

Second-Party Opinion

MTR Sustainable Finance Framework



Evaluation Summary

Sustainalytics is of the opinion that the MTR Sustainable Finance Framework is credible and impactful and aligns with the Green Bond Principles 2018, Social Bond Principles 2020, Sustainability Bond Guidelines 2018 and Green Loan Principles 2020. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – (i) Renewable Energy, (ii) Low Carbon Transportation, (iii) Energy Efficiency, (iv) Green Buildings, (v) Adaptation to Climate Change, (vi) Biodiversity and Conservation, (vii) Water Management, (viii) Waste Management, (ix) Pollution Prevention and Control, (x) Employment Generation and Unemployment Prevention, and (xi) Affordable Basic Infrastructure – are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers that the eligible categories will contribute to the decarbonization of Hong Kong’s transport sector and provide socioeconomic benefits while advancing the UN Sustainable Development Goals, specifically SDG 1, 6, 7, 11, 12, 13, and 15.



PROJECT EVALUATION / SELECTION Each proposal will be reviewed by MTR’s Treasury Department and Sustainability Team of the Public Affairs Department. The Executive Committee or, in some cases, the Board of Directors, is responsible for final approval. Sustainalytics considers the project evaluation and selection process as in line with market practice.



MANAGEMENT OF PROCEEDS MTR will track bond and loan proceeds using a Sustainable Finance Register which will be managed by the Treasury Department within the Finance Division. Pending allocation, net proceeds will be invested in bank deposits or to repay general credit facilities. This process is in line with market practice.



REPORTING MTR Corporation Limited intends to report allocation proceeds on a category basis and if feasible, on a project basis, on its website on an annual basis until full allocation. In addition, MTR Corporation Limited is committed to reporting on relevant impact metrics where applicable. Sustainalytics views MTR Corporation Limited’s allocation and impact reporting as aligned with market practice.

Evaluation date August 07, 2020

Issuer Location Hong Kong

Report Sections

Introduction.....	2
Sustainalytics’ Opinion	3
Appendices	11

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Introduction

MTR Corporation Limited (“MTR”, or the “Company”) is a Hong-Kong based railway operator, carrying in 2019 average weekday patronage of over 5.5 million passengers in Hong Kong, and about 7.2 million passengers overseas through its subsidiaries and associate companies.

This Framework builds upon MTR’s 2016 Green Bond Framework and 2018 Green Finance Framework by expanding eligible categories and projects.

MTR developed the MTR Sustainable Finance Framework (the “Framework”) under which it intends to enter into sustainable finance transactions,¹ and use the proceeds to finance or refinance, in whole or in part, existing or future projects that contribute to the decarbonization of Hong Kong’s transport sector while providing socioeconomic benefits. The Framework defines eligibility criteria in nine green and two social areas.

Green Eligible Projects

1. Renewable Energy
2. Low Carbon Transportation
3. Energy Efficiency
4. Green Buildings
5. Adaptation to Climate Change
6. Biodiversity and Conservation
7. Water Management
8. Waste Management
9. Pollution Prevention and Control

Social Eligible Projects

10. Employment Generation and Unemployment Prevention
11. Affordable Basic Infrastructure

MTR engaged Sustainalytics to review the MTR Sustainable Finance Framework, dated August 2020, and provide a second-party opinion on the Framework’s environmental and social credentials and its alignment with the Green Bond Principles 2018, Social Bond Principles 2020, Sustainability Bond Guidelines 2018,² and Green Loan Principles 2020.³ This Framework has been published in a separate document.⁴

Scope of work and limitations of Sustainalytics Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁵ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2018, Social Bond Principles 2020, and Sustainability Bond Guidelines 2018, as administered by ICMA and with the Green Loan Principles 2020, as administered by LMA;
- 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.

¹ MTR’s Sustainable Financing Transactions include green bonds, social bonds, sustainability bonds, green loans and other debt-like financial instruments.

² The Sustainability Bond Guidelines 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/>

³ The Green Loan Principles are administered by the Loan Market Association and are available at: <https://www.lsta.org/content/green-loan-principles/>

⁴ The MTR Sustainable Finance Framework is available on MTR Corporation Limited’s website at: https://www.mtr.com.hk/sustainability/2019rpt/en/sustainable-investment.php#s4_2

⁵ 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.

