

## Second-Party Opinion

# CK Hutchison Holdings Limited Sustainable Finance Framework

## Evaluation Summary

Sustainalytics is of the opinion that the CK Hutchison Holdings Limited Sustainable Finance Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2021, Green Loan Principles 2023 and Social Loan Principles 2023. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds – Renewable Energy, Energy Efficiency, Clean Transportation, Circular Economy and Design, Access to Essential Services: Digital Inclusion, and Emergency Response and Pandemic Relief – are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Green Loan Principles and Social Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 3, 7, 8, 9, 11 and 12.



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



**MANAGEMENT OF PROCEEDS** CKHH's Sustainability Working Group will track receipt and allocation of net proceeds using a portfolio approach. CKHH intends to allocate net proceeds to eligible assets within 36 months of issuance. Net proceeds awaiting allocation will be temporarily invested in cash, cash equivalents or liquid and marketable instruments not related to GHG-intensive activities. This is in line with market practice.



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

Second-Party  
Opinion

Reviewed by:

MORNINGSTAR

SUSTAINALYTICS



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## Introduction

CK Hutchison Holdings Limited (“CKHH”, the “Group” or the “Issuer”) is a multinational conglomerate operating in four core businesses: i) development and operations of ports and related logistic services; ii) retail; iii) infrastructure related to energy, transportation, water, waste management and waste to energy; and iv) telecommunications. Headquartered in Hong Kong, the Group operates in approximately 50 countries with more than 300,000 employees as of 2022.

CKHH has developed the CK Hutchison Holdings Limited Sustainable Finance Framework dated April 2023 (the “Framework”), under which CKHH and its direct or indirect subsidiaries may raise green, social or sustainability bonds, as well as loans and related debt financing instruments<sup>1</sup> and use the proceeds to finance or refinance, in whole or in part, existing or future assets, projects or investments that are expected to lead to positive environmental and social impacts. The Framework defines criteria in the following green and social areas:

Green categories:

1. Renewable Energy
2. Energy Efficiency
3. Clean Transportation
4. Circular Economy and Design

Social categories:

5. Access to Essential Services: Digital Inclusion
6. Emergency Response and Pandemic Relief

CKHH engaged Sustainalytics to review the CK Hutchison Holdings Limited Sustainable Finance Framework and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP), Social Bond Principles 2021 (SBP),<sup>2</sup> Green Loan Principles 2023 (GLP) and Social Loan Principles 2023 (SLP).<sup>3</sup> The Framework has been published in a separate document.<sup>4</sup> The Framework builds on a previous framework and Second-Party Opinion provided by Sustainalytics dated October 2021.<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 current market standards and the extent to which the eligible project categories are credible and impactful.

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

- The Framework’s alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2021, as administered by ICMA, and the Green Loan Principles 2023 and Social Loan Principles 2023, as administered by LMA, APLMA, and LSTA;
- 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.

<sup>1</sup> This Second-Party Opinion assesses the Framework’s alignment with the Sustainability Bond Guidelines, Green Bond Principles and Social Bond Principles only in the context of CKHH issuing green, social or sustainability bonds and loans. Different standards may apply to other debt financing instruments that may be issued under the Framework, in which case CKHH will provide further details in the offer documents of such issuances.

<sup>2</sup> The Sustainability Bond Guidelines, Green Bond Principles and Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

<sup>3</sup> The Green Loan Principles and Social 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/#> and <https://www.lsta.org/content/social-loan-principles-slp/>

<sup>4</sup> The CK Hutchison Holdings Limited Sustainable Finance Framework is available in the Investor Relations section and sustainability section of CKHH’s website at: <https://www.ckh.com.hk/en/ir/>

<sup>5</sup> Sustainalytics’ Second-Party Opinion on CK Hutchison Holdings Sustainable Finance Framework is available at: [https://www.ckh.com.hk/upload/assets/downloads/en/SPO\\_Sustainalytics\\_20211012.pdf](https://www.ckh.com.hk/upload/assets/downloads/en/SPO_Sustainalytics_20211012.pdf)

<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.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.13.1, 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 CKHH'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. CKHH representatives have confirmed (1) they understand it is the sole responsibility of CKHH to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and CKHH.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. Upon twenty-four (24) months following the evaluation date set stated herein, CKHH is encouraged to update the Framework, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realized allocation of the bond and loan proceeds towards eligible activities.

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

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the CK Hutchison Holdings Limited Sustainable Finance Framework

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

- Use of Proceeds:
  - The eligible categories – Renewable Energy, Energy Efficiency, Clean Transportation, Circular Economy and Design, Emergency Response and Pandemic Relief, and Access to Essential Services: Digital Inclusion – are aligned with those recognized by the GBP, SBP, GLP and SLP.
  - CKHH has defined a look-back period of three years for refinancing activities, which Sustainalytics considers to be aligned with market practice.
  - Under the Renewable Energy category, CKHH may invest in the procurement and differential costs of renewable energy, as well as the development, acquisition, maintenance and operation of solar, wind, bioenergy, geothermal, hydrogen, hydropower and waste-to-energy projects with an emission intensity below or equal to 100 gCO<sub>2</sub>e/kWh, as well as related infrastructure, such as battery storage, according to the following eligibility criteria:
    - Regarding the procurement of renewable energy, CKHH intends to procure electricity via long-term power purchase agreements (PPAs). Sustainalytics notes that the Group has confirmed the exclusion of short-term purchases of such agreements. In addition to PPAs, CKHH may also invest in energy attribute certificates (EACs) or contracts for

differences (CFDs).<sup>7</sup> CKHH has confirmed to Sustainalytics that the Group will exclude unbundled agreements that cannot be tracked to specific or identifiable renewable energy projects. Sustainalytics considers this expenditure to be aligned with market practice.

