

Second-Party Opinion

# China Minsheng Banking Corp., Ltd., Hong Kong Branch Green Finance Framework



## Evaluation Summary

Sustainalytics is of the opinion that the China Minsheng Banking Corp., Ltd., Hong Kong Branch (CMBC Hong Kong) Green Finance Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021 and the Green Loan Principles 2021. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds – Renewable Energy, Energy Efficiency, Green Buildings, Sustainable Water and Wastewater Management, Pollution Prevention and Control, and Clean Transportation – are aligned with those recognized by the Green Bond Principles and the Green Loan Principles. Sustainalytics considers that investments in the eligible categories are expected to reduce GHG emissions, limit pollution and generate environmental benefits in Hong Kong and mainland China and advance the UN Sustainable Development Goals, specifically SDGs 7, 11 and 12.



**PROJECT EVALUATION / SELECTION** CMBC Hong Kong's Green Finance Working Group (GFWG) will be responsible for the selection and evaluation of eligible green projects. CMBC Hong Kong will follow the environmental and social risk assessment criteria and relevant compliance requirements by China Minsheng Banking Corp., Ltd., (CMBC) to identify, evaluate and manage environmental and social risks associated with eligible projects. Sustainalytics considers the risk management processes to be adequate and the project selection process to be in line with market practice.



**MANAGEMENT OF PROCEEDS** CMBC Hong Kong's Asset and Liability Management Department will be responsible for managing net proceeds issued under the Framework, with proceeds deposited in the CMBC Hong Kong's general funding accounts. CMBC Hong Kong will maintain a Green Finance Register to monitor and track the allocation of proceeds into eligible projects. Pending full allocation, unallocated proceeds will be temporarily managed according to CMBC's standard liquidity policy in cash or cash equivalents. This is in line with market practice.



**REPORTING** CMBC Hong Kong commits to report on the allocation and impact of proceeds in a standalone report or on its website on an annual basis until full allocation of the proceeds. Allocation reporting will include the list of eligible green projects, the amount of proceeds allocated to each eligible green project category, share of financing versus refinancing, selected examples of projects financed, amount of unallocated proceeds and when possible, descriptions of the eligible green projects financed, such as project locations, amounts allocated, etc. CMBC Hong Kong is committed to reporting on relevant impact metrics on a best-effort basis and subject to data availability and confidentiality. Sustainalytics considers CMBC Hong Kong's allocation and impact reporting to be aligned with market practice.

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**Evaluation date** July 21, 2022

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**Issuer Location** Hong Kong,  
China

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**For inquiries, contact the Sustainalytics Finance Solutions project team:**

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**Mahesh Krishnamoorthy (Mumbai)**  
Project Manager  
mahesh.krishnamoorthy@sustainalytics.com

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**Zhenyi LV (Shanghai)**  
Project Support

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**Winnie So (Hong Kong)**  
Project Support

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**Kenny Yeung (Hong Kong)**  
Project Support

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**Zoe Cai (Shanghai)**  
Client Relations  
susfinance.apac@sustainalytics.com  
(+852) 3008 2391

## Introduction

China Minsheng Banking Corp., Ltd. (“CMBC”), established in Beijing in 1996, is China’s first national joint-stock commercial bank to be owned mainly by non-state-owned enterprises. China Minsheng Bank Corp. Ltd., Hong Kong Branch (“CMBC Hong Kong” or the “Branch”) was set up in Hong Kong in March 2012. The Hong Kong Branch has four key business segments including private banking, corporate banking, financial markets and wealth management. CMBC currently has more than 57,000 employees.

CMBC Hong Kong has developed the China Minsheng Banking Corp., Ltd., Hong Kong Branch Green Finance Framework (the “Framework”) under which it intends to issue green bonds and loans, including private placements to finance or refinance, in whole or in part, existing or future projects that are expected to reduce GHG emissions, limit pollution and generate environmental benefits in Hong Kong and mainland China. The Framework defines eligibility criteria in six areas:

1. Renewable Energy
2. Energy Efficiency
3. Green Buildings
4. Sustainable Water and Wastewater Management
5. Pollution Prevention & Control
6. Clean Transportation

CMBC Hong Kong engaged Sustainalytics to review the China Minsheng Banking Corp., Ltd., Hong Kong Branch Green Finance Framework, dated July 2022, and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP)<sup>1</sup> and the Green Loan Principles 2021 (GLP).<sup>2</sup> This Framework has been published in a separate document.<sup>3</sup>

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>4</sup> 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 Green Bond Principles 2021, as administered by ICMA, and the Green Loan Principles 2021, as administered by LMA, APLMA and LSTA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- 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 CMBC Hong Kong’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as the management of proceeds and reporting aspects of the Framework. CMBC Hong Kong representatives have confirmed (1) they understand it is the sole responsibility of CMBC Hong Kong to ensure that the information provided is complete, accurate and up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

<sup>1</sup> The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

<sup>2</sup> The Green 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/>.

