

Second-Party Opinion

Kerry Properties Limited Sustainable Finance Framework



Evaluation Summary

Sustainalytics is of the opinion that the Kerry Properties Limited Sustainable Finance Framework is credible, 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 categories¹ for the use of proceeds 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 are expected to contribute in the transition to a low-carbon economy, to providing social benefits in Mainland China and Hong Kong, and advance the UN Sustainable Development Goals, specifically SDGs 3,4,6,7,9,10,11, and 12.



PROJECT EVALUATION / SELECTION Kerry Properties Limited has established a working group which is composed of representatives from the property management department, project department, sustainability department and finance department. The Working Group will be responsible for reviewing, selecting and approving proposed projects and for identifying and managing social and environmental risks associated with the proposed projects. Sustainalytics considers these risk management systems to be adequate and the project selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS Kerry Properties Limited's treasury team will be responsible for the allocation of proceeds and will track the use of proceeds of each sustainability transaction through an internal register. Pending allocation or reallocation, the unallocated proceeds may be held in accordance with Kerry Properties Limited's prevailing treasury or liquidity management policy. This is in line with market practice.



REPORTING Kerry Properties Limited intends to report on the allocation and impact of the eligible projects on an annual basis until full allocation. Allocation reporting may include a list of approved eligible projects and their basic information, the amount of proceeds allocated to the approved eligible projects, the remaining amount of proceeds of the funding transactions that have not been allocated to eligible projects and the share of financing and refinancing. In addition, Kerry Properties Limited is committed to reporting on relevant impact metrics. Sustainalytics views Kerry Properties Limited's allocation and impact reporting as aligned with market practice.

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¹ The eligible green and social categories are: Green Buildings, Energy Efficiency, Renewable Energy, Climate Change, Adaptation, Water and Wastewater Management, Pollution Prevention and Control, Clean Transportation, Affordable Basic Infrastructure, Access to Essential Services, Cultural and Heritage Conservation, and Employment Generation.

Introduction

Kerry Properties Limited (“KPL”, or the “Company”) is a Hong Kong-based property developer. The Company engages in property development, investment and management in Mainland China, Hong Kong, and the Asia Pacific region, hotel ownership in Hong Kong, and hotel ownership and operations in Mainland China. The Company was founded in 1978, listed on Hong Kong Stock Exchange since 1996 and has 7,600 employees as of 31 December 2021.²

KPL has developed the Kerry Properties Limited Sustainable Finance Framework (the “Framework”) under which it intends to issue sustainable debt instruments, namely dated, perpetual³ and convertible⁴ bonds or loans, and use the proceeds to finance and/or refinance, in whole or in part, existing and future projects expected to contribute in the transition to a low-carbon economy and to providing social benefits in Mainland China and Hong Kong.

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

1. Green Buildings
2. Energy Efficiency
3. Renewable Energy
4. Climate Change Adaptation
5. Water and Wastewater Management
6. Pollution Prevention and Control
7. Clean Transportation

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

1. Affordable Basic Infrastructure
2. Access to Essential Services
3. Cultural and Heritage Conservation
4. Employment Generation

KPL engaged Sustainalytics to review the Kerry Properties Limited Sustainable Finance Framework, dated May 2022, 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)⁵, Green Loan Principles 2021 (GLP), and Social Loan Principles 2021 (SLP)⁶. The Framework has been published in a separate document.⁷

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁸ 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

² KPL, “2021 Annual Report”, p.119, at: <https://www.kerryprops.com/files/reports/annual/en/2021/ar2021.pdf>

³ KPL confirmed the commitment to matching eligible green assets equal to or more than the net proceeds of the bonds until the bond exists or until being repurchased or called back by the Issuer in the future.

⁴ For standard convertible bonds, once the conversion has occurred, the SPO is no longer valid for the assessed securities falling under this asset class. In the case of mandatory convertible bonds, net proceeds should be fully allocated prior to the conversion date to be eligible.

⁵ 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/>

⁶ 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/#> and <https://www.lsta.org/content/social-loan-principles-slp/>

⁷ The Kerry Properties Limited Sustainable Finance Framework is available on Kerry Properties Limited’s website at: www.kerryprops.com

⁸ 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 1.11.3, 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 KPL’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. KPL representatives have confirmed (1) they understand it is the sole responsibility of KPL to ensure that the information provided is complete, accurate or 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.