MTR Sustainable Finance Framework

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.4, 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 MTR'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. MTR representatives have confirmed (1) they understand it is the sole responsibility of MTR 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 MTR.

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 intended allocation of proceeds but does not guarantee the realised allocation of the bond and 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 MTR has made available to Sustainalytics for the purpose of this SPO.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the MTR Sustainable Finance Framework

Sustainalytics is of the opinion that the MTR Sustainable Finance Framework is credible, impactful and aligns with the four core components of the Green Bond Principles 2018 (GBP), Social Bond Principles 2020 (SBP), Sustainability Bond Guidelines 2018 (SBG) and Green Loan Principles 2020 (GLP). Sustainalytics highlights the following elements of MTR's Sustainability Bond Framework:

- Use of Proceeds:
 - The eligible categories – (i) Renewable Energy, (ii) Low Carbon Transportation, (iii) Energy Efficiency, (iv) Green Buildings, (v) Adaptation to Climate Change, (vi) Biodiversity and Conservation, (vii) Water Management, (viii) Waste Management, (ix) Pollution Prevention and Control, (x) Employment Generation and Unemployment Prevention, and (xi) Affordable Basic Infrastructure – are aligned with those recognized by the GBP, SBP, SBG and GLP. Sustainalytics believes MTR's eligible projects will contribute to the decarbonization of Hong Kong's transport sector while providing socioeconomic benefits.
 - MTR has set a three-year look-back period for refinancing its activities in relation to maintenance-related capital expenditures, which Sustainalytics considers to be in line with current market practice. Sustainalytics considers MTR's maintenance activities to provide greater environmental benefits as they support increased lifespan and/or improved performance for existing projects. Given most of MTR's mass transit rail projects have long asset lifespan, the refinancing activities will be spread out over periods longer than three-years, thus such assets will not include a strict look-back period.
 - MTR confirmed that the eligibility criteria for low carbon transportation and supporting infrastructure include investments in electric-powered vehicles and related infrastructures only.
 - The Energy Efficiency category includes investments in projects aimed at improving the energy efficiency of the Company's railway assets. Project examples include the replacement of

MTR Sustainable Finance Framework

chillers, the deployment of energy efficient-trains, light rail vehicles and buses, the installation of energy performance monitoring and optimization systems, and the installation, maintenance and replacement of energy efficiency technologies, product or equipment such as cooling and lighting systems.

- Sustainalytics highlights MTR's target of improving the energy efficiency of its railway infrastructure through the replacement of chillers by approximately 20% to 30% between 2017-2022, and encourages the Company to report on total estimated or achieved improvement for the investments under the Energy Efficiency, on a portfolio basis, where feasible.
 - Regarding deployment of energy efficient-trains, light rail vehicles and buses, MTR confirmed that projects related to trains and light rail vehicles will be limited to those powered by electric while intended buses will be aligned with international trajectories for low-carbon transportation through the implementation of following emission thresholds: 75 gCO₂/p-km (passenger), or 25 gCO₂/ t-km (freight).
- MTR's Green Buildings eligibility criterion includes third-party certification standards, BEAM Plus Gold or above for residential and commercial buildings excluding shopping centers, BEAM Plus Silver and above for shopping centers, and/or a standard equivalent, at minimum, that demonstrates energy and water efficiency in certified buildings. Sustainalytics has conducted an evaluation of BEAM Plus and considers the standard to be robust and credible (see Appendix 1 for additional details on the certification schemes). Regarding the inclusion of non-listed certification schemes, Sustainalytics encourages the Company to target the top 15% most energy efficient buildings and/or buildings that are certified by a recognized and credible third-party building standard, and report transparently on the certification standards obtained.
- Under the Adaptation to Climate Change category, MTR intends to invest in the design, construction, maintenance and upgrades of infrastructure, aimed at adapting the Company's railway infrastructure to extreme weather events. Project examples include flood prevention, flood defence or storm-water management infrastructure such as retention berms, reservoirs, lagoons, sluice gates, drainage systems, tunnels and channels, protection from heat-stress, among others. As part of its Enterprise Risk Management, MTR has identified extreme weather events and rising temperatures as two key risks to its railway operations. MTR discloses that the Company regularly reviews its Design Standard Manual for new railway projects and its existing railway infrastructure on a regular basis to integrate adaptation to extreme weather events, including flood path analysis as well as consideration of sea-level rise and storm surge return periods. Given MTR's climate risk identification mechanism and ongoing adaptation plans, Sustainalytics considers the objectives of the category as robust, credible and impactful.
- The Pollution Prevention and Control category includes investments in projects aimed at improving air quality or reducing noise. Project examples include increased air circulation systems and noise barriers. Sustainalytics recognizes that the prevention of noise pollution can be considered to have more evident links to health and social impacts. However, given the contextual relevance of noise pollution as an environmental issue in Hong Kong,⁶ Sustainalytics welcomes the objectives of the category and encourages MTR to report on the environmental impact achieved.
- MTR confirmed the exclusion of financing any fossil fuel-based assets, activities, vehicles and infrastructures from the Framework.
- Sustainalytics highlights the Framework's eligibility criteria under the following social categories:
 - Employment Generation and Unemployment Prevention: Relief measures, including rent moratorium, for small and medium-size tenants⁷ affected by natural disasters and pandemics. Sustainalytics recognizes the importance of supporting small and medium enterprises in ensuring business and employment continuity. Sustainalytics recognizes the importance of ensuring business and employment continuity to address the adverse impact of natural disasters and pandemics, and MTR's role in this regard. Given broad impact of natural disasters and pandemics, Sustainalytics encourages

