

Second-Party Opinion

CK Hutchison Holdings Limited

Sustainable Finance Framework

Evaluation Summary

Sustainalytics is of the opinion that the CK Hutchison 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 – Renewable Energy, Energy Efficiency, Sustainable Transportation, Circular Economy & Design, Emergency Response & Pandemic Relief – 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 reduce the environmental footprint of the Group’s operations, lead to positive social impacts and advance the UN Sustainable Development Goals, specifically SDGs 3, 7, 8, 9, 11 and 12.



PROJECT EVALUATION / SELECTION The Company’s Board-level Sustainability Committee is responsible for reviewing assets, projects and investments nominated by the Sustainability Working Group. The Sustainability Committee will be responsible for designating assets, projects and investments as eligible projects upon confirmation of their eligibility. The Sustainability Working Group is comprised of representatives from the Finance, Treasury, Management Services, Corporate Affairs, Human Resources, Legal and Sustainability Departments. The Company’s Group Sustainability Framework, sustainability policies and corporate governance policies are applicable to allocation decisions under the Framework. Sustainalytics considers these risk management systems to be adequate. Sustainalytics considers the project selection and evaluation process as in line with market practice.



MANAGEMENT OF PROCEEDS The Company’s Sustainability Working Group will track receipt and allocation of net proceeds using a portfolio approach. Net proceeds awaiting allocation will be temporarily invested in cash or cash equivalents, or liquid and marketable instruments not relating to greenhouse gas-intensive activities. This process is in line with market practice.



REPORTING The Company intends to report on allocation and impact of proceeds on its website on an annual basis until full allocation. Allocation reporting will include details such as amount invested per category, share of financing vs refinancing, and balance of unallocated proceeds. In addition, CKHH is committed to reporting on relevant impact metrics. Sustainalytics views CKHH’s allocation and impact reporting as aligned with market practice.

Evaluation Date	October 12, 2021
Issuer Location	Hong Kong, China

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Introduction

CK Hutchison Holdings Limited (“CKHH”, the “Company”, or the “Group”, or the “Issuer”) is a multinational conglomerate operating in four core businesses: (i) ports and related services, (ii) retail, (iii) infrastructure, and (iv) telecommunications. Based in Hong Kong, the Group operates in approximately 50 countries with more than 300,000 employees.

CKHH has developed the CK Hutchison Holdings Limited Sustainable Finance Framework (the “Framework”), under which CKHH and its direct or indirect subsidiaries may raise green, social, and/or sustainability bond, loan, and other debt-like financing, and use the proceeds to finance or refinance, in whole or in part, existing or future assets, projects, or investments that are expected to reduce the environmental footprint of the Company’s operations or lead to positive social impacts. The Framework defines eligibility criteria in four green areas and one social area:

Eligible Green Projects

1. Renewable Energy
2. Energy Efficiency
3. Sustainable Transportation
4. Circular Economy & Design

Eligible Social Projects

1. Emergency Response & Pandemic Relief

CKHH engaged Sustainalytics to review the Framework, dated October 2021, and provide this 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 The 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 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.
- 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 1.9.2, 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 CKHH’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as the management of proceeds and reporting aspects of the Framework. CKHH representatives have confirmed (1) they understand it is the sole responsibility of CKHH to ensure that the information provided is complete, accurate and up to date, (2) that they have provided Sustainalytics with all relevant information and

¹ The SBG, GBP, and SBP administered by ICMA are available at: <https://www.icmagroup.org/sustainable-finance/resource-centre/>.

² The GLP and SLP administered by LMA, APLMA, and LSTA are available at: <https://www.lma.eu.com/documents-guidelines/documents/category/green-sustainable-finance>.

³ The CK Hutchison Holdings Limited Sustainable Finance Framework is available in the Investor Relations section and sustainability section of CKHH’s website at: <https://www.ckh.com.hk/en/ir/>

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.

(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 CKHH.

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.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realized 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 CKHH has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Sustainable Finance Framework

Sustainalytics is of the opinion that the Sustainable Finance Framework is credible, impactful and aligns with the four core components of the SBG, GBP, SBP, GLP and SLP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The eligible categories – Renewable Energy, Energy Efficiency, Sustainable Transportation, Circular Economy & Design, and Emergency Response & Pandemic Relief – are aligned with those recognized by the GBP, SBP, GLP and SLP. Sustainalytics notes that investment in the eligible categories is expected to decrease the environmental footprint of CKHH's operations and lead to positive social impacts.
 - CKHH has defined a look-back period of three years for refinancing activities, which Sustainalytics considers to be aligned with market practice.
 - Within the Renewable Energy category, CKHH may invest in the procurement and differential costs of renewable energy, as well as the development, acquisition, maintenance and operation of solar, wind, bioenergy, geothermal, hydrogen, hydropower, and waste-to-energy projects with emissions less than or equal to 100g CO₂e/kWh, as well as related infrastructure such as battery storage, according to the following eligibility criteria.
 - Regarding the procurement of renewable energy, CKHH intends to procure electricity via long-term power purchase agreements ("PPAs"). Sustainalytics notes that the Company has confirmed the exclusion of short-term purchases of such agreements. In addition to PPAs, CKHH may also invest in energy attribute certificates ("EACs"), renewable energy certificates ("RECs") or contract for differences (CFD). Sustainalytics notes that contracts for differences is known as virtual (or financial) PPAs, and they are considered to be a financial arrangement between a renewable electricity generator and a customer, enabling both parties to hedge against market price volatility. CKHH has confirmed to Sustainalytics that the proceeds associated with contract for differences will be long-term and tied to identifiable renewable energy sources. CKHH has confirmed to Sustainalytics that the Company will exclude unbundled agreements which cannot be tracked to specific and/or identifiable renewable energy projects.

