis. Sustainalytics encourages NWD to provide disclosure on the identified groups and the projects financed in its annual reporting.

¹⁵ WELS is a volunteer scheme introduced in 2009 by the Water Supplies Department. The label indicates the water consumption and efficiency of sanitary fittings and is applicable to six different types of sanitary fittings, including bathing showers, water taps, washing machines, urinal equipment, flow controllers, and water closets. Water Supplies Department, "Water Efficiency Labelling Scheme (WELS)", at: <https://www.wsd.gov.hk/en/plumbing-engineering/water-efficiency-labelling-scheme/index.html>

¹⁶ Forest Stewardship Council, "Forest Management Certification", at: <https://fsc.org/en/forest-management-certification>

¹⁷ Programme for the Endorsement of Forest Certification, "What is certification?", at: <https://pefc.org/what-we-do/our-approach/what-is-certification>

¹⁸ In 2019, NWD conducted a Climate Risk and Opportunities assessment to its major sites to identify the level of climate risk exposure of its properties, including heat stress, flood, water stress and extreme wind. Following the assessment, NWD developed a set of Climate Resilience Design Guidelines for all new buildings, major refurbishments and construction activities to enhance its buildings' climate resilience.

- Financing micro, small and medium enterprises (MSMEs)¹⁹ and groups facing natural or health disasters including pandemics, earthquakes, floods and droughts. Additionally, this may include COVID-19 relief measures such as the distribution of test kits to the underprivileged, elderly and healthcare workers; hotel rooms that will provide isolation to healthcare workers and will be provided for free. This is aligned with market practice.
- Under the Affordable Housing category, NWD may finance or refinance the development or refurbishment of affordable houses for home ownership, which may include financing subsidized private housing projects.²⁰ Sustainalytics notes that the unit price of the subsidized housing project is less than the average market price, however, household income threshold of the subsidized housing project is over 100% of median household in Hong Kong. While Sustainalytics considers as market practice to target lower income households for projects related to affordable housing, Sustainalytics also notes that Hong Kong has one of the most expensive housing markets in the world. As such, Sustainalytics recognizes the potential positive impacts of expanding housing options for middle-income households in high-cost markets, and considers the thresholds selected to be aligned with market expectations.
- Under the Socio-Economic Advancement and Employment Generation category, NWD may finance or refinance the following activities:
 - Startup accelerators or incubators that will provide financial assistance to startups and social enterprise,²¹ where revenue is derived from businesses providing environmental and social impact. Sustainalytics notes that the NWD intends to provide financial assistance to start-ups and social enterprises which are classified as MSMEs and employ people from historically marginalized and disadvantaged groups. However, Sustainalytics further notes that it has not defined any form of targeting for these MSMEs, and considers market practice to finance MSMEs either owned by a vulnerable group or located in underperforming areas based on socio-economic factors. As such, Sustainalytics considers this use-of-proceeds category to be a limitation to the Framework and encourages NWD to report on the enterprises that receive financing.
 - Social mobility programmes that aim to support students from under-resourced families through sports training, life skills coaching and career planning support. NWD confirmed that students from under-resourced families will be identified through collaboration with NGOs and relevant entities on a case-by-case basis. Sustainalytics encourages NWD to provide disclosure on the identified groups and the social impact of the projects financed in its annual reporting.
 - Provision of capacity building schemes for historically marginalized or disadvantaged groups that are employed by the Company's MSME supply chain partners. Sustainalytics considers this as aligned with market practice.
- The Framework provides exclusionary criteria prohibiting the financing of enterprises, projects and operations associated with environmental and social risks such as fossil fuel, nuclear power and coal-fired power plants. Sustainalytics views the exclusionary criteria as strengthening the Framework.
- Project Evaluation and Selection
 - NWD will establish a Sustainable Finance Review Panel that will be responsible for selecting eligible projects in line with the criteria defined in the Framework. The Panel will consist of senior representatives from the Company's finance and accounts, group audit and management services, sustainability and relevant departments selected on a project-by-project basis. When

¹⁹ NWD has communicated to Sustainalytics that it will follow Hong Kong SAR government's definition for identify MSMEs as part of the Framework. Hong Kong Monetary Authority, "Alternative Credit Scoring of Micro-, Small and Medium-sized Enterprises", at: https://www.hkma.gov.hk/media/eng/doc/key-functions/financial-infrastructure/alternative_credit_scoring.pdf