<sup>3</sup> The China Minsheng Banking Corp., Ltd., Hong Kong Branch Green Finance Framework is available on China Minsheng Banking Corp., Ltd., Hong Kong Branch’s website at: <https://hk.cmbc.com.cn/>

<sup>4</sup> 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.

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 CMBC Hong Kong.

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. Upon twenty-four (24) months following the evaluation date set stated herein, CMBC Hong Kong is encouraged to update the Framework, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

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 CMBC Hong Kong has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the China Minsheng Banking Corp., Ltd., Hong Kong Branch Green Finance Framework

Sustainalytics is of the opinion that the China Minsheng Banking Corp., Ltd., Hong Kong Branch Green Finance Framework is credible and impactful, and aligns with the four core components of the GBP and GLP. Sustainalytics highlights the following elements of CMBC Hong Kong's Green Finance Framework:

- Use of Proceeds:
  - The eligible categories – Renewable Energy, Energy Efficiency, Green Buildings, Sustainable Water and Wastewater Management, Pollution Prevention and Control, and Clean Transportation – are aligned with those recognized by the GBP and GLP. Sustainalytics considers that the eligible categories are expected to reduce GHG emissions, limit pollution and generate environmental benefits in Hong Kong and mainland China.
  - CMBC Hong Kong has established a three-year look-back period for its refinancing activities. Sustainalytics views this to be in line with market practices.
  - Under the Framework, the Branch intends to use part of the proceeds for project-based lending and part for general purpose loans for pure play businesses that derive at least 90% of their revenue from activities identified in the eligible categories. Sustainalytics recognizes that the GBP prefer project-based lending and financing and that there is, in general, less transparency with non-project-based lending. Nevertheless, Sustainalytics notes that the financing of pure-play companies with a robust revenue threshold is a commonly accepted practice that can generate a positive impact.
  - Under the Renewable Energy category, CMBC Hong Kong may finance or refinance the generation, manufacture of dedicated components, infrastructure maintenance and upgrade, transmission and battery storage of energy from solar, onshore and offshore wind and hydropower. Sustainalytics considers CMBC Hong Kong's investments in renewable energy to be aligned with market practice, noting the following:
    - For concentrated solar power, a minimum of 85% of power generation will be derived from solar sources, with the fossil fuel back up not exceeding 15%.
    - Onshore wind energy infrastructure; and offshore wind infrastructure. For offshore wind infrastructure, CMBC Hong Kong includes a requirement on fossil fuel back up,

- limiting it to power monitoring, operating and maintenance equipment, protection measures and restart capabilities.
- Hydropower projects<sup>5</sup> with power density above 5W/m<sup>2</sup> or GHG emissions below 100gCO<sub>2</sub>e/kWh. CMBC Hong Kong has confirmed to Sustainalytics that an environmental and social impact assessment will be conducted for all projects and only projects with no significant risks, major controversies or expected negative impacts will be eligible. Sustainalytics notes that CMBC Hong Kong has defined the estimated reservoir emission intensity threshold at below 100 gCO<sub>2</sub>e/kWh<sup>6</sup>. However, considering the longevity of hydropower assets, newly constructed facilities effectively lock in energy generation for a very extended period, favouring lower thresholds for new facilities. Sustainalytics encourages CMBC Hong Kong to favour projects with emission intensities below the 50 gCO<sub>2</sub>e/kWh threshold.
  - Transmission projects may include dedicated transmission lines for renewable energy, and construction and maintenance of electric grids that integrate at least 90% renewable electricity.
- Within the Energy Efficiency category, CMBC Hong Kong may finance or refinance the following:
    - Manufacturing and research and development (R&D) expenditure of projects that increase energy efficiency by at least 20% by reducing energy consumption.
    - Projects related to energy delivery such as smart grids with smart meters.
    - Manufacturing and R&D expenditure of projects or products that obtain European Union (EU) Energy Label (B or above) certifications. CMBC Hong Kong confirmed to Sustainalytics that any financing of energy efficient household appliances will be limited to those with eligible EU Energy Labels. Sustainalytics also notes that CMBC Hong Kong's reliance on EU energy labels to define eligibility in this category and committed to comply with EU Do No Significant Harm (DNSH) criteria is consistent with the EU Taxonomy Climate Delegated Act.
    - CMBC Hong Kong may also finance or refinance the R&D expenditure for projects or products that may achieve China Energy Label (level 1 or above) certification.
    - Sustainalytics views the inclusion of a defined energy efficiency threshold for the installation of energy-efficient systems, equipment, and technologies positively.
  - Under the Green Building category, CMBC Hong Kong may finance or refinance the acquisition, development and construction, and refurbishment of new or existing commercial or residential buildings that have received, or are expected to receive certification according to third-party verified green building standards: China Green Building Evaluation Label (2 Stars or above)<sup>7</sup>, LEED (Gold or above),<sup>8</sup> BEAM Plus (Gold or above),<sup>9</sup> BREEAM (Excellent or above)<sup>10</sup> and BCA Green Mark (Gold Plus or above for new construction and Gold or above for building stock already in operation and specifically aiming for re-certification).<sup>11</sup>
    - The Branch has confirmed that it will only finance refurbishment of existing buildings that do not have any green building certification and such refurbishment activities will result in achieving one of the abovementioned green building certification levels under the Framework.
  - Under the Sustainable Water and Wastewater Management category, CMBC Hong Kong may finance or refinance projects related to construction, operation, maintenance or upgrades of water collection, treatment, distribution, recycling technologies and related infrastructures such as water/rainwater collection pipes and facilities, water and wastewater treatment plant, and sewer systems and pumping stations. In addition, Sustainalytics notes the Branch's commitment to exclude projects reliant on fossil fuels and the treatment of wastewater from