- Proceeds may also be directed to marginal costs associated with procuring eligible renewable energy from local utilities. CKHH has explained to Sustainalytics that such renewable energy procurement will be towards the type of renewables and eligibility criteria listed in the Framework. Sustainalytics views positively that expenditures in this area apply only to the resulting cost differential.
 - Bioenergy projects are limited to those with life-cycle emissions less than or equal to 100g CO₂e/kWh. CKHH has confirmed to Sustainalytics that bioenergy projects will use waste feedstock, which may include forestry, agricultural and livestock residue, including animal fats, oils and other processing by-products. While the use of livestock residue for biomass energy may improve the environmental performance of some agricultural operations, large-and mid-scale livestock farming has a significant carbon and water footprint which is not addressed by the use of livestock byproducts in energy generation; further, such farming techniques may contribute to land degradation, biodiversity loss, and deforestation. Nevertheless, Sustainalytics considers the use of residues from day-to-day operations of existing facilities for energy generation as providing positive impacts in the short term.
 - Geothermal facilities are limited to those with direct emissions less than or equal to 100g CO₂/kWh, which is in line with market practice.
 - Hydrogen projects are limited to those where the process is by electrolysis powered by renewables.
 - Hydropower projects are limited to those with lifecycle GHG emissions less than or equal to 100gCO₂/kWh in addition to following one of the two criteria: (i) capacity less than or equal to 25 MW, or (ii) with power density equal to or greater than 5W/m². CKHH has confirmed to Sustainalytics that for all new hydropower projects an environmental and social impact assessment will be carried out by a credible external body. Additionally, CKHH has confirmed to Sustainalytics that: (i) the Company will ensure that there is no significant risk or expected negative impact identified in an environmental impact assessment, and (ii) there will be no investments in projects with significant controversies.
 - For waste-to-energy projects, the Framework defines projects eligible as those with materials recovery and recycling prior to incineration. Sustainalytics recognizes that energy from waste could take out of circulation potentially recyclable materials and undermine the objectives of zero-waste circular economy, i.e. waste prevention and recycling. Additionally, in order to have low emissions intensity in such projects, the composition of residual waste, particularly fossil carbon content, is a crucial consideration. However, Sustainalytics also notes that, due to current constraints of recycling in many parts of the world, energy from waste can offer a better residual waste management option than landfills in many cases. Sustainalytics recommends that CKHH monitor the thermal efficiency of the financed facilities while noting that such waste-to-energy projects will comply with an emissions intensity threshold of 100gCO₂/kWh.
- As part of the Energy Efficiency category, CKHH intends to invest in activities aimed at reducing the carbon footprint (in the form of energy consumption or emissions generated) of CKHH's operations and infrastructure through energy-efficient products, solutions and internet of things ("IoT") networks. Project examples include energy-efficient lighting, energy management systems, smart meters, IoT sensors, 5G mobile network development and fiber optic development, and data centers. CKHH has confirmed to Sustainalytics that only projects that demonstrate at least 15% improvement will be eligible.
- Sustainalytics notes that investments in energy-efficient lighting, energy management systems, smart meters, IoT networks, and products and solutions under this category target at least 15% energy-efficiency improvements compared to a baseline (referring to reduced energy consumption or emissions generated). Sustainalytics views positively the Framework's inclusion of a defined energy efficiency threshold on a portfolio basis for the installations of energy-efficient systems, equipment and technologies.

