



# Second-Party Opinion

## Northland Power Green Financing Framework

### Evaluation Summary

Sustainalytics is of the opinion that the Northland Power Green Financing Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021 and the Green Loan Principles 2021. This assessment is based on the following:



**USE OF PROCEEDS** The eligible category for the use of proceeds – Renewable Energy – is aligned with those recognized by the Green Bond Principles 2021 and the Green Loan Principles 2021. Sustainalytics considers that investments in the eligible category will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 7.



**PROJECT EVALUATION / SELECTION** Northland Power (“Northland” or the “Company”) has an Investment Committee that will be responsible for identifying new eligible projects while its operations and asset management groups will identify expenditures related to upgrades and maintenance of assets. Final project selection will be made by Northland’s ESG Steering Committee. Northland’s company-level environmental and social risk mitigation processes are applicable to all allocation decisions made under the Framework. Sustainalytics considers the risk management systems to be strong and the project selection process to be in line with market practice.



**MANAGEMENT OF PROCEEDS** The proceeds raised under the Framework will be monitored by Northland’s Global Treasury team and reported to the ESG Steering Committee. The company intends to allocate proceeds within 24 months of each issuance. Pending full allocation, proceeds will be held in cash reserves. This is in line with market practice.



**REPORTING** Northland intends to report on the allocation of proceeds on its website annually. Allocation reporting will include a list of eligible projects, amount of proceeds allocated by project category, and the balance of any unallocated proceeds. In addition, the company is committed to impact reporting on relevant metrics. Sustainalytics views the allocation and impact reporting as aligned with market practice.

<b>Evaluation date</b>	December 17, 2021 <sup>1</sup>
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<b>Issuer Location</b>	Toronto, Canada
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### Alignment with the EU Taxonomy

Sustainalytics has assessed Northland’s Green Finance Framework for alignment with the EU Taxonomy and is of the opinion that, of the Framework’s three eligibility categories (which map to two EU activities), all three align with the applicable Technical Screening Criteria (“TSC”) in the EU Taxonomy and partially *align* with the Do No Significant Harm (“DNSH”) Criteria. No categories were determined to be *not aligned*. Sustainalytics is also of the opinion that the activities and projects to be financed under the Framework will be carried out in alignment with the EU Taxonomy’s Minimum Safeguards.

<sup>1</sup> This document is an update of a Second-Party Opinion originally published on January 25, 2021. In October 2021, Northland engaged Sustainalytics to assess its revised Green Financing Framework. No changes were made to the use of proceeds categories or the assessment of the Framework’s alignment with the EU Taxonomy. The scope of Sustainalytics’ update consists of assessing alignment with the 2021 Green Bond Principles and 2021 Green Loan Principles as well as the adjustment of the lookback period to allow for financing of existing long-life eligible projects.

## Introduction

Northland Power Inc. (“Northland”, or the “Company”) is a global power producer dedicated to producing energy from clean renewable resources. Northland develops, builds, owns and operates power infrastructure assets in several regions, including North America, Europe, Asia and Latin America. Northland’s facilities generate electricity from natural gas or use renewable sources, such as wind and solar power. Established in 1987, Northland is headquartered in Toronto, Canada, has global offices in eleven countries, and employed over 1,000 people at the end of 2020. The Company derives most of its revenue from the sale of electricity under long-term agreements with credit-worthy counterparties.

Northland has developed the Northland Power Green Financing Framework (the “Framework”) under which it and/or its subsidiaries intend to issue multiple green bonds and loans, and where the use of the proceeds will finance and refinance, in whole or in part, existing and future projects that enable decarbonization of the energy sector. The Framework defines eligibility criteria in the area of Renewable Energy.

Northland engaged Sustainalytics to review the Northland Power Green Financing Framework, dated January 2021, and provide an updated Second-Party Opinion<sup>2</sup> on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP)<sup>3</sup> and the Green Loan Principles 2021 (GLP).<sup>4</sup> This Framework will be published in a separate document.<sup>5</sup>

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>6</sup> 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 2021, as administered by ICMA, and the Green Loan Principles 2021, as administered by LMA, APLMA and LSTA;<sup>7</sup>
- Alignment with the EU Taxonomy 2020;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

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

As part of this engagement, Sustainalytics held conversations with various members of Northland’s management team to understand the sustainability impact of Northland’s business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework.

Northland representatives have confirmed: (1) they understand it is the sole responsibility of Northland 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.

<sup>2</sup> The original Second-Party Opinion was published on January 25, 2021 and is available at: [https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/northland-power-green-financing-framework-second-party-opinion.pdf?sfvrsn=bcef64d7\\_3](https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/northland-power-green-financing-framework-second-party-opinion.pdf?sfvrsn=bcef64d7_3)

<sup>3</sup> The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

<sup>4</sup> The Green Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at <https://www.lsta.org/content/green-loan-principles/>

<sup>5</sup> The Northland Power Green Financing Framework is available on Northland Power Inc’s website at: <https://www.northlandpower.com/en/about-northland/sustainability.aspx>.