<sup>5</sup> May include new hydropower projects that are constructed after 2019.

<sup>6</sup> This threshold is aligned with EU Taxonomy.

<sup>7</sup> China Green Building Evaluation Label, at: <http://www.gbig.org/collections/14970>

<sup>8</sup> LEED, "LEED Rating System", at: <https://www.usgbc.org/leed>

<sup>9</sup> BEAM Plus, "BEAM Plus New Buildings", at: <https://www.hkgbc.org.hk/eng/beam-plus/beam-plus-new-buildings/>

<sup>10</sup> BREEAM, "Scoring and Rating BREEAM assessed buildings", at:

[https://www.breem.com/BREEAM2011SchemeDocument/Content/03\\_ScoringRating/scoring.htm](https://www.breem.com/BREEAM2011SchemeDocument/Content/03_ScoringRating/scoring.htm)

<sup>11</sup> BCA, Information on Construction Quality (IQUAS): <https://www.bca.gov.sg/Professionals/IQUAS/IQUAS/default.aspx>

fossil fuel-powered operations and therefore considers the criteria to be aligned with market practice.

- The Branch may also finance urban drainage systems and other forms of flood mitigation. CMBC Hong Kong confirmed that all eligible flood mitigation projects will be subject to environmental impact assessments prior to commencement. In addition, CMBC Hong Kong has confirmed with Sustainalytics that currently there is no official policy for conducting a climate risk assessment on flood mitigation projects and the Branch will formalize the assessment policy in the future. Noting that it is market practice to support the argument of such projects with vulnerability assessments of potential climate risks and have in place adequate response plans, Sustainalytics encourages CMBC Hong Kong to implement the climate risk assessments to demonstrate the expected environmental benefits of such projects.
  - Under the Pollution Prevention and Control category, CMBC Hong Kong may finance or refinance projects related to construction, operation, upgrades and renovation of facilities for processing and conversion and treatment of waste<sup>12</sup>. The type of wastes includes municipal solid waste, kitchen waste, construction waste and sewage. Potential projects may include waste sorting, separation and material recovery, recycling<sup>13</sup> and reuse<sup>14,15</sup>, and emission-efficient waste to energy projects<sup>16</sup>. Sustainalytics view this as aligned with market practice.
  - Under the Clean Transportation category, CMBC Hong Kong may finance or refinance projects related to the construction, development, operation, expansion, maintenance and upgrade of electrified rail transit systems, including the manufacture, purchase and maintenance of electrified rolling stock, such as locomotives, wagons and coaches. Expenditures may also include the construction of associated infrastructure, such as railway lines, tracks, tunnels, train stations, signalling equipment, network interfaces and ground preparation. Sustainalytics notes a limitation in underground tunnels related projects which may not deliver the intended environmental benefits and may require a significant allocation of proceeds. Sustainalytics encourages CMBC Hong Kong to measure the impact that the proposed infrastructure investments have on public transit use so that environmental benefits in the form of reduced transportation emissions can be quantified. CMBC Hong Kong has confirmed that all ancillary expenses will be associated with electric transit systems and will exclude the projects that either use or promote the use of fossil fuel or nuclear energy. Sustainalytics view this as aligned with market practice.
  - CMBC Hong Kong commits to exclude financing or refinancing of activities related to the production or trade of any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or that is subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone-depleting substances, PCB's, wildlife or products regulated under CITES, the production or trade in weapons and munitions, the production or trade in alcoholic beverages (excluding beer and wine), the production or trade in tobacco, gambling, casinos and equivalent enterprises, the production, generation or trade in fossil fuel, and the production of or activities involving harmful or exploitative forms of forced labour or child labour. Sustainalytics views the exclusion of these activities as positive, as they strengthen the Framework.
- Project Evaluation and Selection:
  - CMBC Hong Kong has established a Green Finance Working Group (the "GFWG") which is composed of representatives from the following departments: General Administration Department, Asset and Liability Management Department, Risk Management Department, Corporate Business Management Department, Debt Capital Markets Department, Legal and Compliance Department and Finance Department. The GFWG will be responsible for the selection and evaluation of eligible green projects.