- Sustainalytics notes that IoT technologies have a broad impact and can drive energy efficiency gains in a variety of industries. This does not exclude the possibility of application in fossil fuel-based industries. Sustainalytics understands that CKHH cannot control the use and application of the IoT enabling technologies once sold. Sustainalytics also notes that the Framework excludes specific activities which enable sectors associated with fossil fuel. Additionally, the expansion of IoT networks and increasing data flow resulting from IoT solutions may result in additional energy demands on telecommunications networks. However, studies have indicated that networks can lead to greater avoided emissions than their own direct emissions. Based on these studies, there is evidence that telecommunications technologies are already resulting in net energy savings and carbon reductions. Further, Sustainalytics recognizes that the most recent IoT technologies have significantly lower energy consumption per data.
 - Network development projects may include the deployment of fiber optic and 5G mobile networks, which Sustainalytics views as aligned with market practice.
 - CKHH may finance data centers with a power usage effectiveness (“PUE”) less than or equal to 1.5, which is aligned with market practice.
- Under the Sustainable Transportation category, CKHH intends to invest in zero emission vehicles, non-motorized multimodal transport and supporting infrastructure. Qualifying supporting infrastructure may include stations, terminals and traffic management or signaling systems and electric vehicle charging stations. CKHH has clarified to Sustainalytics that any allocations to such supporting infrastructure will be limited to those that are used for either zero emissions/electric vehicles or non-motorized multimodal transport. Sustainalytics notes that CKHH will exclude transportation assets that are dedicated to the transport of fossil fuels and those designed to improve carbon intensity in conventional fossil-fuel combustion engines.
- Within the Circular Economy & Design category, CKHH intends to invest in the procurement of recycled polyethylene terephthalate (“rPET”); the production of products from assets that have been repurposed, refurbished or remanufactured; recycling infrastructure including for the collection of e-waste; and CO₂ capture and storage facilities.
 - To reduce the use of virgin materials in its products and packaging, CKHH intends to invest in the procurement of rPET resin. Sustainalytics recognizes that the use of recycled inputs in producing plastic packaging plays an essential role in increasing resource efficiency, and thus contributes to a circular economy. Sustainalytics also notes that the extent of recycling of single-use plastics is very low, with an estimated 9% of total global plastic waste having been recycled between 1950 and 2015,⁵ and further recognizes that improved recycling rates alone, even if attainable, will not fully address the major environmental issues associated with plastics, especially single-use plastics.⁶ In order to achieve full circularity, the industry needs to take substantial measures, including increasing the use of low-carbon substitute materials that can be recycled indefinitely without loss of quality. Sustainalytics is of the opinion that CKHH’s effort to limit the use of virgin resources in its products through reusing or recycling materials in the supply chain will reduce negative environmental impact and contribute to a shift towards a circular economy.
 - Regarding investment in the production of products from assets that have been repurposed, refurbished or remanufactured, CKHH has clarified to Sustainalytics investments relate to activities that contribute to circular use via product and asset lifecycle extension based on reuse, repair, repurposing, refurbishment or remanufacturing strategies and confirmed that the activity will result in the product being put back to use without further pre-processing.

⁵ An estimated 6,300 million tons of plastic waste had been generated between 1950 and 2015. Approximately just 9% of which was recycled, 12% was incinerated and 79% accumulated in landfills or the natural environment. Geyer, R., Jambeck J.R. and Law, K.L. (2017), “Production, use, and fate of all plastics ever made”, Science Advances accessed (10.08.2021), at: <https://advances.sciencemag.org/content/3/7/e1700782>.

⁶ Unlike steel, glass and aluminum, plastics can only be recycled a finite number of times before being disposed of. In addition, recycled and bio-based plastics face end-of-life management issues similar to conventional fossil-fuel plastics.

- CKHH intends to finance the collection of e-waste to be recycled and has confirmed to Sustainalytics that source segregation of waste is supported by a robust electronic waste management plan.
 - Regarding carbon capture and storage projects, CKHH has confirmed to Sustainalytics that such projects are limited to the installation of carbon capture and storage technology within waste-to-energy plants that follow the eligibility criteria described under the Renewable Energy category.
- Under the Emergency Response & Pandemic Relief category CKHH may invest in health and safety measures for business continuation, affordability of products and services, and measures to increase access to essential services including healthcare, education and financial services.
 - In relation to expenditures towards enhanced on-site health and safety measures for customers and employees in the context of COVID-19, CKHH has explained to Sustainalytics that expenditures relate only to the initial period after the onset of the pandemic or emergency, the proceeds towards these expenditures will be minor (<5%), and that the Company is committed to reporting on project details, relevant time period, and achieved impact in detail as part of the annual reporting. Sustainalytics anticipates that the projects described by CKHH in this category have the potential to provide positive social impacts and considers that emergency conditions, for example the COVID-19 pandemic, may trigger unanticipated needs for various groups, and as such recognizes the increased flexibility around the definition of target populations in this context.
 - CKHH intends to invest in measures and support programs for its customers and frontline workers. Examples of measures include the provision of free data access and calls to healthcare support websites and hotline, unlimited mobile data, voice calls and texts during critical periods to healthcare professionals, and financial relief packages. CKHH has confirmed to Sustainalytics that the share of proceeds towards these expenditures will be minimal (<10%), and that CKHH will provide detailed reporting on the expenditures in its annual reporting.
 - To support the access to education during the COVID-19 pandemic, CKHH may finance the provision of internet packages to small and medium enterprises, Zoom classroom accounts to families, tablets, internet access and school materials to underprivileged families and SIM cards with unlimited data to 160 schools. CKHH has explained to Sustainalytics that expenditures relate only to the initial period after the onset of the pandemic or emergency. Sustainalytics notes that although allocation of sustainability bond/loan proceeds for philanthropic purposes is not typically aligned with market practice, based on the defined target population, the importance of facilitating support for disadvantaged groups during a pandemic or emergency, and the fact that CKHH has confirmed that any such expenditures are expected to be a minor percentage of total net proceeds, Sustainalytics considers the criteria to be acceptable.
- Project Evaluation and Selection:
 - CKHH's Sustainability Working Group has been designated the responsibility to oversee the project evaluation and selection process. The Sustainability Working Group is currently co-chaired by the Group's Finance Director and Deputy Managing Director, and the Group's Executive Director and Company Secretary, and is comprised of senior executives from key departments that manage the Group's material sustainability impacts, including the Group Deputy Chief Financial Officer, the Group Treasurer, the General Manager – Group Management Services, the General Manager – Group Corporate Affairs, the General Manager – Group Human Resources, the Group General Counsel, and the Group Senior Sustainability Manager.
 - The Sustainability Working Group will be responsible for nominating assets, projects and investments for consideration as eligible projects for sustainable finance transactions. The Sustainability Working Group will meet periodically and at least semi-annually to monitor the aggregate amount of eligible projects in each environmental and social project portfolio.
 - The Board-level Group Sustainability Committee will review projects shortlisted by the Sustainability Working Group and if the Sustainability Committee agree with assessments made by the Sustainability Working Group, assessed projects will be designated eligible.