²⁰ NWD has communicated to Sustainalytics that it has launched a subsidized private housing project in 2021 to provide home ownership for the underprivileged group. NWD, "New World Development Launches Hong Kong's First Subsidised Private Housing Project, 300 new homes to be sold at cost in pilot scheme", at: <https://www.nwd.com.hk/content/new-world-development-launches-hong-kong%E2%80%99s-first-subsidised-private-housing-project-300-ne-0>

²¹ NWD has communicated to Sustainalytics that it defines social enterprises in accordance with the Hong Kong government's definition which describes a social enterprise as a business that provides services or products needed by the community, creates employment and training opportunities for the socially disadvantaged, protects the environment, or funds other social services with profits. Additionally, profits will be reinvested in the firm to further its social objectives. The Legislative Council, "Social enterprises in Hong Kong and the United Kingdom", at: <https://www.legco.gov.hk/research-publications/english/essentials-1617ise05-social-enterprises-in-hong-kong-and-the-united-kingdom.htm#endnote1>.

- required, NWD may also consult senior representatives from wholly owned subsidiaries, including NWD Property Management, NWCL and K11.
- The Company's CFO or CEO and chairperson of the Group Sustainability Steering Committee will be responsible for providing the final approval on the selected eligible projects.
 - The Sustainable Finance Review Panel will oversee the identification and management of environmental and social risks associated with eligible projects, which are applicable to all allocation decisions made under the Framework. Sustainalytics considers these environmental and social risk management systems to be adequate and aligned with market expectation. For additional detail see Section 2.
 - To substantiate project eligibility, NWD requires data to be obtained on the environmental and social credits of eligible projects, including evidence of pre-certification and certification documentation, description of schematic design or roadmap of projects, performance related to energy, water and waste reduction and the expected and additional environmental and social benefits.
 - Based on the clear delegation of responsibility and presence of risk management systems, Sustainalytics considers this process to be in line with market practice.
- **Management of Proceeds**
 - NWD's finance teams will oversee the allocation process of net proceeds to eligible assets and projects. The Company will track the allocation of net proceeds to eligible assets and projects through its register of Funding Transactions. The register will detail information on the issuer and borrower entity transaction date, the principal amount of proceeds, repayment or amortization profile, maturity date, and interest or coupon. The register will also include information regarding the allocation of proceeds, such as details of eligible projects, amount of proceeds allocated to each project and balance of unallocated proceeds.
 - The Company commits to fully allocate net proceeds within 24 months of issuance. Pending allocation, unallocated proceeds will be temporarily held in cash instruments.
 - Based on these elements, Sustainalytics considers this process to be in line with market practice.
 - **Reporting**
 - NWD commits to report on the allocation and impact of the eligible projects on an annual basis, until full allocation. This reporting will be made publicly available on NWD's corporate website or annual report.
 - Impact reporting may include qualitative and quantitative impact indicators, such as energy consumption reduction (kWh), carbon emissions reduction (tCO₂e), water consumption reduction (m³), number of beneficiaries and number of employment opportunities created. Please refer to Appendix 1: Sustainability Bond or Sustainability Bond Programme External Review Form for the complete list of environmental and social impact indicators.
 - Based on NWD's commitment to allocation and impact reporting on an annual basis, Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2021

Sustainalytics has determined that the New World Development Sustainable Finance Framework aligns with the four core components of the GBP, SBP, GLP and SLP. For detailed information please refer to Appendix 1: Sustainability Bond or Sustainability Bond Programme External Review Form.

Section 2: Sustainability Strategy of NWD

Contribution of Framework to NWD's sustainability strategy

Sustainalytics is of the opinion that NWD demonstrates a commitment to sustainability through its New World Sustainability Vision 2030 (SV2030).²² The Company undertakes various environmental and social initiatives within the SV2030 pillars of Green, Caring, Wellness and Smart. The below section focuses on the initiatives, targets and progress achieved under the Green and Caring pillars and how the Company's sustainability strategy aligns with the issuance of green, social and sustainability bonds.