- Proceeds may also be directed to marginal costs associated with procuring eligible renewable energy from local utilities. CKHH has explained to Sustainalytics that it will procure renewable energy according to the types and eligibility criteria listed in the Framework. Sustainalytics views positively that expenditures in this area apply only to the resulting cost differential and considers this expenditure to be in line with market practice.
- Solar energy generation using on-site solar photovoltaics and onshore wind energy generation. Sustainalytics considers this expenditure to be aligned with market practice.
- Hydropower projects without an artificial reservoir or with a low storage capacity according to the following criteria: i) for facilities that became operational after the end of 2019, those with a power density greater than 10 W/m<sup>2</sup> or a life cycle carbon intensity below 50 gCO<sub>2</sub>e/kWh; and ii) for facilities that became operational before the end of 2019, those with a power density greater than 5 W/m<sup>2</sup> or a life cycle carbon intensity below 100 gCO<sub>2</sub>e/kWh. CKHH has confirmed to Sustainalytics that for all new hydropower projects, an environmental and social impact assessment will be carried out by a credible external body. Additionally, CKHH has confirmed to Sustainalytics that: i) the Group will ensure that there is no significant risk or expected negative impact identified in an environmental impact assessment; and ii) there will be no investments in projects with significant controversies. This is in line with market practice.
- Bioenergy projects are limited to those with life cycle emissions less than or equal to 100g CO<sub>2</sub>e/kWh. CKHH has confirmed to Sustainalytics that bioenergy projects will use waste feedstock, including forestry, agricultural and livestock residue, including animal fats, oils and other processing by-products. While the use of livestock residue for biomass energy may improve the environmental performance of some agricultural operations, large-and mid-scale livestock farming has a significant carbon and water footprint which is not addressed by the use of livestock byproducts in energy generation; further, such farming techniques may contribute to land degradation, biodiversity loss, and deforestation. Nevertheless, Sustainalytics considers the use of residues from day-to-day operations of existing facilities for energy generation as providing positive impacts in the short term.
- Geothermal facilities are limited to those with direct emissions less than or equal to 100g CO<sub>2</sub>/kWh, which is in line with market practice.
- Hydrogen projects are limited to those with an electrolysis process powered by renewables, such as: i) biogas and bioliquids; or ii) solar energy. CKHH has confirmed to Sustainalytics that biogas and bioliquids used for this activity will be sustainably sourced.<sup>8</sup> Sustainalytics considers this expenditure to be aligned with market practice.
- Waste-to-energy projects from pulp residue, waste wood, household and commercial waste where hazardous waste, plastics and recyclable material are separated prior to incineration. Sustainalytics recognizes that energy from waste could take out of circulation potentially recyclable materials and undermine the objectives of a zero-waste circular economy, such as waste prevention and recycling. Additionally, the composition of residual waste, particularly fossil carbon content, is a crucial consideration to maintain a low emission intensity in such projects. However, Sustainalytics also notes that, due to current constraints of recycling in many parts of the world, energy from waste can offer a better residual waste management option

<sup>7</sup> Sustainalytics notes that CFDs are virtual (or financial) PPAs and a financial arrangement between a renewable electricity generator and a customer, enabling both parties to hedge against market price volatility. CKHH has confirmed to Sustainalytics that the proceeds associated with CFDs will be long term and tied to identifiable renewable energy sources.

<sup>8</sup> CKHH commits to limit financing biofuels and biogas projects to those with a life cycle GHG emissions intensity below 100 gCO<sub>2</sub>e/kWh. In addition, CKHH will ensure that non-waste feedstocks are sustainably sourced using credible third-party certifications (i.e., Roundtable for Sustainable Biomaterials, ISCC EU/PLUS, 2BSvs, Round Table on Responsible Soy, BONSUCRO, FSC, PEFC), subject to exclusion of peat, palm oil, non-certified oil and energy crops. In addition, waste feedstocks projects will be limited to those using forestry and agricultural residues as feedstock, subject to exclusion of waste from non RSB- or RSPO-certified palm oil operations.

- than landfills in many cases. Sustainalytics recommends that CKHH monitors the thermal efficiency of the financed facilities, noting that such waste-to-energy projects will comply with an emissions intensity threshold of 100 gCO<sub>2</sub>e/kWh.
- Under the Energy Efficiency category, CKHH intends to invest in the installation, development, acquisition, maintenance and operation of energy-efficiency assets that demonstrate at least a 15% improvement compared to a baseline (referring to reduced energy consumption or emissions generated). Eligible projects may include LEDs, energy-efficient lighting, energy-efficient ports and terminal equipment, such as electrified quays, HVAC, energy management systems, smart meters and Internet of Things (IoT) sensors. Sustainalytics views positively the Framework's inclusion of a defined energy-efficiency threshold on a portfolio basis for the installation of energy-efficient systems, equipment and technologies. In addition, CKHH may finance projects in accordance with the following eligibility criteria:
    - Refurbishment of buildings and facilities infrastructure or financing the installation of digital solutions to improve energy efficiency of communications networks and supporting infrastructure. Project examples include phasing out and upgrading legacy communication networks to 5G, deployment of IoT sensors, and upgradation of copper-based networks to fiber optics. This is in line with market practice.
    - Sustainalytics notes that IoT technologies have a broad impact and can drive energy-efficiency gains in a variety of industries. This does not exclude the possibility of application in fossil fuel-based industries. Sustainalytics understands that CKHH cannot control the use and application of the IoT-enabling technologies once sold. Sustainalytics also notes that the Framework excludes specific activities that enable sectors associated with fossil fuel. Additionally, the expansion of IoT networks and increasing data flow resulting from IoT solutions may result in additional energy demands on telecommunications networks. However, studies have indicated that networks can lead to greater avoided emissions than their own direct emissions. Based on these studies, there is evidence that telecommunications technologies are already resulting in net energy savings and carbon reductions. Furthermore, Sustainalytics recognizes that the most recent IoT technologies have significantly lower energy consumption per data.
    - Data centres with a power usage effectiveness (PUE) less than or equal to 1.5, which is aligned with market practice.
    - Late-stage R&D projects relating to: i) digital and automated technologies, such as electrified berth, yard and rail equipment to improve energy efficiency in ports; and ii) network technologies, such as 6G. Sustainalytics considers this expenditure to be in line with market practice.
  - Under the Clean Transportation category, CKHH intends to invest in the development, installation, acquisition, operation and maintenance of projects related to zero emission vehicles; non-motorized multimodal transport, such as bikes; conventional hybrid electric and plug-in hybrid electric vehicles; late-stage R&D on sustainable transportation technologies; and infrastructure that supports sustainable transportation, as per the following eligibility criteria:
    - Sustainalytics notes that CKHH intends to comply with thresholds set by the Climate Bonds Initiative and the EU Taxonomy when financing conventional hybrid electric and plug-in hybrid electric vehicles. This includes: i) private cars and light commercial vehicles with an emission threshold below 50 gCO<sub>2</sub>/km or 80.47 gCO<sub>2</sub>/mile, based on a WLTP test; ii) heavy trucks with an emission threshold below 25 gCO<sub>2</sub>e/tkm or 40.23 gCO<sub>2</sub>/tmi; iii) buses with a direct emission threshold below 50 gCO<sub>2</sub>/pkm or 80.47 gCO<sub>2</sub>/pmi; iv) passenger rail that meets a universal direct emissions threshold below 50 gCO<sub>2</sub>/pkm or 80.47 gCO<sub>2</sub>/pmi; and v) rail and freight transport with an overall portfolio average with a threshold below 25 gCO<sub>2</sub>e/tkm or 40.23 gCO<sub>2</sub>/tmi.
    - Late-stage R&D of sustainable transportation technologies, including quay cranes, following the eligibility criteria described under this category, with remote-control technology using artificial intelligence to optimize port operations.
    - Infrastructure supporting sustainable transportation, including stations, terminals and traffic management or signalling systems, electric vehicle charging stations and connected and automated transport technologies, such as remote-controlled quay cranes and automated rubber-tyred gantry cranes. CKHH has clarified to Sustainalytics