- The Sustainability Working Group will classify such eligible amounts under the relevant environmental or social project portfolio and identify and manage environmental and social risks associated with such eligible projects. The Group's sustainability policies 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 these elements, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - The Sustainability Working Group will track receipt and allocation of net proceeds. The net proceeds from each transaction under the Framework will be deposited in general funding accounts pending allocation to Eligible Projects. Net proceeds awaiting allocation or re-allocation will be temporarily invested in cash or cash equivalents and liquid and marketable instruments not relating to greenhouse gas ("GHG")-intensive activities. CKHH intends to reach full allocation within 36 months of issuance.
 - Based on the management of proceeds, disclosure of temporary proceeds, and allocation timeframe Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - CKHH intends to report on the allocation and impact of proceeds on its website on an annual basis until full allocation. Allocation reporting will include details such as amount invested per category, share of financing versus refinancing, and balance of unallocated proceeds. In addition, CKHH is committed to reporting on relevant impact metrics including emissions avoided, energy saved, and waste reused or recycled before and after the project. For a full list of impact metrics, please refer to Appendix 1: Sustainability Bond/Sustainability Bond Programme External Review Form.
 - Based on the commitment to both impact and allocation reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2021

Sustainalytics has determined that the 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: CKHH's Sustainability Strategy

Contribution of Framework to CKHH's sustainability strategy

To define the Group's key priorities on sustainability issues, CKHH consulted various stakeholders including its employees, customers, investors and local communities⁷. Following this materiality assessment, CKHH developed the Group Sustainability Framework which is underpinned by four pillars: Environmental, Social, Governance, and Sustainable Business Model Innovation. Additionally, CKHH prioritized the following goals as near-term Group-wide focus areas: (i) take action on climate change, (ii) offer customers sustainable products and invest in and embrace innovation to achieve transformational impacts, (iii) create great places to work, and (iv) take all steps to protect employees and support communities and other stakeholders through the pandemic⁸.

In 2020, the Group took action on climate change by creating operational efficiencies to reduce GHG emissions and increase the uptake of renewable energy across its core businesses. The Group-wide actions that have been undertaken to create operational efficiencies have resulted in the Group achieving an absolute emissions reduction of 4% in scope 1 and 2 emissions in 2020 versus 2019, and 7% versus 2018. The Group has also engaged with supply chain partners and customers to encourage change in consumption behaviors to address climate change. In further strengthening the Group's focus on climate change, all core businesses of CKHH will undertake assessments and actions to develop a pathway to net zero, set targets in line with the Paris Agreement to be subsequently validated by the Science Based Targets initiative, calculate scope 3 emissions, and report on progress made using the Taskforce on Climate-related Financial Disclosure framework. Moreover, each of the Group's core businesses is assessing and expanding its sustainable product and service offering and aiming to communicate the benefits of such products and services to customers. Regarding the Group's goal of protecting and supporting communities during the COVID-19 pandemic, each of CKHH's core businesses included many employees and business units that have been classed as essential workers and services. CKHH's core businesses also provided support to the public through their business services such as providing free data to local schools and small and medium enterprises to facilitate learning and working from home.

The Group adopts a rigorous sustainability governance structure to ensure sustainability is embedded at all levels across business lines. CKHH's Board of Directors has ultimate accountability for the Group's sustainability strategy through the Sustainability Committee and Audit Committee. The two committees report to the Board on sustainability risks and opportunities and make recommendations on CKHH's sustainability goals, objectives, and strategies.

