



# Second-Party Opinion

## Lei Shing Hong Green Finance Framework

### Evaluation Summary

Sustainalytics is of the opinion that the Lei Shing Hong Green Finance Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2018 and the Green Loan Principles 2018. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds – (i) Green Buildings, (ii) Energy Efficiency, (iii) Renewable Energy, (iv) Pollution Prevention and Control, (v) Sustainable Water Management, and (vi) Clean Transportation – are aligned with those recognized by the Green Bond Principles 2018. Sustainalytics considers that the eligible projects will reduce the carbon footprint and improve the environmental performance of Lei Shing Hong's operations while advancing Sustainable Development Goals (SDGs), particularly SDG 6, 7, 9, 11 and 12.



**PROJECT EVALUATION / SELECTION** Lei Shing Hong's eligible projects will be identified by a working group, which is comprised of cross-departmental representatives from LSH's Corporate Office Team, Property Team, and Management Team. Final approval of shortlisted projects will be conducted by the Sustainability Committee. This process is in line with market practice.



**MANAGEMENT OF PROCEEDS** The net proceeds will be managed by the company's Treasury Team using an internal register which includes information on the eligible projects list and the allocation of the use of proceeds. Pending full allocation, the unallocated proceeds will be held in short-term liquid money instruments such as cash, cash equivalent and marketable securities according to the Group's Treasury's general liquidity guidelines. Sustainalytics views this process in line with market practice.



**REPORTING** Lei Shing Hong Limited intends to provide an annual allocation report on its website, including allocated and unallocated proceeds as well as the list of eligible projects financed. In addition, where feasible, Lei Shing Hong Limited has committed to reporting on relevant impact metrics. LSH intends to disclose the relevant benchmarks and calculation methodologies and engage with an independent third party to assure the content of its impact reporting. Sustainalytics views Lei Shing Hong Limited's allocation and impact reporting as aligned with best market practice.

<b>Evaluation date</b>	May, 2020
<b>Issuer Location</b>	Hong Kong, China

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## Introduction

Lei Shing Hong Limited (“LSH”, or the “Company”) is an international conglomerate with primary business in Automobile Distribution, Machinery & Equipment Distribution, Property Investment & Development, General Trading, and Financial Services. Lei Shing Hong was established in 1981 and is headquartered in Hong Kong, China.

LSH has developed the Lei Shing Hong Green Finance Framework (the “Framework”) under which it intends to issue green bonds and green loans and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that reduce the carbon footprint and improve the environmental performance of its operations. The Framework defines eligibility criteria in six areas:

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

LSH engaged Sustainalytics to review the Lei Shing Hong Green Finance Framework, dated April, 2020 and provide a second-party opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2018 (GBP)<sup>1</sup> and the Green Loan Principles 2018 (GLP).<sup>2</sup> This Framework has been published in a separate document.<sup>3</sup>

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics independent<sup>4</sup> opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible categories are credible and impactful.

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

- The Framework’s alignment with the ICMA Green Bond Principles 2018
- The credibility and anticipated positive impacts of the use of proceeds
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.3.2, 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 LSH’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. LSH representatives have confirmed (1) they understand it is the sole responsibility of LSH 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 LSH.

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

<sup>1</sup> The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

<sup>2</sup> The Green Loan Principles are administered by the Loan Market Association and are available at:

[https://www.lma.eu.com/application/files/9115/4452/5458/741\\_LM\\_Green\\_Loan\\_Principles\\_Booklet\\_V8.pdf](https://www.lma.eu.com/application/files/9115/4452/5458/741_LM_Green_Loan_Principles_Booklet_V8.pdf)

<sup>3</sup> The Lei Shing Hong Green Finance Framework is available on Lei Shing Hong Limited’s website at: [www.lsh.com](http://www.lsh.com)

<sup>4</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.

measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

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

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

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Lei Shing Hong Green Finance Framework

Sustainalytics is of the opinion that the Lei Shing Hong Green Finance Framework is credible and impactful, and aligns with the four core components of the GBP 2018. Sustainalytics highlights the following elements of LSH's Green Bond Framework:

- Use of Proceeds:
  - The eligible categories in the Framework – (i) Green Buildings, (ii) Energy Efficiency, (iii) Renewable Energy, (iv) Pollution Prevention and Control, (v) Sustainable Water Management, and (vi) Clean Transportation – are aligned with those recognized by the GBP. Sustainalytics believes that LSH's investments will help to improve resource efficiency and promote energy savings, thus positively contributing to reduce GHG emissions of the Company's operations.
  - LSH has defined an eight-year look-back period for refinancing activities. Sustainalytics encourages LSH to favor projects that are not older than 2-3 years to be in line with market practice.
  - LSH intends to use part of the proceeds to finance the construction and/or renovation of green buildings using recognized third-party certification standards, namely LEED Gold or above, Chinese Green Building Evaluation Standard 2 Stars or above, NABERS 5 Stars or above, and BREEAM Very Good or above. Sustainalytics considers the selected minimum certification levels to be aligned with market expectations and views the properties meeting such certification standards as having a positive impact. (See Appendix 1 for additional details on these certification schemes). Additionally, Sustainalytics notes that LSH has set a minimum threshold of 10% energy efficiency improvement compared to its baseline, aiming to achieve respective third-party certification standards.
  - The Pollution Prevention and Control category includes investments to facilities, systems and equipment that are used for the collection, treatment, and recycling of waste. LSH confirmed that the Company's investments in the category enable segregation of waste and exclude landfill operations.
  - Lei Shing Hong limits its investments in the construction, installation, maintenance and operation of renewable energy facilities to solar energy.
- Project Evaluation and Selection:
  - According to LSH's project evaluation and selection process, a working group comprising LSH's Corporate Office Team, Property Team, and Management Team will identify eligible projects based on eligibility criteria. Thereafter, the projects will be approved by LSH's Sustainability Committee.
  - Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
  - The allocation of proceeds will be managed by Treasury Team by using an internal register. The register will include relevant transaction information on green bond/loan details, the eligible green projects list, amount allocated and amount of unallocated proceeds. Pending full allocation, the unallocated proceeds may be held in short-term liquid money instruments such as cash, cash equivalent and marketable securities according to the Group Treasury's general liquidity guidelines.
  - Sustainalytics considers this process to be in line with market practice.

- Reporting:
  - LSH commits to provide an annual allocation and impact report on its website on a best effort basis. The (i) allocation report will comprise data on the allocated amount for each eligible project category, examples and the amount of unallocated proceeds. With regards to the (ii) impact reporting, where feasible, LSH will disclose relevant indicators, such as amount of energy saved (MW), CO<sub>2</sub> (or other GHG) avoided (in tonnes), renewable energy generated (MW), amount of waste reduced and/or diverted from landfills (tonnes) and reduction in water consumption (m<sup>3</sup>).
  - As part of the reporting, LSH intends to disclose the relevant benchmarks and calculation methodologies and engage with an independent third party to enhance disclosure and transparency.
  - Sustainalytics views the scope and granularity of LSH's reporting to be aligned with market practice.

### **Alignment with Green Bond Principles 2018**

Sustainalytics has determined that the Lei Shing Hong Green Finance Framework aligns to the four core components of the GBP 2018. For detailed information please refer to Appendix 2: Green Bond/Green Bond Programme External Review Form.

## **Section 2: Sustainability Strategy of LSH**

### **Contribution of framework to Lei Shing Hong's sustainability strategy**

LSH has integrated sustainability practices into its business operations and has implemented a sustainability governance structure. LSH demonstrates a commitment to sustainability with a focus on the following key environmental areas: Green Buildings, Green Mobility, Community-Centric Development, and Managing Environmental Footprint.