- that any allocations to such supporting infrastructure will be limited to infrastructure used for either zero emission or electric vehicles or non-motorized multimodal transport.
- Sustainalytics notes that CKHH will exclude transportation assets that are dedicated to the transport of fossil fuels and those designed to improve carbon intensity in conventional fossil fuel combustion engines.
  - Sustainalytics considers these expenditures to be aligned with market practice.
- Under the Circular Economy and Design category, CKHH intends to invest in the procurement of recycled polyethylene terephthalate (rPET); secondary raw materials and byproducts certified to the FSC or the PEF; the production of products from assets that have been repurposed, refurbished or remanufactured; recycling infrastructure, including for the collection of e-waste; and CO<sub>2</sub> capture and storage facilities.
- To reduce and replace the use of virgin materials in its products and packaging, CKHH intends to invest in the procurement of rPET resin and FSC- or PEFC-certified materials and byproducts. Sustainalytics acknowledges that using recycled inputs in producing plastic packaging and replacing virgin materials with sustainably sourced secondary raw materials play an essential role in increasing resource efficiency and thus contribute to a circular economy. However, Sustainalytics notes that this activity may contribute to the increase of single-use plastic products, which as of today, is more likely to end up in the environment rather than being recycled or appropriately managed.<sup>9</sup> In addition, Sustainalytics notes that the extent of recycling of plastics is very low: an estimated 9% of total plastic waste is recycled, while 19% is incinerated and 50% goes to sanitary landfills. The remaining 22% of plastic waste is mismanaged; it may be disposed of in uncontrolled dumpsites, burned in open pits or leaked into the environment.<sup>10</sup> Sustainalytics further recognizes that improved recycling rates alone, even if attainable, would not fully address the holistic environmental issues associated with plastics.<sup>11</sup> To achieve full circularity, the industry needs to take substantial measures, including an increased use of sustainably sourced alternative (low carbon) materials that can be recycled indefinitely without a loss of quality. Overall, Sustainalytics is of the opinion that CKHH's effort to limit the use of virgin resources in its products by reusing or recycling materials in the supply chain will reduce negative environmental impacts and contribute to a shift towards a circular economy.
  - Regarding investment in the production of products from assets that have been repurposed, refurbished or remanufactured, CKHH has clarified to Sustainalytics that it will invest in activities that contribute to circular use via product and asset life cycle extension based on reuse, repair, repurposing, refurbishment or remanufacturing strategies, and confirmed that the activity will result in the product being put back to use without further preprocessing. Sustainalytics considers this expenditure to be in line with market practice.
  - CKHH intends to finance the collection of e-waste for recycling and has confirmed to Sustainalytics that source segregation and recycling of waste is supported by a robust electronic waste management plan. Sustainalytics considers this expenditure to be in line with market practice.
  - CKHH intends to finance food waste recycling projects to minimize food waste, including deploying source reduction techniques in supermarkets and food retailers. Sustainalytics encourages CKHH to report on how the financed projects will help reduce food waste.
  - Regarding carbon capture and storage projects, CKHH has confirmed to Sustainalytics that such projects are limited to the installation of carbon capture and storage technology in waste-to-energy plants that follow the eligibility criteria described under the Renewable Energy category. Additionally, CKHH will undertake geographical exploration studies to see whether the area is suitable for CO<sub>2</sub> storage and appropriate

<sup>9</sup> UNEP, "Our planet is choking on plastic", at: <https://www.unep.org/interactives/beat-plastic-pollution/>

<sup>10</sup> OECD library, "Global Plastics Outlook: Economic Drivers, Environmental Impacts and Policy Options", at: <https://www.oecd-ilibrary.org/sites/dfc099c9-en/index.html?itemId=/content/component/dfc099c9-en>

<sup>11</sup> Unlike steel, glass and aluminum, plastics can only be recycled a finite number of times before being disposed of. In addition, recycled and bio-based plastics face end-of-life management issues similar to conventional (fossil-fuel) plastics.