Sustainalytics is of the opinion that CKHH's Sustainable Finance Framework is aligned with the Group's overall sustainability strategy and initiatives and will further the Group's actions on its key environmental and social priorities.

Well-positioned to address common 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 generate positive environmental and social impact. However, Sustainalytics is also aware that such eligible projects could lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects could include occupational adverse impacts to health and safety, community relations, e-waste management, carbon own operations, biodiversity, waste generated in construction and data privacy.

Sustainalytics is of the opinion that CKHH is able to manage and mitigate potential risks through implementation of the following:

- The Group's Health and Safety Management System includes safety management plans and provides information on safety training. In addition, the Group mandates contractors and suppliers to minimize health and safety risks through organizational structure, work processes, supervision and training, in line with the Group's Health and Safety Policy.⁹
- To mitigate social risks associated with local communities, as part of the Group's Human Rights Policy, the Group conducts due diligence and engages with local communities including indigenous

⁷ CKHH, "Sustainability", at: <https://www.ckh.com.hk/en/esg/>.

⁸ CKHH, "Sustainability Report" (2020), at: https://www.ckh.com.hk/en/esg/esg_sustainability-report/.

⁹ CKHH, "Health and Safety Policy" (2020), at: https://www.ckh.com.hk/upload/assets/downloads/en/ESG_Health_and_Safety_Policy_20200414.pdf.

groups and disadvantaged populations on human rights matters such as access to water and land rights. As part of this community consultation process the Group aims to listen, learn and consider the views of the local communities where the Group operates¹⁰.

- The Group protects natural resources by minimizing its waste footprint (hazardous and non-hazardous) by recycling and reusing materials where possible and setting waste reduction and recycling targets where viable¹¹. Regarding the management of social and environmental risks associated with e-waste, the Group's telecommunications business division handles the collection and eventual distribution of such waste. While the recycling of e-waste into secondary raw material is not carried out by the Group, CKHH promotes the responsible disposal of e-waste by through programmes including 3 UK Reconnected and 3 HK collection points for onward recycling via the Environmental Protection Department.
- The Group Environmental Policy¹¹ focuses on implementing environmental management systems to embed and standardize good practices to both managing and reducing the environmental impact arising from the Group's operations.
- To ensure the protection of the environment and biodiversity as part of the Group's Environmental Policy, CKHH is committed to conserving water, preventing pollution to land, water and air, and protecting and restoring biodiversity. Where relevant to its operations, the Group undertakes biodiversity assessments.
- The Group has focused on managing supplier risk in its Supplier Code of Conduct¹². Under this code of conduct, the Group encourages business partners and suppliers to improve sustainability standards and practices, including that they are expected to disseminate and educate the code's requirements to their employees, agents, sub-contractors and suppliers, and hold them accountable for any non-conforming acts.
- The Group's Information Security Policy¹³ and Policy on Personal Data Governance¹⁴ is in place to ensure the protection of data privacy. The data privacy measures include conducting regular privacy risk assessments for all of the Group's businesses, ensuring that personal data is classified and handled according to its sensitivity, and access is restricted on a need-to-know-basis, and designating appropriate privacy and IT security specialists to support the business in managing data privacy risks.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that CKHH 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 five use of proceeds categories are aligned with those recognized by GBP, SBP, GLP and SLP. Sustainalytics has focused on the following below where the impact is specifically relevant in the global context.

Importance of Supporting Renewable Energy Growth and Energy Efficiency Improvements

The International Energy Agency ("IEA") estimates that annual global energy demand will increase by 9% from 2019 to 2030, despite the recent decrease in demand due to COVID-19 related economic contractions.¹⁵ As the world's population continues to increase to an estimated 8.5 billion by 2030, energy use is expected to rise in tandem.¹⁶ According to the International Renewable Energy Agency, 261 gigawatts of renewable energy generation capacity (an increase of 10.3% from 2019 levels) were added globally in 2020, driven primarily by solar and wind projects.¹⁷ Despite this growth, renewables represent only one-third of electricity generation

¹⁰ CKHH, "Human Rights Policy" (2021), at: https://www.ckh.com.hk/upload/assets/downloads/en/ESG_Human_Rights_Policy_20210630.pdf.

¹¹ CKHH, "Environmental Policy" (2021), at: https://www.ckh.com.hk/upload/assets/downloads/en/ESG_Environmental_Policy_e_20210809.pdf.

¹² CKHH, "Supplier Code of Conduct" (2020), at: https://www.ckh.com.hk/upload/assets/downloads/en/ESG_Supplier_Code_of_Conduct_20200624.pdf.

