

CK Hutchison Holdings Limited

Type of Engagement: Annual Review

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Engagement Team:

Abhishek Patane, abhishek.patane@morningstar.com

Kenny Yeung, kenny.yeung@morningstar.com

Introduction

In November 2021, CK Hutchison Holdings Limited (“CKHH”) issued a green bond aimed at financing or refinancing projects that reduce the environmental footprint of CKHH’s operations. In 2022, CKHH engaged Sustainalytics to review the projects funded through the issued 2021 green bond and provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the CK Hutchison Holdings Limited Sustainable Finance Framework (the “Framework”).¹ Sustainalytics provided a Second-Party Opinion on the Framework in October 2021.²

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded with proceeds from the 2021 green bond based on whether the projects and programmes:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Framework; and
2. Reported on at least one of the Key Performance Indicators (“KPIs”) for each Use of Proceeds criteria outlined in the Framework.

Table 1 lists the Use of Proceeds and Eligibility Criteria, while Table 2 lists the KPIs associated with the Use of Proceeds.³

Table 1: Use of Proceeds and Eligibility Criteria

Use of Proceeds Category	Eligibility Criteria
Renewable Energy	<p>Development, acquisition, maintenance, and operation of projects generating electricity from renewable sources, comprising any of the following:</p> <ul style="list-style-type: none"> • On-site installations • Sourcing pursuant to long-term power purchase agreement • Marginal costs associated with procuring renewable power • When other options are not available or practical, purchases of Energy Attribute Certificates or Renewable Energy Certificates <p>Supporting infrastructure for such qualifying projects, including battery storage, will likewise qualify.</p> <p>“Renewable sources” comprise the following technologies:</p> <ul style="list-style-type: none"> • Solar power • Wind power • Bioenergy (biofuels, biogas and biomass) from waste sources • Geothermal power

¹ CKHH, “CK Hutchison Holdings Limited Sustainable Finance Framework”, at: https://www.ckh.com.hk/upload/assets/downloads/en/SFF_CKHH_2021Oct.pdf

² CKHH, “CK Hutchison Holdings Limited Sustainable Finance Framework Second-Party Opinion”, at: https://www.ckh.com.hk/upload/assets/downloads/en/SPO_Sustainalytics_20211012.pdf

³ The Framework defines four green categories and one social category i.e. Emergency Response & Pandemic Relief category. CKHH has fully allocated proceeds towards four green categories and has not allocated any proceeds towards the social category.

	<ul style="list-style-type: none"> Hydrogen produced from electrolysis using renewable energy, including (i) reforming biogas and bioliquids, and (ii) photo-electrocatalysis with solar energy Hydropower projects ≤ 25 MW unless power density ≥ 5W/m² Waste-to-energy projects with materials recovery and recycling prior to incineration <p>Such “renewable sources” will be limited to technologies with emissions intensity ≤ 100gCO₂/kWh.</p>
Energy Efficiency	<p>Development, acquisition, maintenance, and operation of projects and processes resulting in $\geq 15\%$ improvement in energy consumption or emissions generated including through electrification, automation or digitalization of equipment and facilities, including the following:</p> <ul style="list-style-type: none"> Energy-efficient lighting Energy management systems and smart meters Internet of Things networks, solutions and products <p>Infrastructure or digital solutions to make new or legacy communications networks and supporting infrastructure more energy-efficient, including the following:</p> <ul style="list-style-type: none"> Development of 5G wireless communications and optical fibre deployment Data centres expected to achieve Power Usage Effectiveness ≤ 1.5
Sustainable Transportation	<p>Development, acquisition, maintenance, and operation of transport for persons or freight by significantly less carbon intensive means, including the following:</p> <ul style="list-style-type: none"> Zero-tailpipe or direct emissions vehicles Non-motorized multimodal transportation <p>Such assets, projects and investments will not include infrastructure designed to improve carbon intensity in conventional fossil-fuel combustion engines.</p> <p>Development and improvement of infrastructure supporting such sustainable transport, including the following:</p> <ul style="list-style-type: none"> Stations, terminals and traffic management or signaling systems Electric vehicle chargers Connected and automated transport technologies
Circular Economy and Design	<p>Development, sustainable production and use of materials and products (including in packaging), that support the circular economy through increasing functionality, durability, modularity and ease of repair, or are reusable, recyclable, or compostable, including the following:⁴</p> <ul style="list-style-type: none"> Substitution of virgin materials with secondary raw materials and by-products, such as procurement of recycled polyethylene terephthalate (rPET) Production of new products or assets from redundant products and assets that have been repurposed, refurbished or remanufactured <p>Increasing waste diversion from landfills and reducing waste at the source, including through:</p> <ul style="list-style-type: none"> Solid waste management systems and recycling infrastructure, including for electronic waste

⁴ Proceeds have been also allocated towards procurement of paper from sustainable sources having Forest Stewardship Council (FSC) or Programme for the Endorsement of Forest (PEFC) certification, or with 100% recycled paper content.