- leakage detection systems are implemented to prevent CO<sub>2</sub> release during operation. Sustainalytics considers this expenditure to be in line with market practice.
- Under Access to Essential Services: Digital Inclusion category, CKHH intends to finance or refinance projects as per the following criteria:
    - Deployment of network infrastructure in geographically remote or underserved areas, with substantially inadequate access to a mobile network.
    - Partnerships with governments or operators in activities such as the Shared Network Rural programme (SRN),<sup>12</sup> which includes financing mobile network operators (MNOs) to upgrade their existing networks, partnering with MNOs on shared infrastructure and building new phone masts located in areas with limited or no 4G network from any mobile operators. Sustainalytics notes that the SRN programme aims to finance total non-spots<sup>13</sup> and partial non-spots<sup>14</sup>. CKHH has communicated to Sustainalytics that partial non-spots use old and outdated networks and lack modern technology and CKHH, through the proceeds, aims to upgrade to networks using latest technology such as 4G in such areas. Sustainalytics recognizes that such network upgradation initiatives facilitate digital inclusion for the target population, and therefore acknowledges their positive social impact. Sustainalytics further encourages CKHH to report on the positive social impacts generated for beneficiaries.<sup>15</sup>
    - Projects that improve access to internet and digital services to vulnerable groups that are otherwise excluded from access to digital services. Such projects may include partnering with government organizations or programmes, such as the Arranmore Business Council on the island of Arranmore to improve digital connectivity. Sustainalytics considers this expenditure to be aligned with market practice.
  - Under the Emergency Response and Pandemic Relief category CKHH may invest in health and safety measures for business continuation, affordability of products and services, and measures to increase access to essential services, including healthcare, education and financial services.
    - Regarding expenditures towards enhanced on-site health and safety measures for customers and employees related to COVID-19, CKHH has explained to Sustainalytics that expenditures will relate only to the initial period after the onset of the pandemic or emergency, the proceeds towards these expenditures will be minor (<5%) and that the Group is committed to reporting on project details, the relevant time period and the achieved impact in detail as part of the annual reporting. Sustainalytics anticipates that the projects described by CKHH in this category have the potential to provide positive social impacts and considers that emergency conditions, for example the COVID-19 pandemic, may trigger unanticipated needs for various groups, and recognizes the increased flexibility on the definition of target populations in this context.
    - CKHH intends to invest in measures and support programmes for its customers and frontline workers. Examples of measures include the provision of free data access and calls to healthcare support websites and hotlines; unlimited mobile data, voice calls and texts during critical periods to healthcare professionals; and financial relief packages. CKHH has confirmed to Sustainalytics that the share of proceeds towards these expenditures will be minimal (<10%) and that CKHH will provide detailed reporting on the expenditures in its annual reporting. Sustainalytics considers that these expenditures could provide positive social impacts.
    - To support access to education during the COVID-19 pandemic, CKHH may finance the provision of internet packages to small- and medium-sized enterprises; Zoom classroom accounts to families; tablets, internet access and school materials to underprivileged families; and SIM cards with unlimited data to 160 schools. CKHH has explained to Sustainalytics that expenditures relate only to the initial period after the onset of the pandemic or emergency. Sustainalytics notes that although allocating sustainability bond and loan proceeds for philanthropic purposes is not typically aligned with market practice, Sustainalytics considers the criteria to be acceptable based on the defined target population, the importance of facilitating support for disadvantaged groups during a pandemic or emergency and the fact that CKHH has

<sup>12</sup> Shared Rural Network, "Frequently Asked Questions", at: <https://srn.org.uk/faqs/>

<sup>13</sup> A total mobile not-spot is a geographic area that receives no 4G coverage from any MNO.

<sup>14</sup> A partial mobile not-spot is a geographic area served by at least one, but not all four mobile network operators (MNOs).

<sup>15</sup> CKHH has communicated to Sustainalytics that this expenditure will not be merged with activity in the Energy Efficiency category relating to phasing out and upgrading legacy networks to become energy efficient, or network developments and optimization projects. CKHH has further communicated that it will report the social impact for this expenditure such as number of individuals or households benefited.

confirmed that any such expenditures are expected to be a minor percentage of total net proceeds.

- Sustainalytics notes that CKHH excludes the financing of projects or investments directly relating to fossil fuels.
- Project Evaluation and Selection:
  - CKHH's Sustainability Working Group is responsible for overseeing the project evaluation and selection process. The Group's Finance Director, Deputy Managing Director, Executive Director and the Company Secretary co-chair the Sustainability Working Group, which comprises senior executives from key departments that manage the Group's material sustainability impacts, including the Group Deputy Chief Financial Officer, the Group Treasurer, the General Manager – Group Management Services, the General Manager – Group Corporate Affairs, the General Manager – Group Human Resources, the Group General Counsel and the Group Senior Sustainability Manager.
  - The Sustainability Working Group will be responsible for nominating assets, projects and investments for consideration as eligible projects for sustainable finance transactions. The Sustainability Working Group will meet periodically and at least semi-annually to monitor the aggregate amounts of eligible projects in each environmental and social project portfolio.
  - The board-level Group Sustainability Committee will review projects shortlisted by the Sustainability Working Group. Assessed projects will be designated eligible if the Sustainability Committee agrees with assessments made by the Sustainability Working Group.
  - The Sustainability Working Group will classify eligible amounts under the relevant environmental or social project portfolio and identify and manage environmental and social risks associated with the eligible projects. The Group's sustainability policies are applicable to all allocation decisions made under the Framework. Sustainalytics considers these environmental and social risk management systems to be adequate and aligned with market expectation. For additional detail, see Section 2.
  - Based on these elements, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
  - CKHH's Sustainability Working Group will be responsible for the management of proceeds and will track the receipt and allocation of net proceeds.
  - The net proceeds from each transaction under the Framework will be deposited in general funding accounts pending allocation to eligible projects. Net proceeds awaiting allocation or re-allocation will be temporarily invested in cash, cash equivalents or liquid and marketable instruments not related to GHG-intensive activities. CKHH intends to reach full allocation within 36 months of issuance.
  - Based on the management of proceeds, the disclosure of temporary proceeds and the allocation time frame, Sustainalytics considers this process to be in line with market practice.
- Reporting:
  - CKHH intends to report on the allocation and impact of proceeds on its website on an annual basis until full allocation. Allocation reporting may include details such as the amount of net proceeds allocated to eligible projects, the balance of unallocated proceeds, the amount invested per category, the share of financing versus refinancing and the amount of proceeds allocated to each SDG.
  - Where feasible, CKHH is committed to reporting on relevant impact metrics, including annual GHG emissions avoided (in tCO<sub>2</sub>e), energy saved annually (in MWh or GWh), the number of electric charging stations installed, the amount of waste reused or recycled before and after the project, the number of MSMEs financed and the number of individuals and households benefitted. For a full list of impact metrics, please refer to the External Review Form.
  - Sustainalytics considers the reporting process to be in line with market practice.

#### **Alignment with Sustainability Bond Guidelines 2021**

Sustainalytics has determined that the CK Hutchison Holdings Limited Sustainable Finance Framework aligns with the four core components of the GBP, SBP, GLP and SLP. For detailed information, please refer to Appendix 1: Sustainability Bond/Sustainability Bond Programme External Review Form.