<sup>6</sup> 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.

<sup>7</sup> In addition to the Loan Markets Association, the GLP is also administered by the Asia Pacific Loan Market Association and the Loan Syndications & Trading Association

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 Northland.

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 green 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 green 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 Northland has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Northland Power Green Financing Framework

Sustainalytics is of the opinion that the Northland Power Green Financing Framework is credible and impactful, and aligns with the four core components of the GBP and GLP. Sustainalytics highlights the following elements of Northland's Green Finance Framework:

- Use of Proceeds:
  - The eligible category, Renewable Energy, is aligned with those recognized by the GBP and GLP.
  - The Framework defines a look-back period of 36 months for refinancing of eligible projects with the exception of existing long-life projects which will have no specific look-back period. This is in line with market expectation.
  - Northland will invest in the acquisition, development and/or construction of solar photovoltaic projects and offshore and onshore wind power projects. In addition to expenditures for new projects, Northland may consider investing in capital upgrades, maintenance and enhancements. These activities are in line with market practice.
    - Northland may also use proceeds to refinance corporate and/or project debt associated with existing eligible projects. As this refinancing relates to physical assets, Sustainalytics considers this to be in line with market expectations.
- Project Evaluation and Selection:
  - Northland's cross-functional Investment Committee will be responsible for identifying and evaluating new projects that fit the eligibility criteria outlined in the Framework. Furthermore the Company's operation and asset management group will oversee expenditures pertaining to upgrades, enhancing performance and/or extending the useful life of existing assets. Northland's ESG Steering Committee, which has an overarching responsibility to oversee all ESG related issues, will provide the final decision on project selection.
  - For all new projects contemplated, social and environmental risks are identified, assessed and managed during each stage of a project's lifecycle. During development, Northland's ESG and development teams work to identify and assess early-stage risks during due diligence, design, engineering and procurement. In addition, during construction and operations there are dedicated on-site environment and health and safety managers to ensure ongoing monitoring, mitigation and reporting on ESG performance and incidents. Sustainalytics considers these environmental and social risk management systems to be strong and aligned with market expectations. For additional detail see Section 2.

- Based on the presence of a dedicated committee with defined identification and approval process for selecting eligible projects, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
  - Proceeds raised under the Framework will be deposited to Northland's operating account (or to the account of a subsidiary in the case of green financing by a special-purpose project entity). The allocated and unallocated proceeds will be tracked and monitored by Northland's Global Treasury team and reported to the ESG Steering Committee.
  - Northland commits to allocating proceeds within 24 months of the issuance of a green bond or loan. Pending full allocation, unallocated proceeds will be held in cash reserves and managed in accordance with the Company's cash management policies and investment mandates.
  - Based on its fund allocation process Sustainalytics considers this process to be in line with market practice.
- Reporting:
  - Northland will report annually on its website,<sup>8</sup> its information on project allocation and impact metrics. Allocation reporting will provide information on the eligible project portfolio such as a list of eligible projects, the amount of proceeds allocated by project category, and balance of unallocated proceeds.
  - Impact reporting will include a description of eligible projects, methodology and assumptions used to evaluate the impacts and impact metrics such as installed net renewable energy capacity (MW), renewable energy production (MWh), expected GHG reduced and/or avoided (tonnes of CO<sub>2</sub> emissions), expected energy efficiency savings (kWh).
  - Based on the above, Sustainalytics considers this process to be in line with market practice.

#### Alignment with Green Bond Principles 2021 and Green Loan Principles 2021

Sustainalytics has determined that the Northland Power Green Financing Framework aligns to the four core components of the GBP and GLP. For detailed information please refer to Appendix 1: Green Bond/Green Bond Programme External Review Form.

#### Alignment with the EU Taxonomy

Sustainalytics has assessed each of the Framework's eligible green use of proceeds criteria against the relevant criteria in the EU Taxonomy and determined their alignment with each of the Taxonomy's three sets of requirements. The results of this assessment are as follows:

1. Technical Screening Criteria ("TSC")
  - The three eligible categories outlined in the Framework, which map to two EU Taxonomy activities, were assessed and are aligned with the applicable TSC of the EU Taxonomy.
2. Do No Significant Harm ("DNSH") Criteria
  - Both of the activities are partially aligned with the applicable DNSH criteria.
  - The two activities assessed have a total of seven individual DNSH criteria (across all environmental objectives) applicable to them and are aligned with one, partially aligned with four, and not aligned with two of those individual DNSH criteria.
3. Minimum Safeguards
  - Based on a consideration of the policies and management systems applicable to Framework criteria, as well as the regulatory context in which financing will occur, Sustainalytics is of the opinion that the EU Taxonomy's Minimum Safeguards requirements will be met.
  - For Sustainalytics' assessment of alignment with the Minimum Safeguard see Section 2 below.

