

Second-Party Opinion

KWG Group Holdings Limited Green Finance Framework



Evaluation Summary

Sustainalytics is of the opinion that the KWG Group Holdings Limited Green Finance Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2018 and the Green Loan Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible categories – Green Buildings, Energy Efficiency, Pollution Prevention and Control, Sustainable Water and Wastewater Management, and Renewable Energy – are aligned with those recognized by the Green Bond Principles 2018. Sustainalytics expects that the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 6, 7, 11 and 12.



PROJECT EVALUATION / SELECTION KWG's internal process in evaluating and selecting projects is managed by the Green Finance Working Group (GFWG), which is comprised by senior representatives from finance and treasury, investor relations, risk control, and audit departments, and other relevant business units. Shortlisted eligible projects are nominated to the GFWG for review. Final approval selection is in line with the eligibility criteria outlined in this Framework. Based on these elements, Sustainalytics considers this process to be in line with market practice.



MANAGEMENT OF PROCEEDS KWG's process for management of proceeds is overseen by the finance and treasury department. Proceeds will be allocated on a portfolio approach and tracked by a Green Finance Register. Unallocated proceeds will be managed in line with KWG's liquidity management policy. Any asset that ceases to meet eligibility or is involved in material and critical controversies will be replaced as soon as possible. KWG commits to fully allocate the net proceeds of each GFT within 24 months of each GFT's issuance. Based on these elements, Sustainalytics considers this process to be in line with market practice.



REPORTING KWG intends to report annually on the allocation of proceeds on its annual or green finance reports, until full allocation. Reporting will include details such as aggregate amount of proceeds allocated to Eligible Projects, and balance of unallocated proceeds from of each outstanding GFT, and project examples, subject to confidentiality. In addition, KWG is committed to reporting on relevant impact indicators. Based on these elements, Sustainalytics considers this process to be in line with market practice.

Evaluation Date	May 10, 2021
Issuer Location	Guangzhou, China

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Introduction

Established in 1995, KWG Group Holdings Limited (“KWG”, the “Issuer”, or the “Company”) is a Chinese real estate developer. Business segments of KWG includes property development and management, serviced apartments, cultural tourism, education, healthcare, hotels across Chinese cities. As of December 2020, KWG presents over 40 Chinese cities including Beijing, Shanghai, Chengdu and Hong Kong, operating eight shopping malls while offering eight high-end office projects.

KWG has developed the KWG Group Holdings Limited Green Finance Framework (the “Framework”) which is the guiding document for KWG’s future Green Financing Transactions (“GFT”), including bonds, loans and other financing products where proceeds are used to finance or refinance, in whole or in part, existing and future projects that improve the environmental performance of its properties. The Framework defines eligibility criteria in five areas:

1. Green Buildings
2. Energy Efficiency
3. Pollution Prevention and Control
4. Sustainable Water and Wastewater Management
5. Renewable Energy

KWG engaged Sustainalytics to review the KWG Group Holdings Limited Green Finance Framework, dated May 2021, and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2018 (GBP)¹ and the Green Loan Principles 2021 (GLP).² This Framework has been published in a separate document.³

Scope of work and limitations of Sustainalytics Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics independent⁴ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible 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, as administered by ICMA and the Green Loan Principles 2021, as administered by LMA, APLMA and LSTA;⁵
- 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 1.8.1, 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 KWG’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. KWG representatives have confirmed (1) they understand it is the sole responsibility of KWG 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.

¹ 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/>.

² 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/>

³ The KWG Group Holdings Limited Green Finance Framework is available on KWG Group Holdings Limited’s website at: <https://www.kwggroupholdings.com/en/>

⁴ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

⁵ 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 KWG.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

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

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

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the KWG Group Holdings Limited Green Finance Framework

Sustainalytics is of the opinion that the KWG Group Holdings Limited Green Finance Framework is credible and impactful, and aligns with the four core components of the GBP and GLP. Sustainalytics highlights the following elements of KWG Group's Green Bond Framework:

- Use of Proceeds:
 - The eligible categories – Green Buildings, Energy Efficiency, Pollution Prevention and Control, Sustainable Water and Wastewater Management, and Renewable Energy – are aligned with those recognized by the GBP and GLP. Sustainalytics notes the following projects and activities will be financed primarily in China.
 - Under the Green Buildings category, the Group intends to finance and/or refinance the construction or renovation of existing buildings which have obtained or are expected to obtain one of the following minimum green building certification levels: Chinese Green Building Evaluation Label "2 Star", LEED "Gold", BREEAM "Excellent", BEAM Plus "Gold", or other equivalent international standards. For Sustainalytics' assessment of these building certification schemes, please refer to Appendix 1. Sustainalytics views these certification schemes as credible, and the associated minimum certification levels as aligned with market practice.
 - Within the Energy Efficiency category, KWG may finance smart technologies and/or systems in new and existing buildings that improve energy efficiency, including smart meters, heating ventilation and air conditioning systems, auto or LED lighting, lift system, and building controls. The Framework also includes financing for the refurbishment of existing buildings which lead to an improvement of at least 15% in energy efficiency. In Sustainalytics' opinion an improvement of at least 20% is required in order to meet market expectations, and Sustainalytics encourages KWG to finance the refurbishment of buildings that achieve at least this level of minimum energy efficiency improvement. Eligible expenditures within this category may also include research and development (R&D) of energy efficiency design and technologies for buildings and construction. R&D expenditures will not exceed 20% of issuance. While Sustainalytics recognizes that R&D has the potential to drive positive environmental outcomes, it is also acknowledged that it is more challenging to quantify the direct impacts of such investments. As such, Sustainalytics encourages KWG Group to prioritize R&D investments that have reasonable assurance of implementation, as well as achievement of measurable impact in the near-term.
 - Regarding Pollution Prevention and Control, KWG may finance and or refinance expenditures and investments in waste management that aim to prevent, minimize and/or recycle waste.

Sustainalytics supports efforts to prevent and reduce waste generation and the promotion of recycling.

- In the Sustainable Water and Wastewater Management category, the Framework defines the eligibility for the following investments: construction, development, installation, operation and maintenance of infrastructure or equipment for sewage treatment, wastewater treatment, recycling of wastewater, installation of rainwater collection systems, installation of water-saving devices such as sensor faucets in water facilities. Sustainalytics views these activities as contributing to reducing stress and pollution of water systems.
- With respect to Renewable Energy, KWG may finance or refinance the installation of renewable solar technology including photovoltaic energy systems, solar powered water systems and solar powered water-heating systems.
- Project Evaluation and Selection:
 - KWG’s internal process in evaluating and selecting projects is managed by the Green Finance Working Group (GFWG), which is comprised by senior representatives from finance and treasury, investor relations, risk control, and audit departments, and other relevant business units. KWG’s operation department shortlists eligible projects and nominates them to the GFWG to review and approve the final selection of projects according to the criteria defined in this Framework. Based on these elements, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - KWG’s process for management of proceeds is overseen by the finance and treasury department. Proceeds will be allocated on a portfolio approach and KWG will set up a Green Finance Register to earmark and track the allocation of proceeds. Should any proceeds remain unallocated KWG will manage them in line with the Group’s liquidity management policy. Temporary investment of unallocated proceeds will exclude high pollution activities or projects that are in conflict with the eligibility criteria under this Framework. If an asset ceases to meet eligibility it will be removed from the portfolio of eligible projects and KWG will strive to replace it as soon as possible. Additionally, if an eligible project is involved in material and critical controversies, KWG commits to substitute that project with an alternative eligible project. KWG commits to fully allocate the net proceeds of each GFT within 24 months of each GFT’s issuance. Based on these elements, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - KWG intends to report annually on the allocation of proceeds on its annual reports or green finance reports, until full allocation. The allocation reporting will include details such as information, aggregate amount of proceeds allocated to Eligible Projects, and balance of unallocated proceeds from of each outstanding GFT, and project examples, subject to confidentiality. In addition, KWG is committed to reporting on the environmental and social impact of the eligible projects, subject to the nature of Eligible Projects and availability of information. Relevant impact indicators include annual GHG emissions reduced/avoided (tCO₂ eq), annual energy savings (MWh), and cubic meters of rainwater collected and re-used. For a full list of impact indicators please refer to Appendix 2: Green Bond/Green Bond Programme External Review Form. Based on these elements, Sustainalytics considers this process to be in line with market practice.