	<ul style="list-style-type: none"> • Efforts to recycle and minimize food waste <p>Development, acquisition, maintenance, and operation of projects for the capture and storage of CO₂.</p>
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Table 2: Key Performance Indicators

Use of Proceeds Category	Key Performance Indicators
Renewable Energy	<ul style="list-style-type: none"> • Annual renewable energy generated or purchased (electricity in MWh/GWh and other energy in GJ/TJ) • Installed generation capacity (MW) • Electricity consumption from renewable sources (GWh and share in percentage terms) • Annual greenhouse gas emissions reduced or avoided (tCO₂e) • Energy recovered from waste (minus support fuel) (MWh/GWh of net energy generated p.a.)
Energy Efficiency	<ul style="list-style-type: none"> • Annual energy savings (MWh/GWh) • Annual reduction in energy consumed (share in percentage terms) • Annual reduction in energy intensity, such as energy consumed per unit of data traffic (MWh/Tbit) or energy consumed per unit of commercial space (MWh/sqft) • Annual greenhouse gas emissions reduced or avoided (tCO₂e) • Number of persons benefitting from energy efficient technologies
Sustainable Transportation	<ul style="list-style-type: none"> • Annual energy savings (MWh/GWh) • Annual reduction in energy consumed (share in percentage terms) • Annual reduction in energy intensity, such as energy consumed per unit of data traffic (MWh/Tbit) or energy consumed per unit of commercial space (MWh/sqft) • Annual greenhouse gas emissions reduced or avoided (tCO₂e) • Number of persons benefitting from energy efficient technologies
Circular Economy and Design	<ul style="list-style-type: none"> • Greenhouse gas emissions abated through products and services (tCO₂e) • Waste prevented, minimized, reused or recycled before and after the project (share of total waste in percentage terms or tons p.a. in absolute terms) • Waste separated and/or collected, treated (including composted) or disposed of (tons p.a. and share of total waste in percentage) • Increase in materials, components and products that are reusable, recyclable, and/or certified compostable (percentage or tonnes p.a.)

Issuing Entity's Responsibility

CKHH is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, amounts allocated, and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of CKHH’s 2021 green bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from CKHH employees and review of documentation to confirm the conformance with the Framework.

Sustainalytics has relied on the information and the facts presented by CKHH with respect to the Nominated Projects. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by CKHH.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the review.

Conclusion

Based on the limited assurance procedures conducted,⁵ nothing has come to Sustainalytics’ attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of CKHH’s Green Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Framework. CKHH has disclosed to Sustainalytics that the proceeds of the green bond were fully allocated as of May 31, 2022.

Detailed Findings

Table 3: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded by the 2021 green bond to determine if projects aligned with the Use of Proceeds criteria outlined in the Framework and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria.	None
Reporting Criteria	Verification of the projects funded by the 2021 green bond to determine if impact of projects was reported in line with the KPIs outlined in the Framework and above in Table 2. For a list of KPIs reported please refer to Appendix.	All projects reviewed reported on at least one KPI per Use of Proceeds category.	None

⁵ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Appendix: Allocation and Impact Reporting by Eligibility Criteria

Allocation Reporting and Impact Reporting by Eligibility Criteria

In October 2021, CKHH issued a Green Bond with a value of EUR 494.9 million out of which 25% of net proceeds were used to finance new projects, while 75% were used to refinance existing projects. The table below provides a detailed summary of the allocation of net proceeds by category.

Use of Proceeds Category ⁶	Net Bond Proceeds Allocation (EUR, million) ⁷	Key Performance Indicators	Reported Impact ^{8, 9}
Renewable Energy	129.0	Renewable electricity purchased (GWh)	479.9
		Annual greenhouse gas emissions avoided (tonnes CO ₂ e)	41,092
Energy Efficiency	125.0	Annual energy savings (GWh)	60
Sustainable Transportation	198.0	Annual greenhouse gas emissions avoided (tonnes CO ₂ e)	17,404
		Number of zero emissions vehicles and electric port handling container equipment	255
		Number of electric vehicle chargers	55
		Number of other supporting infrastructure to enable the electric port container handling equipment rollout	138
Circular Economy and Design	42.8	Number of units of reused and recycled electronic waste	277,471
		Paper procured from sustainable sources (tonnes)	10,766
		Recycled plastics procured annually (tonnes)	1,871
Total	494.9¹⁰		

⁶ Proceeds were not allocated towards Emergency Response & Pandemic Relief category.

⁷ For a detailed report on the allocation of proceeds, please refer to the CKHH Green Bond Report, which will be available at: <https://www.ckh.com.hk/en/ir/sff.php>

⁸ For a detailed report on the impact of projects funded, please refer to the CKHH Green Bond Report, which will be available at: <https://www.ckh.com.hk/en/ir/sff.php>

⁹ The reported data refers to the impact from expenditure incurred from January 2019 to May 2022.

¹⁰ Numbers may not sum due to rounding.

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