¹³ CKHH, "Information Security Policy", (2020), at: https://www.ckh.com.hk/upload/assets/downloads/en/CG_Information_Security_Policy_20200414.pdf

¹⁴ CKHH, "Policy on Personal Data Governance", (2020), at:

https://www.ckh.com.hk/upload/assets/downloads/en/CG_Personal_Data_Governance_20200414.pdf

¹⁵ The International Energy Agency, "World Energy Outlook 2020", at: <https://www.iea.org/reports/world-energy-outlook-2020>.

¹⁶ United Nations, "Population 2030" (2015), at: <https://www.un.org/en/development/desa/population/publications/pdf/trends/Population2030.pdf>.

¹⁷ International Renewable Energy Agency, "Renewable Capacity Highlights" (2021), at: https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2021/Apr/IRENA_-_RE_Capacity_Highlights_2021.pdf?la=en&hash=1E133689564BC40C2392E85026F71A0D7A9C0B91.

[RE_Capacity_Highlights_2021.pdf?la=en&hash=1E133689564BC40C2392E85026F71A0D7A9C0B91](https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2021/Apr/IRENA_-_RE_Capacity_Highlights_2021.pdf?la=en&hash=1E133689564BC40C2392E85026F71A0D7A9C0B91).

worldwide as of 2021.¹⁸ Significantly more investments in renewable energy will be required to meet the Paris Agreement goal of limiting temperature increases to well below 2°C, preferably to 1.5°C.¹⁹

To realize such goals, significant energy efficiency improvements will be necessary to reduce GHG emissions from various industrial sectors. Data centers, in particular, contain a large number of servers that support data-intensive technologies and services, such as artificial intelligence, as well as smart and connected systems used by billions of global end users. This translates into significant electricity consumption by data centers, which was estimated at approximately 250 terawatt-hours or the equivalent of 1% of global electricity use in 2019.²⁰ Despite the strong use and electricity load, rapid improvements in energy efficiency have helped to dampen energy demand growth from these facilities and data transmission networks. The IEA predicts that if current trends are maintained, global data center energy consumption can remain flat until 2022, despite a projected 60% increase in service demand, as long as there is strong governance. These factors highlight the importance of continued investment in energy efficiency assets, which are included in CKHH's portfolio of eligible projects.

Given the above, Sustainalytics is of the opinion that CKHH's investment in renewable energy, energy efficiency and sustainable transportation projects financed under the Framework are expected to contribute positively to the global clean energy transition while helping to achieve emissions reduction.

Role of Sustainable Transportation in GHG Emissions Reduction

As of May 2020, the transportation sector as a whole was responsible for approximately 24% of CO₂ emissions from fossil fuel combustion globally.²¹ According to a report by the International Transport Forum, CO₂ emissions in the sector have the potential to increase by 60% by 2050 in the absence of proper mitigation measures.²² Electric vehicles such as plug-in hybrid electric vehicles, battery electric vehicles and other zero-emission vehicles (such as fuel cell and hydrogen-based) are low-carbon alternatives for the sector to reduce emissions. Thanks to factors such as clear environmental benefits, changing demand of customers, increasing environmental responsibility and availability of government subsidies, the popularity of such climate friendly vehicles has been growing rapidly.²³ According to the IEA, the total number of electric cars on road reached the 10 million mark, with about 3 million new electric car registrations made in 2020 which is a 43% increase over 2019 figure.²⁴

Given the importance of clean transportation in the reduction of GHG emissions, Sustainalytics is of the opinion that CKHH's financing towards the development, acquisition, maintenance and operation of clean transportation and related infrastructure will aid in the electrification and decarbonization of the global transportation sector.

Importance of Cyclic Use of Plastics through Procurement of Recycled PET Resin

There is a global consensus that a circular economy is integral to mitigating the rise of CO₂ emissions and environmental issues associated with resource extraction.²⁵ According to the 2019 report by the Center for International Environmental Law, over 99% of plastics are derived from fossil resources including petroleum.²⁶ As of 2017, 9.2 billion metric tons of plastic had been produced worldwide, while an estimated 40% of all plastic products are discarded within one month.²⁷ The use of recycled PET over virgin resources in the manufacturing of plastic bottles is estimated to result in as much as a 71% decrease in lifecycle GHG emissions.²⁸ As the volume of plastics packaging is expected to increase by about three times by 2050,²⁹

¹⁸ The International Energy Agency, "Global Energy Review 2021", at: <https://www.iea.org/reports/global-energy-review-2021/renewables>.

¹⁹ Paris Agreement, at: <https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement>.

²⁰ Data Centres and Data Transmission Networks, at: <https://www.iea.org/reports/data-centres-and-data-transmission-networks>

²¹ International Energy Agency, "Tracking Transport 2020", at: <https://www.iea.org/reports/tracking-transport-2020>.

²² International Transport Forum, "Transport demand set to triple, but sector faces potential disruptions", at: <https://www.itf-oecd.org/transport-demand-set-triple-sector-faces-potential-disruptions>.