## Section 2: Sustainability Strategy of CKHH

### Contribution to CKHH's sustainability strategy

To define the Group's key priorities on sustainability issues, CKHH consulted various stakeholders, including its employees, customers, investors and local communities.<sup>16</sup> Following this materiality assessment, CKHH developed the Group Sustainability Framework, which is underpinned by four pillars: i) environmental, ii) social, iii) governance, and iv) sustainable business model innovation. Under the four pillars, the Group has outlined eight major goals to achieve, including on climate change, natural resources and circular economy, as guidance to positively impact the environmental pillar.<sup>17</sup>

In 2022, the Group continued to take action on climate change by developing science-based targets and net zero transition plans across its core businesses, including targets on – i) reducing scope 1 and 2 emissions by 50% by 2035 versus a 2020 baseline; and ii) commitment to pursue net-zero GHG emissions across its value chain by 2050.<sup>18</sup> The Group-wide actions that have been undertaken to create operational efficiencies have resulted in the Group achieving a scope 1 and 2 emissions reduction of 7% in 2022 versus 2021 and 9% versus 2020.<sup>19</sup> In further strengthening the Group's focus on climate change, all core businesses of CKHH will undertake assessments and actions to develop a pathway to net zero, set targets in line with the Paris Agreement to be subsequently validated by the SBTi, calculate scope 3 emissions and report on the progress made using the Taskforce on Climate-related Financial Disclosure framework. CKHH has also issued its first TCFD report in 2022 and has planned to update the report annually.

Regarding its social impact, CKHH donated 1,000 terabytes of network data to the UK National Databank to provide digital accessibility for 40,000 underserved individuals in the UK. Moreover, each of the Group's core businesses is assessing and expanding its sustainable product and service offerings and aiming to communicate the benefits of such products and services to customers. To create an inclusive workplace, CKHH's retail business aims to recruit 200,000 school-leavers by 2030 without previous work experience.<sup>20</sup>

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

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

### Approach to managing social and environmental risks associated with the projects

Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards eligible projects that are expected to generate positive environmental and social impacts. However, Sustainalytics is also aware that such eligible projects could lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects could include issues related to occupational health and safety, community relations, e-waste management, carbon own operations, biodiversity, waste generated in construction and data privacy.

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

- The Group's Health and Safety Management System includes safety management plans and provides information on safety training. In addition, the Group mandates contractors and suppliers to minimize health and safety risks through their organizational structure, work processes, supervision and training in line with the Group's Health and Safety Policy.<sup>21</sup>
- To mitigate social risks associated with local communities, as part of the Group's Human Rights Policy, the Group conducts due diligence and engages with local communities, including Indigenous groups and disadvantaged populations, on human rights matters, such as access to water and land

<sup>16</sup> CKHH, "Sustainability", at: <https://www.ckh.com.hk/en/esg/>.

<sup>17</sup> CKHH shared the 2022 draft the CK Hutchison Holdings Sustainability Report directly with Sustainalytics.

<sup>18</sup> Ibid.

<sup>19</sup> CKHH shared the group level GHG Scope 1 and 2 emission reduction data directly with Sustainalytics.

<sup>20</sup> CKHH shared the 2022 draft CK Hutchison Holdings Sustainability Report directly with Sustainalytics.

<sup>21</sup> CKHH, "Health and Safety Policy", (2020), at: [https://www.ckh.com.hk/upload/assets/downloads/en/ESG\\_Health\\_and\\_Safety\\_Policy\\_20200414.pdf](https://www.ckh.com.hk/upload/assets/downloads/en/ESG_Health_and_Safety_Policy_20200414.pdf).

rights. As part of this community consultation process, the Group aims to listen, learn and consider the views of the local communities where the Group operates.<sup>22</sup>

- The Group protects natural resources by minimizing its waste footprint (hazardous and non-hazardous) by recycling and reusing materials<sup>23</sup> where possible and setting waste reduction and recycling targets where viable. Regarding the management of social and environmental risks associated with e-waste, the Group's telecommunications business division handles the collection and eventual disposal of such waste. While the recycling of e-waste into secondary raw material is not carried out by the Group, CKHH promotes the reuse and responsible disposal of e-waste through programmes, including the 3 UK Reconnected and 3 Hong Kong collection points for onward recycling via the Environmental Protection Department.<sup>24,25</sup>
- The Group Environmental Policy focuses on implementing environmental management systems to embed and standardize good practices in its operations to manage and reduce its environmental impacts.<sup>26</sup>
- To ensure the protection of the environment and biodiversity as part of the Group's Environmental Policy, CKHH is committed to conserving water; preventing pollution to land, water and air; and protecting and restoring biodiversity. Where relevant to its operations, the Group undertakes biodiversity assessments.
- The Group has focused on managing supplier risks in its Supplier Code of Conduct. Under this code of conduct, the Group encourages business partners and suppliers to improve sustainability standards and practices, expecting them to disseminate the code's requirements and educate their employees, agents, sub-contractors and suppliers and hold them accountable for any non-conforming acts.<sup>27</sup>
- The Group has in place an Information Security Policy and a Policy on Personal Data Governance to ensure data privacy protection. The data privacy measures include conducting regular privacy risk assessments for all the Group's businesses, ensuring that personal data is classified and handled according to its sensitivity and access is restricted on a need-to-know-basis, and designating appropriate privacy and IT security specialists to support the business in managing data privacy risks.<sup>28,29</sup>

Based on these policies, standards and assessments, Sustainability is of the opinion that CKHH has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

<sup>22</sup> CKHH, "Human Rights Policy", (2022), at: [https://www.ckh.com.hk/upload/assets/downloads/en/ESG\\_Human\\_Rights\\_Policy\\_e\\_20220209.pdf](https://www.ckh.com.hk/upload/assets/downloads/en/ESG_Human_Rights_Policy_e_20220209.pdf).

<sup>23</sup> Ibid.

<sup>24</sup> 3 UK, "Reconnected", at: <https://www.three.co.uk/reconnected>

<sup>25</sup> 3 HK, "Corporate Social Responsibility", at: <https://web.three.com.hk/about3hk/csr/index-en.html>

<sup>26</sup> CKHH, "Environmental Policy", (2021), at: [https://www.ckh.com.hk/upload/assets/downloads/en/ESG\\_Environmental\\_Policy\\_e\\_20210809.pdf](https://www.ckh.com.hk/upload/assets/downloads/en/ESG_Environmental_Policy_e_20210809.pdf).

