

Second-Party Opinion

Agricultural Bank of China Limited

Hong Kong Branch Sustainable Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the Agricultural Bank of China Limited Hong Kong Branch Sustainable Bond Framework is credible and impactful, and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021 and Social Bond Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Renewable Energy, Energy Efficiency, Clean Transportation, Sustainable Water and Wastewater Management, Green Buildings, Sustainable Marine Economy, Marine Environmental Protection and Coastal Climate Change Adaptation, Access to Essential Services, Employment Generation – are aligned with those recognized by the Green Bond Principles and the Social Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 3, 4, 6, 7, 8, 11 and 14.



PROJECT EVALUATION / SELECTION ABC HK's internal process for evaluating and selecting projects will be carried out by its Sustainable Finance Working Group (SFWG), which is chaired by its CEO and comprised of members from different departments. The SFWG will give final approval to the selected projects and will also oversee the environmental and social risk assessment and management of potential eligible projects. Sustainalytics considers the risk management systems to be adequate and the project selection process in line with market practice.



MANAGEMENT OF PROCEEDS ABC HK commits to monitor and track the net proceeds via a register overseen by the SFWG. ABC HK intends to reach full allocation within 36 months of the respective issuance. Pending allocation, proceeds may be temporarily invested in green, social and sustainability bonds, money market instruments with good credit rating and market liquidity, or kept in cash in accordance with ABC HK's liquidity management policy. This is in line with market practice.



REPORTING ABC HK intends to report on allocation of proceeds on its website on an annual basis until full allocation. The allocation report will contain information about the amount of net proceeds, unallocated proceeds, and project case studies subject to confidentiality. In addition, ABC HK is committed to reporting on relevant impact metrics. Sustainalytics views the allocation and impact reporting as aligned with market practice.

Evaluation date	January 28, 2022
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Issuer Location	Hong Kong SAR, China
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Introduction

Agricultural Bank of China Limited Hong Kong Branch (“ABC HK”, the “Bank” or the “Branch”), incorporated in the People’s Republic of China with limited liability, located in Hong Kong, is the first overseas branch of Agricultural Bank of China (“ABC”). ABC is a Chinese commercial bank founded in 1951 and headquartered in Beijing with 22,938 branches in China and 13 branch outside of China, total assets of CNY 27,205,047 million (USD 4,271,192 million) and a total of 459,000 employees at the end of 2020. The Branch provides products and services including trade finance, syndicated loans, wealth management, foreign exchange, bond investment, derivatives, deposits, money exchange, project loans and structured products.

ABC HK has developed the Agricultural Bank of China Limited Hong Kong Branch Sustainable Bond Framework (the “Framework”) under which it intends to issue green, social, sustainability bonds and use the proceeds to finance and refinance, in whole or in part, existing and future projects expected to contribute to GHG emissions reduction, promotion of green buildings, sustainable management of waste and natural resources, and improve access to essential services and basic infrastructure in China.

The Framework defines eligibility criteria in the following six green categories:

1. Renewable Energy
2. Energy Efficiency
3. Clean Transportation
4. Sustainable Water and Wastewater Management
5. Green Buildings
6. Sustainable Marine Economy, Marine Environmental Protection and Coastal Climate Change Adaptation

The Framework defines eligibility criteria in the following two social categories:

1. Access to Essential Services
2. Employment Generation

ABC HK engaged Sustainalytics to review the Agricultural Bank of China Limited Hong Kong Branch Sustainable Bond Framework dated January 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) and Social Bond Principles 2021 (SBP).¹ The Framework has been published in a separate document.²

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent³ 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;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

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

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 Agricultural Bank of China Limited Hong Kong Branch Sustainable Bond Framework is available on the ABC HK website at: <https://www.hk.abchina.com/en/>.

³ 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.

As part of this engagement, Sustainalytics held conversations with various members of ABC HK'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. ABC HK representatives have confirmed (1) they understand it is the sole responsibility of ABC HK 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 ABC HK.

