

Second-Party Opinion

Geely Automobile Holdings Limited

Sustainable Finance Framework



Evaluation Summary

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



USE OF PROCEEDS The eligible categories for the use of proceeds – Clean Transportation, Green Buildings, Renewable Energy, Energy Efficiency, Sustainable Water and Wastewater Management, Waste Management and Circular Economy, Pollution Prevention and Control, Making Lives Better - 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 the development of low-carbon transportation, improve the environmental performance of the Company’s operations and advance the UN Sustainable Development Goals, specifically SDGs 4,6,7,8,9,11 and 12.



PROJECT EVALUATION / SELECTION Geely Auto Holdings Limited has established a Sustainable Finance Committee (“SFC”) composed of members from the Treasury, ESG, Accounting and other relevant departments. SFC is responsible for overseeing the process of selecting, evaluating and monitoring the eligible projects. Geely Automobile Holdings Limited has established processes of identifying, evaluating and managing material environmental and social risks associated with eligible projects, which are applicable to all allocation decisions made under the Framework. Sustainalytics considers these risk management systems to be adequate and the project selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS Geely Automobile Holdings Limited Sustainable Finance Committee will be responsible for the allocation of the proceeds and will track investment, expenditures and costs that are related to the eligible projects through internal reporting systems. Geely Automobile Holdings Limited commits to fully allocate net proceeds within 36 months of issuance. Pending allocation of the net proceeds may be temporarily held in cash or other liquid marketable instruments. Sustainalytics considers this to be in line with market practice.



REPORTING Geely Automobile Holdings Limited intends to report on allocation and impact of proceeds on its Sustainable Finance Report on an annual basis until full allocation. Allocation reporting may include the total amount of proceeds allocated and the balance of unallocated proceeds. In addition, Geely Automobile Holdings Limited is committed to reporting on relevant impact metrics. Sustainalytics views Geely Automobile Holdings Limited’s allocation and impact reporting as aligned with market practice.

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Introduction

Geely Automobile Holdings Limited (“Geely Auto”, or the “Company”), headquartered in Hangzhou, China, is an automotive manufacturer and its parent is Zhejiang Geely Holding Group. Geely Auto manufactures and sells passenger vehicles and automotive parts mainly in China as well as other countries. Geely Auto, commenced its business since 1986 and entered the automobile industry in 1997, now employs over 44,000 people. The Company manages and operates five brands, including GEELY, LYNK & CO (a JV with Geely Holding and Volvo Cars), GEOMETRY, ZEEKR and LIVAN (a JV with Lifan Technology) in which the products are mainly produced in 17 vehicle production plants in China.

Geely Auto has developed the Geely Automobile Holdings Limited Sustainable Finance Framework (the “Framework”), under which it intends to issue sustainable debt instruments, namely bonds, private placements, loans or asset-backed securities, and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that contribute to the development of low-carbon transportation and improve the environmental performance of the Company’s operations.

The Framework defines eligibility criteria in seven green areas:

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

The Framework defines eligibility criteria in one social area:

1. Making Lives Better

Geely Auto engaged Sustainalytics to review the Geely Automobile Holdings Limited Sustainable Finance Framework, dated April 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)¹, Green Loan Principles 2021 (GLP), and Social Loan Principles 2021 (SLP)². This Framework has been published in a separate document.³

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁴ 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
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

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

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

³ The Geely Automobile Holdings Limited Sustainable Finance Framework is available on Geely Automobile Holdings Limited’s website at: <http://www.geelyauto.com.hk>

⁴ 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.

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 Geely Auto'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. Geely Auto representatives have confirmed (1) they understand it is the sole responsibility of Geely Auto 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 Geely Auto.

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

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

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

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Geely Automobile Holdings Limited Sustainable Finance Framework

Sustainalytics is of the opinion that the Geely Automobile Holdings 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 Geely Auto's Sustainability Finance Framework:

- Use of Proceeds:
 - The eligible categories – Clean Transportation, Green Buildings, Renewable Energy, Energy Efficiency, Sustainable Water and Wastewater Management, Waste Management and Circular Economy, Pollution Prevention & Control, Making Lives Better – are aligned with those recognized by the GBP, SBP, GLP, and SLP. Sustainalytics considers that the eligible categories are expected to contribute to the development of low-carbon transportation and improve the environmental performance of the Company's operations.
 - Geely Auto has established a three-year look-back period for its refinancing activities. Sustainalytics views this to be in line with market practice.
 - Under the Clean Transportation category, the Company intends to finance and refinance the following eligible projects related to design, development and manufacturing of vehicles:
 - Zero direct emission battery electric vehicles (BEV) and Plug-in hybrid electric vehicles (PHEV) with an emission threshold below 75 gCO₂/km.
 - Hybrid electric vehicles (HEV) and methanol hybrid vehicles with an emission threshold above 75 gCO₂/km but below 109 gCO₂/km.
 - Research and development of testing, development of facilities, tooling and manufacturing of zero emission or hybrid vehicles with an emission threshold at or below 75 gCO₂/km or 120.7 gCO₂/mile. Geely Auto has confirmed that expenditures

related to R&D will not exceed 10% of the total amount of proceeds raised under the Framework and that Geely Auto has already reached a mature stage in its R&D on zero-emission and hybrid vehicles.

- Sustainalytics considers a carbon emission threshold of 75 gCO₂/km or 120.7 gCO₂/mile or less to be in line with market expectations for low-carbon light-duty passenger vehicles (LDVs), while noting that best practice is to achieve a threshold of 50 gCO₂/km or 80.47 gCO₂/mile. These thresholds reflect the need to shift LDV powertrain technologies as soon as possible to battery-electric, hydrogen fuel cell and plug-in hybrids technologies that are necessary for the deep decarbonization of passenger transportation. The Framework also allows for the financing of hybrid electric vehicles and methanol hybrid vehicles with an emission threshold above 75 gCO₂/km but below 109 gCO₂/km, which Sustainalytics considers to be a deviation from market expectation and a limitation of the Framework. Sustainalytics encourages Geely Auto to further prioritize the financing of vehicles with lower emission threshold in line with market expectation.
 - Development and installation of charging infrastructure dedicated to electrified transportation and implementation of a battery swapping ecosystem, excluding fossil fuel filling stations. Geely Auto has confirmed that it will establish a battery swapping system including long-term battery leasing agreements with customers and a battery waste management system.
 - Investment⁵ in pureplay BEV companies which have more than 90% of revenue generated from BEVs. Sustainalytics acknowledges that the GBP, SBP and SBG favour project-based lending and financing, which provide more transparency in general than non-project-based lending, but notes that financing pure play companies through green and social bonds is commonly accepted in the market as an approach which can generate positive impact.
 - Manufacturing and procurement of batteries and powertrains, and remanufacturing or recycling of batteries for EVs, PHEVs and HEVs with emission threshold under 75 gCO₂/km. Geely Auto has confirmed that it will establish a robust battery waste management process to mitigate all risks associated with battery recycling and disposal in line with the requirements of China's National Catalogue of Hazardous Wastes. Please refer to section 2 for more details on the regulatory requirements for managing e-waste.
- Under the Green Buildings category, Geely Auto intends to finance or refinance the acquisition, design, construction, operation, and maintenance of buildings that have received or are expected to receive one of the following certifications: China Green Building Evaluation Label (2 stars or above),⁶ LEED (Gold or above),⁷ and BREEAM (Excellent or above)⁸. Sustainalytics considers the standards to be robust, and credible and the levels selected to be in accordance with market expectations.
 - Under the Renewable Energy category, Geely Auto may finance and refinance the construction, development, acquisition, maintenance and operation of onshore photovoltaic generation projects. In addition, Geely Auto intends to purchase electricity generated from local hydropower companies via power purchase agreements (PPAs) and renewable energy certificates (RECs) accredited under the International REC Standard.⁹ Sustainalytics notes that Geely Auto's internal procurement policy requires the Company to only enter into PPAs and buy RECs in the short term, nonetheless Geely Auto commits to renew PPAs and RECs on an annual basis for the sake of long-term continuity. Sustainalytics acknowledges Geely Auto's commitment to renew its existing short-term contracts on the same sustainability terms so as to increase its uptake of renewable energy, however, considering that long-term PPAs are the market preference for renewable energy procurement, Sustainalytics encourages Geely Auto to pursue longer-term agreements.
 - Under the Energy Efficiency category, Geely Auto intends to invest in equipment enabling energy savings and emission reduction that is powered by electricity. Expenditures may include energy monitoring systems, energy-saving motors, hibernation technology, and the installation of LED lighting. These activities align with market practice.

⁵ Private equity investment, excluding investments in equities and stock.