<sup>27</sup> CKHH, "Supplier Code of Conduct", (2020), at: [https://www.ckh.com.hk/upload/assets/downloads/en/ESG\\_Supplier\\_Code\\_of\\_Conduct\\_20200624.pdf](https://www.ckh.com.hk/upload/assets/downloads/en/ESG_Supplier_Code_of_Conduct_20200624.pdf).

<sup>28</sup> CKHH, "Information Security Policy", (2020), at: [https://www.ckh.com.hk/upload/assets/downloads/en/CG\\_Information\\_Security\\_Policy\\_20200414.pdf](https://www.ckh.com.hk/upload/assets/downloads/en/CG_Information_Security_Policy_20200414.pdf)

<sup>29</sup> CKHH, "Policy on Personal Data Governance", (2020), at:

[https://www.ckh.com.hk/upload/assets/downloads/en/CG\\_Personal\\_Data\\_Governance\\_20200414.pdf](https://www.ckh.com.hk/upload/assets/downloads/en/CG_Personal_Data_Governance_20200414.pdf)

## Section 3: Impact of Use of Proceeds

All six use of proceeds categories are aligned with those recognized by the GBP, SBP, GLP and SLP. Sustainalytics has focused on four below where the impact is specifically relevant in the local context.

### Importance of supporting renewable energy growth and energy-efficiency improvements

Annual global energy demand is expected to increase by 9% from 2019 to 2030, despite the recent decrease in demand due to COVID-19-related economic contractions.<sup>30</sup> Energy use is expected to further rise in tandem with the growing world population, which is expected to increase to an estimated 8.5 billion by 2030.<sup>31</sup> According to the International Renewable Energy Agency, 290 gigawatts of renewable energy generation capacity (3% higher than 2020) were added globally in 2021, driven primarily by solar, wind and hydropower projects.<sup>32</sup> Despite this growth, renewables represent only one-third of electricity generation worldwide as of 2021.<sup>33</sup> Significantly more investments in renewable energy will be required to meet the Paris Agreement goal of limiting temperature increases to well below 2°C, preferably to 1.5°C.<sup>34</sup>

Data centres in particular contain a large number of servers that support data-intensive technologies and services, such as artificial intelligence, as well as smart and connected systems used by billions of global end users. This translates into significant electricity consumption by data centres, which was estimated at approximately 250 terawatt-hours or the equivalent of 1% of global electricity use in 2019.<sup>35</sup>

Given the above, Sustainalytics is of the opinion that CKHH's investments in renewable energy, energy efficiency and sustainable transportation projects are expected to contribute positively to the global clean energy transition and help achieve global emissions reduction goals.

### Importance of financing clean transportation

In 2021, the global transportation sector was responsible for approximately 37% of CO<sub>2</sub> emissions due to fossil fuel combustion.<sup>36</sup> CO<sub>2</sub> emissions in the sector have the potential to increase by 60% by 2050 in the absence of proper mitigation measures.<sup>37</sup> Electric vehicles such as plug-in hybrid electric vehicles, battery electric vehicles and other zero-emission vehicles (such as fuel cell and hydrogen-based) are low-carbon alternatives for the sector to reduce emissions. Considering factors such as clear environmental benefits, changing demand of customers, increasing environmental responsibility and availability of government subsidies, the popularity of such climate friendly vehicles has been growing rapidly.<sup>38</sup> According to the IEA, the total number of electric cars on road reached the 10 million mark, with about 3 million new electric car registrations made in 2020 which is a 43% increase over 2019 figure.<sup>39</sup>

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

### Importance of circular economy products and responsible procurement

Circular economies are integral to mitigating the rise of CO<sub>2</sub> emissions and environmental issues associated with resource extraction.<sup>40</sup> According to the 2022 Circularity Gap Report issued by Circle Economy, the worldwide circularity rate in 2020 was approximated at 8.6%, down from 9.1% in 2018.<sup>41</sup> Approximately 500 billion tonnes of virgin materials were extracted and consumed between 2015 and 2021, a figure that is expected to be doubled between 2021 and 2050.<sup>42</sup> The research emphasizes the significance of transitioning

<sup>30</sup> International Energy Agency, "World Energy Outlook 2020", at: <https://www.iea.org/reports/world-energy-outlook-2020>.

<sup>31</sup> United Nations, "Population 2030", (2015), at: <https://www.un.org/en/development/desa/population/publications/pdf/trends/Population2030.pdf>.

<sup>32</sup> International Renewable Energy Agency, "Renewable Capacity Highlights" (2021), at: [https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2021/Apr/IRENA\\_RE\\_Capacity\\_Highlights\\_2021.pdf?la=en&hash=1E133689564BC40C2392E85026F71A0D7A9C0B91](https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2021/Apr/IRENA_RE_Capacity_Highlights_2021.pdf?la=en&hash=1E133689564BC40C2392E85026F71A0D7A9C0B91).

<sup>33</sup> International Energy Agency, "Renewables 2021", at: <https://www.iea.org/reports/renewables-2021/executive-summary>

<sup>34</sup> UNFCCC "The Paris Agreement", at: <https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement>.

<sup>35</sup> International Energy Agency, "Data Centres and Data Transmission Networks", (2022), at: <https://www.iea.org/reports/data-centres-and-data-transmission-networks>

<sup>36</sup> International Energy Agency, "Transport", at: <https://www.iea.org/topics/transport>

<sup>37</sup> International Transport Forum, "Transport demand set to triple, but sector faces potential disruptions", (2019), at: <https://www.itf-oecd.org/transport-demand-set-triple-sector-faces-potential-disruptions>.

<sup>38</sup> J. P. Morgan, "Driving into 2025: The Future of Electric Vehicles", (2018), at: <https://www.jpmorgan.com/global/research/electric-vehicles>

<sup>39</sup> International Energy Agency, "Global EV Outlook 2021", at: <https://iea.blob.core.windows.net/assets/ed5f4484-f556-4110-8c5c-4ede8bcba637/GlobalEVOutlook2021.pdf>

<sup>40</sup> World Economic Forum, "The world needs a circular economy. Help us make it happen", (2020), at: <https://www.weforum.org/agenda/2020/01/the-world-needs-a-circular-economy-lets-make-it-happen/>

<sup>41</sup> Circle Economy, "The Circularity Gap Report", (2022), at: <https://www.circularity-gap.world/2022>

<sup>42</sup> Ibid.

the global economic system to a circular economy model to minimize global emissions.<sup>43</sup> In light of this, building a sustainable supply chain and procuring responsibly has been advocated by industry leaders.<sup>44</sup> Particularly, replacing the purchase of virgin materials with sustainably sourced FSC- or PEFC-certified products ensures that raw materials, such as timber and other paper-based products, originate from a sustainable source with proper forest management.