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 KPL.

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, KPL 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 KPL has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics’ Opinion

Section 1: Sustainalytics’ Opinion on the Kerry Properties Limited Sustainable Finance Framework

Sustainalytics is of the opinion that the Kerry Properties Limited 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 KPL’s Sustainability Finance Framework:

- Use of Proceeds:
 - The eligible categories - Green Buildings, Energy Efficiency, Renewable Energy, Climate Change, Adaptation, Water and Wastewater Management, Pollution Prevention and Control, Clean Transportation, Affordable Basic Infrastructure, Access to Essential Services, Cultural and Heritage Conservation, and Employment Generation - are aligned with those recognized by the GBP, SBP, GLP, and SLP. Sustainalytics notes that investments in the eligible categories are expected to contribute in the transition to a low-carbon economy and provide social benefits in Mainland China and Hong Kong.
 - The Company has established a three-year look-back period for refinancing activities, which Sustainalytics considers to be in line with market practice.
 - Under the Green Building category, the Company may finance new commercial and residential buildings that achieve the following green building certification levels:

- LEED (Gold or above),⁹ BEAM Plus (Gold or above),¹⁰ China Green Building Evaluation Label (3 Stars or above),¹¹ RESET™ Air Core & Shell certification¹² and WELL (Gold or above).¹³ KPL has confirmed that RESET Air Core & Shell or WELL certifications will only be financed complementary with one of the abovementioned credible green building certifications. Sustainalytics considers the green building standards to be robust and credible and the levels selected to be in line with market practice.
- Under the Energy Efficiency category, the Company intends to finance projects that yield 10% improvement in energy efficiency or reduction in energy intensity including the installation and adoption of solar LED lights, green roofs made of artificial turf, smart energy management systems, online energy-use monitoring system, chiller system updates, installation of chilled water pumps with variable speed drives, and replacing split-type air-conditioners with energy efficient inverter-type air-conditioners. The Company commits to the exclusion of energy-efficient programmes, technologies and equipment intended for processes or industries that are inherently carbon intensive or primarily powered by fossil fuels. Sustainalytics notes that KPL will consider low-GWP refrigerants for cooling systems and to promote robust refrigerant leak control, detection and monitoring while ensuring recovery, reclamation, recycling or destruction of refrigerants at end of life. Sustainalytics views the energy efficiency projects that may be financed under this category as in line with market practice.
- Under the Renewable Energy category, the Company may finance the installation of renewable energy systems, such as solar panels on rooftops and solar power systems, which is in line with market practice and purchase of renewable energy certificates (RECs).¹⁴
 - Sustainalytics notes that KPL's current process for purchasing RECs is renewed on an annual basis and for at least five years. Sustainalytics acknowledges KPL's commitment to renew its existing short-term contracts on the same sustainability terms as to increase its uptake of renewable energy, however, considering that long-term PPAs are the market preference for renewable energy procurement, Sustainalytics encourages KPL to pursue longer-term agreements.
- Under the Climate Change Adaptation category, KPL may finance infrastructure designed to provide protection and enhance resilience towards extreme weather and climate risks, such as heavy rain drainage systems and flood prevention. KPL also confirmed to Sustainalytics that all projects under the category will be subject to a vulnerability assessment and will ensure the adoption of an adaptation plan prior to execution. Sustainalytics considers this to be in line with market practice.
- Under the Sustainable Water and Wastewater Management category, KPL intends to finance projects for the recycling and reuse of water collected from bathing, showering, wash basins and washing machines. Examples of expenditures include installation of rainwater harvest systems, installation of air-conditioning condensation water recycling systems, upgrade or installation of water-efficient sanitary wares with Water Efficiency Labelling Scheme ("WELS") label,¹⁵ installation or enhancement of water leakage systems, and wastewater treatment facilities on construction sites. KPL confirmed to Sustainalytics that the treatment of wastewater from fossil fuel operations will be excluded. Sustainalytics considers this to be in line with market practice.
- Under the Pollution Prevention and Control category, KPL intends to finance projects to reduce waste generation and encourage recycling or upcycling, such as installation of reverse vending machines and recycling bins for the collection of materials¹⁶ such as paper, plastic, metals and glass; food waste upcycling machines powered by electricity; and sorting bins. KPL commits to excluding financing pollution prevention and waste management projects that are intended for fossil fuel operations or those operations that directly rely on fossil fuels. This is in line with market practice.