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 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 realized allocation of the bond 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 ABC HK has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Agricultural Bank of China Limited Hong Kong Branch Sustainable Bond Framework

Sustainalytics is of the opinion that the Agricultural Bank of China Limited Hong Kong Branch Sustainable Bond Framework is credible, impactful and aligns with the four core components of the GBP and SBP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The eligible categories – (i) Renewable Energy; (ii) Energy Efficiency; (iii) Clean Transportation; (iv) Sustainable Water and Wastewater Management; (v) Green Buildings; (vi) Sustainable Marine Economy, Marine Environmental Protection and Coastal Climate Change Adaptation; (vii) Access to Essential Services; and (viii) Employment Generation – are aligned with those recognized by the GBP and SBP.
 - The Branch has defined a three-year look-back period for refinancing activities, which Sustainalytics considers to be aligned with market practice.
 - Under the Framework, the Bank intends to use part of the proceeds for project-based lending and part for general purpose loans for pure-play businesses that derive at least 90% of revenues from activities identified in the eligible categories. While Sustainalytics recognizes that the GBP, and SBP prefer project-based lending and financing, and that there is, in general less transparency with non-project-based lending, nevertheless, Sustainalytics notes that the financing of pure-play companies with a robust revenue threshold is a commonly accepted practice which can generate positive impact.
 - Under the Renewable Energy category, the Bank may finance and re-finance the acquisition, manufacturing, construction, maintenance and upgrade of renewable energy generation facilities, equipment or related infrastructure, in particular wind, onshore photovoltaics,

concentrated solar power (CSP), solar thermal, tidal, geothermal, hydropower and biomass projects. Sustainalytics considers the criteria for financing renewable energy projects to be aligned with market practice and notes the following:

- Regarding CSP and solar thermal projects,⁴ the Bank has confirmed that the reliance on non-renewable energy backup will be limited to 15% of the facility's electricity generation.
- New or existing hydroelectric projects with lifecycle carbon intensity lower than 50 gCO₂/kWh or power density greater than 10 W/m². For new facilities, the Bank will require an environmental and social impact assessment by a credible body and is also committed to ensuring the absence of significant risk and expected negative controversies associated with the projects. Furthermore, the Bank has confirmed that refurbishment of existing hydropower projects will not increase the size of the respective dams or reservoirs and will meet the power density threshold.
- For geothermal energy projects, the Framework limits financing to just those projects that have lifecycle emissions below 100 gCO₂e/kWh.⁵
- Bioenergy projects that use organic kitchen waste from municipal waste as feedstock and have lifecycle emissions below 100 gCO₂e/kWh.
- In addition, the Bank will also finance transmission and distribution infrastructure and equipment dedicated to connecting renewables to the power grid.
- Under the Energy Efficiency category, the Bank may finance or refinance the following:
 - Acquisition, implementation, maintenance and upgrade of products or technologies that result in energy efficiency or consumption improvement of at least 30%, including the energy-efficient HVAC systems, lighting systems, windows and doors.
 - Acquisition, implementation, maintenance and upgrade of products or technologies that increase the efficiency in the delivery of bulk energy services. This may include energy storage systems, such as battery, pumped hydro and smart grid technologies, including smart meters and smart substations.
 - ABC HK has confirmed to Sustainalytics that all energy efficient technologies, systems and products in this category are either non-motorized or powered by electricity, and financing will exclude all activities directly linked to fossil fuels. Sustainalytics views positively the inclusion of a defined energy efficiency threshold and therefore views these investments as aligned with market practice.
- Under the Clean Transportation category, the Bank may finance or refinance the acquisition, manufacturing, construction, maintenance and upgrade of facilities, equipment or infrastructure that are dedicated to zero direct emissions public and private land transport vehicles, including fully electric or hydrogen-powered trains, buses, trams, cars, trucks and vessels. Sustainalytics considers this to be aligned with market practice.
- Under the Sustainable Water and Wastewater Management category, the Bank may finance or refinance the acquisition, manufacturing, construction, maintenance and upgrade of facilities and infrastructure for water and wastewater treatment, water recycling, water quality improvement and waste management. Waste management may include waste prevention, waste reduction and waste recycling activities such as the treatment of municipality waste and infrastructure such as recycling bins. ABC HK has clarified that hazardous waste and electronic wastes will be excluded. Sustainalytics views these expenses to be in line with market practice.
- Under the Green Buildings category, the Bank may finance or refinance
 - The acquisition, construction, operation and maintenance of commercial buildings that have received or are expected to receive one of the following third-party green building certification standards: Chinese Green Building Evaluation Label (2 stars or above), BREEAM (Excellent or above), LEED (Gold or above) or Hong Kong BEAM Plus (Gold or above).
 - The renovation and upgrade of buildings that result in achieving one of the above mentioned third-party green building certification standards.

