

# Second-Party Opinion

## Zhong Neng Offshore Wind Project

### Green Loan Framework



#### Evaluation Summary

Sustainalytics is of the opinion that the Zhong Neng Offshore Wind Project Green Loan Framework is credible and impactful, and aligns with the four core components of the Green Loan Principles 2021. This assessment is based on the following:



**USE OF PROCEEDS** The eligible category for the use of proceeds Renewable Energy, is aligned with those recognized by the Green Loan Principles. Sustainalytics considers that investments in the eligible category are expected to contribute to the Taiwanese Government’s commitment of delivering 5.5 GW of offshore wind power by 2025 and advance the UN Sustainable Development Goals, specifically SDG 7.



**PROJECT EVALUATION / SELECTION** China Steel Power Corporation’s Board of Directors oversees the internal process for evaluating and selecting projects. China Steel Power Corporation has undertaken an Environmental Impact Assessment to ensure environmental and social risks associated with the project financed are identified and managed. Sustainalytics considers this process to be strong, and the project selection process in line with market practice.



**MANAGEMENT OF PROCEEDS** China Steel Power Corporation’s processes for management of proceeds is overseen by the project and deputy CFO. The allocation of proceeds is systematically tracked in the project budget and the monthly construction reports will be issued throughout the construction period. Pending allocation, unallocated proceeds will be held in cash or cash equivalent. This is in line with market practice.



**REPORTING** China Steel Power Corporation intends to report on allocation and impact of proceeds from green financing to its commercial lenders through a monthly construction report, quarterly operating report and semi-annual environmental and social report. In addition, China Steel Power Corporation is committed to reporting on relevant impact metrics. Sustainalytics views China Steel Power Corporation’s allocation and impact reporting as aligned with market practice.

|                        |                   |
|------------------------|-------------------|
| <b>Evaluation date</b> | November 25, 2021 |
| <b>Issuer Location</b> | Taipei, Taiwan    |

#### Report Sections

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## Introduction

China Steel Power Corporation (“CSPC”, the “Borrower” or the “Company”) is a joint venture head quartered in Taipei City set up by China Steel Corporation (CSC) and the CI IV Investment Fund managed by Copenhagen Infrastructure Partners (CIP). CSPC was formed to develop the Zhong Neng Offshore Wind Project, a wind power facility located 10 km west of Changhua County, Taiwan.

CSPC has developed the Zhong Neng Offshore Wind Project Green Loan Framework (the “Framework”) under which it intends to use the proceeds to finance the construction of the 300 MW Zhong Neng Offshore Wind Project that is expected to contribute to the Taiwanese Government’s commitment of delivering 5.5 GW of offshore wind by 2025.

CSPC engaged Sustainalytics to review the Zhong Neng Offshore Wind Project Green Loan Framework, dated November 2021, and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Loan Principles 2021 (GLP).<sup>1</sup> The Framework may be published in a separate document.<sup>2</sup>

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>3</sup> opinion on the alignment of the reviewed Framework with the 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 Green Loan Principles 2021, as administered by LMA, APLMA and LSTA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the Borrower’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 1.11, 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 CSPC’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. CSPC representatives have confirmed that: (1) they understand it is the sole responsibility of CSPC to ensure that the information provided is complete, accurate and up to date; (2) 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 CSPC.

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 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. The Second-Party Opinion is valid for issuances aligned with the respective Framework for which the Second-Party Opinion was written for a period of 24 (twenty-four) months from the evaluation date stated herein.

<sup>1</sup> The Green Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association and are available at <https://www.lsta.org/content/green-loan-principles/>.

<sup>2</sup> The Zhong Neng Offshore Wind Project Green Loan Framework may become available on the project’s website at: <https://znwp.com.tw>.

<sup>3</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.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realized allocation of the 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 CSPC has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Zhong Neng Offshore Wind Project Green Loan Framework

Sustainalytics is of the opinion that the Zhong Neng Offshore Wind Project Green Loan Framework is credible and impactful, and aligns with the four core components of the GLP. Sustainalytics highlights the following elements of CSPC's Green Loan Framework:

- Use of Proceeds:
  - The eligible category, Renewable Energy, is aligned with those recognized by the GLP. Sustainalytics notes that investment in the proposed wind energy project is expected to contribute to the Taiwanese Government's commitment of delivering 5.5 GW of offshore wind power by 2025.
  - CSPC intends to use the proceeds raised under the Framework for the construction of the Zhong Neng Offshore Wind Project located off the west coast of Changhua County, Taiwan. The project is expected to have a capacity of up to 300 MW generating over 1,122,902 MWh of electricity annually.
- Project Evaluation and Selection:
  - CSPC's Board of Directors was responsible for overseeing the internal process for evaluating and selecting the project.
  - CSPC has undertaken an environmental impact assessment to ensure environmental and social risks associated with the project financed are identified. Furthermore, an independent verifier has conducted an assessment of CSPC's environmental and social risk mitigation systems and has developed an Environmental and Social Action Plan to further manage relevant risks. Sustainalytics considers these environmental and social risk management systems to be strong and aligned with market best practice. For additional detail see Section 2.
  - Based on the above, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
  - The project's CFO and deputy CFO will be responsible for overseeing the processes for management of proceeds. The allocation of proceeds will be systematically tracked in the project budget and a monthly construction report will be issued throughout the construction period. CSPC intends to complete the full allocation of proceeds within 38 months after issuance.
  - Based on the commitments above, Sustainalytics considers this process to be in line with market practice.
- Reporting:
  - CSPC intends to report on allocation of proceeds from the green financing to the project's commercial lenders. CSPC will prepare a monthly construction report disclosing to the lenders and the lenders' technical adviser how the project's funding is allocated and a quarterly operating report during the operation phase of the project. CSPC will also prepare an environmental and social report detailing the ongoing environmental and social performance of the project and summary of the implementation of the environmental and social action plan.
  - In addition, CSPC is committed to reporting on relevant impact metrics, such as MW of contracted capacity and MWh of energy produced.

- Based on the reporting commitments, Sustainalytics considers this process to be in line with market practice.

### Alignment with Green Loan Principles 2021

Sustainalytics has determined that the Zhong Neng Offshore Wind Project Green Loan Framework aligns with the four core components of the GLP.

## Section 2: Sustainability Strategy of CSPC

### Contribution of framework to the Borrower's Sustainability Strategy

Sustainalytics is of the opinion that CSPC demonstrates a commitment to sustainability through the development of the 300 MW Zhong Neng Offshore Wind Project, which it is expected to save 560,000 tonnes of CO<sub>2</sub>e per annum. The project aims to contribute to the Taiwanese government's target of delivering 5.5 GW of offshore wind by 2025<sup>4</sup>. Additionally, CSPC has signed a long-term PPA with the Taiwan Power Corporation, under which all electricity generated by the Zhong Neng Offshore Wind Project will be purchased by the state-owned power utility company<sup>5</sup>. Since CSPC was established for the development of the offshore wind farm project, where both CSC and CIP are accountable to their sustainability mandates within the joint venture, Sustainalytics notes the individual sustainability strategies of CSC and CIP in the remainder of the section.

CSC's sustainability targets and performance are outlined in its 2020 Corporate Social Responsibility Report<sup>6</sup>. CSC has set short-term (2021), medium-term (2023-2025) and long-term (2030) environmental goals which focus on air pollution, water resource, energy management and resource circulation management. Regarding energy management, CSC has set a long-term target of achieving an average annual power savings rate of greater than 1.1%. CSC focuses on providing products with better environmental performance<sup>7</sup> continuously improving the energy efficiency of its operations and overall reducing its carbon emissions. In 2020, 70% of CSC's premium steel was steel with better environmental performance, helping to reduce carbon emissions by an estimated 6.2 million tonnes. Through the CSPC joint venture, CSC intends to supply premium steel for the foundations of the Zhong Neng Offshore Wind Project.

CIP is a fund management company that focuses on investments in greenfield and renewable projects. CIP defines ESG standards for each of its funds and is a signatory to the UN Principles for Responsible Investment, demonstrating the fund's commitment to integrate ESG principles into their investment processes.<sup>8</sup> Ahead of the COP26 summit in Glasgow, CIP announced its ambition to invest a total of EUR 100 billion into green energy investments by 2030<sup>9</sup>.

Sustainalytics is of the opinion that the Zhong Neng Offshore Wind Project Green Loan Framework is aligned with the sustainability strategies of CSC and CIP and that the project will further the mission of the CSPC joint venture.

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

Sustainalytics recognizes that the net proceeds from the loans used under the Framework will be directed towards eligible projects that are expected to have positive environmental impact. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible project could include marine biodiversity loss, underwater noise pollution, impacts to migratory bird species, and occupational health and safety.