LSH commits to actively monitor and minimize the Group's environmental footprint, with the Group Board committing to proactively reducing group-wide energy consumption.<sup>5</sup> Following its commitment, LSH identified four key impact areas: (i) Energy Consumption Management, (ii) Water Consumption Management, (iii) Waste Management, and (iv) Construction Waste Management. To ensure the implementation of these areas within its own operations, LSH promotes environmental initiatives such as: (i) investments in machines/equipment that recycle solvent waste, (ii) the installation of solar panels, (iii) the offering of electric solutions to facilitate green mobility, and (iv) the disposal of used oil through authorized recycle firms.<sup>6</sup> With regards to green buildings, LSH has opted to achieve LEED certification Gold level or equivalent for all the proposed Lei Shing Hong Group Properties.<sup>7</sup> As part of this effort, all LSH team members are required to participate in workshops to ensure appropriate implementation of LEED certification standards.<sup>8</sup> Beyond LEED certification, LSH favours buildings with equivalent certifications standards in its portfolio such as Leadership in Energy and Environmental Design (LEED), Green Building Evaluation Label, National Australian Built Environment Rating System (NABERS) and BREEAM.<sup>9</sup>

LSH engages with various staff and internal stakeholder activities in order to strengthen its environmental commitments. These include the staff training to promote awareness of environmental issues, and the encouragement of commitment to environmental principles by LSH suppliers and contractors.<sup>10</sup> Furthermore, LSH has implemented a governance structure that supports its commitment to minimizing the negative environmental impacts of operations. As part of the structure, LSH ensures executive involvement in and oversight of sustainability issues through the representation of a Chief Executive per division.<sup>11</sup> This Chief Executive is responsible for managing sustainability issues and reporting directly to the Sustainability Committee.<sup>12</sup> These issues are subsequently consolidated by Group Risk and the Sustainability Committee and communicated to the Group Managing Director.<sup>13</sup> The Sustainability agenda is discussed at the Board level on an annual basis.<sup>14</sup>

<sup>5</sup> LSH Sustainability Documentation p.2, provided by LSH

<sup>6</sup> LSH Sustainability Documentation p. 1, provided by LSH

<sup>7</sup> LSH Group Green Policies and Strategies, provided by LSH

<sup>8</sup> Ibid

<sup>9</sup> LSH Sustainability Documentation p.1, provided by LSH

<sup>10</sup> Lei Shing Hong Group Environmental Policy Statement, p.1-2, provided by LSH

<sup>11</sup> LSH Sustainability Documentation p. 1, provided by LSH

<sup>12</sup> Ibid

<sup>13</sup> Ibid

<sup>14</sup> LSH Sustainability Documentation p. 2, provided by LSH

Based on the above, Sustainalytics is of the opinion that the LSH Green Finance Framework is aligned with the Company's sustainability strategy and will contribute to furthering the Company's environmental initiatives. Sustainalytics recognizes the importance of the above-mentioned commitments by LSH and its management as important contributors to the Group's sustainability performance and encourages the Company to develop publicly available policies and time-bound targets to further strengthen its sustainability practices.

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

While the eligible categories are recognized as impactful by the Green Bond Principles 2018, Sustainalytics recognizes that the eligible projects may lead to potential negative environmental and social risks such as occupational health and safety, community relations, land-use changes, biodiversity loss, and pollution. Sustainalytics highlights the following measures that LSH has taken to mitigate these risks:

- LSH's occupational health and safety risk management system focuses on three areas: (i) A comprehensive inspection and audit program, (ii) Risk assessments and safe work method statements, which outline LSH's method of identifying, assessing and managing work health and safety risks, and (iii) Worker competence. To ensure the adequate implementation of the management across Group operations and activities, LSH has developed a Work Health and Safety Manual<sup>15</sup> which identifies high-risk work activities, outlines processes to monitor, includes mechanisms to review and evaluate performance, and describes incident management and reporting procedures.<sup>16</sup>
- LSH has established a Sustainable Buildings Policy that outlines the company's approach to embedding sustainability principles throughout project lifecycles.<sup>17</sup> Following the Policy, LSH considers environmental risk management factors such as potential natural hazards, climate change adaptation issues, water and energy supply, potential land contamination, and biodiversity impacts in addition to aligning with local and regional regulation for both existing and new projects.<sup>18</sup>
- LSH has identified risk management governance structure underpinned by six levels of risk management applicable to operations activities across geographies. Part of this risk management framework includes Risk Oversight, which has as a key responsibility to ensure the consideration of broader internal and external stakeholders within project decision-making processes.<sup>19</sup> This risk management framework also identifies 'Overall Environmental Risk' and 'Environmental and Social Sustainability Risk' as additional risk factors to be considered under the framework's Strategic and Compliance Risk pillars respectively.<sup>20</sup>
- LSH confirmed that the Company excludes all activities, assets, products and technologies that are associated with fossil fuels.