Alignment with Green Bond Principles 2018 and Green Loan Principles 2021

Sustainalytics has determined that the KWG Group Holdings Limited Green Finance Framework aligns to the four core components of the GBP and GLP. For detailed information please refer to Appendix 2: Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Strategy of KWG

Contribution of framework to KWG’s sustainability strategy⁶

KWG strives to promote green building projects but lacks an official sustainability strategy and sustainability goals. As a property developer, KWG recognizes its role in minimizing its impacts on environment from its operations. KWG demonstrates a commitment to developing green buildings with consideration to the following pillars (i) environmental performance, (ii) construction materials, (iii) energy-saving design, and (iv) community care.

⁶ KWG, “Annual Report 2019”, (2020), at: <https://www.kwggroupholdings.com/upload/file/2020-04-23/60cf93fd-e25f-486f-bd8d-3f7bf5064090.pdf>

KWG actively manages the environmental performance of its developments, including offices and hotels, considering the impacts of climate change. For instance, in its “W” hotel in Guangzhou, KWG replaced more than 90% of the traditional lights with LED energy efficient lights, engaged approved recycling company for waste separation and recycling and stopped providing disposable goods without request. Additionally, for its “Apex Jiangmen” project, KWG has substituted wood molds with aluminum alloy molds which are reusable, reducing the waste generated at the construction site. These are just a few examples of the different practices applied by KWG to reduce its environmental footprint, preserve resources, and prevent waste.

Sustainalytics is of the opinion that the KWG Group Holdings Limited Green Finance Framework is aligned with the Company’s overall sustainability initiatives and will further the Company’s action on its key environmental priorities. However, Sustainalytics notes the overall absence of a clear sustainability strategy with associated targets and, as such, encourages KWG to develop an official sustainability strategy and establish time-bounded quantitative environmental targets for its sustainability goals.

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

While Sustainalytics recognizes that the net proceeds from the bonds issued under the Framework will be directed towards eligible projects that are recognized by the GBP 2018 and GLP 2021 to have positive environmental impact, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects, could include occupational health and safety, community relations, land use and biodiversity issues associated with large-scale infrastructure development, emissions, effluents, and waste generated in construction. Sustainalytics is of the opinion that KWG is able to manage and mitigate potential risks by abiding by applicable laws, and through implementation of the following regulations and measures:⁶

- KWG complies with national laws and regulation including:
 - *Construction Law of the People’s Republic of China*:⁷ KWG is obliged to take protective and safety measures in case the construction site is expected to harm surrounding buildings, structures, and special working environments in the neighborhood. Furthermore, according to the law, KWG should control and dispose of the dust, waste gas, wastewater and solid waste, and noise and vibration emitted from the construction site to protect environment.
 - *Regulation on the Administration of Construction Project Environmental Protection and Environmental Protection Law of the People’s Republic of China*,^{8, 9} which requires Environmental Impact Assessments (EIA) for the development of large-scale infrastructure projects, such as building development. As part of EIA requirements, construction projects having substantial impacts on the environment are obliged to prepare an environmental impact statement including environmental risk assessment and environmental protection measures. After the initial examination by authorities in charge of the construction project, the competent administrative department of environmental protection of the State Council will approve the construction project based on the environmental impact statement.
- In regard to waste generated in construction, KWG commits to improving the following four areas to minimize waste generation: (i) formulate material supply plan, (ii) promote new construction technology, (iii) make a greater effort in the planning and management of construction work, and (iv) recycle waste materials.
- In regard to occupational health and safety at construction sites, KWG has established the *Quality and Safety Administrative Measures*. According to the Measures, safety officers of regional branch companies are assigned to oversee regular quality and safety training aimed at advancing safety awareness of construction workers. Furthermore, KWG conducts regular site inspections for safety and protection, safe use of electricity, machinery and equipment, on-site fire prevention, and material stacking and storage.
- KWG conducts assessments on its suppliers’ qualification against the Company’s standards by examining certificates, applicable information on sustainable development (e.g. sustainable raw materials, strict management of waste, etc). After an initial assessment, KWG conducts an on-site inspection of suppliers’ plants and their materials to ensure that they comply with the relevant environmental and social requirements of KWG’s supplier code of conduct.