<sup>4</sup> Global Wind Energy Council, "Market to Watch: Taiwan offshore wind", (2020) at: <https://gwec.net/market-to-watch-taiwan-offshore-wind/#:~:text=In%20January%202018,%20the%20offshore,island%20between%202026%20and%202035>

<sup>5</sup> China Steel Power Corporation, "Development of the Company" at: [https://www.csc.com.tw/csc\\_e/gc/gro\\_ser\\_p5.html](https://www.csc.com.tw/csc_e/gc/gro_ser_p5.html)

<sup>6</sup> China Steel Corporation, "2020 Corporate Social Responsibility" (2020) at: [https://www.csc.com.tw/csc\\_e/hr/e/hr-2020e.pdf](https://www.csc.com.tw/csc_e/hr/e/hr-2020e.pdf)

<sup>7</sup> Raw materials, processes, finished products and customer applications that have external energy-saving and carbon-reduction benefits. They include (1) high-strength or functional steels for automobiles, boats, buildings, and electrical sheets; (2) Steel with fewer reprocessing procedure, such as non-lead steel, steel requiring no further quenching, non-wire drawing annealing steel; (3) steel with higher endurance such as high-temperature endurance, anti-corrosion, wear resistance, and plating steel

<sup>8</sup> Copenhagen Infrastructure Partners, "Sustainability and Responsible Investment" at: <https://cippartners.dk/sustainability/>

<sup>9</sup> Copenhagen Infrastructure Partners, "CIP aims for EUR 100bn in renewable energy investments by 2030" (2021) at: <https://cippartners.dk/2021/11/01/cip-aims-for-eur-100bn-in-renewable-energy-investments-by-2030/>

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

- CSPC adheres to Taiwan’s Environmental Impact Assessment Act, which requires companies to perform an environmental risk assessment on development activities which may cause adverse environmental impacts.<sup>10</sup> To comply with this law, the Company has published the Zhong Neng Environmental and Social Impact Assessment to identify and mitigate all risks related to the project.<sup>11</sup>
- To address environmental and social risks, CSPC appointed an independent party to assess the project’s alignment with the OECD Common Approaches and Equator Principles.<sup>12,13</sup> The HSE Environmental Management Plan was developed to address specific areas of environmental or social concern which includes but is not limited to, air quality, noise and vibration and terrestrial flora and fauna. This plan provided an extensive list of environmental impacts and how these will be addressed through social and environmental management objectives, such as wind turbine design and waste generation reduction through recycling.
- To address the risks identified in the HSE Environmental and Social Action Plan, the EMP Operational report was developed. The report outlines the monitoring requirements for bird species and marine flora and fauna based on location and frequency to ensure that levels are compliant with environmental regulatory acts. Moreover, the project will integrate ecological surveys before and during the construction in the marine area. The report further outlines mitigants for noise pollution, such as monitoring noise levels and the presence of cetacean activity in proximity to the construction site. The underwater noise will be monitored throughout the project life-cycle, and an emergency response method will be implemented to ensure that the noise does not exceed 160 db.
- In relation to contractors, CSPC requires all companies involved to provide a Project Execution Plan and a Health, Safety and Environmental Plan. Contractors are obliged to undertake monitoring activities during the construction period, including ocean water quality, bird ecology, sea ecology and underwater noise and vibration.
- Regarding occupational health and safety, all staff and visitors are required to undergo training to ensure that they are aware of their responsibilities and are competent to carry out their work in a safe manner.

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

### Section 3: Impact of Use of Proceeds

#### Impact of fostering wind energy investment in Taiwan

Taiwan is almost entirely dependent on energy imports to meet its energy needs: 98% of its energy supply in 2020 came from imports.<sup>14</sup> Fossil fuels, including crude oil and petroleum products, coal and natural gas account for 91.2% of these energy imports, followed by nuclear fuel with 6.6% in 2020.<sup>15</sup> As for electricity generation, Taiwan’s production is led by coal power (44.9%), followed by LNG-fired power (35.7%), nuclear (11.2%), renewable energy (5.5%), and other sources (2.7%).<sup>16</sup> Since fossil fuels are the primary source of electricity, Taiwan’s carbon emissions have risen from 109.28 MtCO<sub>2e</sub> in 1990 to 255.96 MtCO<sub>2e</sub> in 2019, with an increase of 134.22%.<sup>17</sup>