<sup>12</sup> Treatment of waste refers to the treatment of waste only for recycling or reuse purposes as well as for emission-efficient waste to energy. Also, the branch commits to exclude the treatment of wastewater from fossil fuel-powered operations

<sup>13</sup> CMBC Hong Kong has confirmed with Sustainalytics that chemical recycling of plastic will be excluded from the recycling activity.

<sup>14</sup> CMBC Hong Kong has confirmed with Sustainalytics that it will only finance reuse related projects which does not involve any further pre-processing.

<sup>15</sup> CMBC Hong Kong has confirmed with Sustainalytics that both recycling and reuse related activities will support waste sorting as well.

<sup>16</sup> CMBC Hong Kong has confirmed with Sustainalytics that for mixed residual waste to be transferred to waste to energy facility, it will ensure segregation of recyclables including plastics and metals from the feedstock.

- CMBC Hong Kong will follow the environmental and social risk assessment criteria and relevant compliance requirements by CMBC to identify, evaluate and manage the environmental and social risks associated with eligible projects. Sustainalytics considers these environmental and social risk management systems to be adequate and aligned with market expectations. For additional detail see Section 2.
- 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:
  - The Asset and Liability Management Team will be responsible for managing the net proceeds issued under the Framework, with proceeds deposited in the CMBC Hong Kong's general funding accounts. CMBC Hong Kong will maintain a Green Finance Register to monitor and track the allocation of proceeds into eligible projects.
  - CMBC Hong Kong commits to fully allocating net proceeds within two years of issuance. Pending full allocation, unallocated proceeds will be temporarily managed according to CMBC's standard liquidity policy in cash or cash equivalents.
  - Based on the established Green Finance Register and disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
  - CMBC Hong Kong commits to report on the allocation and impact of proceeds in a standalone report or on its website on an annual basis until full allocation of the proceeds. Allocation reporting will include the list of eligible green projects, the amount of proceeds allocated to each eligible green project category, a breakdown of the amount of proceeds allocated to financing versus refinancing, the share of financing versus refinancing of selected examples of projects financed, the amount of unallocated proceeds and when possible, descriptions of the eligible green projects financed, such as project locations, amounts allocated, etc.
  - In addition, CMBC Hong Kong is committed to reporting on relevant impact metrics on a best-effort basis and subject to data availability and confidentiality. Impact metrics may include information such as annual renewable energy generation, annual GHG emissions avoidance, annual energy savings, energy efficiency gains versus baseline building, annual reduction in water use and waste reduction. For a complete list of the impact indicators, please refer to Appendix 1.
  - Based on the Branch's commitment to both allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

### **Alignment with Green Bond Principles 2021 and Green Loan Principles 2021**

Sustainalytics has determined that the China Minsheng Banking Corp., Ltd., Hong Kong Branch Green Finance Framework aligns with the four core components of the GBP and GLP. For detailed information please refer to Appendix 1: Green Bond/Green Loan Programme External Review Form.

## **Section 2: Sustainability Strategy of CMBC Hong Kong**

### **Contribution of framework to China Minsheng Banking Corp., Ltd., Hong Kong Branch's sustainability strategy**

As a local branch of China Minsheng Bank, CMBC Hong Kong complies with the Bank's ESG policies and systems. Sustainalytics notes the Bank's strategy in this section.

CMBC's environmental efforts are focused on encouraging green finance and supporting China's goal of reaching a carbon emissions peak in 2030 and then carbon neutrality in 2060 ("Double Carbon"). CMBC's Five-Year Development Plan for Green Finance of China Minsheng Bank (2021-2025)<sup>17</sup> focuses on energy savings, emission reduction, clean energy, low carbon technology and green living with an annual strategic support plan for the "Double Carbon" target to increase the amount of green financing with a focus on clean energy. To further its commitment to green financing, CMBC has launched various green financing products towards building a sustainable supply chain, and the transition to low-carbon operation and living. In particular, the Bank has launched green bonds and loans such as the photovoltaic loans that support low-carbon transformation of enterprises and farmers. By the end of 2021, CMBC's green credit balance had doubled when compared to the beginning of the year. To further support the Double Carbon target through green financing, CMBC has developed the Minsheng Bank ESG Index Series which collects enterprises and assets

<sup>17</sup> CMBC has provided the Five-Year Development Plan for Green Finance of China Minsheng Bank (2021-2025) for Sustainalytics review.

with high ESG scores in multiple countries. The index helps investors to screen and invest in enterprises that are more environmentally and socially conscious.<sup>18</sup>

In addition, the Bank has implemented resource conservation and environmental protection in its own operations by limiting paper usage and business travel through building smart operating platforms and expanding online services as well as centralized operation to reduce customer visits. The Bank also practices green procurement by prioritizing the purchase of energy efficient and environmentally friendly products. CMBC aims to achieve Energy Management System Certification by end of 2022.<sup>19</sup>

Sustainalytics is of the opinion that the China Minsheng Banking Corp., Ltd., Hong Kong Branch Green Finance Framework is aligned with the Bank's overall sustainability strategy and initiatives and that it will further the Company's action on its key environmental priorities.