⁷ ILO, “Construction Law of the People’s Republic of China”, at: <https://www.ilo.org/dyn/natlex/docs/ELECTRONIC/76995/108052/F-1117495410/CHN76995%20Eng.pdf>

⁸ ILO, “Environmental Protection Law of the People’s Republic of China”, at:

<https://www.ilo.org/dyn/natlex/docs/ELECTRONIC/92655/108043/F315004188/CHN92655%20Eng.pdf>

⁹ Government of China, “Regulation on the Administration of Construction Project Environmental Protection”, at: <http://en.moj.gov.cn/pdf/RegulationsonEnvironmentalProtectionManagementforConstructionProjects.pdf>

Based on these laws, regulations, and measures, Sustainalytics is of the opinion that KWG has implemented adequate measures and is well-positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories. Sustainalytics encourages the Company to further integrate community consultation processes in the design and construction phase of all large infrastructure projects.

Section 3: Impact of Use of Proceeds

All five use of proceeds categories are aligned with those recognized by the GBP and GLP. Sustainalytics has focused on two where the impact is specifically relevant in the local context.

The impact of financing green buildings and energy efficiency projects in China

China has been challenged with its energy sector owing to the growing demand for energy, inefficient use of energy,¹⁰ and rapid urbanization.¹¹ Given the expected urban population to reach one billion people by 2030 in China,¹² the urban real estate sector will continue to grow. The China Construction Energy Saving Committee states that energy consumption from the building sector accounted for 21% of China's aggregate energy use, with around 19.5% of energy-related CO₂ emissions in 2017.¹³ The Intergovernmental Panel on Climate Change (IPCC) notes that the building sector has the largest cost-effective GHG mitigation potential, delivering savings and economic gains through the implementation of existing technologies, building design, and sound policy development.¹⁴ In 2017, the Ministry of Housing and Urban-Rural Development of China issued the *13th Five Year Plan for Building Energy Efficiency and Green Building Development (2015-2020)* where a 20% growth target in energy efficiency was set for newly constructed buildings compared to the 2015 level.¹⁵ Additionally, the plan aims to increase the share of certified green buildings to 50% in China among all newly constructed buildings in urban areas within the same timeframe.¹⁶ At the end of 2020, the Government of China has established its climate target of carbon neutrality by 2060.¹⁶ Following the 2060 target, detailed climate and energy targets in different sectors will be determined by 2021 in the *14th Five Year Plan (2021-2025)*.

Sustainalytics recognizes the importance of green building development in China and its impacts on reducing energy consumption and carbon emissions in the country. Sustainalytics expects that KWG's financing for green buildings and energy efficiency projects may contribute to reducing GHG emissions from the built environment in China, thereby facilitating the transit to a decarbonized economy.

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 green bond advances the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Green Buildings	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
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency

¹⁰ Energy Charter Secretariat, "China Energy Efficiency Report", (2018), at: https://energycharter.org/fileadmin/DocumentsMedia/EERR/EER-China_ENG.pdf

¹¹ CCEEE, "Energy Efficiency in China 2018", (2019), at:

<http://www.cceee.org.cn/Site/cceee/Uploads/20190121/0946/Energy%20Efficiency%20China%202018%20final%20web.pdf>

¹² IFC, "Climate Investment Opportunities in Emerging Markets", (2016), at: https://www.ifc.org/wps/wcm/connect/59260145-ec2e-40de-97e6-3aa78b82b3c9/3503-IFC-Climate_Investment_Opportunity-Report-Dec-FINAL.pdf?MOD=AJPERES&CVID=IBLd6Xq.

¹³ IPCC, "Climate Change 2014: Mitigation of Climate Change: 5th Assessment Report", (2014), at:

https://www.ipcc.ch/site/assets/uploads/2018/02/ipcc_wg3_ar5_frontmatter.pdf.