Table 1 provides an overview of the alignment of Northland's Framework with the TSC and DNSH criteria for the corresponding NACE activities in the EU Taxonomy.

<sup>8</sup> Northland Power Inc, at: [www.northlandpower.com](http://www.northlandpower.com)

**Table 1: Summary of Alignment of Framework Criteria with the EU Taxonomy**

Framework Criterion	Alignment with Taxonomy Criteria		Alignment per EU Environmental Objective					
	TSC	DNSh	Mitigation	Adaptation	Water	Circular Economy	Pollution	Eco-systems
Electricity generation from wind power	■	□	■	☒	■	□	–	□
Electricity generation using solar photovoltaic technology	■	□	■	☒	–	□	–	□

Legend	
Aligned	■
Partially aligned	□
Not aligned	☒
No applicable DNSh criteria for this Objective and/or Activity	–
Grey shading indicates the primary EU Environmental Objective	

\* The EU Taxonomy has not yet defined TSC for EU Environmental Objectives other than Climate Mitigation and Climate Adaptation. In cases where an activity of the Framework has the intent of advancing a different Objective, Sustainalytics has assessed alignment against the DNSh criteria for all six Objectives.

## Section 2: Sustainability Strategy of Northland

### Contribution of framework to Northland Power Inc.'s sustainability strategy

Sustainalytics is of the opinion that Northland demonstrates a strong commitment to sustainability, noting that Northland's business is based on the development and operation of clean energy facilities. The Company describes its vision "be a top clean and green developer, constructor, owner, and operator of sustainable infrastructure assets".<sup>9</sup>

Northland has set goals across its business activities to improve its performance on its environmental, social and governance performance. Its environmental goals aim to achieve "global leadership in the development of green energy", by: (i) leading and innovating the de-carbonization shift; (ii) harnessing climate change opportunities through the ownership and development of renewable energy projects; and (iii) managing shared resources.<sup>10</sup>

In 2020, 62% of Northland's power generation was from renewable source avoiding 1.32 million tonnes of CO<sub>2e</sub>.<sup>11</sup> Most of Northland's emissions and water usage relate to its thermal facilities. Northland reports that in 2020 it used 82.4 million cubic meter of water in its thermal facilities of which it returned 99% to the original source while ensuring that the water discharged is in accordance with permit requirements of factors such as pH-levels, temperature and mineral levels.<sup>12</sup> Additionally, Northland ensures that they do not operate in areas of water stress.<sup>13</sup> To complement its efforts to mitigate emissions and monitor environmental impact, Northland also undertakes habitat restoration and clean up drives in the areas it operates.<sup>14</sup>

Sustainalytics is of the opinion that the Northland Power Green Financing Framework is aligned with the company's overall sustainability strategy and initiatives and will support the Company's progress on its key environmental priorities.

<sup>9</sup> Northland Power Inc., "2020 Sustainability Report", (2020), at: [https://www.northlandpower.com/en/resources/Corporate%20Reports/2020%20Sustainability%20Report\\_Accessible.pdf](https://www.northlandpower.com/en/resources/Corporate%20Reports/2020%20Sustainability%20Report_Accessible.pdf)

<sup>10</sup> *Ibid.*

<sup>11</sup> *Ibid.*

<sup>12</sup> *Ibid.*

<sup>13</sup> *Ibid.*

<sup>14</sup> *Ibid.*

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

While the net proceeds from green bonds and loans issued under the Framework will be directed towards eligible projects that are anticipated to have positive environmental impact, Sustainalytics recognizes that activities related to the development of energy infrastructure could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects could include impact on local habitats and biodiversity, workplace health and safety and community relations, particularly those pertaining to indigenous rights.

Sustainalytics is of the opinion that Northland is able to manage and/or mitigate potential risks through implementation of the following:<sup>15</sup>

- Northland's ESG and development teams identify and assess social and environmental risks during each stage of a project's lifecycle. During the construction and operations phase, on-site environment and health and safety managers ensure ongoing monitoring, mitigation and reporting on ESG performance and incidents.<sup>16</sup>
- Northland conducts environmental impact assessments and develops a plan for biodiversity protection prior to selecting and developing a project site. During operations, Northland's environmental management teams monitor the project sites to support and ensure the long-term sustainability of wildlife populations and ecosystems. Northland also partners with local, non-governmental, academic and government organizations, to support research programs to protect and manage ecosystems. The Company also undertakes habitat restoration activities in the areas surrounding its project sites.
- Northland has established a Health and Safety Management System that provides targets for all of Northland's international offices and facilities to monitor, evaluate and report on their health and safety performance. The Company has established a Global Risk Management Program under which it monitors and manages common workplace hazards and risks and ensures compliance with regional laws, regulations and industry best practices. In order to manage risks pertaining to non-routine tasks, Northland's team uses a Job Hazard Analysis, a technique to identify hazards, assess risks and develop methods to mitigate these risks.
- At the launch of each project, Northland identifies its stakeholders in order to understand the customs and practices of the local communities within which it operates. The Company undertakes community consultations at the project proposal stage and commits to having open and transparent communication throughout construction and operations. Northland's onsite development teams also undergo training for cultural sensitivity to improve communication with local communities and Indigenous groups. Northland has formed partnerships with several Indigenous communities in the regions that it operates; these partnerships provide direct economic benefits, labour and employment opportunities and support community programs that have positive socio-economic impacts.