#### **Approach to managing environmental and social risks associated with the projects**

While Sustainalytics recognizes that the net proceeds from the bond and loan issued under the Framework will be directed towards eligible projects that are expected to have a positive environmental impact, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects could include occupational health and safety, land use and biodiversity issues associated with large-scale infrastructure development, emissions, effluents, and waste generated in construction.

Sustainalytics is of the opinion that CMBC Hong Kong can manage and/or mitigate potential risks through implementation of the following:<sup>20</sup>

- CMBC has established a risk control process through its ESG risk information collection mechanism, which has environmental and social risk supervision requirements at various stages of investment, including due diligence, compliance review, credit approval, contract management, fund disbursement and post-loan management. The Bank will verify and investigate projects with environmental and social risks for environmental assessments, such as energy conservation assessments, environmental impact assessment results, feasibility study reports, land use approval, project establishment and letters of opinion on the safety review of hazardous chemicals construction projects.
- The Bank has formulated an employee health and safety management system to protect employees from occupational and health risks, including rules for employee management to provide working protection, working conditions and occupational hazard protection with compliance processes.
- According to China's Environmental Impact Assessment Act<sup>21</sup>, companies must perform an environmental risk assessment for all construction, reconstruction, expansion or refurbishment projects during the initial phase of project design and feasibility analysis. The same Chinese law also mandates that companies undergo an independent and certified environmental impact assessment by an external agency to avoid a potential conflict of interest, including the interest of local communities.
- For biodiversity risks, the Bank has established biodiversity risk prevention and control mechanisms at the industry, regional and project levels. The Bank is committed to identifying and assessing ecological impacts from investments and taking relevant risk mitigation measures and governance structures into consideration when investing.
- The Bank also ensures that all its operations adhere to national environmental protection laws, such as the Environmental Protection Law of the People's Republic of China and the Energy Conservation Law of the People's Republic of China.

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

<sup>18</sup> China Minsheng Bank, "Environmental, Social and Governance Report 2021", 2021, available: <http://en.cmbc.com.cn/upload/images/2021/11/2022032901854en.pdf>

<sup>19</sup> Ibid.

<sup>20</sup> China Minsheng Bank, "Environmental, Social and Governance Report 2021", 2021, available: <http://en.cmbc.com.cn/upload/images/2021/11/2022032901854en.pdf>

<sup>21</sup> Law of the People's Republic of China on Environmental Impact Assessment, at: <https://www.waizi.org.cn/law/11686.html>

### Section 3: Impact of Use of Proceeds

All six use of proceeds categories are aligned with those recognized by the GBP and GLP. Sustainalytics has focused on two below where the impact is specifically relevant in the local context.

#### Importance of renewable energy infrastructure deployment in mainland China and Hong Kong

Fossil fuel sources account for the vast majority of China's power generation, standing at 66.5% of the total in 2020.<sup>22</sup> China, therefore, was the world's largest emitter of carbon in 2020 and was responsible for 30.7% of global emissions.<sup>23</sup> To mitigate its impact on climate change, the Chinese government released a stronger set of Nationally Determined Contribution (NDC) goals in 2021, which includes the Double Carbon Plan to reach peak CO<sub>2</sub> emissions before 2030 and to achieve carbon neutrality before 2060.<sup>24</sup> Given that heat and electricity production remain the main sources of GHG emissions in the country, investments in renewable energy are expected to play a fundamental role in achieving China's climate neutrality target.<sup>25</sup>

In that regard, government policies supporting cleaner fuel use and energy efficiency measures have resulted in a gradual increase in China's share of renewable energy. In 2020, China was the world's largest producer of renewable electricity, largely from solar and wind power, and it contributed 27.4% of renewable power generation globally.<sup>26</sup> In the same year, renewables accounted for 41% of the nation's total installed electricity power capacity and 27% of total power generation.<sup>27</sup> To ensure continued efforts in advancing China's clean energy transition and to facilitate the road to climate neutrality by 2060, the Chinese government has set interim targets to raise its non-fossil fuel share of primary energy to 20% by 2025 and 25% by 2030; and to increase the total installed capacity of wind and solar power to over 1,200 GW by 2030.<sup>28</sup>