⁴ Most of the electricity (more than 85%) will be generated from solar energy sources.

⁵ For geothermal projects, ABC HK will be following the EU Taxonomy on the lifecycle GHG emissions of geothermal projects.

This is in line with market practice. Please refer to Appendix 1 for further information on the referenced building standards.

- Under the Sustainable Marine Economy, Marine Environmental Protection and Coastal Climate Change Adaptation category, the Bank may finance or refinance the acquisition, manufacturing, construction, maintenance and upgrade of facilities and infrastructure for sea water desalinization plants, urban drainage systems, river training and other forms of flood mitigation systems and infrastructure.
 - ABC HK has confirmed that the desalination projects financed under the Framework will have an appropriate waste management plan for brine disposal and will be powered at least 90% by renewable energy.
 - ABC HK has confirmed that the infrastructure projects designed to provide protection against flooding and extreme weather events have been identified based on vulnerability assessments as necessary adaptation projects and have an adaptation plan in place.
- Under the Access to Essential Services category, the Bank may finance or refinance the construction, maintenance and upgrade of public (i) hospitals; (ii) eldercare centres; (iii) healthcare facilities; and (iv) education facilities and infrastructure. Recipients of investments in public education facilities include schools, universities and vocational training centres. Furthermore, the Bank has confirmed that all services will be accessible to all regardless of their ability to pay. Sustainalytics views these expenses to be in line with market practice.
- Under the Employment Generation category, the Bank intends to provide loans to micro, small and medium-sized enterprises (MSMEs),⁶ targeting the following MSMEs:
 - (i) owned or operated by migrants or youth;
 - (ii) MSMEs which have at least 51% of their shares belonging to women, or which have: at least 20% female ownership and women occupy at least one managerial role and the overall operational management responsibility is held by women, and, when a board exists, at least 30% of the board of directors are women;
 - (iii) MSMEs that are affected by natural or health disasters, including COVID-19. Sustainalytics considers the eligibility criteria in line with market practice.
- Sustainalytics notes that the Bank excludes the financing of projects associated with fossil fuel, hard-to-abate industries, child labour, poor working conditions, negative-impact activities such as palm oil, production or trading of weapons, munition, radioactive materials, use of asbestos fibres, tobacco, wastewater from fossil fuel operations, and chemical recycling of plastic. Sustainalytics is of the opinion that the addition of exclusionary criteria strengthens the Framework.
- Project Evaluation and Selection:
 - ABC HK has established a Sustainable Finance Working Group (SFWG) chaired by its CEO and comprised of members from various departments, such as Corporate Banking, Financial Markets, Financial Institutions, Asset and Liability, Credit, Legal and Compliance, and Risk Management. The Corporate Banking and the Financial Institutions departments of ABC HK will conduct a preliminary screening of eligible projects and submit them for review and final approval to the SFWG.
 - The Bank's Credit Business Environmental and Social Risk Management Measures have integrated ESG considerations and apply to all allocation decisions made under the Framework. Eligible projects are selected considering their compliance with the E&S standards and regulatory requirements of the Chinese Central Government. The SFWG is responsible for ensuring that E&S related risks are identified, evaluated and managed. Sustainalytics considers the risk assessment and mitigation process to be adequate and aligned with market expectation. For additional detail, see Section 2.
 - Based on a clear governance structure and the presence of an environmental and social risk management process, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:

⁶ As defined by the Trade and Industry Department of the Government of the Hong Kong SAR, a small or medium-sized enterprise (SME) in Hong Kong is any manufacturing business which employs fewer than 100 persons in Hong Kong, or any non-manufacturing business which employs fewer than 50 persons in Hong Kong.