### Alignment with the EU Taxonomy's Minimum Safeguards

The EU Taxonomy recommends that companies have policies aligned with international and regional guidelines and regulations pertaining to human rights, labour rights, and combating bribery and corruption. Key examples include the UN Guiding Principles on Business and Human Rights, the International Labour Organisation's (ILO) declaration on Fundamental Rights and Principles at Work, and the OECD Guidelines for Multinational Enterprises. While Northland is not a signatory and/or has not formally referenced these guidelines in its corporate policies, it has communicated that it aims to ensure that its practices and policies draw from international best practices.

Northland's Code of Business Conduct and Ethics<sup>17</sup> outlines the Company's fundamental ethical principles. This Code intends to promote integrity and ethical behaviour and to deter wrongdoing among employees, officers, directors, consultants, and representatives of Northland. The Code also enforces compliance with local laws and regulation as well as providing mechanisms to report contraventions of the Code.

Northland's Code, in addition to other policies, support the Company's performance in areas of labour rights and human rights. As described above, Northland has a robust commitment to occupational health and safety through its Health and Safety Management System and Global Risk Management Program. Northland also

<sup>15</sup> Northland Power Inc., "2020 Sustainability Report", (2020), at:

[https://www.northlandpower.com/en/resources/Corporate%20Reports/2020%20Sustainability%20Report\\_Accessible.pdf](https://www.northlandpower.com/en/resources/Corporate%20Reports/2020%20Sustainability%20Report_Accessible.pdf)

<sup>16</sup> Northland Power Inc., "Green Financing Framework"

<sup>17</sup> Northland Power, Code of Business Conduct and Ethics, December 2020, at: <https://www.northlandpower.com/en/about-northland/resources/Policies/NPI%20Governance%20-%20Code%20of%20Business%20Conduct%20and%20Ethics%20Restated%202020%20vA.pdf>



has a Diversity Policy<sup>18</sup> which promotes diversity and inclusion to its board of directors and in executive management. In addition, to ensure health and safety of its employees and contractors, the Company adheres to internationally recognized occupational health and safety standards, such as those of the International Organization for Standardization.<sup>19</sup> As part of its stakeholder engagement process, Northland habitually partners with local and indigenous communities to ensure that their needs are met and that their partnership leads to the long-term development of the communities within which it operates.<sup>20</sup>

Northland has an Anti-Bribery/Anti Corruption Policy<sup>21</sup> (ABAC) through which it commits to compliance with applicable laws relating to bribery and corruption in the jurisdictions where the Company conducts business. The ABAC policy applies to all of Northland and its affiliates including directors, officers and employees, as well as third parties, including agents, representatives, consultants and contractors. Northland has communicated that it provides annual ABAC training to its employees, who are required to certify on an annual basis that they have read, understood and will comply with the terms of the policy, as well as conducting background checks on third parties prior to engagement. Northland has further disclosed that, while undertaking non-recourse project debt to fund developments and acquisitions of assets/projects, an additional layer of review is undertaken by independent advisors to ensure that contractors and suppliers comply with laws and requirements. Northland has also communicated that its corporate and local human resources teams consult with local legal counsel along with specialized advisors and consultants to ensure compliance with local requirements.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Northland policies, guidelines and commitments are sufficient to demonstrate that the activities and projects to be financed under the Framework will be carried out in alignment with the EU Taxonomy's Minimum Safeguards.

### Section 3: Impact of Use of Proceeds

The use of proceeds category is aligned with those recognized by the GBP and GLP, focused on increasing renewable energy in the global energy mix.

#### Renewable Energy's Contribution to Achieving Climate Goals

Drastic decreases to global emissions will be required to achieve the commitments of the Paris Agreement, specifically to limit global average temperature increases to well below 2°C and aim to limit the increase to 1.5°C.<sup>22</sup> According to data from the World Bank, greenhouse gas emissions from electricity and heat production make up 49% of all fuel combustion.<sup>23</sup> Therefore, increasing the share of renewable energy generation has the potential to have significant impact on meeting climate goals. A study from the International Energy Agency (IEA) and the International Renewable Energy Agency (IRENA) supports this assessment, estimating that 65-70% of worldwide primary energy demand would need to be met by low-carbon energy sources by 2050 in order to meet the 2°C target.<sup>24</sup> Although in 2019, renewable energy experienced strong growth worldwide, accounting for almost over one fourth of global electricity generation,<sup>25</sup> this rate of deployment must be ramped up to meet international targets.