In October 2021, the government of the Hong Kong Special Administrative Region (the "government of Hong Kong") announced an updated Climate Action Plan 2050,<sup>29</sup> setting forth its Zero-carbon Emissions Liveable City Sustainable Development vision. The plan focuses on four major decarbonization strategies aiming to achieve carbon neutrality by 2050, including net zero electricity generation. In 2019, electricity generation was the largest source of carbon emissions, accounting for 66% of Hong Kong's total emissions.<sup>30</sup> In 2019, only 0.3% of electricity in Hong Kong was generated from renewable energy.<sup>31</sup> The government of Hong Kong established a target to eliminate coal for electricity generation by 2035 and to increase renewable energy to 15% by 2035.<sup>32</sup>

In this context, Sustainalytics is of the opinion that CMBC Hong Kong's renewable energy investments are expected to contribute to the goals of advancing the clean energy transition and thus achieving a reduction of GHG emissions in mainland China and Hong Kong.

#### Importance of green buildings and energy efficiency in mainland China and Hong Kong

The building sector is a significant contributor to GHG emissions in China, accounting for 22% of the country's total GHG emissions in 2021.<sup>33</sup> The Intergovernmental Panel on Climate Change (IPCC) claims that the

<sup>22</sup> BP, "Statistical Review of World Energy 2021", (2021), at: <https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/energy-economics/statistical-review/bp-stats-review-2021-full-report.pdf>

<sup>23</sup> Ibid.

<sup>24</sup> UNFCCC, "China's Achievements, New Goals and New Measures for Nationally Determined Contributions" (2021), at:

<https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/China%20First/China%E2%80%99s%20Achievements,%20New%20Goals%20and%20New%20Measures%20for%20Nationally%20Determined%20Contributions.pdf>

<sup>25</sup> China Power, "How is China Managing its Green House Gas Emissions", at: <https://chinapower.csis.org/china-greenhouse-gas-emissions/>

<sup>26</sup> BP, "Statistical Review of World Energy 2021", (2021), at: <https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/energy-economics/statistical-review/bp-stats-review-2021-full-report.pdf>

<sup>27</sup> China Energy Portal, "2020 Electricity and Other Energy Statistics (preliminary)" (2021), at: <https://chinaenergyportal.org/en/2020-electricity-other-energy-statistics-preliminary/>

<sup>28</sup> UNFCCC, "China's Achievements, New Goals and New Measures for Nationally Determined Contributions" (2021), at:

<https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/China%20First/China%E2%80%99s%20Achievements,%20New%20Goals%20and%20New%20Measures%20for%20Nationally%20Determined%20Contributions.pdf>

<sup>29</sup> Hong Kong Environmental Protection Department, "Hong Kong's CLIMATE ACTION PLAN 2050", (2021), at:

[https://www.climateready.gov.hk/files/pdf/CAP2050\\_booklet\\_en.pdf](https://www.climateready.gov.hk/files/pdf/CAP2050_booklet_en.pdf)

<sup>30</sup> Ibid.

<sup>31</sup> Hong Kong Electrical and Mechanical Services Department, "Hong Kong Energy End-use Data 2021", at:

[https://www.emsd.gov.hk/filemanager/en/content\\_762/HKEEUD2021.pdf](https://www.emsd.gov.hk/filemanager/en/content_762/HKEEUD2021.pdf)

<sup>32</sup> Hong Kong Environmental Protection Department, "Hong Kong's CLIMATE ACTION PLAN 2050", (2021), at:

[https://www.climateready.gov.hk/files/pdf/CAP2050\\_booklet\\_en.pdf](https://www.climateready.gov.hk/files/pdf/CAP2050_booklet_en.pdf)

<sup>33</sup> Energy of China, "Development of building energy saving during 13<sup>th</sup> Five Year Plan and research on 14<sup>th</sup> Five Year Plan decarbonization roadmap", (2021), at: <http://www.zhgn.org.cn/Detail.aspx?newsId=8306&TId=363>

building sector offers the largest cost-effective GHG mitigation potential, delivering savings and economic gains through the implementation of existing technologies, building design and sound policy development.<sup>34</sup>

The Chinese Government's 14<sup>th</sup> Five-Year Plan has made a pledge to design clean and efficient buildings and infrastructure, as well as retrofit buildings to improve energy efficiency performance.<sup>35</sup> In March 2022, China's Ministry of Housing and Urban-Rural Development released a notice of the implementation of a building energy efficiency and green building development plan,<sup>36</sup> which includes the following targets: completing energy-saving renovations of existing buildings equivalent to an area of 350 million m<sup>2</sup>, building low-energy and near zero-energy buildings accounting for an area of 50 million m<sup>2</sup>, installing more than 50 MW capacity of solar energy in buildings, achieving an 8% replacement rate for renewable energy in urban buildings and a 55% share of electricity consumption in building energy consumption by 2025. Finally, the market opportunities for the Chinese green building industry are significant, with an estimated USD 12.9 trillion in potential low-carbon building investments by 2030.<sup>37</sup>