⁶ Noise pollution is classified as an environmental issue by the Hong Kong Environmental Protection Department (EPD).

⁷ MTR will make reference to the small and medium-size enterprises definition of the Government of Hong Kong, at: https://www.tid.gov.hk/english/aboutus/publications/smes/smes04_chapter2.html

MTR Sustainable Finance Framework

MTR to ensure adequate targeting of groups affected by natural disasters and pandemics, provide further disclosure on the tenants financed, and report on the impact achieved.

- Affordable Basic Infrastructure: (i) Initiatives for passengers affected by adverse socioeconomic situations resulting from natural disasters or pandemic, including fare discounts (ii) Provision of sanitation and infection prevention service and equipment at transit stations, trains, buildings, real estate properties, facilities and infrastructure, (iii) Initiatives for women, elderly and special need groups, including the design, construction, maintenance and upgrades of breastfeeding rooms and barrier-free infrastructure. MTR confirmed that all projects under this category will be accessible to public.
- Project Evaluation and Selection:
 - Each proposal will be evaluated by the Treasury Department and Sustainability Team of the Public Affairs Department to ensure alignment with the eligibility criteria laid out in the Framework as well as evaluate potential environmental and social benefits. MTR’s Executive Committee or, in some cases, the Board of Directors, will be responsible for the final approval of projects.
 - Based on well-defined internal procedure for project evaluation and selection, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - MTR’s Treasury Department within the Finance Division will be responsible for managing the net proceeds, using a Sustainable Finance Register. Under the register, the Treasury Department will keep track of proceeds raised and allocated through issuances under this Framework.
 - MTR will invest unallocated proceeds in deposits placed with banks or to repay borrowings under general credit facilities. Sustainalytics notes that these credit facilities have not been drawn down for emissions-intensive activities. MTR confirmed that the Company currently does not have such investments, and that is generally committed to avoiding projects that have adverse environmental/ social impacts.
 - Based on the well-defined internal processes to manage proceeds and sound disclosures around temporary allocation, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - MTR will report on allocations made from the net proceeds towards Eligible Projects at a category-level on an annual basis until full allocation and this report will be made available to the public on its website.
 - MTR has outlined qualitative and quantitative key performance indicators at a category-level measuring the environmental and/ or social impact of projects financed. Where feasible, the Company will report on its performance against these parameters at a category level in its annual report. The annual report will be accompanied by an independent review conducted by a third-party.
 - Based on the above procedures for allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2018 and Green Loan Principles 2020

Sustainalytics has determined that the MTR Sustainable Finance Framework aligns to the four core components of the Green Bond Principles (2018), Social Bond Principles (2020), Sustainability Bond Guidelines (2018) and Green Loan Principles (2020). For detailed information please refer to Appendix 2: Sustainability Bond/ Sustainability Bond Programme External Review Form.