⁶ World Green Building Council, Assessment Standard for Green Building of China, at:

<https://www.worldgbc.org/sites/default/files/Introduction%20to%20China%20Green%20Building%20Assessment%20Standard%203rd%20Edition.pdf>

⁷ Leadership in Energy and Environmental Design (LEED), LEED rating system at: <https://www.usgbc.org/leed>

⁸ BREEAM (Building Research Establishment Environmental Assessment Method), What is BREEAM? at: <https://www.breeam.com/>

⁹ The International REC Standard, "An Introduction to REC schemes", at: <https://www.irecstandard.org/what-are-recs/#/>

- Under the category of Sustainable Water & Wastewater Management, Geely Auto may finance projects supporting water conservation, water efficiency, water quality improvement, and wastewater management in production and office facilities, including dry box spray booths. Sustainalytics recognizes the Company's commitment to invest in projects that are not powered by fossil fuels under this category and any wastewater treatment system financed under the Framework will not be used to treat wastewater from fossil fuel-powered operations, and therefore considers the criteria to be aligned with market practice.
- Under the Waste Management and Circular Economy category, Geely Auto aims to finance projects which increase the use of recycled components in manufactured vehicles,¹⁰ including procurement of eco-efficient and recycled metals, such as steel and aluminium, and packaging materials, such as plastics used in vehicle manufacturing processes, as well as disassembling of used vehicles and collecting parts and components for recycling and use. In addition, the Company also aims to finance the implementation of waste sorting and recycling facilities, and equipment that facilitate better waste separation, sorting, and recovery of commodities from materials.¹¹ Sustainalytics considers this to be aligned with market practice.
- Under the Pollution Prevention and Control Category, Geely Auto may invest in projects that reduce resource consumption and pollution emission, such as equipment and technologies for reducing water consumption, energy usage, and preventing pollution through the direct replacement of conventional paint with water-based paint. The Company has confirmed fossil fuel will not be used as a source for the above-mentioned equipment and technology. The direct replacement of conventional paint with water-based paint results in significant reductions of Volatile Organic Compounds (VOC) emissions from compounds such as toluene and xylene and helps reduce the emissions well below the prescribed regulatory limits for VOC emissions for the sector. Sustainalytics considers this to be in line with market practice.
- Under the Making Lives Better category, Geely Auto aims to invest in projects to advance economic opportunity and equity for the target population which includes women, people with low-income¹² and people with disabilities. Examples of eligible projects include:
 - Supporting children from rural parts of the country and children with disabilities¹³ with sports equipment and facilities to provide the opportunity to practice and participate in various events.
 - Procurement and donation of free to access medical equipment and vehicles dedicated to the target population to better handle emergencies during the pandemic.
 - Projects dedicated towards poverty alleviation by providing financial assistance to the target population for enrolling in education program with regards to basic learning and skilling by subsidizing the fee, free access to education resources including hardware and software, and free or subsidized fee based admissions for students from economically weaker sections in schools and colleges. Projects may also include financing of MSMEs¹⁴ in low-income areas, and provide financial support to local smallholder farmers¹⁵ for purchasing equipment and facilities that will improve productivity and market access.
 - Geely Auto has confirmed that the amount of donations may not exceed 10% of total amount of proceeds raised under the Framework.
 - Sustainalytics considers enhancing access to free or subsidized education services for the vulnerable groups and financial support to MSMEs and smallholder farmers, as bringing significant positive societal benefits and aligned with market practice.
- Project Evaluation and Selection:
 - Geely Auto has established a Sustainable Finance Committee ("SFC") which is composed of members from the Treasury, ESG, Accounting and other relevant departments. The SFC will be responsible for overseeing the process of selecting, evaluating and monitoring eligible projects.

¹⁰ Geely Auto includes the following as recyclable components: bumpers, fender liners, engine protection plates, air filter shells, battery trays, brake pedal arm assemblies, brake calipers, brake discs, steering knuckle assemblies, front subframes, front lower swing arms, wheel rims, inner and outer panels of engine covers, exterior spoilers of automobile bodies, radiator masks, radiator guide wind panels, side trim panels and licence plate mounting plates.

¹¹ Geely Auto confirmed the exclusion of e-waste from the process.

¹² Low-income population is defined as per Chinese National Standard for Rural Poverty Alleviation Standard which defines a low-income people as people with annual income of RMB 2,736 (USD 430) or less as of 2013.

¹³ Geely intends to target children in rural area schools in non-first-tier cities within Qinghai, Sichuan, Guizhou, Hebei and Shanxi provinces.