²³ J. P. Morgan, "Driving into 2025: The Future of Electric Vehicles", (2018), at: <https://www.jpmorgan.com/global/research/electric-vehicles>

²⁴ The International Energy Agency, "Global EV Outlook 2021", at: <https://iea.blob.core.windows.net/assets/ed5f4484-f556-4110-8c5c-4ede8bcba637/GlobalEVOutlook2021.pdf>

²⁵ World Economic Forum, "The world needs a circular economy. Help us make it happen", (2020), at: <https://www.weforum.org/agenda/2020/01/the-world-needs-a-circular-economy-lets-make-it-happen/>.

²⁶ Centre for International Environmental Law, "Plastic & Climate", at: <https://www.ciel.org/wp-content/uploads/2019/05/Plastic-and-Climate-FINAL-2019.pdf>.

²⁷ Plastic Soup Foundation, "Facts & Figures", at: <https://www.plasticsoupfoundation.org/en/plastic-facts-and-figures/>.

²⁸ American Chemistry Council, "Life Cycle Inventory of 100% Postconsumer HDPE and PET recycled resin from postconsumer containers and packaging", at: <https://plastics.americanchemistry.com/Education-Resources/Publications/Life-Cycle-Inventory-of-Postconsumer-HDPE-and-PET-Recycled-Resin.pdf>.

²⁹ Center for International Environmental Law, "Plastic & Climate", at: http://www3.weforum.org/docs/WEF_The_New_Plastics_Economy.pdf.

promoting the use of recycled materials instead of fossil resources in manufacturing PET bottles is important for effective use of natural resources and as measures against climate changes.

Given the above, Sustainalytics views that CKHH's planned use of proceeds for procurement of recycled PET resin is expected to contribute to pollution mitigation and to reduce the use of fossil fuel-derived virgin resources used to manufacture PET bottles.

Importance of Financing Projects Enabling Access to Telecommunications During a Crisis

Access to fast and reliable broadband connection is a necessity of everyday life, as well as for economic progress and growth.³⁰ Despite that, only 50% of the world's population was estimated to have access to the internet at the end of 2019.³¹ In addition to threatening millions of humans and disrupting the global economy, the COVID-19 pandemic also highlighted the crucial need for continued investment in digital connectivity to enable continued access to essential services, such as health and education. As the COVID-19 spread peaked, many educational institutions remained closed globally through the 2020 academic year and more than 90% of countries implemented various remote learning policies.³² However, access to virtual learning programmes has been a great challenge in nations with poor rates of internet penetration. At least one-third of the global school children population (463 million children) were estimated to be unable to access remote learning during COVID-19.³³

In this context, Sustainalytics considers that the financing of projects enabling continuous telecommunications to local communities and disadvantaged populations will advance inclusive growth and reduce social gaps during a crisis or pandemic.

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.

Sustainable Finance Transactions that may eventually be completed under the Framework advance 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
	8. Decent Work and Economic Growth	8.4 Improve progressively, through 2030, global resource efficiency in consumption and production and endeavor to decouple economic growth from environmental degradation
	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

³⁰ European Commission, "The Broadband Handbook: 'Facing the challenges of broadband deployment in rural and remote areas'", at <https://digital-strategy.ec.europa.eu/en/library/broadband-handbook-facing-challenges-broadband-deployment-rural-and-remote-areas>.

³¹ International Telecommunication Union, "UN Broadband Commission sets global broadband targets to bring online the world's 3.8 billion not connected to the Internet", at: <https://www.itu.int/en/mediacentre/Pages/2018-PR01.aspx>.

³² Global Analysis of Remote Learning Policies, at: <https://data.unicef.org/resources/remote-learning-reachability-factsheet/>.

³³ Remote learning during COVID-19, at: <https://www.unicef.org/press-releases/covid-19-least-third-worlds-schoolchildren-unable-access-remote-learning-during>.

Sustainable 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
Circular Economy & Design	8. Decent Work and Economic Growth 12. Responsible consumption and production	8.4 Improve progressively, through 2030, global resource efficiency in consumption and production and endeavor to decouple economic growth from environmental degradation 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Emergency Response & Pandemic Relief	3. Good Health and Well-Being 9. Industry, Innovation and Infrastructure	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 9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all

Conclusion

CKHH has developed the CK Hutchison Holdings Sustainable Finance Framework under which CKHH and its direct or indirect subsidiaries may raise green, social, and/or sustainability bond, loan, and other debt-like financing and use the proceeds to finance and/or refinance Renewable Energy, Energy Efficiency, Sustainable Transportation, Circular Economy & Design, and Emergency Response & Pandemic Relief projects. Sustainalytics considers that the projects funded by the green, social, and/or sustainability bond or loan proceeds are expected to decrease the environmental footprint of CKHH’s operations and lead to positive social impacts.