²² NWD, "Sustainability Vision 2030", at: <https://sustainability.nwd.com.hk/sustainability-vision-2030/>

Under the Green pillar, NWD strives to reduce its adverse environmental impact, achieve operational resource efficiency, and mitigate and adapt to climate change impacts. To further support these objectives, the Company set forth several environmental targets, including: (i) achieving 50% reduction in energy and carbon intensity by 2030 against the 2015 baseline across its business properties, and (ii) reducing waste-to-landfill and waste intensity by 15% and 25% respectively by 2030 against the 2015 baseline across its construction business.²³ NWD further reports on its progress on these environmental targets in its 2021 Corporate Sustainability Report.²⁴ Some of the progress made in 2021 against the 2015 baseline include: (i) a 20% reduction in energy intensity and 33% reduction in carbon intensity, (ii) a 30% reduction in water intensity and (iii) a 59% reduction in waste to landfill intensity. To further support its environmental commitments, NWD pledged to disclose climate risks and opportunities in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures in 2020.²⁵ In 2021, the Company announced the commitment to use 100% renewable energy for all rental properties in the Greater Bay Area by the end of FY 2025-26 and in Greater China by the end of FY2030-31, through onsite renewables, power-purchase agreements and the purchase of renewable energy certificates. By 2023, NWD intends to establish the Science-Based Targets for 2030 in line with limiting global warming to 1.5°C for its core businesses of buildings and construction. Overall, these targets and commitments contribute to NWD's long-term ambition of achieving carbon neutrality in scope 1, 2 and 3 GHG emissions by 2050.²⁶

Under the Caring pillar, NWD strives to create shared value and social benefits for communities through supporting various programmes and initiatives.²⁷ In 2021, NWD founded a social housing enterprise that aims to address Hong Kong's housing problem and the issue of affordability through research and pilot programmes. Additionally, the Company recently announced the commitment to work with NGOs and relevant government departments to develop transitional homes for the underprivileged. Under this commitment, four projects are underway, which are expected to create over 2,000 units of social housing. Furthermore, NWD founded New World Springboard, a programme aimed at improving the social mobility of under-resourced communities through sports training, career planning and life skills coaching. Since the establishment of the programme in 2012, the cumulative number of beneficiaries have reached 4,200 as of FY2021.

Based on the above context, Sustainalytics is of the opinion that the New World Development Sustainable Finance Framework is aligned with the Company's overall sustainability strategy and initiatives and will further the Company's action on its key environmental and social priorities.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards eligible projects, which are expected to have positive environmental and social impact. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects could include issues involving land use and biodiversity associated with large-scale infrastructure development, effluents and waste generated in construction, occupational health and safety, human rights as well as community relations.

Sustainalytics is of the opinion that NWD can manage and mitigate potential risks through the implementation of the following:

- Regarding land use and biodiversity risks associated with large-scale infrastructure, NWD has established the Sustainable Building Policy under which the Company is required to consider environmental factors during the design, construction and operation phases of buildings. This includes land contamination and biodiversity issues, pollution prevention and the use of sustainable construction materials.²⁸ Furthermore, the Company's Biodiversity Policy requires all business units to: (i) avoid developments in designated World Heritage areas and the International Union for Conservation of Nature Category I-IV protected areas, (ii) adopt sustainably sourced and certified materials where applicable, (iii) minimize habitat disturbance and degradation, and (iv) conduct sustainable site selection processes.²⁹

²³ NWD, "Green. Moving us towards a greener future", at: <https://sustainability.nwd.com.hk/sv2030/green/>

²⁴ NWD, "Annual Report 2021 – Corporate Sustainability", p. 40, at: https://sustainability.nwd.com.hk/wp-content/uploads/2021/10/NWD-AR21-ESG_EN.pdf

²⁵ NWD, "Taking Action on Climate Change", at: <https://sustainability.nwd.com.hk/highlight/taking-action-on-climate-change/>

²⁶ Ibid.

²⁷ NWD, "Creating Value for our Communities and Stakeholder", at: <https://sustainability.nwd.com.hk/highlight/creating-value-for-our-community-and-stakeholders/>

²⁸ NWD, "Sustainable Building Policy", at: https://sustainability.nwd.com.hk/wp-content/uploads/2021/09/Sustainable_Building_Policy_EN.pdf

²⁹ NWD, "Biodiversity Policy", at: https://sustainability.nwd.com.hk/wp-content/uploads/2020/10/Biodiversity_Policy_EN.pdf