Section 2: Sustainability Strategy of MTR

Contribution of Framework to MTR Corporation Limited’s sustainability strategy

In line with its integral role in helping Hong Kong achieve its climate targets by 2030,⁸ MTR has developed a Climate Change Strategy that establishes the Company’s commitments to identify, assess and regularly

⁸ Hong Kong’s Climate Action Plan 2030+ published January 2017 at: <https://www.enb.gov.hk/sites/default/files/pdf/ClimateActionPlanEng.pdf>

MTR Sustainable Finance Framework

review climate-related risks and continually reduce carbon emissions from its operations. As part of this strategy, MTR laid down a three-pronged approach across its operations focusing on a low-carbon transportation network, carbon reduction from its operations, and building climate resilience.⁹ MTR also identified community involvement and development as one of the key material issues in its sustainability report and has taken action through various targeted community investment programs.¹⁰

Sustainalytics further notes MTR's track record of raising over HK\$ 12.3 billion (US\$ 1.59 billion) in green finance through 9 bond and 2 loan transactions since 2016 towards projects in categories namely low carbon transport, energy efficiency, and biodiversity preservation, which are also focus areas of the Framework. Some of the significant initiatives, commitments, and performance metrics across environmental and social areas summarized below contribute to our view of MTR's sustainability performance:

- MTR is committed to achieving BEAM Plus Gold certification as a minimum for all new residential property developments. Following the commitment, MTR has implemented environmental measures, focusing on the use of materials, water quality, energy usage and air quality during the construction and operation of buildings. Furthermore, MTR is a signatory to the Hong Kong Energy Saving Charter and the World Business Council for Sustainable Development Manifesto for Energy Efficiency in Buildings.¹¹
- In terms of energy efficiency, MTR achieved a 12% reduction in electricity consumption per passenger-kilometer in its heavy rail network in 2019 compared to 2008 levels, and continues to make investments in its existing railway infrastructure to reduce electricity consumption.¹²
- MTR invested a total of HK\$ 24.1 billion (US\$ 3.11 billion) in transit line extensions that have resulted in additional 89.2 million passenger trips and contributed towards a carbon offset equivalent to 40,100 tons of CO₂ in 2019.¹³
- MTR is currently executing a HK\$ 1.1 billion (US\$ 140 million) programme to replace 154 chillers across 38 stations that have already delivered 11,400 MWh of efficiency benefits in 2019 and is expected to scale up to 30,400 MWh by 2024.¹⁴
- In response to the COVID-19 pandemic, MTR launched a range of measures to help targeted populations affected by the adverse economic impact. The Company waived a portion of the rent for tenants in 13 shopping malls and all MTR stations operated by its property management segment. Further, the Company waived planned adjustments to MTR fares in 2020 and extended discount schemes for a further period of 2 months as well as raised fare rebate to 20% for the second half of 2020 to enable continued affordable access for its customers.^{15, 16}

Based on the above initiatives and the Company's overall commitment to sustainability, Sustainalytics is of the opinion that the MTR Sustainable Finance Framework is aligned with MTR's overall sustainability strategy and initiatives and will further the Company's action on its key environmental and social priorities.

Well positioned to address common environmental and social risks associated with the projects

While Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards eligible projects that are recognized as impactful by the GBP, SBP, SBG and GLP. Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes such as occupational health and safety, community relations/stakeholder participation, land use and biodiversity issues associated with large-scale infrastructure development, and waste generated during construction. Sustainalytics is of the opinion that MTR is well positioned to manage and/or mitigate potential risks through the implementation of following:

- Hong Kong Environmental Impact Assessment (EIA) Ordinance covers designated projects that may have an adverse impact on the environment. Schedule 2 projects must follow the statutory EIA process and require environmental permits for their construction and operation while Schedule 3

⁹ MTR Climate Change Strategy published 2019 at: https://www.mtr.com.hk/sustainability/2019rpt/en/pdf/Climate_Change_Strategy.pdf

¹⁰ MTR Sustainability Report 2019 published at: https://www.mtr.com.hk/sustainability/2019rpt/en/pdf/MTR_Full2019_Eng.pdf

¹¹ MTR, Protecting the Environment at: https://www.mtr.com.hk/en/corporate/sustainability/protecting_environment.html