There were over 2,500 gigawatts GW of global renewable energy capacity at the end of 2019. Northland can play a significant role in the future growth of renewable energy capacity, with 4- 5 GW of renewable capacity under development, including the 1 GW Hai Long project in Taiwan. Sustainalytics is of the opinion that the use of proceeds raised under of Northland's Framework will contribute to decarbonizing the electricity sector and thereby support global climate goals.

<sup>18</sup> Northland Power, Diversity Policy, January 2021, at:

[https://www.northlandpower.com/Accessible%20Files/Policies/NPI\\_B\\_LG\\_009\\_Diversity%20Policy%202020\\_EN.pdf](https://www.northlandpower.com/Accessible%20Files/Policies/NPI_B_LG_009_Diversity%20Policy%202020_EN.pdf)

<sup>19</sup> Northland Power Inc., "2020 Sustainability Report", (2020), at:

[https://www.northlandpower.com/en/resources/Corporate%20Reports/2020%20Sustainability%20Report\\_Accessible.pdf](https://www.northlandpower.com/en/resources/Corporate%20Reports/2020%20Sustainability%20Report_Accessible.pdf)

<sup>20</sup> *Ibid.*

<sup>21</sup> Northland Power, Anti-Bribery/Anti Corruption Policy, December 2020, at:

[https://www.northlandpower.com/Accessible%20Files/Policies/NPI\\_B\\_LG\\_002\\_Anti-Bribery\\_Anti%20Corruption%20Policy%202020\\_EN.pdf](https://www.northlandpower.com/Accessible%20Files/Policies/NPI_B_LG_002_Anti-Bribery_Anti%20Corruption%20Policy%202020_EN.pdf)

<sup>22</sup> European Commission, Paris Agreement, accessed on December 2020, at: [https://ec.europa.eu/clima/policies/international/negotiations/paris\\_en](https://ec.europa.eu/clima/policies/international/negotiations/paris_en)

<sup>23</sup> World Bank Group, CO2 emissions from electricity and heat production, 2014, at: <https://data.worldbank.org/indicator/EN.CO2.ETOT.ZS>

<sup>24</sup> IRENA, Global Renewables Outlook, 2020, at: [https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2020/Apr/IRENA\\_Global\\_Renewables\\_Outlook\\_2020.pdf](https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2020/Apr/IRENA_Global_Renewables_Outlook_2020.pdf)

<sup>25</sup> IEA, Global Energy Supply 2020, at: <https://www.iea.org/reports/global-energy-review-2020/renewables>

### 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. Green bonds and loans issued under this Green Financing Framework advance the following SDG and target:

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

### Conclusion

Northland has developed the Northland Power Green Financing Framework under which it and/or its subsidiaries will issue green bonds and loans where the use of proceeds will finance renewable energy projects. Sustainalytics considers that the projects funded by the green bond and loan proceeds will contribute towards the decarbonization of the global energy sector.

The Northland Power Green Financing 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 Northland Power Green Financing Framework is aligned with the overall sustainability strategy of the company and that the green use of proceeds category will contribute to the advancement of the UN Sustainable Development Goal 7. Additionally, Sustainalytics is of the opinion that Northland has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Sustainalytics has assessed Northland's Green Financing Framework for alignment with the EU Taxonomy, and is of the opinion that, of the Framework's three use of proceeds category, which map to two EU activities, are all in alignment with the applicable Technical Screening Criteria ("TSC") in the EU Taxonomy and are *partially aligned* with the applicable Do No Significant Harm Criteria. No categories were determined to be *not aligned*. Sustainalytics is also of the opinion that the activities and projects to be financed under the Framework will be carried out in alignment with the EU Taxonomy's Minimum Safeguards.

Based on the above, Sustainalytics is confident that Northland Power Inc. and its subsidiaries are well-positioned to issue green bonds and loans, and that the Northland Power Green Financing Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2021 and Green Loan Principles 2021.



# Appendices

## Appendix 1: Approach to Assessing Alignment with the EU Taxonomy

### Approach to Alignment Assessment

Sustainalytics has assessed each of the eligible green use of proceeds criteria in the Framework against the criteria for the relevant NACE<sup>26</sup> activity in the EU Taxonomy. This appendix describes Sustainalytics' process and presents the outcome of its assessment of alignment with the Taxonomy's applicable Technical Screening Criteria (TSC) and Do No Significant Harm (DNSH) criteria. Sustainalytics' assessment involves two steps:

#### 1. Mapping Framework Criteria to Activities in the EU Taxonomy

The initial step in Sustainalytics' assessment process involves mapping each criterion in the Framework to a relevant and applicable NACE activity in the EU Taxonomy. Note that each Framework criterion may be relevant and applicable to more than one NACE activity and vice versa. Sustainalytics recognizes that some Framework criteria relate to projects that do not map well to a NACE activity. In such cases, Sustainalytics has mapped to the NACE activity that is most relevant with respect to the primary environmental objective and impacts.