- To manage effluents and waste generated in construction, NWD's Waste Management Policy requires all business units to: (i) identify significant waste disposal from business activities and set targets to continuously improve on the Company's waste management performance, (ii) ensure adequate information and resources are available to develop and improve waste management performance, and (iii) engage with employees, suppliers, contractors and tenants to minimize waste generation through guidelines, training and programmes.³⁰
- To manage and mitigate occupational health and safety risks, NWD has established the Health and Safety Policy under which the Company is committed to: (i) providing employees and contractors with guidance and training on health and safety, (ii) taking a proactive and transparent approach to reporting and investigating workplace incidents, (iii) regularly assessing the health and safety performance of property managers, construction contractors and suppliers, and (iv) striving for zero fatality or maintaining an annual lost-time injury rate at or below 3.0 per 100 employees.³¹
- NWD's approach towards Human Rights is guided by several international regulations including the Universal Declaration of Human Rights,³² the International Labour Organizations' Declaration on Fundamental Principles and Rights at Work,³³ the United Nations Global Compact's principles on Human Rights³⁴ and the United Nations Guiding Principles of Business and Human Rights.³⁵ In more detail, the policy requires the Company to: (i) ensure equal opportunities and inclusion of all individuals regardless of gender, disability, family status and race, (ii) promote a healthy and safe workplace culture, and (iii) have zero tolerance for illegal labour and human trafficking.³⁶
- To manage community relations risks, NWD conducts internal and external stakeholder engagement to strengthen its ESG governance. The Company employs various communication channels including surveys, interviews, focus groups, meetings and forums to engage with multiple stakeholder groups, such as employees, customers, tenants, suppliers, NGO partners and local communities.³⁷ Additionally, the Company implements local community consultation processes before and during the design and development stages of large-scale infrastructure projects.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that NWD has implemented adequate measures and is well-positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All 10 use of proceeds categories are aligned with those recognized by GBP, SBP, GLP and SLP. Sustainalytics has focused below on those whose impact is specifically relevant in the local context.

Importance of green buildings and energy efficiency in Hong Kong for achieving carbon neutrality

In Hong Kong, buildings account for 90% of the total electricity consumption and contribute to 60% of total GHG emissions each year,³⁸ highlighting the critical need to enhance the energy performance of buildings. Hong Kong has committed to achieve carbon neutrality by 2050.³⁹ The government of Hong Kong's Climate Action Plan 2050 has identified green buildings as a key pillar for decarbonization and committed to reduce the electricity consumption of commercial and residential buildings by 40% and 30% respectively from 2015 levels by 2050, with an interim goal of achieving half of these targets by 2035.⁴⁰ To achieve these targets, the government has pledged to lead and coordinate efforts in integrating energy efficient facilities in the development of buildings and infrastructures.⁴¹ The annual percentage of private sector projects joining

³⁰ NWD, "Waste Management Policy", at: https://sustainability.nwd.com.hk/wp-content/uploads/2020/10/Waste_Management_Policy_EN.pdf

³¹ NWD, "Health and Safety Policy", at: https://sustainability.nwd.com.hk/wp-content/uploads/2021/09/Health_and_Safety_Policy_EN.pdf

³² United Nations, "Universal Declaration of Human Rights", at: <https://www.un.org/en/about-us/universal-declaration-of-human-rights>

³³ International Labour Organization, "ILO Declaration on Fundamental Principles and Rights at Work", at: <https://www.ilo.org/declaration/lang-en/index.htm>

³⁴ United Nations, "The Ten Principles of the UN Global Compact", at: <https://www.unglobalcompact.org/what-is-gc/mission/principles>

³⁵ United Nations Office of the High Commissioner for Human Rights, "Guiding Principles for Business and Human Rights", at: https://www.ohchr.org/documents/publications/guidingprinciplesbusinesshr_en.pdf

³⁶ NWD, "Human Rights Policy", at: https://sustainability.nwd.com.hk/wp-content/uploads/2021/09/Human_Rights_Policy_EN.pdf

³⁷ NWD, "Annual Report 2021 – Corporate Sustainability", p. 46, at: https://sustainability.nwd.com.hk/wp-content/uploads/2021/10/NWD-AR21-ESG_EN.pdf

³⁸ AHK, "Building Energy Efficiency: The Key to a Green City", (2020), at: <https://hongkong.ahk.de/news/news-details/building-energy-efficiency-the-key-to-a-green-city>

³⁹ Hong Kong Environmental Protection Department, "Hong Kong's CLIMATE ACTION PLAN 2050", (2021), at: https://www.climate-ready.gov.hk/files/pdf/CAP2050_booklet_en.pdf

⁴⁰ Ibid.

⁴¹ Ibid.

BEAM Plus, Hong Kong's green building assessment scheme, has reached nearly 50%,⁴² indicating progress in local green building certifications.

Based on the above context, Sustainalytics is of the opinion that NWD's investments in green buildings are expected to enhance energy and resource efficiency in Hong Kong's building sector and contribute to the carbon neutrality goals.