Given the above, Sustainalytics views that CKHH's investments in circular economy products and responsible procurement is expected to contribute to pollution mitigation and reduce the use of virgin resources.

#### **Importance of digital inclusion and enabling access to telecommunications during a crisis**

Access to fast and reliable broadband connection is a necessity of everyday life, as well as for economic progress and growth.<sup>45</sup> However, 2.7 billion people, or 34% of the world's population, were estimated to remain offline at the end of 2022.<sup>46</sup> In addition to threatening millions of humans and disrupting the global economy, the COVID-19 pandemic also highlighted the crucial need for continued investment in digital connectivity to enable continued access to essential services, such as healthcare and education.<sup>47,48</sup> During the peak of the pandemic in 2020 academic year, many educational institutions remained closed globally and more than 90% of countries implemented various remote learning policies.<sup>49</sup> However, access to virtual learning programmes has been a great challenge in nations with poor rates of internet penetration.<sup>50</sup> At least one-third of the global school children population (463 million children) were estimated to be unable to access remote learning during COVID-19 pandemic restrictions.<sup>51</sup>

Digital inclusion plays a vital role in facilitating economic growth, particularly through its impacts on the supply and demand sides of the global economy.<sup>52</sup> Growing evidence suggests that internet technologies can increase workers' productivity in underserved countries.<sup>53</sup> Given the geographical constraints in rural and remote areas, e-commerce enables businesses to reach many more customers in these regions.<sup>54</sup> Considering this, the United Nations Conference on Trade and Development developed and launched an E-commerce Strategy Development in 2021, an initiative that supports the Commission of the Economic Community of West African States (ECOWAS) to accelerate the emergence of e-commerce across the ECOWAS Member States in Western Africa.<sup>55</sup> In China, as part of the national 14th Five-Year Plan (2021-25), the Chinese government will proliferate the e-commerce platform and new demands in rural China by deploying more resources to build a modern rural circulation system.<sup>56</sup>

Based on the above, Sustainalytics is of the opinion that CKHH's investments are expected to improve access to digital services to target populations worldwide.

<sup>43</sup> Ibid.

<sup>44</sup> Cherel-Bonnemaison, C. et al., (2021), "Buying into a more sustainable value chain", McKinsey, at:

<https://www.mckinsey.com/capabilities/operations/our-insights/buying-into-a-more-sustainable-value-chain>

<sup>45</sup> European Commission, "The Broadband Handbook: Facing the challenges of broadband deployment in rural and remote areas", at: <https://digital-strategy.ec.europa.eu/en/library/broadband-handbook-facing-challenges-broadband-deployment-rural-and-remote-areas>

<sup>46</sup> International Telecommunication Union, "Two-thirds of the world's population uses the Internet, but 2.7 billion people remain offline", at:

<https://www.itu.int/itu-d/reports/statistics/2022/11/24/ff22-internet-use/>

<sup>47</sup> World Economic Forum, "We need to connect every school to the internet. Here's how", (2021), at: <https://www.weforum.org/agenda/2021/12/covid-19-education-digital-divide/>

<sup>48</sup> Asian Infrastructure Investment Bank, "Healthcare and Digital Connectivity – Sectors Roused to Action by Covid-19", (2021), at:

<https://www.aiib.org/en/news-events/media-center/blog/2021/Healthcare-and-Digital-Connectivity-Sectors-Roused-to-Action-by-Covid-19.html>

<sup>49</sup> Unicef, "COVID-19: Are children able to continue learning during school closures?", (2020), at: <https://data.unicef.org/resources/remote-learning-reachability-factsheet/>

<sup>50</sup> Economic Policy Institute, "Access to online learning amid coronavirus is far from universal, and children who are poor suffer from a digital divide", (2020), at: <https://www.epi.org/blog/access-to-online-learning-amid-coronavirus-and-digital-divide/>

<sup>51</sup> Unicef, "COVID-19: At least a third of the world's schoolchildren unable to access remote learning during school closures, new report says", (2020), at:

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

<sup>52</sup> Hjort, J. et al., (2022), "Can internet access lead to improved economic outcomes?", World Bank Blogs, at: <https://blogs.worldbank.org/digital-development/can-internet-access-lead-improved-economic-outcomes>

<sup>53</sup> Ibid.

<sup>54</sup> Ibid.

<sup>55</sup> UNCTAD, "Regional e-commerce strategy development for the Economic Community of West African States", at: <https://unctad.org/project/regional-e-commerce-strategy-for-ecowas>

<sup>56</sup> The State Council of the People's Republic Of China, "Ambitious plan to boost rural consumption", at:

[http://english.www.gov.cn/policies/policywatch/202106/30/content\\_WS60dc0574c6d0df57f98dc2d0.html](http://english.www.gov.cn/policies/policywatch/202106/30/content_WS60dc0574c6d0df57f98dc2d0.html)

## Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the CK Hutchison Holdings Limited Sustainable Finance Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
	8. Decent Work and Economic Growth	8.4 Improve progressively, through 2030, global resource efficiency in consumption and production and endeavor to decouple economic growth from environmental degradation
	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Circular Economy and Design	8. Decent Work and Economic Growth	8.4 Improve progressively, through 2030, global resource efficiency in consumption and production and endeavor to decouple economic growth from environmental degradation
	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Emergency Response and Pandemic Relief	3. Good Health and Well-Being	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all
	9. Industry, Innovation and Infrastructure	9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all
Access to Essential Services: Digital Inclusion	9. Industry, Innovation and Infrastructure	9.c Significantly increase access to information and communications technology and strive to provide universal and affordable access to the Internet in least developed countries by 2020

## Conclusion

CKHH has developed the CK Hutchison Holdings Limited Sustainable Finance Framework, under which it may issue green, social and sustainability bonds, loans and hybrid bonds and loans and use the proceeds to finance projects in the following categories: Renewable Energy, Energy Efficiency, Clean Transportation, Circular Economy and Design, Access to Essential Services: Digital Inclusion, and Emergency Response and Pandemic Relief. Sustainalytics considers that the projects funded with proceeds from the above instruments are expected to provide positive environmental and social impacts.