In some cases, the Framework criteria cannot be mapped to an activity in the EU Taxonomy, as some activities are not yet covered by the Taxonomy, and some categories which are traditionally included in green bonds may not be associated with a specific economic activity. While recognizing that financing projects in these areas may still have environmental benefits, Sustainalytics has not assessed these criteria for alignment.

The outcome of Sustainalytics' mapping process for Northland's Framework is shown in Error! Reference source not found. below.

#### 2. Determining Alignment with EU Taxonomy Criteria

The second step in Sustainalytics' process is to determine the alignment of each criterion with relevant criteria in the EU Taxonomy. Alignment with the TSC and DNSH criteria is usually based on the specific criteria contained in the issuer's Framework, and may in many cases (especially DNSH criteria) also be based on management systems and processes and/or regulatory compliance. To assess alignment with the EU Taxonomy's Minimum Safeguards Sustainalytics has conducted an assessment of policies, management systems and processes applicable to the use of proceeds, as well as examining the regulatory context in the geographical location in which the issuer will finance activities and projects. (This assessment is included in Section 2, above.)

In cases where the Framework criteria describe projects which are intended to advance EU environmental objectives other than Climate Mitigation or Climate Adaptation, the Taxonomy does not include relevant TSC. In these cases, Sustainalytics has assessed the activity for alignment with the DNSH criteria across all objectives.

Sustainalytics' detailed assessment of alignment is provided in Appendix 2.

Table 2: Framework mapping table

Framework Category	Framework Criterion (Eligible Use of Proceeds)	EU / NACE Activity	NACE Code	Primary EU Environmental Objective	Refer to Table
Renewable Energy	Offshore wind	Electricity generation from wind power	D.35.11 F42.22	Mitigation	Table 1
	Onshore wind				
	Solar	Electricity generation using solar photovoltaic technology	D.35.11 F42.22	Mitigation	Table 2

<sup>26</sup> The EU Taxonomy is based on economic activities defined in NACE (Nomenclature des Activités Économiques dans la Communauté Européenne). The Taxonomy currently lists 70 economic activities which have been chosen due to their ability to substantially contribute to climate change mitigation or adaptation.

## Appendix 2: Comprehensive EU Taxonomy Alignment Assessment

The tables below provide a detailed assessment of the alignment of Northland's Framework criteria with the EU Taxonomy's TSC and DNSH criteria for the relevant NACE activity.

Table 3

Framework Activity assessed		Renewable Energy	
EU Activity		Electricity generation from wind power	
NACE Code		D.35.11 and F42.22	
EU Technical Screening Criteria		Alignment with Technical Screening Criteria	
Mitigation	The activity generates electricity from wind power.	Eligible by default	Aligned
DNSH Criteria		Alignment with DNSH Criteria	
Climate Change Adaptation	Refer to the assessment set out in Appendix 3, Table 5.		
Sustainable use and protection of water and marine resources	In case of construction of offshore wind, the activity complies with the requirements of Directive 2008/56/EC of the European Parliament and of the Council in relation to its Descriptor 11 (Noise/Energy), laid down in Annex I to that Directive, and Commission Decision (EU) 2017/848239 in relation to the relevant criteria and methodological standards for that descriptor.	Northland has communicated that its offshore wind projects to date have been in jurisdictions which have strong regulatory requirements which focused on the protection of the marine environment. <sup>27</sup> Northland aims to ensure that it complies with relevant requirements throughout its design, construction and operations stages. This compliance is achieved by hiring responsible contractors and maintaining active environmental monitoring of their activities by its staff. Northland has provided to Sustainalytics examples of projects where it conducts ecological monitoring across a range of areas and reports the results. <sup>28</sup>	Aligned
Transition to a circular economy	The activity assesses availability of and, where feasible, uses equipment and components of high durability and recyclability and that are easy to dismantle and refurbish.	<p>Northland considers land/water acquisition as a 'first priority' in all of its development activities and assessing the available land/water for environmental constraints is completed early by trained environmental specialists.</p> <p>Northland has communicated that during the early development stage of a project, it follows a systematic process where if a project is found to have a "fatal land use flaw", the Company will</p>	Partially Aligned

<sup>27</sup> Northland's confirms all its assets and development efforts are concentrated in OECD countries, with the exception of Hai Long offshore wind projects in Taiwan.

<sup>28</sup> Gemini Wind Park, "Ecological Monitoring Reports", at: <https://geminiwindpark.nl/ecological-reports.html>

		<p>not pursue the project any further. If any constraints are found it will attempt to mitigate it through project design and specialized practices.</p> <p>Northland has communicated that being a long-term owner and operator of its facilities, it selects components and equipment from best-in-class equipment suppliers that is intended to last and perform throughout an asset's useful life. It also undertakes maintenance activities to meet useful life of assets.</p> <p>While not a commitment in policy, Northland will likely examine repowering/refurbishing/upgrading opportunities as assets approach end-of-life (e.g. repower a wind farm, or replace old solar panels with newer, more efficient models). If a project is to be dismantled, Northland has expressed that efforts will be made to maximize the amount recycled/re-used materials and minimize waste.</p>	
Protection and restoration of biodiversity and ecosystems	Refer to the assessment set out in Appendix 3, Table 6.		