Importance of affordable housing in Hong Kong

Hong Kong consistently ranked as the world's least affordable housing market in the past decade.⁴³ In Hong Kong, median income households spend approximately 20 years of their earnings to buy a 60 m² flat at an average cost of USD 1.24 million.⁴⁴ Renting is an equally expensive option, resulting in high demand for subdivided units (SDUs) within a converted flat, which are cramped living spaces with an average size of only 11 m².⁴⁵ As of 2016, nearly 200,000 people lived in SDUs, subject to exploitation in the absence of rent control and tenancy security protection.⁴⁶ Many buildings are being illegally converted into SDUs, violating hygiene and fire safety codes, as well as resulting in numerous fatal fire incidents.⁴⁷ Furthermore, Hong Kong's homeless population increased by 22% between 2019 to 2020, reaching over 1,400 people, who cannot afford the cheapest SDUs in the market.⁴⁸

To address the chronic shortage in affordable housing, the Hong Kong government announced in 2021 that it would construct 330,000 public housing units over the next decade and provide rental housing to the low-income families who cannot afford private rental accommodations.^{49,50} As of June 2021, there were over 153,600 general applications for the public housing, with an average waiting time of approximately six years between application and allocation.⁵¹ Thus, increasing the public housing supply remains the fundamental solution to shortening the average waiting time.

Given the above context, Sustainalytics is of the opinion that affordable housing projects financed under the Framework are impactful and could help increase the number of affordable housing units available to low-income populations and contribute to tackling Hong Kong's affordable housing problem.

Alignment with and contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by the year 2030. The bonds issued under the New World Development Sustainable Finance Framework are expected to help advance the following SDGs and targets.

Use of Proceeds Category	SDG	SDG target
Green Buildings Green Landscapes	11. Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
Energy Efficiency and Renewable Energy	7. Affordable and clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix 7.3 By 2030, double the global rate of improvement in energy efficiency

⁴² HKGBC, "Hong Kong: Green Buildings in Action", (2021), at: https://www.hkgbc.org.hk/eng/resources/publications/HKGBC-Publication/Reports/green-building-in-action/images/Green_Building_in_Action_2019ENG.pdf

⁴³ Forbes, "China Now Has An Answer To Its Housing Crisis -It's Called Rent", at: <https://www.forbes.com/sites/wadeshepard/2019/10/29/china-now-has-an-answer-to-its-housing-crisisits-called-rent/?sh=4971e90b1a60>

⁴⁴ East Asia Forum, "Solving Hong Kong's housing affordability problem" (2020) at: <https://www.eastasiaforum.org/2020/05/01/solving-hong-kongs-housing-affordability-problem/>

⁴⁵ Ibid.

⁴⁶ CAN, "Commentary: Too many Hong Kong residents want affordable housing but there are too few flats", at:

<https://www.channelnewsasia.com/commentary/hong-kong-affordable-housing-lantau-vision-tomorrow-carrie-lam-935566>

⁴⁷ Ibid.

⁴⁸ Impact HK, "Homelessness in Hong Kong", at <https://impacthk.org/about/homelessness-in-hk/>

⁴⁹ Hong Kong Housing Authority, "Special Analysis of the Situation of Housing General Applicants for Public Rental Housing as at end-June 2021", (2021), at <https://www.housingauthority.gov.hk/en/flat-application/allocation-status/index.html>

⁵⁰ Ibid.

⁵¹ Ibid.

Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Water Management	6. Clean Water and Sanitation	6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity
Circular Economy and Waste Management	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.
Climate Change Adaptation	11. Sustainable Cities and Communities	11.b By 2020, substantially increase the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, resilience to disasters, and develop and implement, in line with the Sendai Framework for Disaster Risk Reduction 2015-2030, holistic disaster risk management at all levels.
Access to Basic Infrastructure and Essential Services	3. Good Health and Wellbeing 4. Quality Education	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential healthcare services and access to safe, effective, quality and affordable essential medicines and vaccines for all 4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship
Affordable Housing	11. Sustainable Cities and Communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
Socioeconomic Advancement and Employment Generation	8. Decent Work and Economic Growth 10. Reduced inequalities	8.6 By 2020, substantially reduce the proportion of youth not in employment, education or training. 10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.