⁹ LEED, "LEED Rating System", at: <https://www.usgbc.org/leed>

¹⁰ BEAM Plus, "BEAM Plus New Buildings", at: <https://www.hkgbc.org.hk/eng/beam-plus/beam-plus-new-buildings/>

¹¹ China Green Building Evaluation Label, at: <http://www.gbgl.org/collections/14970>

¹² RESET™ Air Core & Shell certification, at: <https://www.reset.build/standard/air>

¹³ WELL certification, at: <https://www.wellcertified.com/>

¹⁴ KPL confirms that RECs can be tracked to a specific renewable energy source and controversial renewable energy, such as nuclear power, will be excluded.

¹⁵ Water Efficiency Labelling Scheme (WELS), at <https://www.wsd.gov.hk/en/plumbing-engineering/water-efficiency-labelling-scheme/index.html>

¹⁶ Eligible materials for recycling will exclude chemical waste.

- Under the Clean Transportation category, KPL may finance the purchase of electric vehicles with zero direct emission, as well as the installation of dedicated charging stations for electric vehicles. This is in line with market practice.
- Under the Affordable Basic Infrastructure category, KPL may finance projects to construct, upgrade or maintain basic infrastructure in the Company's properties for people with disabilities and the elderly. This may include barrier-free infrastructure and facilities such as playground facilities designed specifically for the elderly, dedicated toilets for the disabled, extended maneuvering spaces for wheelchair users and parking spaces dedicated for disabled persons. The Company has confirmed to Sustainalytics that infrastructure financed under the category will be accessible to all and free. This is in line with market practice.
- Under the Access to Essential Services category, KPL may finance projects for the construction, upgrade or maintenance of essential services and related infrastructure in the Company's properties. This may include sanitation facilities to improve public hygiene and prevent the spread of communicable diseases such as COVID 19. Example of projects include disinfection stations, anti-microbial coating and antimicrobial filters in air conditioning systems. In addition, KPL may also finance the construction of child-care and family-friendly facilities, for example, breastfeeding areas and children-friendly playgrounds. KPL has confirmed to Sustainalytics that infrastructure financed under the category will be accessible to all and free. This is in line with market practice.
- Under the Cultural and Heritage Conservation category, KPL may finance the following projects:
 - Projects aimed at developing, maintaining, and refurbishing cultural and heritage conservation sites¹⁷ to conserve building structure and features. KPL confirmed that the project sites will be accessible to all and free.
 - Engagement programmes intended to promote the cultural significance of conservation sites such as exhibition on the cultural history of the neighborhood by collaborating with local NGOs and suppliers on programme development. KPL may also finance programme implementation including the logistics-related expenditures. KPL confirmed that the engagement programmes will be accessible to all and free.
 - Sustainalytics considers these investments towards cultural and heritage conservation to be in line with market practice.
- Under the Employment Generation category, KPL may invest in employment generation projects that aim to support employment for the vulnerable groups,¹⁸ including training, mentorship and return-to-work programmes. KPL confirmed that expenses under this category will be limited to the development of programmes and initiatives including training and upskilling that will help in improving the employability and hiring of the target population. In addition, KPL may finance projects intended to support start-ups¹⁹ and small- and medium-sized enterprises (SMEs)²⁰ and to provide a testing ground for them to test new ideas or solutions on skill development, including support and mentorship on practical use. This is in line with market practice.
- KPL commits to exclude financing or refinancing of activities related to fossil fuel and clean coal, nuclear-related assets, alcohol, armament, mining and gaming. Sustainalytics views the exclusion of these activities as further strengthening the Framework.
- Project Evaluation and Selection:
 - KPL has established a working group which is composed of representatives from the property management department, project department, sustainability department and finance department. The working group will be responsible for reviewing, selecting and approving proposed projects.
 - The working group is also responsible for identifying and managing social and environmental risks associated with the proposed projects. Sustainalytics considers these environmental and social risk management systems to be adequate and aligned with market expectations. For additional details see Section 2.