¹⁴ Geely Auto follows the China's national standard of MSMEs in agricultural field which is annual revenue less than RMB 5 million (USD 0.79 million) for small and micro-enterprise. and below RMB 200 million (USD 31.42 million) if including medium enterprise. Geely Auto has confirmed there will be no financing of production plant, equipment rely on fossil fuel.

¹⁵ Geely Auto will follow the Chinese definition of smallholder farmers, which defines smallholder farmers to be with agricultural farmland less than 3.33 acres. China's Rural Economy, "Smallholders and modern agricultural development: how to connect organically?", 2018, at: <http://zgncjj.crecrecs.org/UploadFile/Issue/ydqjagfr.pdf>

- Geely Auto has processes in place to identify, evaluate and manage material environmental and social risks associated with eligible projects, which are applicable to all allocation decisions made under the Framework. Sustainalytics considers these environmental and social risk management systems to be adequate and aligned with market expectation. For additional detail see Section 2.
- 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 SFC will also be responsible for the allocation of proceeds and will track investment, expenditures and costs related to the eligible projects through internal reporting systems.
 - Geely Auto commits to fully allocate net proceeds within 36 months of issuance. Pending allocation or reallocation, the unallocated proceeds may be held temporarily in cash or other liquid marketable instruments.
 - Based on these elements, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - Geely Auto 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 Geely Auto's Sustainable Financing Report. Allocation reporting may include the total amount of proceeds allocated and the balance of unallocated proceeds.
 - In addition, Geely Auto is committed to reporting on impact metrics where relevant and feasible. The intended metrics may include annual greenhouse gas emissions reduction and avoidance (tonnes of CO₂ equivalent), number of EV charging ports and stations installed, expected and achieved new production capacity of EVs, number of EVs produced, and number of beneficiaries. For a full list of impact metrics, please refer to Appendix 1: Sustainability Bond Programme External Review Form. 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 Geely Automobile Holdings 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 Geely Automobile Holdings Limited

Contribution of Framework to Geely Automobile Holdings Limited's sustainability strategy

Sustainalytics is of the opinion that Geely Auto demonstrates a commitment to sustainability by facilitating investments that support the transition towards a low-carbon and equitable economy through a strategic focus on low-carbon and zero-emission products, renewable energy, green production and poverty alleviation.¹⁶

For low-carbon and zero-emission products, Geely Auto launched "Blue Geely Action Plans" which focus on the development of both fuel-efficient vehicles and pure electric vehicles.¹⁷ By 2025, Geely Auto aims to sell over 1 million electric vehicles per year accounting for 30% of their total sales. In addition, with 2020 as the baseline, Geely Auto plans to reduce full value chain carbon emission per car by at least 25% by 2025. In the longer term, Geely Auto commits to achieving carbon neutrality by 2045.¹⁸

Geely Auto's current product matrix is dominated by energy-saving vehicles and new energy vehicles. As of the end of 2020, approximately 75% of Geely Auto's products offered new energy and electrified version, marking a sharp increase from 57% at the end of 2019.¹⁹ Geely Auto's launched its second-generation HEV in 2021 boosting the proportion of new energy vehicles in Geely Auto's product composition.²⁰

¹⁶ Geely, "Environmental, Social and Governance Report", (2020), at: http://geelyauto.com.hk/core/files/corporate_governance/en/2020geelye.pdf

¹⁷ Geely, "Geely Automobile Holdings Limited Sustainable Finance Framework", at: <http://www.geelyauto.com.hk>

¹⁸ Ibid

¹⁹ Geely, "Environmental, Social and Governance Report", (2020), at: http://geelyauto.com.hk/core/files/corporate_governance/en/2020geelye.pdf

²⁰ Ibid

Renewable energy consumption in the Company's vehicle plants reached 118.7 GWh in 2020, including 74 GWh from solar PV and 44.71 GWh of directly purchased hydropower. From its total installed solar PV capacity of approximately 110 MW, the Company generated 100.1 GWh during the year 2020, with the residual power after consumption being supplied to the grid. The Company also installed solar PV in its R&D centre in 2020, which provided 0.96 GWh for R&D and office uses.