¹² MTR Sustainability Report 2019 published at: https://www.mtr.com.hk/sustainability/2019rpt/en/pdf/MTR_Full2019_Eng.pdf

¹³ MTR Green Finance Report 2019 published at: https://www.mtr.com.hk/sustainability/2019rpt/en/pdf/MTR_GreenFinanceRpt2019_Eng.pdf

¹⁴ MTR Green Finance Report 2019 published at: https://www.mtr.com.hk/sustainability/2019rpt/en/pdf/MTR_GreenFinanceRpt2019_Eng.pdf

¹⁵ MTR Press Release, "MTR Launches Special Relief Measures to Help in the Tough Times with Hong Kong amidst Epidemic" dated February 2020 at: https://www.mtr.com.hk/archive/corporate/en/press_release/PR-20-014-E.pdf

¹⁶ MTR Press Release, "MTR Raises Fare Rebate to 20% in Latest Relief Measures Amid COVID 19 Pandemic" dated April 2020 at: https://www.mtr.com.hk/archive/corporate/en/press_release/PR-20-027-E.pdf

projects require approved environmental impact assessment reports only.¹⁷ MTR confirmed that the Company will appoint an independent consultant to conduct environmental impact assessment (EIA) studies to assess the potential environmental impact, including waste generated from construction and biodiversity loss, and to recommend mitigation measures under the Environmental Impact Assessment Ordinance. During the construction phase, MTR will monitor the environmental impact of the new lines according to the Environmental Permit (EP). Regular monitoring data and monthly reports will be submitted to the Environmental Protection Department (EPD) and made available for public viewing.

- MTR has a Corporate Safety Policy in place which all employees and contractors must comply with. As part of the Policy, the Company recognizes its role as a rail operator in ensuring health and safety, and monitors performance against annual safety targets through the Corporate Safety Management Committee (CSMC). The committee consists of representatives overseeing different lines of businesses and ultimately reports to the Board of the Company. The CSMC is responsible for monitoring the adequacy of safety measures taken by the Company as well as performance. CSMC conducts periodic site-level audits and promotes continual improvement in safety policies and measures in place.¹⁸ Performance against annual safety targets is reported in the annual sustainability report.¹⁹
- MTR requires its employees to comply with its Corporate Responsibility Policy that lays down frameworks and employee responsibilities regarding compliance with applicable regulations related to material risks such as safety, preservation of biodiversity, and environment and natural resources.²⁰
- MTR has designed the Code of Conduct which all employees are required to comply with and lays down procedures to ensure compliance with all applicable laws and regulations, avoid instances of conflict of interest as well as understand and maintain transparency regarding disclosures to all stakeholders.²¹ Furthermore, based on an analysis of the impact of its operations on different groups, MTR has grouped its stakeholders into ten main categories which include communities, environmental interests, and customers & passengers. The Company has established distinct engagement channels to understand potential risks and opportunities to its business operations as well as gain feedback on its initiatives.²²

Based on these policies, standards and assessments, Sustainalytics is of the opinion that MTR has implemented robust and 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 eleven use of proceeds categories are aligned with those recognized by GBP or SBP. Sustainalytics has focused on the below where the impact is specifically relevant in the local context.

Importance of low-carbon transportation in mitigating the impact of climate change in Hong Kong

Hong Kong is a highly-populated area, with an average of 12.9 million passenger journeys completed on public transport every day (including railways, trams, buses, minibuses, taxis, and ferries).²³ Transportation is the second-largest source of GHG emissions in Hong Kong, representing approximately 18% of the total.²⁴ The primary source of emissions is fuel usage in private cars, where they represent over 70% of all vehicles in Hong Kong as of May 2019.²⁵ Car ownership in Hong Kong has risen at a dramatic rate outpacing population

¹⁷ Hong Kong Environmental Impact Assessment Ordinance, at: <https://www.epd.gov.hk/eia/english/guid/index1.html>

¹⁸ MTR Sustainability Report 2016 published at: <https://www.mtr.com.hk/en/corporate/sustainability/2016rpt/pdf/Safety.pdf>

¹⁹ MTR Sustainability Report 2019 published at: https://www.mtr.com.hk/sustainability/2019rpt/en/pdf/MTR_Full2019_Eng.pdf