¹⁷ KPL define cultural and heritage conservation sites as the sites identified by United Nations Educational, Scientific and Cultural Organisation. See more information and the list of cultural and heritage sites at: <https://whc.unesco.org/en/list/>

¹⁸ Vulnerable groups are physically, mentally or socially disadvantaged persons.

¹⁹ KPL has confirmed with Sustainalytics that the start-ups are owned/operated by vulnerable groups.

²⁰ KPL defines SMEs as aligned with the definition provided by local government of where the project is located.

- 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 Company's treasury team will be responsible for the allocation of proceeds and will track the use of proceeds of each sustainability transaction through an internal register.
 - KPL commits to fully allocate net proceeds within 36 months of issuance. Pending allocation or reallocation, the unallocated proceeds may be held in accordance with KPL's normal treasury or liquidity management policy. The Company commits not to invest any unallocated proceeds to projects and activities in fossil fuel, clean coal, nuclear-related assets, alcohol, armament, mining or gaming.
 - Based on these elements, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - KPL intends 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 KPL's sustainability report or corporate website. Allocation reporting may include a list of approved eligible projects and their basic information, the amount of proceeds allocated to the approved eligible projects, the remaining amount of proceeds of the funding transactions that have not been allocated to eligible projects and the share of financing and refinancing.
 - In addition, KPL is committed to reporting on impact metrics of the eligible projects via annual reporting. The intended metrics may include the percentage of the new investment portfolio with green certification, greenhouse gas emissions avoided (in tCO₂e), installed capacity (in MV) and energy generated (in MWh), percentage of the investment portfolio with climate resilience features, water recycled and reused (in m³), waste intensity reduction rate (in percentage points), number of EVs charging stations installed, number of barrier-free facilities installed. For a full list of impact metrics, please refer to Appendix 1. Based on the frequency and accessibility of allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2021

Sustainalytics has determined that the Kerry Properties Limited 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/ Sustainability Bond Programme External Review Form.

Section 2: Sustainability Strategy of KPL

Contribution of Framework to Kerry Properties Limited's sustainability strategy

KPL has established a sustainability policy that focuses on environmental concern, value chain communication and community caring.²¹ KPL has formulated a Sustainability Vision 2030 strategy based on the UN SDGs to integrate these four areas in the Company's operations and business plans with a set of targets for 2030. In this context, KPL has set the following environmental targets for 2030: (i) 100% of investment properties complete climate risk and vulnerability assessment; (ii) 100% of investment properties adopt climate-resilient building features; (iii) 100% of investment properties implement rainwater harvesting systems; (iv) 100% of construction projects implement waste recycling programmes; (v) 100% of operations governed by sustainable procurement guidelines, including using sustainable resources throughout property development and operation.²²

To avoid harm and minimize its business impacts, KPL aim to avoid and limit GHG emissions and waste, and take biodiversity into consideration through properties' life cycles, maintain good indoor environment, pursue green building certifications and conduct climate resilience assessments for properties.²³ In particular, 83% of KPL's properties are certified with sustainable building certificates;²⁴ 100% of KPL's new investment

²¹ Kerry Properties Limited, "Sustainability Policy", available:

²² Ibid.

²³ Kerry Properties Limited, "Sustainability Policy", available:

https://sustain.kerryprops.com/assets/upload/media/KPL_Sustainability_Policy_ENG_final.pdf

²⁴ Sustainable Building certificates include: BEAM, BEAM Plus, LEED, RESET and WELL.

properties adopted biophilic design features; and 100% of its new investment properties achieved green certification by 2020.

The Company has an environmental protection policy which addresses energy use, waste management, freshwater consumption, natural ecosystems and biodiversity protection, and pollution control.²⁵ In implementing this policy, KPL reduced the carbon intensity of its Hong Kong operation by 36% and that of its mainland China operation by 53% by 2020 compared to 2011 and 2015 respectively. KPL has installed 80 units of solar panels on the rooftop of their headquarters, Hong Kong Kerry Centre, with a total power generation capacity of 16,000 kWh/year.²⁶

To promote sustainable cities, engage with stakeholders and manage operation impacts in the community,²⁷ KPL evaluates potential impacts of its operations in local communities and undertakes community cultural and arts initiatives, such as cultural and heritage preservation. In 2020, 28% of KPL's new mixed-use developments are planned and designed with cultural and heritage conservation considerations.²⁸ In addition, KPL supports vulnerable and disadvantaged groups and other local stakeholders and organisations through donations, job training and internship programmes which provide potential career opportunities. KPL formed a donation committee in 2020 which funded more than 500 initiatives, including community engagement, environmental conservation, child and youth development and elderly support.