Based on the above-mentioned policies, systems and processes, Sustainalytics believes that LSH has sufficient measures to identify, manage and mitigate environmental and social risks commonly associated with the use of proceeds. Sustainalytics encourages the Company to further establish publicly available risk management policies and integrate community consultation processes in the design and construction phase of all large infrastructure projects.

## **Section 3: Impact of Use of Proceeds**

All six use of proceeds categories are recognized as impactful by GBP and GLP. Sustainalytics has focused on two below where the impact is specifically relevant in regional and global contexts.

### **Importance of facilitating investments in green buildings to achieve energy efficiency targets**

Buildings account for a significant portion of total global energy consumption. Globally, energy use in buildings and building construction make up more than one-third of energy consumption and nearly one-quarter of greenhouse gas (GHG) emissions.<sup>21</sup> In developed countries, the numbers are even higher, with estimates pointing to buildings accounting for approximately 40% of energy use, contributing 38% of GHG emissions and 20% of solid waste streams.<sup>22</sup>

<sup>15</sup> Lei Shing Hong Group Workplace Health and Safety Manual, p.3, provided by LSH

<sup>16</sup> Lei Shing Hong Group Workplace Health and Safety Manual, p.4, provided by LSH

<sup>17</sup> LSH Sustainable Buildings Policy, p. 2, provided by LSH

<sup>18</sup> LSH Sustainable Buildings Policy, p. 2, provided by LSH

<sup>19</sup> LSH Group Risk Management Policy, p. 5, provided by LSH

<sup>20</sup> LSH Group Risk Management Policy Appendix, p. 4, provided by LSH

<sup>21</sup> Global Alliance for Buildings and Construction, Towards zero-emission efficient and resilient buildings Global Status Report 2016, available at [https://www.worldgbc.org/sites/default/files/GABC\\_Global\\_Status\\_Report\\_V09\\_november\\_FINAL.pdf](https://www.worldgbc.org/sites/default/files/GABC_Global_Status_Report_V09_november_FINAL.pdf)

<sup>22</sup> USGBC, "Importance of Green Buildings Stressed by Business and Industry at UN Climate Negotiations", (2013), available at: <https://www.usgbc.org/articles/importance-green-buildings-stressed-business-and-industry-un-climate-negotiations>

As a result of the 2015 Paris Agreement, many countries have developed Nationally Determined Contributions (NDCs) to operationalize and achieve the long-term goals set forth by the Agreement.<sup>23</sup> While some countries have set official NDCs, other cities and regions have outlined their own targets and ambitions - in some cases specifically as they pertain to buildings and construction - in order to also contribute to climate change mitigation.<sup>24</sup> According to the UNEP, the building sector has the potential to make energy savings of 50% or more by 2050 and could save an estimated EUR 280 to EUR 410 bn in savings on energy spending.<sup>25</sup> Similarly, the Intergovernmental Panel on Climate Change (IPCC) reiterates that the building sector offers the largest cost-effective GHG mitigation potential, delivering savings and economic gains through the implementation of existing technologies, building design, and sound policy development.<sup>26</sup>

Based on the above, Sustainalytics is of the opinion that the LSH's green building investments with a focus on energy efficiency improvement will contribute to energy-related goals while leading significant environmental benefits globally.

### Supporting the transition to clean transportation practices for the reduction of emissions

Emissions from the transport sector accounted for over 24% of global CO2 emissions in 2016 globally and are expected to grow at a faster rate than that from any other sector which poses a major challenge to reduce emissions in line with the Paris Agreement.<sup>27</sup> While there have been significant strides in improving the overall efficiency of vehicles, those efficiency gains have been offset by the increased volume of travel. Specifically, in terms of transport modes, 72% of transport emissions came from road vehicles, which accounted for approximately 80% of the rise in emissions from 1970 – 2010. Given the importance of decarbonizing the transportation sector to meet global climate targets, EVs play an important role due to higher energy efficiency, GHG emission reduction, and air quality improvements.<sup>28</sup>

Considering the above, Sustainalytics is of the opinion that LSH's financing of EV charging stations will foster the use of EVs, and thus contribute to a reduction in emissions in the transport sector.

### Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This green bond advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Green Buildings	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
	11. Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
Renewable Energy	7. Affordable & Clean Energy	7.1 By 2030, ensure universal access to affordable, reliable and modern energy services
Energy Efficiency		7.2 By 2030, increase substantially the share of renewable energy in the global energy mix

<sup>23</sup> UNFCCC, Nationally Determined Contributions (NDCs), available at <https://unfccc.int/process-and-meetings/the-paris-agreement/nationally-determined-contributions-ndcs>

<sup>24</sup> Global Alliance for Buildings and Construction, Towards zero-emission efficient and resilient buildings Global Status Report 2016, available at [https://www.worldgbc.org/sites/default/files/GABC\\_Global\\_Status\\_Report\\_V09\\_november\\_FINAL.pdf](https://www.worldgbc.org/sites/default/files/GABC_Global_Status_Report_V09_november_FINAL.pdf)

<sup>25</sup> Global Alliance for Buildings and Construction, Towards zero-emission efficient and resilient buildings Global Status Report 2016, available at [https://www.worldgbc.org/sites/default/files/GABC\\_Global\\_Status\\_Report\\_V09\\_november\\_FINAL.pdf](https://www.worldgbc.org/sites/default/files/GABC_Global_Status_Report_V09_november_FINAL.pdf)

<sup>26</sup> Intergovernmental Panel on Climate Change (IPCC) 2014, Climate Change 2014: Mitigation of Climate Change, 5<sup>th</sup> Assessment Report, as cited at [https://www.worldgbc.org/sites/default/files/GABC\\_Global\\_Status\\_Report\\_V09\\_november\\_FINAL.pdf](https://www.worldgbc.org/sites/default/files/GABC_Global_Status_Report_V09_november_FINAL.pdf).

<sup>27</sup> WRI, "Everything you need to know about the fastest growing source of global emissions: transport", (2019), available at: <https://www.wri.org/blog/2019/10/everything-you-need-know-about-fastest-growing-source-global-emissions-transport>

<sup>28</sup> EECA, Benefits and Considerations of Electric Vehicles, available at: <https://www.eecabusiness.govt.nz/technologies/electric-vehicles/benefits-and-considerations/>

		7.3 By 2030, double the global rate of improvement in energy efficiency
Pollution Prevention and Control	12. Responsible Consumption & Production	12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment  12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Water/Wastewater Management	6. Clean Water and Sanitation	6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity
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

## Conclusion

LSH has developed the LSH Green Finance Framework under which it will issue green bonds or loans and the use of proceeds to finance projects that improve the carbon footprint and environmental performance of its operations. The Framework defines eligibility criteria in seven areas: (i) Green Buildings, (ii) Energy Efficiency, (iii) Renewable Energy, (iv) Pollution Prevention and Control, (v) Sustainable Water Management, and (vi) Clean Transportation. Sustainalytics considers that the projects funded by the green bond proceeds will provide positive environmental impact.

The LSH Green Finance Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the LSH Green Finance Framework is aligned with the overall sustainability strategy of the company and that the green use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals (SDGs), particularly SDG 6, 7, 9, 11 and 12. Additionally, Sustainalytics is of the opinion that LSH has sufficient measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics believes that LSH Holdings is well-positioned to issue green bonds or loans and that the LSH Green Finance Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2018 and Green Loan Principles 2018