The Sustainable Finance Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that Sustainable Finance Framework is aligned with the overall sustainability strategy of the company and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 3, 7, 8, 9, 11, and 12. Additionally, Sustainalytics is of the opinion that CKHH has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that CK Hutchison Holdings Limited is well-positioned to issue sustainability bonds and that that the 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).

Appendices

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

Section 1. Basic Information

Issuer name:	CK Hutchison Holdings Limited
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	Sustainable Finance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	October 12, 2021
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, Sustainable Transportation, Circular Economy & Design, Emergency Response & Pandemic Relief – 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 reduce the environmental footprint of the Group's operations, lead to positive social impacts and advance the UN Sustainable Development Goals, specifically SDGs 3, 7, 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 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 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 |

- Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP
 Other (please specify): Emergency & Pandemic Response

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

The Group's Board-level Sustainability Committee is responsible for reviewing assets, projects and investments nominated by the Group's Sustainability Working Group. The Sustainability Committee will be responsible for designating assets, projects and investments as eligible projects upon confirmation of eligibility. The Sustainability Working Group is comprised of representatives from the Finance, Treasury, Management Services, Corporate Affairs, Human Resources, Legal and Sustainability Departments. The Company's Group Sustainability Framework, sustainability policies and corporate governance policies are applicable to allocation decisions under the Framework. Sustainalytics considers these risk management systems to be adequate. Sustainalytics considers the project selection and evaluation process as in line with market practice.

Evaluation and selection

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

Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification
 In-house assessment
- Other (please specify):

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

The Company's Sustainability Working Group will track receipt and allocation of net proceeds using a portfolio approach. Net proceeds awaiting allocation will be temporarily invested in cash or cash equivalents, or liquid and marketable instruments not relating to greenhouse gas-intensive activities. This process is in line with market practice.

Tracking of proceeds:

- Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (please specify):

Additional disclosure:

- Allocations to future investments only
- Allocations to both existing and future investments
- Allocation to individual disbursements
- Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds
- Other (please specify):

4. REPORTING

Overall comment on section (if applicable):

The Company intends to report on allocation and impact of proceeds on its website on an annual basis until full allocation. Allocation reporting will include details such as amount invested per category, share of financing vs refinancing, and balance of unallocated proceeds. In addition, CKHH is committed to reporting on relevant impact metrics. Sustainalytics views CKHH's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- Project-by-project
- On a project portfolio basis
- Linkage to individual bond(s)
- Other (please specify):

Information reported:

- Allocated amounts
- Sustainability Bond financed share of total investment
- Other (please specify): share of financing vs refinancing

Frequency:

- Annual
- Semi-annual

Other (please specify):

Impact reporting:

- Project-by-project On a project portfolio basis
 Linkage to individual bond(s) Other (please specify):

Information reported (expected or ex-post):

- GHG Emissions / Savings Energy Savings
 Decrease in water use Number of beneficiaries
 Target populations Other ESG indicators (please specify):

Project Category	Sample Impact Indicators
Renewable Energy	<ul style="list-style-type: none"> • Annual renewable energy generated or purchased (electricity in MWh/GWh and other energy in GJ/TJ) • Installed generation capacity (MW) • Electricity consumption from renewable sources (GWh and share in percentage terms) • Annual greenhouse gas emissions reduced or avoided (tCO₂e) • Energy recovered from waste (minus support fuel) (MWh/GWh of net energy generated p.a.)
Energy Efficiency	<ul style="list-style-type: none"> • Annual energy savings (MWh/GWh) • Annual reduction in energy consumed (share in percentage terms) • Annual reduction in energy intensity, such as energy consumed per unit of data traffic (MWh/Tbit) or energy consumed per unit of commercial space (MWh/sqft) • Annual greenhouse gas emissions reduced or avoided (tCO₂e) • Number of persons benefitting from energy efficient technologies
Sustainable Transport	<ul style="list-style-type: none"> • Annual greenhouse gas emissions reduced or avoided (tCO₂e) • Carbon intensity in passenger-kilometres (i.e. transport of a passenger over one kilometre) or tonne-kilometres (i.e. transport of a tonne over one kilometre) • Number of passengers or number of tonnes transported • Number of electric or hybrid vehicles acquired or deployed • Number of electric charging stations installed
Circular Economy & Design	<ul style="list-style-type: none"> • Greenhouse gas emissions abated through products and services (tCO₂e) • Waste prevented, minimised, reused or recycled before and after the project (share of total waste in percentage terms or tons p.a. in absolute terms) • Waste separated and/or collected, treated (including composted) or disposed of (tons p.a. and share of total waste in percentage) • Increase in materials, components and products that are reusable, recyclable, and/or certified compostable (percentage or tonnes p.a.)
Emergency Response & Pandemic Relief	<ul style="list-style-type: none"> • Beneficiaries of response and relief measures <ul style="list-style-type: none"> - Number of individuals - Number of public institutions - Number of micro, small and medium enterprises

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.)

<https://www.ckh.com.hk/en/esg/>
<https://www.ckh.com.hk/en/ir/>

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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