- The SFWG will be responsible for the management and allocation of proceeds. Proceeds from the issuance will be tracked and recorded in the Bank’s register.
- ABC HK intends to allocate all proceeds to eligible instruments within 36 months of issuance. Pending allocation, proceeds may be temporarily invested in green, social and sustainability bonds, money market instruments with good credit rating and market liquidity, or kept in cash in accordance with the Branch’s liquidity management policy.
- Based on clear definitions of how proceeds will be tracked, held and disbursed, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - ABC HK intends to report on the allocation and impact of proceeds in its annual Corporate Social Responsibility Report or the Branch’s Sustainable Bond Report until full allocation of the net proceeds. The allocation report will contain information about the amount of net proceeds allocated to eligible assets, unallocated proceeds and project case studies subject to confidentiality.
 - The impact reporting will include environmental and social impact metrics, where feasible, such as annual amount of renewable energy generated (MWh), estimation of GHG emissions avoided (tCO₂e), annual energy consumption reduced (KWh), number of electric vehicles supported, amount of water saved (m³), number of flood mitigation and control facilities built, number of beneficiaries and number of loans provided. For a full list of impact indicators please see Appendix 2, External Review Form.
 - Based on the commitment to 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 Agricultural Bank of China Limited Hong Kong Branch Sustainable Bond Framework aligns with the four core components of the GBP and SBP. For detailed information please refer to Appendix 2: Sustainability Bond/ Sustainability Bond Programme External Review Form.

Section 2: Sustainability Strategy of ABC HK

Contribution of Framework to ABC HK’s sustainability strategy

ABC HK is a branch of Agricultural Bank of China and therefore adopts the latter’s sustainability strategies and policies. ABC’s commitment to sustainability is reported in its 2020 CSR Report, which covers its head office, domestic and foreign branches.⁷ In this context, Sustainalytics assessed ABC’s company-wide sustainability performance.

ABC is committed to facilitating the development of a low-carbon economy through green financing, having raised CNY 8 billion (USD 1.26 billion) in 2020 for the National Green Development Fund established by the Chinese Central Government.⁸ ABC has a green credit policy that aims to expand the Bank’s investments in clean energy, green infrastructure upgrades, energy conservation and environmental protection. In 2020, ABC issued green credit loans of CNY 1.51 trillion (USD 236 billion) and four green bonds with a total value of CNY 2.78 billion (USD 435 million).⁹

In addition to green financing, ABC prioritises financing for socio-economic improvement, such as supporting poverty alleviation schemes and providing loans to micro, small and medium-sized enterprises (MSMEs). ABC provides “simple and quick loans” with a credit limit of CNY 2 million (USD 0.32 million) to support MSME customers without credit rating.¹⁰ Considering the unprecedented socio-economic impacts from the COVID-19 pandemic, ABC prioritized inclusive finance and created differentiated micro-credit loan policies to support MSME financing. These included fee reductions and concessions, deferred repayments of principal and

⁷ Agricultural Bank of China, “Corporate Social Responsibility Report 2020”, at: <https://www.abchina.com/en/AboutUs/csr-report/202103/P020210330724856060672.pdf>

⁸ IEA, “Launching of the National Green Development Fund”, (2021), at: <https://www.iea.org/policies/12360-launching-of-the-national-green-development-fund>

⁹ Ibid.

¹⁰ Agricultural Bank of China, “Simple and Quick Loan for Small Enterprises”, at: <https://www.abchina.com/en/corporate/sme-business/saqlfse/>

interest, and a switch to digital banking. The result was CNY 961 billion (USD 150 billion) in micro and small loans issued, which benefited over 6.14 million MSMEs at the end of 2020.

Sustainalytics is of the opinion that the Agricultural Bank of China Hong Kong Branch Sustainable Bond Framework is aligned with ABC's overall sustainability performance efforts and initiatives and will further its action on key environmental and social priorities. Sustainalytics encourages the Bank to establish a sustainability strategy that is tailored to Hong Kong Branch and quantitative time-bound targets on its key environmental and social initiatives.

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. While the Bank plays a limited role in the development of the projects financed under the Framework, by offering lending and financial services, it is exposed to risks associated with controversial companies and projects that it may finance. Some key environmental and social risks possibly associated with the eligible projects could include occupational health and safety, land use and biodiversity issues associated with large-scale infrastructure development, and predatory lending or over-indebtedness of financially vulnerable individuals.