¹⁴ World Resources Institute, "How Can China's Green Building Sector Grow Fivefold by 2030? 3 Cities Show Us the Way", (2017), at:

<https://thecityfix.com/blog/how-can-chinas-green-building-sector-grow-500-by-2020-3-cities-show-us-the-way-debbie-weyl-miao-hong/>

¹⁵ Swiss Business Hub China, "China's Ambitious Green Building Action Plan with Opportunities For Swiss SMEs", (2018), at: <https://www.s-ge.com/en/article/global-opportunities/20183-china-mem-green-building-construction>

¹⁶ China Dialogue, "Climate and energy in China's 14th Five Year Plan – the signals so far", (2020), at: <https://chinadialogue.net/en/energy/chinas-14th-five-year-plan-climate-and-energy/>.

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Pollution Prevention and Control	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Sustainable Water and Wastewater Management	6. Clean Water and Sanitation	6.4 By 2030 substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix

Conclusion

KWG has developed the KWG Group Holdings Limited Green Finance Framework under which it intends issue Green Financing Transactions (GFT), including bonds, loans and other financing products and the use of proceeds to finance projects that improve the environmental performance of its properties and contribute to the sustainable development of the economy, society and environment. Sustainalytics expects that the projects funded by the green bond proceeds will provide positive environmental impact.

The KWG Group Holdings Limited Green 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 KWG Group Holdings Limited Green Finance Framework is aligned with the overall sustainability strategy of the company and that the green use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 6, 7, 11, and 12. Additionally, Sustainalytics is of the opinion that KWG has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that KWG is well-positioned to issue green bonds and that the KWG Group Holdings Limited Green Finance Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2018 and Green Loan Principles 2021.





Appendices

Appendix 1: Green Building Certification Schemes

	LEED	Chinese Green Building Evaluation Label (China 3-Star)	BREEAM	HK BEAM Plus ¹⁷
Background	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.	The Chinese 3-Star Green Building Standard is a Certification System used in China for residential and public buildings (including commercial, hotel and government-owned) that was introduced in 2006 by MOHURD (Ministry of Housing and Urban-Rural Development).	BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK. Used for new, refurbished and extension of existing buildings.	BEAM Society Limited (BSL), owner of the Building Environmental Assessment Method (BEAM), is a public body established in 2010. It owns BEAM Plus - a green building assessment tool tailor-made for the high-rise, high density built environment of sub-tropical climate in Hong Kong.
Certification levels	Certified Silver Gold Platinum	1-Star 2-Star 3-Star	Pass Good Very Good Excellent Outstanding	Bronze Silver Gold Platinum
Areas of Assessment: Environmental Performance of the Building	<ul style="list-style-type: none"> • Energy and atmosphere • Sustainable Sites • Location and Transportation • Materials and resources • Water efficiency • Indoor environmental quality • Innovation in Design • Regional Priority 	<ul style="list-style-type: none"> • Land savings and outdoor environment; • Energy savings and utilisation; • Water savings and utilisation; • Material savings and utilisation; • Indoor environment; • Operations and management 	<ul style="list-style-type: none"> • Energy • Land Use and Ecology • Pollution • Transport • Materials • Water • Waste • Health and Wellbeing • Innovation 	<ul style="list-style-type: none"> • Site Aspects (location and design of building, emissions from the site, site management) • Materials Aspects (selection of materials, efficient use of materials, waste disposal and recycling) • Energy Use (annual CO2 emissions or energy use, energy efficient systems and equipment, energy management) • Water Use (water quality, water conservation, effluent discharges)

¹⁷ Hing Kong, Building Environmental Assessment Method, at: <https://www.hkgbc.org.hk/eng/beam-plus/beam-plus-new-buildings/>