In Hong Kong, buildings account for 90% of total electricity consumption and contribute 60% of total GHG emissions each year,<sup>38</sup> highlighting the critical need to enhance buildings' energy performance. The government of Hong Kong has committed to achieving carbon neutrality by 2050.<sup>39</sup> The Hong Kong Climate Action Plan 2050 has identified green buildings as a key pillar for decarbonization and is committed to reducing 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.<sup>40</sup> To achieve these targets, the government of Hong Kong has pledged to lead and coordinate efforts to integrate energy efficient facilities in building and infrastructure development.<sup>41</sup> The annual percentage of private sector projects joining BEAM Plus, Hong Kong's green building assessment scheme, has reached nearly 50%,<sup>42</sup> indicating progress in local green building certifications.

Given the above, Sustainalytics considers that the green building and energy efficiency investments made under the Framework are expected to generate positive environmental impacts in mainland China and Hong Kong.

#### Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The bond(s) and loan(s) issued under the China Minsheng Banking Corp., Ltd., Hong Kong Branch Green Finance Framework advances the following SDG(s) and target(s):

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Green Buildings	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

<sup>34</sup> IPCC, "Climate Change 2014: Mitigation of Climate Change: 5th Assessment Report", (2014), at: [https://www.ipcc.ch/site/assets/uploads/2018/02/ipcc\\_wg3\\_ar5\\_frontmatter.pdf](https://www.ipcc.ch/site/assets/uploads/2018/02/ipcc_wg3_ar5_frontmatter.pdf).

<sup>35</sup> BSR, "China's Climate Goals, The 14th Five-Year Plan, and the Impact on Sustainable Business", at: <https://www.bsr.org/en/our-insights/blog-view/china-climate-goals-the-14th-five-year-plan-sustainable-business-impact>

<sup>36</sup> Government of China, "Notice of Building Energy Efficiency and Green Building Development Planning announced by the Ministry of Housing and Urban-Rural Development", 2022, at: [http://www.gov.cn/zhengce/zhengceku/2022-03/12/content\\_5678698.htm](http://www.gov.cn/zhengce/zhengceku/2022-03/12/content_5678698.htm)

<sup>37</sup> The International Finance Corporation, "Climate Investment Opportunities in Emerging Markets Report (2016)", available at: [https://www.ifc.org/wps/wcm/connect/59260145-ec2e-40de-97e6-3aa78b82b3c9/3503-IFC-Climate\\_Investment\\_Opportunity-Report-Dec-](https://www.ifc.org/wps/wcm/connect/59260145-ec2e-40de-97e6-3aa78b82b3c9/3503-IFC-Climate_Investment_Opportunity-Report-Dec-)

<sup>38</sup> German Chamber of Commerce Hong Kong, "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>

<sup>39</sup> 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](https://www.climate-ready.gov.hk/files/pdf/CAP2050_booklet_en.pdf)

<sup>40</sup> Ibid.

<sup>41</sup> Ibid.

<sup>42</sup> Hong Kong Green Building Council, "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](https://www.hkgbc.org.hk/eng/resources/publications/HKGBC-Publication/Reports/green-building-in-action/images/Green_Building_in_Action_2019ENG.pdf)

Sustainable Water and Wastewater Management	12. Responsible consumption and production	12.2 By 2030, achieve the sustainable management and efficient use of natural resources
Pollution Prevention & Control	12. Responsible consumption and production	12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment
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

## Conclusion

China Minsheng Banking Corp., Ltd., Hong Kong Branch has developed the China Minsheng Banking Corp., Ltd., Hong Kong Branch Green Finance Framework under which it may issue green bonds and loans and use the proceeds to finance projects in the following categories: Renewable Energy, Energy Efficiency, Green Buildings, Sustainable Water and Wastewater Management, Pollution Prevention & Control, Clean Transportation. Sustainalytics considers that the projects funded by the green finance proceeds are expected to reduce GHG emissions, limit pollution and generation environmental benefits in Hong Kong and mainland China.

China Minsheng Banking Corp., Ltd., Hong Kong Branch Green 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 the China Minsheng Banking Corp., Ltd., Hong Kong Branch Green Finance Framework is aligned with the overall sustainability strategy of the Bank and that the green use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 7, 11 and 12. Additionally, Sustainalytics is of the opinion that China Minsheng Banking Corp., Ltd., Hong Kong Branch 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 China Minsheng Banking Corp., Ltd., Hong Kong Branch is well-positioned to issue green bonds and that the China Minsheng Banking Corp., Ltd., Hong Kong Branch Green Finance Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2021 and Green Loan Principles 2021

## Appendix

### Appendix 1: Green Bond / Green Bond Programme - External Review Form

#### Section 1. Basic Information

<b>Issuer name:</b>	China Minsheng Banking Corp., Ltd., Hong Kong Branch
<b>Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:</b>	China Minsheng Banking Corp., Ltd., Hong Kong Branch Green Finance Framework
<b>Review provider's name:</b>	Sustainalytics
<b>Completion date of this form:</b>	July 21, 2022
<b>Publication date of review publication:</b>	
<b>Original publication date [please fill this out for updates]:</b>	