Sustainalytics is of the opinion that ABC HK is able to manage or mitigate potential risks through implementation of the following:

- ABC has integrated ESG considerations into the entire credit application, evaluation, approval, due-diligence and post-loan management process. The Bank has adopted the ABC Credit Business Environmental and Social Risk Management Measures¹¹ which evaluate all existing and new clients to determine the potential environmental and social risks and impacts associated with their business activities. Based on the level of risk anticipated, customers are subsequently divided into categories A, B, and C for the application of category-specific risk management measures. These measures include occupational health and safety, land use and ecological protection, pollution, resettlement and climate change. Furthermore, customers with relatively high environmental and social risks are required to sign commitment letters of responsibility by contractual arrangement to prevent risks.
- As part of China's Environmental Impact Assessment Act, all projects related to construction, reconstruction, expansion or refurbishing are obliged to conduct an environmental risk assessment during the initial phase of project design and feasibility analysis. The act stipulates that the assessment must include the identification of key risk factors related to air, water, soil pollution and human health. According to Chinese law, all companies are required to undergo an assessment by an independent and certified environmental impact assessment agency to avoid any conflict of interest, including the interest of local communities.¹²
- Hong Kong's Environmental Impact Assessment Ordinance 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.¹³
- ABC is a member of the UNEP FI and a signatory to the UN PRB, which require signatories to conduct an impact analysis to evaluate the social, environmental and economic impacts and risks associated with their activities and identify how to maximize positive impacts and reduce major negative impacts.

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

¹¹ Agricultural Bank of China, "ESG risk management policy", (in Chinese) at: https://www.abchina.com/zt/aboutabc/nonghgz/newscenter/201810/t20181024_1689550.htm

¹² Lam, K. and Zhu, T. (2009), "Environmental Impact Assessment in China", at: https://www.researchgate.net/publication/268503532_Environmental_Impact_Assessment_in_China

¹³ Hong Kong Environmental Protection Department, "A Guide to the EIA Ordinance", at: <https://www.epd.gov.hk/eia/english/guid/ordinance/guide1-3.html>

Section 3: Impact of Use of Proceeds

All eight use of proceeds categories are aligned with those recognized by the SBG, GBP or SBP. Sustainalytics has focused on three below where the impact is specifically relevant in the local context.

Importance of renewable energy infrastructure deployment in China

China accounted for 22% of global energy consumption and 29% of total CO₂ emissions from fuel combustion in 2020, while being the world's largest renewable electricity producing country in 2021, largely from wind and solar power.¹⁴ Nevertheless, given the share of fossil fuel sources in China's power generation (accounted for 66.5% 2020),¹⁵ the Chinese Government has pledged to become carbon neutral by 2060¹⁶ and increase the share of non-fossil fuel energies to 20% by 2030.¹⁷ Meanwhile, China is facing increasing energy demand, with year-on-year total electricity consumption having increased to 21.2% in 2021. Accordingly, China has committed to increase the share of non-fossil fuels in primary energy consumption to 25% by 2030, and raising the total installed capacity of wind and solar power to over 1,200 GW by 2030.¹⁸ Renewable power generation grew by 36.6% per year in the 10-year period ending in 2019, further highlighting China's progress in decarbonizing power generation.¹⁹ To scale up its renewable energy share to 26% before 2030, China requires an estimated USD 145 billion per year in investments, which could result in USD 200 billion per year in savings from reduced CO₂ emissions and reducing their associated adverse effects.²⁰

Given the above, Sustainalytics considers that the renewable energy investments made under the Framework are expected to generate positive environmental impacts in China.

Contribution of green buildings to carbon neutrality target in China

Buildings accounted for 20% of China's annual GHG emissions in 2018. Chinese buildings' full life-cycle carbon emissions add up to 4,930 MtCO₂, equivalent to 51.3% of China's total annual emissions. In order to become carbon neutral by 2060, the annual building full life-cycle carbon emissions need to drop to 2,500 MtCO₂ and grow less than 1.5% annually. The promotion of green buildings, including enhancing building energy efficiency, boosting green building development and renovating existing buildings, is a key objective in China's Strategic Action Plan for Energy Development (2014-2020). Total demand for buildings' energy saving and green building financing in China in 2020 was estimated at CNY 600 billion (USD 94.1 billion), according to the International Institute of Green Finance (IIGF).²¹

Sustainalytics considers ABC HK's financing of green buildings is expected to provide positive environmental impacts by reducing GHG emissions from the built environment and contribute to China's carbon neutrality target by 2060.

