

Alibaba Group Holding Limited

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Introduction

In 2021, Alibaba Group Holding Limited (“Alibaba Group” or the “Company”) developed the Alibaba Group Sustainable Finance Framework (the “Framework”) aimed at financing projects that are expected to catalyze environmental and social benefits such as improved energy efficiency and reduced GHG emissions of the Company’s operations and relevant infrastructure. In 2022, Alibaba Group engaged Sustainalytics to review the projects funded through the issued 2021 Sustainability Bond and provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the Framework.¹ Sustainalytics had provided a Second-Party Opinion² on the Framework.

Evaluation Criteria

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

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

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

Table 1: Use of Proceeds, Eligibility Criteria, and associated KPIs

Use of Proceeds Category	Eligibility Criteria	Key Performance Indicators (KPIs)
Energy Efficiency	Acquisition, development, construction, operation, or maintenance of energy efficient facilities and infrastructure, including the following: <ul style="list-style-type: none"> • Data centers with Power Usage Effectiveness (“PUE”) ≤1.5 • Digitalization and deployment of infrastructure or other network solutions (including Internet of Things, high-speed networks, data analytics, and cloud computing) resulting in ≥15% improvement in energy consumed or emissions generated • Cooling equipment (including liquid immersion cooling) 	<ul style="list-style-type: none"> • Trailing 12-month PUE • Annual energy savings, in MWh • Annual greenhouse gas emissions reduced or avoided, in tCO₂e

¹ Alibaba Group Sustainable Finance Framework is available on Alibaba’s website, at: <https://www.alibabagroup.com/en/ir/esg>

² Sustainalytics Second Party Opinion on Alibaba’s Sustainable Finance Framework is available at: <https://site.irasia.com/listco/alibabagroup/en/esg/Alibaba%20Group%20-%20Sustainable%20Finance%20Framework%20-%20Second-Party%20Opinion%20vf.pdf>

	<p>technology), lighting / electrical infrastructure, and energy storage (battery storage) or management systems in our owned or operated facilities resulting in $\geq 15\%$ improvement in energy consumed or emissions generated, in any case excluding solutions powered by fossil fuels</p>	
Green Buildings	<p>Acquisition, design, construction, or improvement of office space, commercial buildings, or surrounding communities, including the following:</p> <ul style="list-style-type: none"> • Properties certified or qualifying for the following minimum third-party certifications: <ul style="list-style-type: none"> ○ Leadership in Energy and Environmental Design (“LEED”) “Gold” ○ Building Research Establishment Environmental Assessment Model (“BREEAM”) “Excellent” ○ Chinese Green Building Evaluation Label “2-Star” ○ Any other comparable certifications • Properties in the top 15% of buildings in the region based on absolute emissions performance or primary energy demand 	<ul style="list-style-type: none"> • Gross floor area under qualifying third-party certifications, in sqm • Gross floor area designed to qualify for identified third-party certifications, in sqm • Annual greenhouse gas emissions, in tCO_{2e}, versus local baseline / certification level
COVID-19 Crisis Response	<p>Financial capital and expertise dedicated to combat the COVID-19 pandemic, including the following:</p> <ul style="list-style-type: none"> • Purchases, transportation, or research and development relating to medical equipment, including testing kits and vaccines, and the manufacture or modification of existing facilities to produce, or increased production of health, safety, and hygiene supplies • Artificial intelligence technology, computing power, and other forms of technical support extended to research institutions and other organizations with the objective of accelerating drug and vaccine discovery, and enhancing diagnostic capabilities and public health development efforts. 	<ul style="list-style-type: none"> • Number of health, safety, and hygiene supplies distributed • Number of merchants, users, or institutions benefiting from technical support, merchant relief, and rural support programs • Amount deployed for technical support, merchant relief, and rural support programs, in RMB millions