²⁰ MTR Corporate Responsibility Policy published at:

https://www.mtr.com.hk/archive/corporate/en/mtr_corporation_corporate_responsibility_policy_eng.pdf

²¹ MTR Code of Conduct published at: <https://www.mtr.com.hk/archive/corporate/en/publications/images/codeofconduct.pdf>

²² MTR website, "Stakeholder Engagement" published at: <https://www.mtr.com.hk/sustainability/2019rpt/en/stakeholders-engagement.php>

²³ Hong Kong government website, "Hong Kong: The Facts, Transport" published September 2019 at:

<https://www.gov.hk/en/about/abouthk/factsheets/docs/transport.pdf>

²⁴ Hong Kong government website, "Greenhouse Gas Emissions in Hong Kong by Sector" published at:

https://www.climate.gov.hk/files/pdf/greenhouse_gas_emissions_by_sector.pdf

²⁵ Hong Kong government website, "Hong Kong: The Facts, Transport" published September 2019 at:

<https://www.gov.hk/en/about/abouthk/factsheets/docs/transport.pdf>

growth by almost seven times²⁶ leading to a wide range of associated issues such as increased traffic and congestion in the city.

One way to mitigate carbon emissions from transportation in the context of Hong Kong is to promote public transport, notably rail. Accordingly, the government is promoting the use of public transport under Hong Kong's Climate Action Plan 2030+ published in response to the Paris Agreement.²⁷ As part of the plan, the city sets out new carbon emissions reduction targets for 2030 as well as concerted efforts to meet them. The plan notes an overall aim to ensure that public transport remains the preferred choice for the community and highlights partnerships with public transport operators, aimed at enabling operational efficiencies and transition to low carbon transport. The plan also touches upon the Railway Development Strategy of 2014 that is focused on enhancing access to rail infrastructure for 75% of the population and enabling 45-50% of the people to complete their trips by rail.²⁸ This strategy is expected to help reduce per capita carbon footprint while promoting a more sustainable urban mobility with added socioeconomic benefits including supporting land use development, reducing commute times and improving connectivity, creating jobs, and reducing congestion.

Sustainalytics acknowledges MTR's role as the city's primary rail operator in helping achieve the above targets and finds investments planned under the Framework to be relevant in this context.²⁹

Importance of green real estate in climate change mitigation in Hong Kong

The building sector is a significant contributor to both energy use and total CO₂ emissions in Hong Kong, contributing to nearly 60% of GHG emissions³⁰ in the city and 90% of total electricity consumption in the country.³¹ In response to the urgent need to lower buildings' energy consumption by implementing energy-efficient upgrades, the government has passed regulations, such as the Buildings Efficiency Ordinance³², and launched partnerships with major commercial and institutional building owners. Moreover, Hong Kong committed to lowering its carbon intensity by setting a target to reduce per capita carbon intensity by 65-70% by 2030 (versus 2005 levels) and its energy intensity by 40% by 2025 (versus 2005 levels) as part of the Climate Action Plan 2030+.³³

MTR intends to utilize part of the proceeds towards constructing and/or renovating buildings with an aim to improve energy efficiency and reduce their carbon footprint. These investments will be verified by credible third-party schemes as listed in Section 1 of this Opinion document. Sustainalytics is of the opinion that MTR's green buildings with a focus on efficiency improvement have the potential to contribute to energy-related goals while leading environmental benefits in Hong Kong.

Importance of improving infrastructure for breastfeeding mothers in Hong Kong

The WHO recommends mothers to breastfeed their babies for the first six months since birth to achieve optimal growth and health.³⁴ However, as per the Breastfeeding Survey 2017 conducted by the Department of Health in Hong Kong, only 27.9%³⁵ of mothers meet this recommended threshold. Reasons include lack of infrastructure in public spaces or workplaces making it difficult for working women to breastfeed their children through the day.³⁶ Further, women breastfeeding in public experience discrimination from society with almost 30% of them reporting being stared at or even advised to do so in private.³⁷

The government has recognized the problem of early childcare as one of its top priorities and continues to incorporate this in legislation through its "Family Friendly Employment Policy" initiative. In July 2020, the government passed an ordinance increasing the mandatory length of paid maternity leave from 10 weeks to