Importance of financing SMEs in China

Small and medium-sized enterprises are the main drivers of job creation in China, accounting for 80% of non-government employment.²² SMEs in Hong Kong, in particular, account for more than 98% of the total number of enterprises and about 45% of total employment.²³

¹⁴ IEA, "Global Energy Review 2021 – Renewables", at: <https://www.iea.org/reports/global-energy-review-2021/renewables>

¹⁵ BP, "Statistical Review of World Energy 2021", (2021), at: <https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/energy-economics/statistical-review/bp-stats-review-2021-full-report.pdf>

¹⁶ UN News, "Enhance solidarity' to fight COVID-19, Chinese President urges, also pledges carbon neutrality by 2060", (2020) at: <https://news.un.org/en/story/2020/09/1073052>

¹⁷ NOW GmbH, "Factsheet: Hydrogen and fuel cell technology in China" (2020), at: https://www.now-gmbh.de/content/service/3-publikationen/6-querschnittsthemen/now-gmbh_factsheet_china_en.pdf

¹⁸ China Association of Building Energy Efficiency, 2020 China Building Energy Consumption Report, at: <http://www.199it.com/archives/1298147.html>

¹⁹ 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>

²⁰ IRENA, "Energy Prospects: China", at: <https://www.irena.org/publications/2014/Nov/Renewable-Energy-Prospects-China>

²¹ China Clean Development Mechanism Fund, (2020), at: <https://www.cdmfund.org/26544.html>

²² Jess, M., (2021), "China's SMEs: how important are small firms to the economy, and what challenges are they facing?", China Macro Economy, at: <https://www.scmp.com/economy/china-economy/article/3155660/chinas-smes-how-important-are-small-firms-economy-and-what>

²³ Government of the Hong Kong Special Administration Region, "SME", (2021), at: https://www.success.tid.gov.hk/english/aboutus/sme/service_detail_6863.html

In 2020, the pandemic led to an all-time high unemployment rate of 6.2% and 7.2% in mainland China and Hong Kong respectively, with SMEs being the hardest hit sector.^{24,25} Given that SMEs are a significant driver of job creation and face challenges from limited access to finance, low levels of financial inclusion, little expenditure on research and development, and the effects of the pandemic, the Chinese Government provides financial support to SMEs through various channels.²⁶ The Chinese Central Government has implemented several policies to improve access to finance for SMEs over the years, including subsidies from fiscal authorities, microcredit programmes to reduce lending rates, and relaxed risk weightings for SMEs in loans under CNY 5 million (USD 0.78 million).²⁷ In 2021, China's central bank committed to provide loans worth CNY 300 billion (USD 47 billion) to support SMEs, with the average loan interest rate capped at around 5.5%.²⁸ Furthermore, the Chinese Ministry of Finance announced that the Chinese Government will allocate more than CNY 10 billion (USD 1.5 billion) from 2021 to 2025 to support the growth of more than 1,000 SMEs.²⁹ As part of its COVID-19 recovery measures, the Chinese Government also provided relief measures for SMEs in the form of extensions for loan and interest repayments, credit support, reduction in rent, taxes and fees, lower financing costs and capital requirements.³⁰

Based on the above context, Sustainalytics is of the opinion that ABC HK's financing of SMEs that are affected by natural disasters and COVID-19 could provide additional financial resources to SMEs in China, and contribute to preserving employment and business continuity.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The bond(s) issued under the Agricultural Bank of China Limited Hong Kong Branch Sustainable Bond Framework advances the following SDGs and targets:

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

²⁴ Evelyn, C., "Unemployment ticks higher in China as coronavirus shock to economy persists", CNBC, at:

<https://www.cnbc.com/2020/05/15/unemployment-rises-in-china-as-coronavirus-shock-to-economy-persists.html>

²⁵ Thomson Reuters, (2021), "Hong Kong's Dec – Feb jobless rate at highest since 2004", at: <https://www.reuters.com/article/hongkong-economy-unemployment-idUSL1N2LE0ID>

²⁶ Asian Development Bank, "Major Challenges Facing Small and Medium-sized Enterprises in Asia and Solutions for Mitigating Them"(2016), at:

<https://www.adb.org/publications/major-challenges-facing-small-and-medium-sized-enterprises-asia-and-solutions>

²⁷ Lam, W. et al. (2020), "Tackling Small and Medium-Sized Enterprises (SMEs) Financing in China", Annals of Economics and Finance, at:

<http://aeconf.com/Articles/May2020/ae210110.pdf>

²⁸ Global Times, "China adds 300 billion yuan loans for SMEs, will give to qualified firms within the year", (2021),

at: <https://www.globaltimes.cn/page/202109/1233872.shtml?id=11>

²⁹ China Daily, "Innovative SMEs to get policy boost in financing" (2021), at: http://www.china.org.cn/business/2021-02/04/content_77187236.htm