Table 4

<b>Framework Activity assessed</b>		Renewable Energy	
<b>EU Activity</b>		Electricity generation using solar photovoltaic technology	
<b>NACE Code</b>		D.35.11 and F42.22	
<b><i>EU Technical Screening Criteria</i></b>		<b><i>Alignment with Technical Screening Criteria</i></b>	
Mitigation	The activity generates electricity using solar PV technology.	Eligible by default	Aligned
<b><i>DNSH Criteria</i></b>		<b><i>Alignment with DNSH Criteria</i></b>	
Climate Change Adaptation	Refer to the assessment set out in Appendix 3, Table 5.		
Transition to a circular economy	The activity assesses availability of land, where feasible, uses equipment and components of high durability and recyclability and that are easy to dismantle and refurbish.	Northland considers land/water acquisition as a 'first priority' in all of its development activities and assessing the available land/water for environmental constraints is completed early by trained environmental specialists.	Partially Aligned

		<p>Northland has communicated that during the early development stage of a project, it follows a systematic process where if a project is found to have a “fatal land use flaw”, the Company will not pursue the project any further. If any constraints are found it will attempt to mitigate it through project design and specialized practices.</p> <p>Northland has communicated that being a long-term owner and operator of its facilities, it selects components and equipment from best-in-class equipment suppliers that is intended to last and perform throughout an asset’s useful life. It also undertakes maintenance activities to meet useful life of assets.</p> <p>While not a commitment in policy, Northland will likely examine repowering/refurbishing/upgrading opportunities as assets approach end-of-life (e.g. repower a wind farm, or replace old solar panels with newer, more efficient models). If a project is to be dismantled, Northland has expressed that efforts will be made to maximize the amount recycled/re-used materials and minimize waste.</p>	
Protection and restoration of biodiversity and ecosystems	Refer to the assessment set out in Appendix 3, Table 6.		

## Appendix 3: Criteria for Do No Significant Harm (“DNSH”) to Climate Change Adaptation and Protection and Restoration of Biodiversity and Ecosystems

Table 5

Criteria for DNSH to Climate Change Adaptation		
<i><b>DNSH Criteria</b></i>	<i><b>Alignment with DNSH Criteria</b></i>	
<p>The physical climate risks that are material to the activities mentioned above have been identified by the Issuer by performing a robust climate risk and vulnerability assessment.<sup>29</sup> The assessment must be proportionate to the scale of the activity and its expected lifespan, such that:</p> <ul style="list-style-type: none"> <li>for investments into activities with an expected lifespan of less than 10 years, the assessment is performed, at least by using downscaling of climate projections;</li> <li>for all other activities, the assessment is performed using high resolution, state-of-the-art climate projections across a range of future scenarios consistent with the expected lifetime of the activity, including, at least, 10 to 30 years climate projections scenarios for major investments.</li> </ul> <p>The issuer has developed a plan to implement adaptation solutions to reduce material physical climate risks to the selected activities under this framework.</p> <ul style="list-style-type: none"> <li>For new activities the Issuer ensures that adaptation solutions do not adversely affect the adaptation efforts or the level of resilience to physical climate risks of other people, of nature, of assets and of other economic activities and are consistent with local, sectoral, regional or national adaptation efforts.</li> <li>For activities that involve upgrading or altering existing assets or processes, the Issuer must implement adaptation solutions identified within five years from the start of the activity. In addition, selected adaptation solutions must not adversely affect the adaptation efforts or the level of resilience to physical climate risks of other people, of nature, of assets and of other economic activities and are consistent with local, sectoral, regional or national adaptation efforts.</li> </ul>	No assessments / policies available currently.	Not Aligned

<sup>29</sup> The EU Delegated Act identifies several climate related risk and classifies them into chronic or acute risks, Chronic risks include -changing temperature (air, freshwater, marine water), changing wind patterns, changing precipitation patterns and types, coastal erosion, heat stress, ocean acidification, sea-level rise, and solifluction. Acute risks pertain to – heat/ cold wave, wildfire, cyclone, hurricane, tornado, storm, drought, landslide, flood, and glacial lake outburst. For a complete list of climate related risk please refer to Annex 6, at: [https://ec.europa.eu/finance/docs/level-2-measures/taxonomy-regulation-delegated-act-2021-2800-impact-assessment\\_en.pdf](https://ec.europa.eu/finance/docs/level-2-measures/taxonomy-regulation-delegated-act-2021-2800-impact-assessment_en.pdf)