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				<ul style="list-style-type: none"> Indoor Environmental Quality (IEQ)
Requirements	<p>Prerequisites (independent of level of certification) + Credits with associated points</p> <p>These points are then added together to obtain the LEED level of certification</p> <p>There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).</p>	<p>Prerequisites:</p> <p>The system functions on a checklist basis, with 1-Star buildings meeting 26 criteria, 2-Star with an additional 43 items and 3-Star on a further 14 items. Criteria and weighting differ for public and residential buildings, more weight is given to energy and material savings, while the standard for residential buildings places greater importance on urban land saving and outdoor environments.</p>	<p>Prerequisites depending on the levels of certification + Credits with associated points</p> <p>This number of points is then weighted by item and gives a BREEAM level of certification, which is based on the overall score obtained (expressed as a percentage). Majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their BREEAM performance score.</p> <p>BREEAM has two stages/ audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.</p>	<p>Prerequisites for each performance area + Credits with associated points</p> <p>Detailed compliance with legal requirements is a prerequisite for the award of credits.</p> <p>For every performance area BEAM prescribes different prerequisites. Every applicable prerequisite in every BEAM category must be achieved for the project to be assessed.</p> <p>Credits are allocated for each performance area, and every area is weighted as per international consensus. The Overall Assessment Grade is determined by the percentage (%) of the applicable credits gained under each performance category and its weighting factor.</p> <p>Verification of compliance with BEAM criteria is done by an independent BEAM Assessor.</p>
Performance display				

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

Section 1. Basic Information

Issuer name:	KWG Group Holdings Limited
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	KWG Group Holdings Limited Green Finance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	May 10, 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 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*):

KWG Group Holdings Limited Green Finance Framework

The eligible categories – Green Buildings, Energy Efficiency, Pollution Prevention and Control, Sustainable Water and Wastewater Management, and Renewable Energy – are aligned with those recognized by the Green Bond Principles 2018. Sustainalytics considers that the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 6, 7, 11 and 12.

Use of proceeds categories as per GBP:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input checked="" type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input type="checkbox"/> Clean transportation |
| <input checked="" 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 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 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):

KWG's internal process in evaluating and selecting projects is managed by the Green Finance Working Group (GFWG), which is comprised by senior representatives from finance and treasury, investor relations, risk control, and audit departments, and other relevant business units. Shortlisted eligible projects are nominated to the GFWG for review final approval selection in line with eligibility criteria this Framework. Based on these elements, Sustainalytics considers this 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 type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other <i>(please specify)</i> : |

KWG Group Holdings Limited Green Finance Framework

Information on Responsibilities and Accountability

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

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

KWG's process for management of proceeds is overseen by the finance and treasury department. Proceeds will be allocated on a portfolio approach and tracked by a Green Finance Register. Unallocated proceeds will be managed in line with their liquidity management policy. Any asset that ceases to meet eligibility or is involved in material and critical controversies will be replaced as soon as possible. KWG commits to fully allocate the net proceeds of each GFT within 24 months of each GFT's issuance. Based on these elements, Sustainalytics considers this 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:

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

4. REPORTING

Overall comment on section (if applicable):

KWG intends to report annually on the allocation of proceeds on its annual or green finance reports, until full allocation. Reporting will include details such as aggregate amount of proceeds allocated to Eligible Projects, and balance of unallocated proceeds from of each outstanding GFT, and project examples, subject to confidentiality. In addition, KWG is committed to reporting on relevant impact indicators. Based on these elements, Sustainalytics considers this process to be in line with market practice.

Use of proceeds reporting:

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

Information reported:

- ☒ Allocated amounts
 ☐ 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):

Frequency

- ☒ Annual
 ☐ Semi-annual

☐ Other (please specify):

Means of Disclosure

- ☒ Information published in financial report
 ☒ Information published in sustainability report
- ☐ Information published in ad hoc documents
 ☐ Other (please specify):
- ☐ Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

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

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

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

- ☐ Consultancy (incl. 2nd opinion)
 ☐ Certification
- ☐ Verification / Audit
 ☐ Rating
- ☐ Other (please specify):

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF 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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Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world's foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2020, Climate Bonds Initiative named Sustainalytics the "Largest Approved Verifier for Certified Climate Bonds" for the third consecutive year. The firm was also recognized by Environmental Finance as the "Largest External Reviewer" in 2020 for the second consecutive year. For more information, visit www.sustainalytics.com.

5th Green Bond Pioneer Awards

Climate Bonds Initiative

Largest Verifier for Certified Climate Bonds of 2019

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GlobalCapital
SRI Awards

Named

2015: Best SRI or Green Bond Research or Rating Firm
2017, 2018, 2019: Most Impressive Second Opinion Provider