#### 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:

- |  |  |
|--|--|
| <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 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification   | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other (please specify):                                |  |

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 – Renewable Energy, Energy Efficiency, Green Buildings, Sustainable Water and Wastewater Management, Pollution Prevention & Control, and Clean Transportation – are aligned with those recognized by the Green Bond Principles and the Green Loan Principles. Sustainalytics considers that investments in the eligible categories are expected to reduce GHG emissions, limit pollution and generate environmental benefits in Hong Kong and mainland China and advance the UN Sustainable Development Goals, specifically SDGs 7,11, and 12.

#### Use of proceeds categories as per GBP:

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Renewable energy  | <input checked="" type="checkbox"/> Energy efficiency  |
| <input checked="" 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 type="checkbox"/> Climate change adaptation   |
| <input 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 GBP | <input type="checkbox"/> Other ( <i>please specify</i> ):  |

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

### 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (*if applicable*):

CMBC Hong Kong's Green Finance Working Group will be responsible for the selection and evaluation of eligible green projects. CMBC Hong Kong will follow the environmental and social risk assessment criteria and relevant compliance requirements by China Minsheng Banking Corp., Ltd., to identify, evaluate and manage environmental and social risks associated with eligible projects. Sustainalytics considers the risk management processes to be adequate and the project selection process in line with market practice.

#### Evaluation and selection

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability 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 Green 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 ( <i>please specify</i> ):   |

**Information on Responsibilities and Accountability**

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

**3. MANAGEMENT OF PROCEEDS**

Overall comment on section (*if applicable*):

CMBC Hong Kong's Asset and Liability Management Team will be responsible for managing net proceeds issued under the Framework, with proceeds will be deposited in CMBC Hong Kong's general funding accounts. CMBC Hong Kong will maintain a Green Finance Register to monitor and track the allocation of proceeds into eligible projects. Pending full allocation, unallocated proceeds will be temporarily managed according to CMBC's standard liquidity policy in cash or cash equivalents. This is in line with market practice.

**Tracking of proceeds:**

- |   |
|---|
| <input checked="" type="checkbox"/> Green 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 ( <i>please specify</i> ):   |

**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 type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other ( <i>please specify</i> ):                               |

#### 4. REPORTING

Overall comment on section (if applicable):

CMBC Hong Kong commits to report on the allocation and impact of proceeds in a standalone report or on its website on an annual basis until full allocation of the proceeds. Allocation reporting will include the list of eligible green projects, the amount of proceeds allocated to each eligible green project category, share of financing versus refinancing, selected examples of projects financed, amount of unallocated proceeds and when possible, descriptions of the eligible green projects financed, such as project locations, amounts allocated, etc. CMBC Hong Kong is committed to reporting on relevant impact metrics on a best-effort basis and subject to data availability and confidentiality. Sustainalytics considers CMBC Hong Kong's allocation and impact reporting to be aligned with market practice.

- |  |  |
|--|--|
| <input 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 ( <i>please specify</i> ):        |

##### Information reported:

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Allocated amounts               | <input type="checkbox"/> Green Bond financed share of total investment |
| <input checked="" type="checkbox"/> Other ( <i>please specify</i> ) |  |
| share of financing vs refinancing                                   |  |
| selected examples of projects financed,                             |  |
| amount of unallocated proceeds:                                     |  |

##### Frequency:

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

##### Impact reporting:

- |  |  |
|--|--|
| <input 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 ( <i>please specify</i> ):        |

##### 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"/> Other ESG indicators ( <i>please specify</i> ): |
|   | Capacity of renewable energy plant(s)   |
|   | Annual renewable energy generation in MWh/GWh                                       |
|   | Type of green building scheme, certification level                                  |

Energy efficiency gains in MWh or % versus baseline/building code

Annual amount of wastewater treated, reused or avoided before and after the project in m3/a

Number and type of clean transportation infrastructure financed

**Frequency**

- Annual  Semi-annual  
 Other (please specify):

**Means of Disclosure**

- |   |  |
|---|--|
| <input type="checkbox"/> Information published in financial report  | <input type="checkbox"/> Information published in sustainability report  |
| <input type="checkbox"/> Information published in ad hoc documents  | <input checked="" type="checkbox"/> Other (please specify):<br>Allocation and Impact reports will be published on CMBC Hong Kong's website |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): |  |

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:**

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

**Review provider(s):**

**Date of publication:**

**ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP**

- i. Second-Party Opinion: An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green 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 Green Bond Principles. In particular, it can include an assessment of the issuer's

overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental 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 environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally 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 Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green 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 Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green 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 performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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