These social and community engagement initiatives derive from KPL's social-related targets for 2030, which include: (i) 100% of new mixed-use developments plans and designs with culture and heritage conservation considerations; (ii) 100% of new mixed-use developments plans and designs go through a mandatory community engagement process with but not limited to women, children, elderly and disabled persons; (iii) 100% of contracts and suppliers be governed by the Company's Vendor Code of Conduct, which forbids forced labour, slave labour and child labour.²⁹

Sustainalytics is of the opinion that the Kerry Properties 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 that 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 issues associated with large-scale property developments, effluents and waste generated in construction and operation, occupational health and safety, and community relations.

Sustainalytics is of the opinion that KPL can manage or mitigate potential risks through implementation of the following:

- To manage land use and biodiversity issues, KPL follows large-scale property development requirements in China, such as China's Environmental Impact Assessment Act, which requires all projects related to construction, reconstruction, expansion or refurbishing to conduct an environmental risk assessment during the initial phase of project design and feasibility analysis. Hong Kong's Environmental Impact Assessment Ordinance also covers designated projects that may have an adverse impact on the environment. Under the Hong Kong ordinance, Schedule 2 projects such as residential, industrial developments and major infrastructure works must follow the statutory EIA process and require environmental permits for their construction and operation. Schedule 3 projects require approved environmental impact assessment reports. KPL's biodiversity policy for reducing impacts of its development activities on biodiversity³⁰ highlights the importance of avoiding development activities that contribute to the extinction of endangered species on the International Union for Conservation of Nature (IUCN) list and development projects in World Heritage areas, and IUCN Category I-IV protected areas and requires biodiversity impact assessments for all new or existing developments.

²⁵ Kerry Properties Limited, "Environmental Protection Policy", available:

https://sustain.kerryprops.com/assets/upload/media/R_KPL_Group_Envir_Protection_Policy_ENG_final.pdf

²⁶ Ibid.

²⁷ Kerry Properties Limited, "Sustainability Policy", available:

https://sustain.kerryprops.com/assets/upload/media/KPL_Sustainability_Policy_ENG_final.pdf

²⁸ Kerry Properties Limited, "Sustainability Report", 2020, available: https://www.kerryprops.com/srreport/2020/pdf/en/KPL_SR2020_EN.pdf

²⁹ Ibid.

³⁰ Kerry Properties Limited, "Biodiversity Policy", available: https://sustain.kerryprops.com/assets/upload/media/KPL-Biodiversity_Policy.pdf

- KPL addresses effluents and waste management in procurement, construction and operation in its environmental protection policy,³¹ under which KPL strives to minimise waste generation, monitor construction waste management performance of development projects, employees, residents, tenants and customers. The Company also controls other sources of pollution, including emission of dust, noise, generation of construction waste and discharge of wastewater from all construction sites regularly, and works with contractors for noise control. Moreover, the Company has established an environmental management system (EMS) in accordance with the ISO 14001 standard to identify and mitigate environmental impacts in its operations: 100% of KPL's key operations in Hong Kong and mainland China are certified with ISO 14001.³²
- The Company has established a corporate health and safety policy which establishes an occupational health and safety management (OHS) system³³ including a health and safety committee that oversees OHS management and sets tracked health and safety-related indicators with regular monitoring and disclosure of relevant performance. Further, the Company provides training and education to employees providing e-skills, resources and knowledge to implement the policy. Eighty percent of KPL's key operations in the Hong Kong and mainland China are certified with ISO 45001 and OHSAS 18001.
- Guided by the Company's sustainability policy,³⁴ KPL monitors the decision-making process for charitable programmes and ensures sound community communication to manage impact of its operations.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that KPL 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 11 use of proceeds categories are aligned with those recognized by GBP, SBP, GLP or SLP. Sustainalytics has focused on green building and energy efficiency below where the impact is specifically relevant in the local context.