Conclusion

NWD has developed the New World Development Sustainable Finance Framework under which it may issue sustainability bonds and/or loans and use the proceeds to finance green and social projects in the following categories: Green Buildings, Green Landscapes, Energy Efficiency and Renewable Energy, Clean Transportation, Water Management, Circular Economy and Waste Management, Climate Change Adaptation, Access to Basic Infrastructure and Essential Services, Affordable Housing, Socio-economic Advancement and Employment Generation. Sustainalytics considers that the projects funded by the sustainability bond proceeds are expected to provide positive environmental and social impact.

The New World Development Sustainable Finance Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that New World Development Sustainable Finance Framework is aligned with the overall sustainability strategy of the company and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 3, 4, 6, 7, 8, 10, 11 and 12. Additionally, Sustainalytics is of the opinion that NWD has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the proceeds.

Based on the above, Sustainalytics is confident that New World Development Company Limited is well-positioned to issue sustainability bonds and that that New World Development Sustainable Finance Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles (2021), Social Bond Principles (2021), Green Loan Principles (2021) and Social Loan Principles (2021).

Appendix

Appendix 1: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	New World Development Company Limited
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	New World Development Sustainable Finance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	May 25, 2022

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP and SBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (if applicable):

The eligible categories for the use of proceeds – Green Buildings, Green Landscapes, Energy Efficiency and Renewable Energy, Clean Transportation, Water Management, Circular Economy and Waste Management, Climate Change Adaptation, Access to Basic Infrastructure and Essential Services, Affordable Housing, Socio-economic Advancement and Employment Generation – are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Green Loan Principles and Social Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDG 3, 4, 6, 7, 8, 10, 11 and 12.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input checked="" type="checkbox"/> Climate change adaptation |
| <input checked="" type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input checked="" type="checkbox"/> Other (please specify): Green Landscapes |

If applicable please specify the environmental taxonomy, if other than GBPs:

Use of proceeds categories as per SBP:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Affordable basic infrastructure | <input checked="" type="checkbox"/> Access to essential services |
| <input checked="" type="checkbox"/> Affordable housing | <input checked="" type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input checked="" type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input type="checkbox"/> Other (please specify): |

If applicable please specify the social taxonomy, if other than SBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

New World Development Company Limited will establish a Sustainable Finance Review Panel that will be responsible for evaluating and selecting eligible assets. The Panel consists of senior representatives from various departments, including finance and accounts, group audit and management services, sustainability, and relevant departments selected on a project-by-project basis to select eligible assets. The CFO or CEO and chairperson of the Group Sustainability Steering Committee will provide final approval for eligible assets in line with the eligibility criteria under the Framework. New World Development Company Limited's environmental and social risk management systems are applicable for all allocation decisions under the Framework. Sustainalytics considers the risk management systems to be adequate and the project selection process to be in line with market practice.

Evaluation and selection

- | | |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- | | |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

New World Development Company Limited's Finance team will oversee the management of proceeds and will track the proceeds via a register. New World Development Company Limited's Finance commits to fully allocate net proceeds within 24 months of issuance. Pending allocation, unallocated proceeds will temporarily be held in cash instruments. This is in line with market practice.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (please specify): |

Additional disclosure:

- | | |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
|---|---|

- | | |
|---|---|
| <input type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify): |

4. REPORTING

Overall comment on section (if applicable):

New World Development Company Limited intends to report on allocation of proceeds on its website or annual report, on an annual basis, until full allocation. Allocation reporting will include information on the details of eligible projects and their allocated amounts and balance of unallocated proceeds. In addition, New World Development Company Limited is committed to reporting on relevant impact metrics. Sustainalytics views New World Development Company Limited's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Sustainability Bond financed share of total investment |
| <input type="checkbox"/> Other (please specify): | |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Impact reporting:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported (expected or ex-post):

- | | |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| <input checked="" type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Number of beneficiaries |
| <input type="checkbox"/> Target populations | <input checked="" type="checkbox"/> Other ESG indicators (please specify): Green Building and Landscape certification scheme and level achieved, amount of waste reduced or diverted from landfill (tonnes), number of employment opportunities |

created, number of facilities built

Frequency:

- Annual Semi-annual
 Other (please specify):

Means of Disclosure

- Information published in financial report Information published in sustainability report
 Information published in ad hoc documents Other (please specify): Issuer's corporate website or annual report
 Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): Project eligibility and use of proceeds

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- Consultancy (incl. 2nd opinion) Certification
 Verification / Audit Rating
 Other (please specify):

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP

- i. Second-Party Opinion: An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of

funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.

- iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green, Social and Sustainability Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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