²⁶ <https://www.scmp.com/news/hong-kong/transport/article/2173645/road-nowhere-hong-kong-urged-control-rising-car-numbers-and>

²⁷ South China Morning Post report, "Hong Kong urged to control rising car number and traffic congestion with cohesive transport policies" published November 2018 at: <https://www.enb.gov.hk/sites/default/files/pdf/ClimateActionPlanEng.pdf>

²⁸ Ibid

²⁹ Hong Kong Climate Action 2030+ published January 2017 at: <https://www.enb.gov.hk/sites/default/files/pdf/ClimateActionPlanEng.pdf>

³⁰ William Chung, "A study of electricity use performance of Hong Kong office tenants" published at: http://www.i-asem.org/publication_conf/anbre13/T4D.2.ER661_391F.pdf

³¹ Electrical and Mechanical Services Dept. website, "Energy Management in Government Buildings in Hong Kong" published at: <https://www.emsd.gov.hk/filemanager/conferencepaper/en/upload/60/cnfrnc-paper-20150705-09-2.pdf>

³² Hong Kong e-legislation, "Buildings Efficiency Ordinance" published at: <https://www.elegislation.gov.hk/hk/cap610>

³³ Hong Kong Climate Action 2030+ published January 2017 at: <https://www.enb.gov.hk/sites/default/files/pdf/ClimateActionPlanEng.pdf>

³⁴ WHO Statement, "Exclusive breastfeeding for six months for babies everywhere" published January 2011 at: https://www.who.int/mediacentre/news/statements/2011/breastfeeding_20110115/en/

³⁵ Department of Health survey, "Breastfeeding Survey 2017" published at: https://www.fhs.gov.hk/english/reports/files/BF_survey_2017.pdf

³⁶ Quartz report, "Hong Kong women are too busy to breastfeed, and not even the government can change that" published March 2017 at: <https://qz.com/937848/hong-kong-women-are-too-busy-to-breastfeed-and-not-even-the-government-can-change-that/>

³⁷ UNICEF Survey, "Breastfeeding in Public Premises" published in 2017 at: <https://www.unicef.org/hk/en/40-per-cent-of-breastfeeding-mothers-are-being-discriminated-survey-showsunicef-hk-in-partnership-with-the-government-launches-breastfeeding-friendly-mall-ahead-of-mother/>

MTR Sustainable Finance Framework

14 weeks. Further, two ordinances enhancing breastfeeding women's rights against discrimination are scheduled to come into effect over the next one year.³⁸

In this context, MTR has launched over 20 breastfeeding rooms in subway stations across the city³⁹ to provide a healthy and safe environment for breastfeeding mothers and Sustainalytics is of the opinion that further investments planned in this category will have a positive social impact.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This sustainability bond advances the following SDG goals 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.
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.
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency.
Green Buildings	11. Sustainable Cities and Communities	11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries.
Climate Change Adaptation	13. Climate Action	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries
Preservation of Biodiversity	15. Life on Land	15.a Mobilize and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems
Water Management	6. Clean Water and Sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally
Waste Management	11. Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
Pollution Prevention and Control	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Employment Generation and Unemployment Prevention	1. No Poverty	1.5 By 2030, build the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters
Affordable Basic Infrastructure	11. Sustainable Cities and Communities	11.7 By 2030, provide universal access to safe, inclusive and accessible, green and public spaces, in particular for

³⁸ Mercer website, "Hong Kong to increase maternity leave and pay" published July 2020 at: <https://www.mercer.com/our-thinking/law-and-policy-group/hong-kong-to-increase-maternity-leave-and-pay.html>

³⁹ Hong Kong Free Press report, "Hong Kong MTR introduces new breastfeeding rooms in 20 subway stations" published December 2017 at: <https://hongkongfp.com/2017/12/22/hong-kong-mtr-introduces-new-breastfeeding-rooms-20-subway-stations/>

MTR Sustainable Finance Framework

		women and children, older persons and persons with disabilities
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Conclusion


MTR has developed the MTR Sustainable Finance Framework under which it will enter into sustainable financing transactions and use the proceeds to finance projects, assets and activities under the categories of (i) Renewable Energy, (ii) Low Carbon Transportation, (iii) Energy Efficiency, (iv) Green Buildings, (v) Adaptation to Climate Change, (vi) Biodiversity and Conservation, (vii) Water Management, (viii) Waste Management, (ix) Pollution Prevention and Control, (x) Employment Generation and Unemployment Prevention, and (xi) Affordable Basic Infrastructure. Sustainalytics considers that the projects funded by the sustainable financing transaction proceeds will contribute to the decarbonization of Hong Kong's transport sector while providing socioeconomic benefits.