<sup>10</sup> The Republic of China, “Environmental Impact Assessment Act” (2003), at: <https://law.moj.gov.tw/ENG/LawClass/LawAll.aspx?pcode=00090001>

<sup>11</sup> Internal document provided by CSPC to Sustainalytics with links to published EIA reports

<sup>12</sup> OECD, “Recommendation of the council of common approaches for officially supported export credits and environmental and social due diligence” (2016), at: [https://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?doclanguage=en&cote=tad/ecg\(2016\)3](https://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?doclanguage=en&cote=tad/ecg(2016)3)

<sup>13</sup> Equator Principles, “The equator principles” (2020) at: <https://equator-principles.com/wp-content/uploads/2021/02/The-Equator-Principles-July-2020.pdf>

<sup>14</sup> Bureau of Energy of the Ministry of Economic Affairs, “2020 Energy Supply”, (2020), at: [https://www.moeaboe.gov.tw/ECW/populace/content/Content.aspx?menu\\_id=14435](https://www.moeaboe.gov.tw/ECW/populace/content/Content.aspx?menu_id=14435)

<sup>15</sup> Ibid.

<sup>16</sup> Bureau of Energy of the Ministry of Economic Affairs, “2020 Electricity Generation”, (2020), at: [https://www.moeaboe.gov.tw/ECW/populace/content/Content.aspx?menu\\_id=14437](https://www.moeaboe.gov.tw/ECW/populace/content/Content.aspx?menu_id=14437)

<sup>17</sup> International Energy Agency, “Chinese Taipei Key energy statistics 2019”, (2019), at: <https://www.iea.org/countries/chinese-taipei>

In 2015, Taiwan voluntarily published its NDCs and passed the Greenhouse Gas Reduction and Management Act, committed to reducing its GHG emissions to 50% by 2050, compared with 2005 levels.<sup>18</sup> Furthermore, the Taiwanese government has proposed to become nuclear-free beyond 2025 and aims to increase the share of renewable energy to 20% of its power sources.<sup>19</sup> To accelerate renewable energy generation, the Taiwanese government supports the development of 5.5 GW of offshore wind capacity by 2025, and a further 10 GW capacity by 2035.<sup>20</sup> In support of this ambition, the Taiwanese government has established the Four-year Wind Power Promotion Plan 2017, under which the first commercial-scale offshore wind farm, Formosa 1, officially started operating on 12 November 2019.<sup>21</sup> According to the Ministry of Economic Affairs, total aggregate inward investment by 2025 is estimated to exceed TWD 1 trillion (USD 36 billion) to install the 5.5 GW offshore wind capacity.<sup>22,23,24</sup>

Given the above context, Sustainalytics believes that the use of proceeds from CSPC's green loans will increase the share of renewable energy generation, particularly in wind power, in Taiwan, and thus support a shift towards a green-energy country.

#### Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by the year 2030. The loans structured under the Zhong Neng Offshore Wind Project Green Loan Framework are expected to advance the following SDG and target:

| 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 |

#### Conclusion

CSPC has developed the Zhong Neng Offshore Wind Project Green Loan Framework under which CSPC may obtain green loans and use the proceeds to finance the Zhong Neng Offshore Wind Project. Sustainalytics considers that the project funded by the green loan proceeds is expected to reduce carbon emissions through the production of renewable energy.

The Zhong Neng Offshore Wind Project Green Loan Framework outlines a process for tracking, allocating and managing proceeds, and makes commitments for CSPC to report on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Zhong Neng Offshore Wind Project Green Loan Framework is aligned with the overall sustainability strategy of CSPC and that the green use of proceeds category will contribute to the advancement of the UN Sustainable Development Goal 7. Additionally, Sustainalytics is of the opinion that CSPC has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the proceeds.

Based on the above, Sustainalytics is confident that China Steel Power Corporation is well positioned to obtain green loans and that the Zhong Neng Offshore Wind Project Green Loan Framework is robust, transparent, and in alignment with the four core components of the Green Loan Principles 2021.