	<ul style="list-style-type: none"> • Merchant relief and rural support programs for small and medium-sized enterprises affected by Covid-19 such as waivers or reductions of annual service fees, platform technology fees, and warehousing fees, in addition to providing personnel and logistics support and tools to accelerate digitization, each with the objective of ensuring business and employment continuity 	
Renewable Energy	<p>Acquisition, development, construction, operation, or maintenance of renewable energy projects, or the purchase of renewable energy, such as solar and wind, including the following.</p> <ul style="list-style-type: none"> • On-site facilities • Associated energy solutions, including storage installations. • Alibaba confirmed that procurement projects will be directly tied to specific and identifiable renewable energy projects, and exclude one-time, short-term purchases of unbundled agreements. 	<ul style="list-style-type: none"> • Renewable energy capacity purchased, in MW • Annual generation of renewable energy, in MWh • Annual greenhouse gas emissions reduced or avoided, in tCO₂e
Circular Economy and Design	<p>Expenditure related to resource-efficient packaging and distribution, increasing waste diversion from landfills, and reducing waste at the source, including the following:</p> <ul style="list-style-type: none"> • Development or deployment of recycling or waste collection or management programs (excluding creation or expansion of landfills) such as recycling facilities installed in office spaces, warehouses, logistics centers, commercial buildings, or surrounding communities • Procurement of recycled or reused materials • Research and development of more sustainable packaging materials 	<ul style="list-style-type: none"> • Number of recycling stations and bins installed • Waste prevented, minimized, reused or recycled, in tons • Rate of waste or polluting material prevented minimized, reused or recycled, in percent

Issuing Entity's Responsibility

Alibaba Group 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 Alibaba Group's 2021 Sustainability Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from Alibaba Group employees and review of documentation to confirm the conformance with the Alibaba Group Sustainable Finance Framework.

Sustainalytics has relied on the information and the facts presented by Alibaba Group 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 Alibaba Group.

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,³ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed projects, funded through proceeds of Alibaba Group's 2021 Sustainability Bond, are not in conformance with the Use of Proceeds and Reporting criteria outlined in the Framework. Alibaba Group has disclosed to Sustainalytics that the proceeds of the sustainability bond were fully allocated within the first year of the issuance of the 2021 Sustainability Bond.

Detailed Findings

Table 2: Detailed Findings

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

³ 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.

Appendices

Appendix 1: Allocation Reporting by Eligibility Criteria

In February 2021, Alibaba Group issued a Sustainability Bond with a value of USD 987 million. The proceeds have been fully allocated within the first year of the issuance. Of the eligible categories, 57.3% of net proceeds were used to finance new projects, while 42.7% were used to refinance existing projects. The table below provides a detailed break-up of the allocation of net proceeds category-wise.

Use of Proceeds Category	Portfolio	Overview of projects	Amount allocated (Million USD)	Percentage of Use of Proceeds (%)
Energy Efficiency	Green	Development of energy-efficient data centers Alibaba has confirmed that all the projects under this category have PUE of less than 1.5.	451	45.7
Green Buildings	Green	Development of qualifying green buildings certifications: Alibaba has confirmed that all the buildings in the green building portfolio are new buildings that are LEED Gold certified.	352	35.7
COVID-19 Crisis Response	Social	Distribution and transportation of health, safety, and hygiene supplies	147	14.9
Renewable Energy	Green	Purchase of solar and wind energy primarily for powering the data centers. Alibaba has confirmed that the energy purchased are directly tied to specific and identifiable renewable energy projects, and excludes one-time, short-term purchases of unbundled agreements.	36	3.6
Circular Economy and Design	Green	Installation of recycling stations and bins	1	0.1
Total			987	100
% Share of Financing			57.3	
% Share of Refinancing			42.7	

Appendix 2: Impact Reporting by Eligibility Criteria

Use of Proceeds Category	Impact metric	Measured impact
Energy Efficiency	Trailing 12-month PUE	1.2 PUE
Green Buildings	Gross floor area designed to qualify for identified third-party certifications ⁴	1.9 million square meters
COVID-19 Crisis Response	Health, safety, and hygiene supplies distributed	200 million items
Renewable Energy	Renewable energy capacity purchased	1 million MWh
Circular Economy and Design	Recycling station and bins installed	13,000 items

⁴ Sum of total construction area of the eligible projects.

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