## Appendices

### Appendix 1: Overview of Real Estate Certification Schemes

	LEED	BREEAM	CHINA THREE STAR	NABERS
<b>Background</b>	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.	BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK. Used for new, refurbished and extension of existing buildings.	The Chinese 3-Star Green Building Standard is a Certification System used in China for residential and public buildings (including commercial, hotel and government-owned) that was introduced in 2006 by MOHURD (Ministry of Housing and Urban-Rural Development).	National Australian Built Environment Rating System (NABERS) is a performance-based national rating system that measures the environmental performance of existing buildings, tenancies and homes.
<b>Certification levels</b>	Certified Silver Gold Platinum	Pass Good Very Good Excellent Outstanding	1-Star 2-Star 3-Star	1 Star 2 Star 3 Star 4 Star 5 Star
<b>Areas of Assessment: Environmental Performance of the Building</b>	<ul style="list-style-type: none"> <li>• Energy and atmosphere</li> <li>• Sustainable Sites</li> <li>• Location and Transportation</li> <li>• Materials and resources</li> <li>• Water efficiency</li> <li>• Indoor environmental quality</li> <li>• Innovation in Design</li> <li>• Regional Priority</li> </ul>	<ul style="list-style-type: none"> <li>• Energy</li> <li>• Land Use and Ecology</li> <li>• Pollution</li> <li>• Transport</li> <li>• Materials</li> <li>• Water</li> <li>• Waste</li> <li>• Health and Wellbeing</li> <li>• Innovation</li> </ul>	<ul style="list-style-type: none"> <li>• Land savings and outdoor environment</li> <li>• Energy savings and utilisation</li> <li>• Water savings and utilisation</li> <li>• Material savings and utilisation</li> <li>• Indoor environment</li> <li>• Operations and management.</li> </ul>	<ul style="list-style-type: none"> <li>• Annual Building Energy Consumption</li> <li>• Greenhouse Gas Emission Details</li> </ul>
<b>Requirements</b>	Prerequisites (independent of level of certification) + Credits with associated points  These points are then added together to obtain	Prerequisites depending on the levels of certification + Credits with associated points  This number of points is then weighted by item <sup>29</sup> and gives a BREEAM level of	Prerequisites:  The system functions on a checklist basis, with 1-Star buildings meeting 26 criteria, 2-Star an additional 43 items, and 3-Star on a further 14	NABERS assesses the energy efficiency of commercial buildings by comparing them against benchmarks developed using actual building performance data.

<sup>29</sup> BREEAM weighting: Management 12%, Health and wellbeing 15%, Energy 19%, Transport 8%, Water 6%, Materials 12.5%, Waste 7.5%, Land Use and ecology 10%, Pollution 10% and Innovation 10%. One point scored in the Energy item is therefore worth twice as much in the overall score as one point scored in the Pollution item

	<p>the LEED level of certification</p> <p>There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).</p>	<p>certification, which is based on the overall score obtained (expressed as a percentage). Majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their BREEAM performance score.</p> <p>BREEAM has two stages/ audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.</p>	<p>items. Criteria and weighting differ for public and residential buildings. In public buildings, more weight is given to energy and material savings, while the standard for residential buildings places greater importance on urban land saving and outdoor environments.</p>	
<b>Performance display</b>				

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

### Section 1. Basic Information

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**Issuer name:** Lei Shing Hong Limited

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**Green Bond ISIN or Issuer Green Bond Framework Name, if applicable: *[specify as appropriate]*** Lei Shing Hong Green Finance Framework

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**Review provider's name:** Sustainalytics

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**Completion date of this form:** 29 April, 2020

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**Publication date of review publication: *[where appropriate, specify if it is an update and add reference to earlier relevant review]***

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### 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 GBPs:

- Use of Proceeds
- Process for Project Evaluation and Selection

- Management of Proceeds  Reporting

#### ROLE(S) OF REVIEW PROVIDER

- Consultancy (incl. 2<sup>nd</sup> opinion)  Certification  
 Verification  Rating  
 Other (*please specify*):

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, – (i)Green Buildings, (ii)Energy Efficiency, (iii)Renewable Energy, (iv)Pollution Prevention and Control, (v)Sustainable Water Management, and (vi)Clean Transportation –aligned with those recognized by the GBP 2018. Sustainalytics believes that LSH’s investments will help to improve resource efficiency and promote energy savings, thus positively contributing to reduce GHG emissions of the Company’s operations.

LSH has defined an eight-year look-back period for refinancing activities. Sustainalytics encourages LSH to favor projects that are not older than 2-3 years to be in line with market practice.