<sup>18</sup> Environmental Protection Administration Executive Yuan, R.O.C (Taiwan), "GHG Reduction and Management Act", at: [https://ghgrule.epa.gov.tw/eng\\_article/index/15](https://ghgrule.epa.gov.tw/eng_article/index/15)

<sup>19</sup> Environmental Protection Administration Executive Yuan, R.O.C (Taiwan), "Taiwan Shares Expertise at UNFCCC COP25", (2020), at: <https://www.epa.gov.tw/eng/F7AB26007B8FE8DF/be69137e-dd10-4910-83b8-5f2a3bc8b79c>

<sup>20</sup> The European Chamber of Commerce Taiwan, "Taiwan's offshore wind energy ambitions are within reach and will power a green recovery", (2020), at: <https://www.evwind.es/2020/10/13/taiwans-offshore-wind-energy-ambitions-are-within-reach-and-will-power-a-green-recovery/77698>

<sup>21</sup> Green Investment Group Limited, "Inauguration Ceremony for Taiwan's First Commercial Scale Offshore Wind Farm", (2019), at: <https://www.greeninvestmentgroup.com/en/news/2019/inauguration-ceremony-for-taiwans-first-commercial-scale-offshore-wind-farm.html>

<sup>22</sup> Executive Yuan, "Wind power program key to achieving nuclear-free homeland", (2019), at: <https://english.ey.gov.tw/Page/61BF20C3E89B856/0a648ac9-8aa6-4a58-a2d1-10a544ee2da0>

<sup>23</sup> Executive Yuan, "Four-year Wind Power Promotion Plan", (2019), at: <https://english.ey.gov.tw/News/9E5540D592A5FECD/d603a1bf-9963-4e53-a92b-e6520a3d93ff>

<sup>24</sup> Ibid.

## Appendix

### Appendix 1: Green Loan Programme - External Review Form

#### Section 1. Basic Information

|  |  |
|--|--|
| <b>Borrower name:</b>  | China Steel Power Corporation                      |
| <b>Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:</b> | China Steel Power Corporation Green Loan Framework |
| <b>Review provider's name:</b>   | Sustainalytics                                     |
| <b>Completion date of this form:</b>                                       | November 25, 2021                                  |
| <b>Publication date of review publication:</b>                             |  |

#### Section 2. Review overview

##### SCOPE OF REVIEW

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

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

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

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

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 <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 category for the use of proceeds Renewable Energy, is aligned with those recognized by the Green Loan Principles. Sustainalytics considers that investments in the eligible category are expected to contribute to the Taiwanese Government's commitment of delivering 5.5 GW of offshore wind power by 2025 and advance the UN Sustainable Development Goals, specifically SDG 7.

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

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

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

### 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

China Steel Power Corporation's Board of Directors oversees the internal process for evaluating and selecting projects. China Steel Power Corporation has undertaken an Environmental Impact Assessment to ensure environmental and social risks associated with the project financed are identified and managed. Sustainalytics considers this process to be strong, and the project selection process in line with market practice.

#### Evaluation and selection

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
|---|---|

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available       | <input type="checkbox"/> Other ( <i>please specify</i> ):   |

#### 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 ( <i>please specify</i> ):  |  |

### 3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

China Steel Power Corporation's processes for management of proceeds is overseen by the project and deputy CFO. The allocation of proceeds is systematically tracked in the project budget and the monthly construction reports will be issued throughout the construction period. Pending allocation, unallocated proceeds will be held in cash or cash equivalent. This is in line with market practice.

#### Tracking of proceeds:

- |   |
|---|
| <input checked="" type="checkbox"/> Green 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 ( <i>please specify</i> ):   |

#### Additional disclosure:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Allocations to future investments only       | <input type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements                  | <input type="checkbox"/> Allocation to a portfolio of disbursements          |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other ( <i>please specify</i> ):                    |

### 4. REPORTING

Overall comment on section (*if applicable*):

China Steel Power Corporation intends to report on allocation and impact of proceeds from green financing to its commercial lenders through a monthly construction report, quarterly operating report and semi-annual environmental and social report. In addition, China Steel Power Corporation is committed to reporting on

relevant impact metrics. Sustainalytics views China Steel Power Corporation's allocation and impact reporting as aligned with market practice.

**Use of proceeds reporting:**

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

**Information reported:**

- Allocated amounts
  Green Bond financed share of total investment  
 Other (*please specify*):

**Frequency:**

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

**Impact reporting:**

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

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

- GHG Emissions / Savings
  Energy Savings  
 Decrease in water use
  Other ESG indicators (*please specify*): MW of contracted capacity and MWh of energy produced

**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*): Information reported to lenders  
 Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

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

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

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

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

- |  |  |
|--|--|
| <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:**

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

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

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