With regard to its factories, Geely Auto has a long-term goal for all its production plants to obtain green factories, green buildings and energy management system certifications. As of the end of 2021, eight out of seventeen plants have received green factory certifications from the Ministry of Industry and Information Technology (MIIT).²¹ Geely Auto also collects each production plant's energy consumption data monthly and carries out comparative analyses, benchmarking and sharing practices on energy saving, energy conservation and consumption reduction.²²

In relation to poverty alleviation, Geely Auto is engaged in various targeted poverty alleviation projects, such as Timely Rain²³ and other programmes, having invested more than RMB 680 million (USD 106.8 million) in relevant projects which have benefitted over 30,000 individuals, including 13,000 with education assistance and more than 5,000 people with employment.²⁴

Sustainalytics is of the opinion that the Geely Automobile Holdings Limited 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

While Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards eligible projects that are expected to have a positive environmental and social 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 land use and biodiversity issues associated with large-scale infrastructure developments, occupational health and safety, potential emission of harmful substances and other effluents, solid waste including e-waste generated in construction and operation, and supply chain.

Sustainalytics is of the opinion that Geely Auto is able to manage and/or mitigate potential risks through implementation of the following:

- To manage land use and biodiversity issues, large-scale infrastructure development projects in China, including those funded by Geely Auto, must follow several standards, including China's Environmental Impact Assessment Act. The act requires all projects related to construction, reconstruction, expansion and refurbishing to conduct an environmental risk assessment during the initial phase of project design and feasibility analysis. The act requires the evaluation to include considerations of key risk factors related to air, water, soil pollution and human health. The act also requires all companies to have the assessment undertaken by an independent and certified environmental impact assessment agency to avoid any conflict of interest.²⁵
- Regarding occupational health and safety, Geely Auto has established terms related to health and occupational safety within its Code of Business Conduct which is applicable to Geely Auto and its subsidiaries. Geely Auto undertakes to provide all employees with all necessary safeguards in compliance with occupational health and safety standards and minimize health and safety risks and impacts by continuously improving the working conditions and implementing risk prevention and health promotion measures.²⁶ Geely Auto has also established an HSE management system with risk management as the core of safety standardization, with Geely Auto's Work Safety Committee

²¹ Geely Auto has communicated to Sustainalytics regarding updated certified facilities.

²² Geely Auto, "Environmental, Social and Governance Report", (2020), at: http://geelyauto.com.hk/core/files/corporate_governance/en/2020geelye.pdf

²³ Timely Rain is a Geely Auto's targeted poverty alleviation campaign.

²⁴ Geely Auto, "Environmental, Social and Governance Report", (2020), at: http://geelyauto.com.hk/core/files/corporate_governance/en/2020geelye.pdf

²⁵ Ministry of Ecology and Environment of the People's Republic of China, "China's Environmental Impact Assessment", at:

<http://www.waizi.org.cn/law/11686.html>

²⁶ Geely Auto, "Code of Business Conduct - Health and occupational safety", p.5, at:

http://www.geelyauto.com.hk/core/files/corporate_governance/en/Code%20of%20Business%20Conduct.pdf?msclid=16e4bca9b54d11ec9d22385ffa66b2b8

regularly inspecting safety measures on production sites. In addition, all of Geely Auto's production plants are certified under ISO 45001.^{27, 28}

- Geely Auto's Code of Business Conduct provides measures to ensure appropriate management of potential emission of harmful substances and environmental impacts,²⁹ including procedures for the identification and control of environmental risks and training to employees and suppliers on laws, regulations and the Company's internal policies on environmental protection. Moreover, all of Geely Auto's production plants have received ISO 14001 certification.^{30, 31}
- For managing e-waste derived from its operations, Geely Auto follows China's National Catalogue of Hazardous Wastes, collecting, labelling and directing e-waste listed in the catalogue to qualified e-waste recyclers for proper treatment.³²
- To address environmental and social risk across its supply chain, the Company has established its Supplier Code of Conduct,³³ which establishes requirements for environmental protection, working conditions and human rights, health and safety, and business ethics for all of its suppliers. When a supplier violates the Supplier Code of Conduct, Geely Auto has the choice of claiming appropriate remedies, including a corrective action plan.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Geely Auto 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 eight use of proceeds categories are aligned with those recognized by GBP, SBP, GLP or SLP. Sustainalytics has focused on the below two areas where the impact is specifically relevant in the local context.