Importance of Green Buildings and Energy Efficiency in Mainland China

In September 2020, the Chinese Government announced its intention to scale up China's Nationally Determined Contribution (NDC) to address climate change by introducing more vigorous policies and measures in an effort to have CO₂ emissions peak before 2030 and reach carbon neutrality before 2060.³⁵ The Intergovernmental Panel on Climate Change (IPCC) claims that the 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.³⁶

The Chinese Government's 14th Five-Year Plan has set quantitative targets to reduce energy intensity by 13.5% and cut CO₂ emissions intensity by 18% during the 2021-25 period.³⁷ These targets build upon the 13th Five-Year Plan, under which China achieved an 18.2% carbon emission intensity reduction in 2019 compared to 2015, and the installed renewable energy capacity has grown by 12% annually since 2016.³⁸ Despite the increase of 21% in global emissions annually between 2019 and 2021, with China accounting for 33% of the total,³⁹ the country's 2025 targets remain. In March 2022, China's Ministry of Housing and Urban-Rural Development released a notice for implementation of a building energy efficiency and green building

³¹ Kerry Properties Limited, "Environmental Protection Policy, available:

https://sustain.kerryprops.com/assets/upload/media/R_KPL_Group_Envir_Protection_Policy_ENG_final.pdf

³² Kerry Properties Limited, "Sustainability Report", 2020, available: https://www.kerryprops.com/srreport/2020/pdf/en/KPL_SR2020_EN.pdf

³³ Kerry Properties Limited, "Corporate Health and Safety Policy", available:

https://sustain.kerryprops.com/assets/upload/media/KPL_Corporate_Health_and_Safety_Policy_ENG_final.pdf

³⁴ Kerry Properties Limited, "Sustainability Policy", available:

https://sustain.kerryprops.com/assets/upload/media/KPL_Sustainability_Policy_ENG_final.pdf

³⁵ WRI, "4 Questions About China's New Climate Commitments" (2020) at: <https://www.wri.org/insights/4-questions-about-chinas-new-climate-commitments>

³⁶ 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.

³⁷ 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>

³⁸ Xinhuanet, "Achievements during 13th Five-Year Plan (2016-2020)", at: http://www.xinhuanet.com/english/2020-10/24/c_139464137.htm

³⁹ IEA, "Global CO₂ emissions rebounded to their highest level in history in 2021", (2022), at: <https://www.iea.org/news/global-co2-emissions-rebounded-to-their-highest-level-in-history-in-2021>

development plan⁴⁰ which includes the following targets: completing energy-saving renovations of existing buildings equivalent to an area of 350 million m², building low-energy and near zero-energy buildings accounting for an area of 50 million m², installing more than 50 MW capacity of solar energy in buildings, achieve an 8% replacement rate of 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 2030.⁴¹

Sustainalytics considers that KPL's financing for green buildings and energy efficiency projects is expected to have a positive environmental impact by reducing GHG emissions from the built environment and contributing to China's climate change commitments.

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,⁴² highlighting the critical need to enhance energy performance of buildings. The Hong Kong SAR government has committed to achieve carbon neutrality by 2050.⁴³ The Hong Kong Climate Action Plan 2050 has identified green buildings as a key pillar for decarbonization and 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 2035.⁴⁴ To achieve these targets, the Hong Kong SAR government has pledged to lead and coordinate efforts in integrating energy efficient facilities in the development of buildings and infrastructures.⁴⁵ The annual percentage of private sector projects joining BEAM Plus, Hong Kong's green building assessment scheme, has reached nearly 50%,⁴⁶ indicating progress in local green building certifications.

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

Alignment with/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 financial instruments issued under the Kerry Properties Limited Sustainable Finance Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Green Buildings	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Climate Change Adaptation	11. Sustainable Cities and Communities	11.b By 2020, substantially increase the number of cities and human settlements

⁴⁰ 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

⁴¹ 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-

⁴² 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>

⁴³ 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

⁴⁴ Ibid.

⁴⁵ Ibid.