³⁰ Xiaobo, Z., (2020), "Reconciling SME Production in China with Coronavirus Control", Center for Global Development, at:

<https://www.cgdev.org/publication/reconciling-sme-production-china-coronavirus-control>

Green Buildings	11. Sustainable Cities and Communities	11.3 By 2030, enhance inclusive sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries
Sustainable Marine Economy, Marine Environmental Protection and Coastal Climate Change Adaptation	14. Life Below Water	14.2 By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans
Access to Essential Services	3. Good Health and Well-Being	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
	4. Quality Education	4.1 By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and Goal-4 effective learning outcomes
Employment Generation	8. Decent Work and Economic Growth	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services

Conclusion

ABC HK has developed the Agricultural Bank of China Limited Hong Kong Branch Sustainable Bond Framework under which it may issue green, social, sustainability bonds and use the proceeds to finance or refinance a broad range of projects. Sustainalytics considers that the projects funded by the proceeds are expected to provide positive environmental and social impacts in China.

The Agricultural Bank of China Limited Hong Kong Branch Sustainable Bond Framework outlines a process for tracking, allocating and managing proceeds, and makes commitments for ABC HK to report on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that Agricultural Bank of China Limited Hong Kong Branch Sustainable Bond Framework is aligned with the overall sustainability strategy of the company and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 3, 4, 6, 7, 8, 11 and 14.

Additionally, Sustainalytics is of the opinion that ABC HK 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 Agricultural Bank of China Limited Hong Kong Branch is well positioned to issue green, social, sustainability bonds and that that Agricultural Bank of China Limited Hong Kong Branch Sustainable Bond Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles (2021) and Social Bond Principles (2021).

Appendices

Appendix 1: Overview and Assessment of Green Building Certifications

	LEED ³¹	Chinese Green Building Evaluation Label (CHINA 3-STAR)	HK BEAM ³²	BREEAM ³³
Background	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.	The Chinese 3-Star Green Building Standard is a Certification System used in China for residential and public buildings (including commercial, hotel and government-owned) that was introduced in 2006 by MOHURD (Ministry of Housing and Urban-Rural Development).	BEAM Society Limited (BSL) developed the Hong Kong Building Environmental Assessment Method ("HK-BEAM"), a green building assessment tool established in 1996 with the issue of two assessment methods, one for 'new' and one for 'existing' office buildings, largely based on the UK Building Research Establishments' BREEAM. The HK-BEAM aims to promote buildings that are more sustainable through enhanced design, construction, commissioning, management, operation and maintenance practices.	BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK. Used for new, refurbished and extension of existing buildings.
Certification levels	Certified Silver Gold Platinum	1-Star 2-Star 3-Star	Bronze Silver Gold Platinum	Pass Good Very Good Excellent Outstanding
Areas of Assessment: Environmental Performance of the Building	Energy and Atmosphere Sustainable Sites Location and Transportation Materials and Resources Water efficiency Indoor Environmental Quality Innovation in Design Regional Priority	<ul style="list-style-type: none"> Land savings and outdoor environment Energy savings and utilization; Water savings and utilization; Material savings and utilization; Indoor environment; Operations and management. 	<ul style="list-style-type: none"> Site Aspects (location, planning and design, emissions from the site) Materials Aspects (efficient use of materials, selection of materials, waste materials) Energy Use (annual energy use, energy efficient systems, energy efficient equipment, facilities for energy, management) 	<ul style="list-style-type: none"> Energy Land Use and Ecology Pollution Transport Materials Water Waste Health and Wellbeing Innovation



³¹ USGBC, LEED, at: www.usgbc.org/LEED

³² HK-BEAM, [https://www.beamsociety.org.hk/files/_4-04%20New%20Buildings%20\(Full%20Version\).pdf](https://www.beamsociety.org.hk/files/_4-04%20New%20Buildings%20(Full%20Version).pdf)