Impact of Clean Transportation in China

The decarbonization of road transport is an essential component of realizing broader climate targets, as approximately 21% of anthropogenic CO₂ emissions globally come from road transport.³⁴ The transport sector is the second-largest source of emissions in China, accounting for 9% of the country's CO₂ emissions. Road transport alone accounts for 70% of the transport sector's emissions in the country.³⁵

China's oil consumption growth accounted for an estimated two-thirds of incremental global oil consumption in 2019. China consumed an estimated 14.5 million barrels per day of petroleum and other liquids in 2019, up 500,000 barrels per day, or nearly 4%, from 2018.³⁶ Compared to the aviation and maritime sectors, the road transport sector is currently relatively easier to decarbonize with the use of existing solutions, such as vehicle electrification.³⁷

²⁷ ISO 45001 specifies requirements for occupational health and safety management systems. For more information:

<https://www.iso.org/standard/63787.html>

²⁸ Geely Auto, "Environmental, Social and Governance Report 2020 - Building a Cohesive Team and Driving Employees' Development", p. 89, at:

http://geelyauto.com.hk/core/files/corporate_governance/en/2020geelye.pdf

²⁹ Geely Auto, "Code of Business Conduct - Environmental protection", p.15, at:

http://www.geelyauto.com.hk/core/files/corporate_governance/en/Code%20of%20Business%20Conduct.pdf?msclkid=16e4bca9b54d11ec9d22385ffa6b6b2b8

³⁰ ISO 14001 sets out criteria for environmental management systems. For more information: <https://www.iso.org/iso-14001-environmental-management.html>

³¹ Geely Auto, "Environmental, Social and Governance Report 2020 - Blue Geely for Low-Carbon Development", p. 52, at:

http://geelyauto.com.hk/core/files/corporate_governance/en/2020geelye.pdf

³² The People's Republic of China, Ministry of Ecology and Environment, "National Catalogue of Hazardous Waste", at:

https://english.mee.gov.cn/News_service/Photo/200808/t20080826_127685.shtml

³³ Geely Auto, "Supplier Code of Conduct", at:

http://geelyauto.com.hk/core/files/corporate_governance/en/Geely%20Supplier%20Code%20of%20Conduct.pdf

³⁴ International Council on Clean Transportation, "China's Efforts to Decarbonize Road Transport: Decent, But Not Sufficient", at: <https://theicct.org/china-ev-efforts-mar22/>

³⁵ WRI China, "Toward Net Zero Emissions in the Road Transport Sector in China", (2019), at:

https://www.wri.org.cn/en/publication/toward_net_zero_emissions_road_transport_sector_china_EN

³⁶ US Energy Information Administration, "Country Analysis Executive Summary: China", 2020, p3:

https://www.eia.gov/international/content/analysis/countries_long/China/china.pdf

³⁷ WRI China, "Toward Net Zero Emissions in the Road Transport Sector in China", (November 2019), at:

https://www.wri.org.cn/en/publication/toward_net_zero_emissions_road_transport_sector_china_EN

As the world's largest emitter of CO₂,³⁸ China is taking steps to mitigate its contribution to climate change. In 2020, China committed to a strengthened National Determined Contribution (NDC) target to peak CO₂ emissions before 2030 and to reach carbon neutrality before 2060.³⁹ In addition, China aims to reduce carbon intensity (i.e. carbon emissions per unit of GDP) by more than 65% from 2005 levels by 2030.⁴⁰ China's 14th FYP (2021-2025) highlights green development and establishes binding targets for reducing carbon intensity and energy intensity respectively by 18% and 13.5% by 2025 from 2020 levels.⁴¹

In the context of reducing emissions and promoting energy savings in the transportation sector,⁴² the Chinese government is focusing on promoting policies to stimulate the new energy vehicle market. China's Development Plan for New Energy Vehicles (2021-2035), for instance, has set a target to achieve an approximate 20% share of new energy vehicles among all new vehicles in China by 2025.⁴³ To achieve this target, the government has adopted regulations for new auto factories that strongly discourage the construction of factories for manufacturing internal combustion engine vehicles only. In another example, since 2019, every Chinese vehicle manufacturer and importer is required to make electric vehicles account for at least 10% of their production or import fleets. This percentage increased to 12% in 2020 and applies to any company that manufactures or imports more than 30,000 vehicles in China. The Chinese government also exempts electric vehicles from consumption and sales taxes, promotes the development of EV charging infrastructure as a matter of national policy and offers subsidies for fuel cell electric vehicles.⁴⁴

Based on the above context, Sustainalytics recognizes the importance of Clean Transportation in China for the reduction of GHG emissions.