Table 6

Criteria for the Protection and Restoration of Biodiversity and Ecosystems		
<i><b>DNSH Criteria</b></i>	<i><b>Alignment with DNSH Criteria</b></i>	
<ul style="list-style-type: none"> <li>• An Environmental Impact Assessment (EIA) or screening has been completed, for activities within the Union, in accordance with Directive 2011/92/EU. For activities in third countries, an EIA has been completed in accordance with equivalent national provisions or international standards.</li> <li>• Where an EIA has been carried out, the required mitigation and compensation measures for protecting the environment are implemented.</li> <li>• For sites/operations located in or near biodiversity-sensitive areas (including the Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas, as well as other protected areas), an appropriate assessment, where applicable, has been conducted and based on its conclusions the necessary mitigation measures are implemented.</li> </ul>	<p>Northland does not have a formal policy that mandates it to conduct EIA for all its projects. However, they have a commitment to avoid or minimize the potential impacts/concerns during early development stages of its projects by making adjustments to the planned layout of the proposed project. Northland has communicated that “avoidance”, which refers to not undertaking the project, is one of the first approaches they take in case a negative impact or concern is raised during project development stage, followed by mitigation measures to minimize negative impacts where possible.</p> <p>Northland monitors impacts on biodiversity at certain projects sites. The Company participates in habitat restoration and/or compensation plantings for key habitat lost as a result of its developments. Measures include relocation of certain species of birds, providing habitat restoration and replacement, improving site vegetation to provide breeding habitat and movement corridors, and modifying construction schedules to avoid specific wildlife breeding seasons as well as use of specific technologies such as a bat deterrent system to minimize impact of its projects on wildlife.</p> <p>The Company has provided examples of the implementation and monitoring systems it has in place at specific sites, and has communicated that these are indicative of the level of ambition the Company aims to take broadly across its project management.</p>	Partially Aligned



# Appendix 1: Green Bond / Green Bond Programme - External Review Form

## Section 1. Basic Information

Issuer name:	Northland Power Inc.
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Northland Power Green Financing Framework
Review provider's name:	Sustainalytics
Completion date of this form:	December 17, 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:

- |  |  |
|--|--|
| <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 <sup>nd</sup> 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 category for the use of proceeds –Renewable Energy – is aligned with those recognized by the Green Bond Principles 2021 and the Green Loan Principles 2021. Sustainalytics considers that investments in projects in the eligible category will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 7.

**Use of proceeds categories as per GBP:**

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

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

**2. PROCESS FOR PROJECT EVALUATION AND SELECTION**

Overall comment on section (if applicable):

Northland Power ("Northland" or the "Company") has an Investment Committee that will be responsible for identifying new eligible projects while its operations and asset management groups will identify expenditures related to upgrades and maintenance of assets. Final project selection will be made by Northland's ESG Steering Committee. Northland's company-level environmental and social risk mitigation processes are applicable to all allocation decisions made under the Framework. Sustainalytics considers the risk management systems to be strong and the project selection process to be in line with market practice.

**Evaluation and selection**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability 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 Green Bond proceeds | <input 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 <i>(please specify)</i> :   |

**Information on Responsibilities and Accountability**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
|--|--|

- ☐ Other (please specify):

### 3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

Proceeds raised under the Framework will be deposited to Northland's operating account (or the account of a subsidiary in the case of green financing by a special-purpose project entity), monitored by Northland's Global Treasury team and reported to the ESG Steering Committee. Unallocated proceeds will be held in cash reserves, and Northland commits to allocating proceeds within 24 months of any issuance. Northland intends to refinance eligible projects with a look-back period of 36 months, and refinance capital expenditure with no look-back period. Sustainalytics views this in line with market practice. Sustainalytics considers the management of proceeds process to be in line with market practice.

#### Tracking of proceeds:

- ☒ Green 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:

- |   |   |
|---|---|
| <input type="checkbox"/> Allocations to future investments only                             | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements                             | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements          |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify):  |

### 4. REPORTING

Overall comment on section (if applicable):

Northland intends to report on its website on an annual basis. Allocation reporting will include a list of eligible projects, amount of proceeds allocated by project category, and the balance of any unallocated proceeds. Impact reporting will include metrics such as installed net renewable energy capacity (MW), renewable energy production (MWh) and expected GHG reduced (tonnes of CO2 emissions). Sustainalytics views Northland Power Inc.'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:**

- ☒ Allocated amounts
 ☐ Green Bond financed share of total investment
- ☐ Other (please specify):

**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
 ☐ Other ESG indicators (please specify): Installed net renewable energy capacity (MW), Renewable energy production (MWh)

**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): Information published on website (www.northlandpower.com)
- ☐ Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

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

**USEFUL LINKS** (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE****Type(s) of Review provided:**

- ☐ Consultancy (incl. 2<sup>nd</sup> opinion)
 ☐ Certification

☐ Verification / Audit

☐ Rating

☐ Other (*please specify*):

**Review provider(s):**
**Date of publication:**
**ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP**

- i. **Second-Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green 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 Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental 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 environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally 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 Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green 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 Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green 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 performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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