⁴⁶ 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

		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
Water and Wastewater 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
Pollution Prevention & Control	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
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
Affordable Basic Infrastructure	10. Reduced inequalities	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
Access to Essential Services	3. Good Health and Wellbeing	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.
	10. Reduced inequalities	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
Cultural and Heritage Conservation	4. Quality Education	4.7 By 2030, ensure that all learners acquire the knowledge and skills needed to promote sustainable development, including, among others, through education for sustainable development and sustainable lifestyles, human rights, gender equality, promotion of a culture of peace and non-violence, global citizenship and appreciation of cultural diversity and of culture's contribution to sustainable development
Employment Generation	4. Quality Education	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

Conclusion

Kerry Properties Limited has developed the Kerry Properties Limited Sustainable Finance Framework under which it may issue sustainable debt instruments and use the proceeds to finance projects in the following categories: Green Buildings, Energy Efficiency, Renewable Energy, Climate Change Adaptation, Water and Wastewater Management, Pollution Prevention and Control, Clean Transportation, Affordable Basic Infrastructure, Access to Essential Services, Cultural and Heritage Conservation, and Employment Generation. Sustainalytics considers that the projects funded using proceeds from the instruments issued under the Framework are expected to contribute in the transition to a low-carbon economy and in providing social benefits in Mainland China and Hong Kong.

The Kerry Properties Limited Sustainable Finance Framework outlines a process for tracking, allocating and managing proceeds, and makes commitments for KPL to report on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Kerry Properties Limited Sustainable Finance Framework is aligned with the overall sustainability strategy of the Company and that the use of proceeds categories are expected to contribute to the advancement of the UN Sustainable Development Goals 3, 4, 6, 7, 9, 10, 11, and 12. Additionally, Sustainalytics is of the opinion that Kerry Properties Limited 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 Kerry Properties Limited is well positioned to issue sustainable debt instruments and that the 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:	Kerry Properties Limited
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	Kerry Properties Limited Sustainable Finance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	May 27, 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 (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 categories⁴⁷ for the use of proceeds 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 are expected to contribute to a low carbon economy transition and provide social benefits in Mainland China and Hong Kong, and advance the UN Sustainable Development Goals, specifically SDGs 3,4,6,7,9,10,11, 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 checked="" 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 GBPs | <input type="checkbox"/> Other (please specify): |

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 type="checkbox"/> Affordable housing | <input checked="" type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input 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 checked="" type="checkbox"/> Other (please specify):
Cultural and Heritage Conservation |

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

⁴⁷ The eligible green and social categories are: Green Buildings, Energy Efficiency, Renewable Energy, Climate Change, Adaptation, Water and Wastewater Management, Pollution Prevention and Control, Clean Transportation, Affordable Basic Infrastructure, Access to Essential Services, Cultural and Heritage Conservation, and Employment Generation.

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Kerry Properties Limited has established a working group which is composed of representatives from the property management department, project department, sustainability department and finance department. The working group will be responsible for reviewing, selecting and approving proposed projects. The working group is also responsible for identifying and managing social and environmental risks associated with the proposed projects. Sustainalytics considers these 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):

Kerry Properties Limited's treasury team will be responsible for the allocation of proceeds and will track the use of proceeds of each sustainability transaction through an internal register. Kerry Properties Limited commits to fully allocate net proceeds within 36 months of issuance. Pending allocation or reallocation, the unallocated proceeds may be held in accordance with Kerry Properties Limited's normal treasury or liquidity management policy. 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 type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify): |

4. REPORTING

Overall comment on section (if applicable):

Kerry Properties Limited intends to report on the allocation and impact of the eligible projects on an annual basis until full allocation. Allocation reporting may include a list of approved eligible projects and their basic information, the amount of proceeds allocated to the approved eligible projects, the remaining amount of proceeds of the funding transactions that have not been allocated to eligible projects and the share of financing and refinancing. In addition, Kerry Properties Limited is committed to reporting on relevant impact metrics. Sustainalytics views Kerry Properties Limited's allocation and impact reporting as aligned with market practice.

Use of proceeds 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 (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 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): Type and level of green building certification obtained, Percentage of new investment portfolio with green certification (%), Installed capacity (MW) and |

energy generated (MWh), Amount of renewable energy purchased (unit), Percentage of investment portfolio with climate resilience features (%), Recycling rate (%), Waste intensity reduction rate (%), Number of EVs charging stations installed (#), Percentage of EVs in the fleet (%), Number of barrier-free facilities installed (#), Number of sanitation facilities (#), Number of projects with cultural and heritage conservation considerations and/or programmes (#), Increase in employment rate / new job creation within the Target Population

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
 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:

- 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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