Impact of Renewable Energy in China

In 2020, fossil fuels accounted for 66.17% of the power generation in China.⁴⁵ Coal heavily dominated the mix, as China is the largest coal producer and consumer globally, accounting for 60.75% of the country's electricity production in 2020,⁴⁶ making China the world's biggest CO₂ emitter and responsible for approximately 28% of global emissions.⁴⁷ China's coal consumption is expected to continue to rise until the end of 2022.⁴⁸ In 2020, the Chinese government announced at the UN General Assembly that it is committed to hitting peak emissions before 2030 and setting the target to become climate neutral by 2060.⁴⁹ To meet this target, China's renewable energy share needs to expand to replace the economy's heavy coal reliance. China's 13th FYP (2016-2020) outlines the country's clean energy transition plan, with a target of increasing solar energy by 58 GW and wind energy by 53 GW by 2020 compared to 2016 levels,⁵⁰ leveraging China's great potential to harness renewable energy.⁵¹ Despite having the world's largest installed hydro, solar and wind power capacity, renewable energy comprised approximately 40% of China's total installed electric power capacity in early 2020, and made up only 26% of total power generation.⁵² Nonetheless, renewable power generation grew by 36.6% per year over the previous 10 years, highlighting China's progress in decarbonizing power generation.⁵³

³⁸ Global Carbon Atlas, at: <http://www.globalcarbonatlas.org/en/CO2-emissions>

³⁹ Climate Action Tracker, "China", at: <https://climateactiontracker.org/countries/china/>

⁴⁰ Reuters, "China's Xi targets steeper cut in carbon intensity by 2030", at: <https://www.reuters.com/world/china/chinas-xi-targets-steeper-cut-carbon-intensity-by-2030-2020-12-12/>

⁴¹ Government of China, (2021), at: http://www.gov.cn/xinwen/2021-03/13/content_5592681.htm

⁴² State Council of China, 13th Fifth Energy Saving and Emission Reduction Plan 2017, at: http://www.gov.cn/zhengce/content/2017-01/05/content_5156789.htm

⁴³ International Council on Clean Transportation, "China's New Energy Vehicle Industrial Development Plan for 2021 to 2035", (2021), at: <https://theicct.org/sites/default/files/publications/China-new-vehicle-industrial-dev-plan-jun2021.pdf>

⁴⁴ Guide to Chinese Climate Policy, "Electric Vehicles", at: <https://chineseclimatepolicy.energypolicy.columbia.edu/en/electric-vehicles#:~:text=The%20Chinese%20central%20government's%20principal,increase%20to%2012%25%20in%202020.>

⁴⁵ Our World in Data, "Share of electricity production from fossil fuels", at: <https://ourworldindata.org/grapher/share-electricity-fossil-fuels?tab=chart&country=~CHN>

⁴⁶ Our World in Data, "Share of electricity production by source, China", at: <https://ourworldindata.org/grapher/share-elec-by-source?time=earliest..2020&country=~CHN>

⁴⁷ BBC, "China aims for carbon neutrality by 2060", at: <https://www.bbc.com/news/science-environment-54256826>

⁴⁸ IEA, "Coal 2019", at: <https://www.iea.org/reports/coal-2019>

⁴⁹ UN News, "Enhance solidarity' to fight COVID-19, Chinese President urges, also pledges carbon neutrality by 2060", at: <https://news.un.org/en/story/2020/09/1073052>

⁵⁰ The 13th Five Year Plan for Economic and Social Development of the People's Republic of China (2016-2020), National Development and Reform Commission, at: https://en.ndrc.gov.cn/policyrelease_8233/201612/P020191101482242850325.pdf

⁵¹ Forbes, "China is set to become the world's renewable energy superpower", at: <https://www.forbes.com/sites/dominicdudley/2019/01/11/china-renewable-energy-superpower/>

⁵² China Energy Portal, "Tracking China's transition to sustainable energy", (2020), at: <https://chinaenergyportal.org/2020-q2-electricity-other-energy-statistics/>

⁵³ BP, "Statistical Review of World Energy 2020", (2020), at: <https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/energy-economics/statistical-review/bp-stats-review-2020-full-report.pdf>

Given the importance of facilitating renewable energy investments in decreasing China's coal reliance, Sustainalytics believes that by investing in renewable energy projects, Geely is well-positioned to assist China in meeting its renewable energy targets and reducing GHG emissions from the country's power sector.