The MTR 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 the MTR 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 1, 6, 7, 11, 12, 13, and 15. Additionally, Sustainalytics is of the opinion that MTR has robust and adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects, assets and activities funded by the use of proceeds.

Based on the above, Sustainalytics is confident that MTR is well-positioned to enter into sustainable financing transactions, and that the MTR Sustainable Finance Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2018, Social Bond Principles 2020, Sustainability Bond Guidelines 2018 and Green Loan Principles 2020.

Appendices

Appendix 1: Green Building Certification Schemes

	HK BEAM ⁴⁰
Background	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.
Certification levels	Bronze Silver Gold Platinum
Areas of Assessment: Environmental Performance of the Building	<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) • 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>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>
Performance display	

⁴⁰ [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)

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

Section 1. Basic Information

Issuer name:	MTR Corporation Limited
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	MTR Sustainable Finance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	August 05, 2020
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*):

MTR Sustainable Finance Framework

The eligible categories for the use of proceeds – (i) Renewable Energy, (ii) Low Carbon Transportation, (iii) Energy Efficiency, (iv) Green Buildings, (v) Adaptation to Climate Change, (vi) Biodiversity and Conservation, (vii) Water Management, (viii) Waste Management, (ix) Pollution Prevention and Control, (x) Employment Generation and Unemployment Prevention, and (xi) Affordable Basic Infrastructure – are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers that the eligible categories will contribute to the decarbonization of Hong Kong’s transport sector and provide socioeconomic benefits while advancing the UN Sustainable Development Goals, specifically SDG 1, 6, 7, 11, 12, 13, and 15.

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 checked="" type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input checked="" type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify): |

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

Use of proceeds categories as per SBP:

- | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Affordable basic infrastructure | <input 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):

MTR Sustainable Finance Framework

Each proposal will be reviewed by MTR's Treasury Department and Sustainability Team of the Public Affairs Department. The Executive Committee or, in some cases, the Board of Directors, is responsible for final approval. Sustainalytics considers the project evaluation and selection process as 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 and loan proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

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

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

MTR will track bond and loan proceeds using a Sustainable Finance Register which will be managed by the Treasury Department within the Finance Division. Pending allocation, net proceeds will be invested in bank deposits or to repay general credit facilities. This process is in line with market practice.

Tracking of proceeds:

- | |
|----------------------------------------------------------------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Sustainability bond and loan 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): |

MTR Sustainable Finance Framework

4. REPORTING

Overall comment on section (if applicable):

MTR Corporation Limited intends to report allocation proceeds on a category basis and if feasible, on a project basis, on its website on an annual basis until full allocation. In addition, MTR Corporation Limited is committed to reporting on relevant impact metrics where applicable. Sustainalytics views MTR Corporation Limited's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- | | |
|--------------------------------------------------------|------------------------------------------------------------------|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported:

- | | |
|-------------------------------------------------------|--------------------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Allocated amounts | <input checked="" type="checkbox"/> Sustainability Bond financed share of total investment |
| <input type="checkbox"/> Other (please specify): | |

Frequency:

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

Impact reporting:

- | | |
|--------------------------------------------------------|------------------------------------------------------------------|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported (expected or ex-post):

- | | |
|-------------------------------------------------------------|-----------------------------------------------------------------|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| <input checked="" type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Number of beneficiaries |
| <input checked="" type="checkbox"/> Target populations | <input type="checkbox"/> Other ESG indicators (please specify): |

Frequency:

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

Means of Disclosure

- | | |
|-----------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Information published in financial report | <input checked="" type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input type="checkbox"/> Other (please specify): Annual Sustainable Finance 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.)

https://www.mtr.com.hk/sustainability/2019rpt/en/pdf/MTR_GreenFinanceRpt2019_Eng.pdf

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

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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