LSH intends to use part of the proceeds to finance the construction and/or renovation of green buildings using recognized third-party certification standards, namely LEED Gold or above, Chinese Green Building Evaluation Standard 2 Stars or above, NABERS 5 Stars or above, and BREEAM Very Good or above. Sustainalytics considers the selected minimum certification levels to be aligned with market expectations and views the properties meeting such certification standards as having a positive impact. (See Appendix 1 for additional details on the certification schemes). Additionally, Sustainalytics notes that LSH has set a minimum threshold of 10% energy efficiency improvement compared to its baseline, aiming to achieve respective third-party certification standards.

The Pollution Prevention and Control category includes investments to facilities, systems and equipment that are used for the collection, treatment, and recycling of waste. LSH confirmed that the Company’s investments in the category exclude landfill operations and enable segregation of waste.

Lei Shing Hong limits its investments in the construction, installation, maintenance and operation of renewable energy facilities to solar energy

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

- Renewable energy  Energy efficiency  
 Pollution prevention and control  Environmentally sustainable management of living natural resources and land use

- Terrestrial and aquatic biodiversity conservation
- Clean transportation
- Sustainable water and wastewater management
- Climate change adaptation
- Eco-efficient and/or circular economy adapted products, production technologies and processes
- Green buildings
- Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs
- Other (*please specify*):

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

## 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

According to LSH's project evaluation and selection process, a working group LSH's Corporate Office Team, Property Team, and Management Team will identify eligible projects based on eligibility criteria. Afterwards, the projects will be approved by LSH 's Sustainability Committee. Sustainalytics considers this process to be in line with market practice.

### Evaluation and selection

- Credentials on the issuer's environmental sustainability objectives
- Documented process to determine that projects fit within defined categories
- Defined and transparent criteria for projects eligible for Green Bond proceeds
- Documented process to identify and manage potential ESG risks associated with the project
- Summary criteria for project evaluation and selection publicly available
- Other (*please specify*):

### Information on Responsibilities and Accountability

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

## 3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

The allocation of proceeds will be managed by Treasury Team by using an internal register. The register will include relevant transaction information on green bond/loan details, the eligible green projects list, amount allocated and amount of unallocated proceeds. Pending full allocation, the unallocated proceeds may be held in short-term liquid money instruments such as cash, cash equivalent and marketable securities according to the Group Treasury's general liquidity guidelines. Sustainalytics considers this process to be in line with market practice.

### Tracking of proceeds:

- Green Bond proceeds segregated or tracked by the issuer in an appropriate manner

- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (*please specify*):

**Additional disclosure:**

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

**4. REPORTING**

Overall comment on section (if applicable):

LSH commits to provide an annual allocation and impact report on its website on a best effort basis. The (i) allocation report will comprise data on the allocated amount for each eligible project category, examples and the amount of unallocated proceeds. With regards to the (ii) impact reporting, where feasible, LSH will disclose relevant indicators, such as amount of energy saved (MW), CO2 (or other GHG) avoided (in tonnes), renewable energy generated (MW), amount of waste reduced and/or diverted from landfills (tonnes) and reduction in water consumption (m3). Sustainalytics views the scope and granularity of LSH's reporting to be aligned with market practices.

**Use of proceeds reporting:**

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

**Information reported:**

- Allocated amounts
- Green Bond financed share of total investment
- Other (*please specify*): a list of eligible projects, description of major eligible projects, the remaining balance of unallocated proceeds

**Frequency:**

- Annual
- Semi-annual
- Other (*please specify*):

**Impact reporting:**

- Project-by-project
- On a project portfolio basis

- Linkage to individual bond(s)  Other (please specify):

**Frequency:**

- Annual  Semi-annual  
 Other (please specify):

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

- GHG Emissions / Savings  Energy Savings  
 Decrease in water use  Other ESG indicators (please specify): green building certification obtained, renewable energy generated (MW), amount of waste reduced and/or diverted from landfills, volume of wastewater treated, reused or avoided (m3), number of chargers installed, amount of charging hours provided

**Means of Disclosure**

- Information published in financial report  Information published in sustainability report  
 Information published in ad hoc documents  Other (please specify): corporate website  
 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.)

[www.lsh.com](http://www.lsh.com)

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

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

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

**Review provider(s):**

**Date of publication:**

## ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

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

## Disclaimer

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## Sustainalytics

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