³³ BREEAM: <https://www.breeam.com/>

			<ul style="list-style-type: none"> • Water Use (water quality, water conservation, effluent) • Indoor Environmental Quality (safety, hygiene, indoor air quality, ventilation, thermal comfort, lighting quality, acoustics and noise, building amenities) • Innovations and Additions 	
Requirements	<p>Prerequisites (independent of level of certification) + Credits with associated points</p> <p>These points are then added together to obtain the LEED level of certification</p> <p>There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).</p>	<p>Prerequisites:</p> <p>The system functions on a checklist basis, with 1-Star buildings meeting 26 criteria, 2-Star an additional 43 items, and 3-Star on a further 14 items. Criteria and weighting differ for public and residential buildings. In public buildings, more weight is given to energy and material savings, while the standard for residential buildings places greater importance on urban land saving and outdoor environments.</p>	<p>HK BEAM is a credit-based system where the overall weighting is given by the relative number of credits given for the compliance with sub-criteria derived from the above-mentioned areas of assessment.</p> <p>For some of the environmental aspects detailed in HK-BEAM, compliance with legal requirements is taken as a prerequisite for the award of credits. Consequently, when an assessed issue becomes subject to legislation, it will no longer count for an award of credits, and would be amended or deleted in any future revisions of HK-BEAM.</p> <p>The Overall Assessment Grade is based on the percentage of applicable credits gained. The award classifications are:</p> <p>Platinum 75% - Excellent Gold 65% - Very Good Silver 55% - Good Bronze 40% - Above Average</p>	<p>Prerequisites depending on the levels of certification + Credits with associated points</p> <p>This number of points is then weighted by item³⁴ and gives a BREEAM level of certification, which is based on the overall score obtained (expressed as a percentage). Majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their BREEAM performance score.</p> <p>BREEAM has two stages/ audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.</p>

³⁴ BREEAM weighting: Management 12%, Health and wellbeing 15%, Energy 19%, Transport 8%, Water 6%, Materials 12.5%, Waste 7.5%, Land Use and ecology 10%, Pollution 10% and Innovation 10%. One point scored in the Energy item is therefore worth twice as much in the overall score as one point scored in the Pollution item

Performance display	   		   	
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Appendix 2: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Agricultural Bank of China Limited Hong Kong Branch
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	Agricultural Bank of China Limited Hong Kong Branch Sustainable Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	January 28, 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 - Renewable Energy, Energy Efficiency, Clean Transportation, Sustainable Water and Wastewater Management, Green Buildings, Sustainable Marine Economy, Marine Environmental Protection and Coastal Climate Change Adaptation, Access to Essential Services, Employment Generation - are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 3, 4, 6, 7, 8, 11 and 14.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input checked="" type="checkbox"/> Climate change adaptation |
| <input 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 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 type="checkbox"/> Other (please specify): |

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

ABC HK's internal process for evaluating and selecting projects will be carried out by the Sustainable Finance Working Group (SFWG), which is chaired by the Chief Executive Officer and comprised of members from different departments. The SFWG will give a final approval of the selected projects and will also oversee the environmental and social risk assessment and management of potential eligible projects. Sustainalytics considers the risk management systems to be adequate and the project selection process in line with market practice.

Evaluation and selection

- | | |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's 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)*:

ABC HK commits to monitor and track the net proceeds via a Register overseen by SFWG. ABC HK intends to reach full allocation within 36 months of the respective issuance. Pending allocation, proceeds may be temporarily invested in green, social and sustainability bonds, money market instruments with good credit rating and market liquidity or kept in cash in accordance with the Branch's 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 checked="" type="checkbox"/> Allocation to a portfolio of disbursements |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify): |

4. REPORTING

Overall comment on section (if applicable):

ABC HK intends to report on allocation of proceeds on its website on an annual basis until full allocation. The allocation report will contain information about the amount of net proceeds, unallocated proceeds, and project case studies subject to confidentiality. In addition, ABC HK is committed to reporting on relevant impact metrics. Sustainalytics views Agricultural Bank of China Limited Hong Kong Branch'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):
unallocated proceeds, and project case studies subject to confidentiality | |

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 checked="" type="checkbox"/> Target populations | <input type="checkbox"/> Other ESG indicators (please specify): number of electric vehicles supported, number of flood mitigation and control facilities built, number of buildings/ infrastructure/units built or upgraded, number of employees, businesses and communities supported, and number of loans provided |

Frequency:

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

Means of Disclosure

- | | |
|---|--|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (please specify): Corporate Social Responsibility Report or the Branch's Sustainable Bond Report |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): | |

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

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE****Type(s) of Review provided:**

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

Review provider(s):
Date of publication:
ABOUT ROLE(S) OF 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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