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 bonds issued under the Geely Automobile Holdings Limited Sustainable Finance Framework are expected to advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
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
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
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
Sustainable Water and Wastewater Management	6. Clean Water and Sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally
Waste Management and Circular Economy	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Pollution Prevention and Control	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
	6. Clean Water and Sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally
Making Lives Better	4. Quality Education	4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university
	8. Decent Work and Economic Growth	8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value

Conclusion

Geely Auto has developed the Geely Automobile Holdings Limited Sustainable Finance Framework under which it may issue sustainability bonds and other debt instruments and use the proceeds to finance projects in the following categories: Clean Transportation, Green Buildings, Renewable Energy, Energy Efficiency, Sustainable Water and Wastewater Management, Waste Management and Circular Economy, Pollution Prevention & Control, and Making Lives Better. Sustainalytics considers that the projects funded using proceeds from the instruments issued under the Framework are expected to contribute to the development of low-carbon transportation and improve the environmental performance of the Company's operations.

The Geely Automobile Holdings Limited Sustainable Finance Framework outlines a process for tracking, allocating and managing proceeds, and makes commitments for Geely Auto to report on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Geely Automobile Holdings 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 4, 6, 7, 8, 9, 11 and 12. Additionally, Sustainalytics is of the opinion that Geely Auto 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 Geely Automobile Holdings Limited is well-positioned to issue sustainability bonds and that Geely Automobile Holdings Limited Sustainable Finance Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles (2021), Social Bond Principles (2021), Green Loan Principles (2021), and Social Loan Principles (2021).

Appendix

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

Section 1. Basic Information

Issuer name:	Geely Automobile Holdings Limited
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	Geely Automobile Holdings Limited Sustainable Finance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	April 26, 2022
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

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

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

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

ROLE(S) OF REVIEW PROVIDER

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

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

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

Please refer to Evaluation Summary above.

Section 3. Detailed review

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

1. USE OF PROCEEDS

Overall comment on section (if applicable):

The eligible categories for the use of proceeds – Clean Transportation, Green Buildings, Renewable Energy, Energy Efficiency, Sustainable Water and Wastewater Management, Waste Management and Circular Economy, Pollution Prevention and Control, Making Lives Better - are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Green Loan Principles, and Social Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to to the development of low-carbon transportation and improve the environmental performance of the Company’s operation and advance the UN Sustainable Development Goals, specifically SDG 4,6,7,8,9,11 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 checked="" type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify): |

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

Use of proceeds categories as per SBP:

- | | |
|---|---|
| <input type="checkbox"/> Affordable basic infrastructure | <input type="checkbox"/> Access to essential services |
| <input type="checkbox"/> Affordable housing | <input 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):
Making lives better |

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Geely Auto has established a Sustainable Finance Committee (SFC) composed of members from Treasury, ESG, Accounting and other relevant department. SFC is responsible for overseeing the process of selecting, evaluating and monitoring the eligible projects. Geely Automobile Holdings Limited has established processes of identifying and evaluating material environmental and social risks associated with eligible projects, which are applicable to all allocation decisions made under the Framework. 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*):

Geely Automobile Holdings Limited Sustainable Finance Committee will be responsible for the allocation of the proceeds and will track investment, expenditures and costs that are related to the eligible projects through internal reporting systems. Geely Automobile Holdings Limited commits to fully allocate net proceeds within 36 months of issuance. Pending allocation or reallocation of the net proceeds may be temporarily held in cash or other liquid marketable instruments. Sustainalytics considers this to be 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):

Geely Automobile Holdings Limited intends to report on allocation and impact of proceeds on its Sustainable Finance Report on an annual basis until full allocation. Allocation reporting may include the total amount of proceeds allocated and the balance of unallocated proceeds. In addition, Geely Automobile Holdings Limited is committed to reporting on relevant impact metrics. Sustainalytics views Geely Automobile Holdings 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 checked="" type="checkbox"/> Other (please specify):
Balance of unallocated proceeds | |

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 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):
Expected/achieved new production capacity of EVs; Number of BEVs, HEVs, PHEVs, and methanol hybrid vehicles manufactured; |

Number of EV charging ports/stations installed
 Number of BEVs, HEVs, PHEVs, and methanol hybrid vehicles financed;
 Estimate of the lifetime reduction in CO₂ emissions achieved by the BEVs, HEVs and PHEVs;
 Type/number of green building certifications obtained;
 Waste recycled or diverted from landfill (metric tons);
 Qualitative description of the projects

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):
 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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