The CK Hutchison Holdings Limited Sustainable Finance Framework outlines a process for tracking, allocating and managing proceeds and makes commitments to report on the allocation and impact of the use of proceeds. Sustainalytics believes that the CK Hutchison Holdings Limited Sustainable Finance Framework is aligned with the overall sustainability strategy of the Group and that the use of proceeds categories will contribute to the advancement of UN Sustainable Development Goals 3, 7, 8, 9, 11 and 12. Additionally, Sustainalytics is of the opinion that CKHH has adequate measure to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that CKHH is well positioned to issue green, social and sustainability debt instruments and that the CK Hutchison Holdings Limited Sustainable Finance Framework is robust, transparent and in alignment with the four core components of the Sustainability Bond Guidelines (2021), Green Bond Principles (2021), Social Bond Principles (2021), Green Loan Principles (2023) and Social Loan Principles (2023).

## Appendix

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

#### Section 1. Basic Information

<b>Issuer name:</b>	CK Hutchison Holdings Limited
<b>Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:</b>	CK Hutchison Holdings Limited Sustainable Finance Framework
<b>Review provider's name:</b>	Sustainalytics
<b>Completion date of this form:</b>	May 16, 2023
<b>Publication date of review publication:</b>	
<b>Original publication date</b> <i>[please fill this out for updates]</i>	

#### Section 2. Review overview

##### SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP and SBP:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds        | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting                                    |

##### ROLE(S) OF REVIEW PROVIDER

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 <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 categories for the use of proceeds – Renewable Energy, Energy Efficiency, Clean Transportation, Circular Economy and Design, Access to Essential Services: Digital Inclusion, and Emergency Response and Pandemic Relief – are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Green Loan Principles and Social Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 3, 7, 8, 9, 11 and 12.

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

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

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

#### Use of proceeds categories as per SBP:

- |   |  |
|---|--|
| <input type="checkbox"/> Affordable basic infrastructure  | <input checked="" type="checkbox"/> Access to essential services                                   |
| <input type="checkbox"/> Affordable housing   | <input type="checkbox"/> Employment generation (through SME financing and microfinance)            |
| <input type="checkbox"/> Food security  | <input type="checkbox"/> Socioeconomic advancement and empowerment                                 |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input checked="" type="checkbox"/> Other (please specify): Emergency response and pandemic relief |

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



## 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

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

### Evaluation and selection

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives                                 | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories               |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input checked="" 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 (please specify):  |

### Information on Responsibilities and Accountability

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

## 3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

CKHH's Sustainability Working Group will track receipt and allocation of net proceeds using a portfolio approach. CKHH intends to allocate net proceeds to eligible assets within 36 months of issuance. Net proceeds awaiting allocation will be temporarily invested in cash, cash equivalents or liquid and marketable instruments not related to GHG-intensive activities. This is in line with market practice.

### Tracking of proceeds:

- |   |
|---|
| <input checked="" type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (please specify):  |

### Additional disclosure:

- |   |   |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
|---|---|

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

#### 4. REPORTING

Overall comment on section (if applicable):

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

#### Use of proceeds reporting:

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

#### Information reported:

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Allocated amounts   | <input type="checkbox"/> Sustainability Bond financed share of total investment |
| <input checked="" type="checkbox"/> Other (please specify): balance of unallocated proceeds, amount invested per category, share of financing versus refinancing, and amount of proceeds allocated to each SDG. |   |

#### Frequency:

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

#### Impact reporting:

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

#### Information reported (expected or ex-post):

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

Renewable Energy	<ul style="list-style-type: none"> <li>• Annual renewable energy generated or purchased (electricity in MWh/GWh and other energy in GJ/TJ)</li> <li>• Installed generation capacity (MW)</li> <li>• Electricity consumption from renewable sources (GWh and share in percentage terms)</li> <li>• Annual greenhouse gas emissions reduced or avoided (tCO<sub>2</sub>e)</li> <li>• Energy recovered from waste (minus support fuel) (MWh/GWh of net energy generated p.a.)</li> </ul>
Energy Efficiency	<ul style="list-style-type: none"> <li>• Annual energy savings (MWh/GWh)</li> <li>• Annual reduction in energy consumed (share in percentage terms)</li> <li>• 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)</li> <li>• Annual greenhouse gas emissions reduced or avoided (tCO<sub>2</sub>e)</li> <li>• Number of persons benefitting from energy efficient technologies</li> </ul>
Clean Transportation	<ul style="list-style-type: none"> <li>• Annual greenhouse gas emissions reduced or avoided (tCO<sub>2</sub>e)</li> <li>• Carbon intensity in passenger-kilometres (i.e. transport of a passenger over one kilometre) or tonne-kilometres (i.e. transport of a tonne over one kilometre)</li> <li>• Number of passengers or number of tonnes transported.</li> <li>• Number of electric or hybrid vehicles acquired or deployed.</li> <li>• Number of electric charging stations installed.</li> </ul>
Circular Economy and Design	<ul style="list-style-type: none"> <li>• Greenhouse gas emissions abated through products and services (tCO<sub>2</sub>e)</li> <li>• Waste prevented, minimised, reused or recycled before and after the project (share of total waste in percentage terms or tons p.a. in absolute terms)</li> <li>• Waste separated and/or collected, treated (including composted) or disposed of (tons p.a. and share of total waste in percentage)</li> <li>• Increase in materials, components and products that are reusable, recyclable, and/or certified compostable (percentage or tonnes p.a.)</li> </ul>
Access to Essential Services – Digital Inclusion	<ul style="list-style-type: none"> <li>• Beneficiaries of digital inclusion</li> <li>• Number of individuals</li> <li>• Number of households</li> </ul>
Emergency Response and Pandemic Relief	<ul style="list-style-type: none"> <li>• Beneficiaries of response and relief measures</li> <li>• Number of individuals</li> <li>• Number of public institutions</li> <li>• Number of micro, small and medium enterprises</li> </ul>

**Frequency:**

- Annual
  Semi-annual  
 Other (please specify):

**Means of Disclosure**

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

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

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

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

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

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**

**Type(s) of Review provided:**

- |  |  |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit                        | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other ( <i>please specify</i> ):            |  |

**Review provider(s):**

**Date of publication:**

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- i. Second-Party Opinion: An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
- iii. Certification: An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. Green, Social and Sustainability Bond Scoring/Rating: An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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