Second-Party Opinion
Sustainable Financing Framework for Agricultural Bank of China Limited, Singapore Branch

Evaluation Summary
Sustainalytics is of the opinion that the Sustainable Financing Framework for Agricultural Bank of China Limited, Singapore Branch is credible and impactful, and aligns with the Sustainability Bond Guidelines 2018, Green Loan Principles and ASEAN Sustainability Bond Standards. This assessment is based on the following:

USE OF PROCEEDS The eligible category for the use of proceeds (i) Renewable Energy, (ii) Energy Efficiency, (iii) Pollution Prevention and Control, (iv) Environmentally Sustainable Management of Living Natural Resources, (v) Clean Transportation, (vi) Green Buildings, (vii) Access to Essential Services, (viii) Affordable Housing, (ix) Employment Generation including through SME Financing/Microfinance are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers that the Eligible Sustainable Assets will have a positive environmental impact and contribute to the socio-economic advancement of disadvantaged target populations throughout mainland China and other countries and to advance the UN Sustainable Development Goals 3, 4, 7, 8, 9, 11 and 12.

PROJECT EVALUATION / SELECTION The project evaluation and selection process is conducted by a dedicated Sustainable Financing Working Group with cross functional representation and chaired by the Deputy General Manager of Risk Management, which is in line with market practices.

MANAGEMENT OF PROCEEDS The proceeds of sustainable transactions will be deposited in the general account of Agricultural Bank of China Limited, Singapore Branch (ABC Singapore Branch). ABC Singapore Branch will establish a register recording each specific asset allocated. The unallocated proceeds are to be invested in cash or cash equivalents according to its local liquidity management guidelines, and in line with market practices. ABC Singapore Branch will aim to deploy full allocation of net proceeds to eligible categories within 12 months from drawdown or issuance. This is aligned with market practice.

REPORTING ABC Singapore Branch commits to disclose annual allocation and impact reporting in line with market practices. The allocation reporting will cover relevant transaction data and impact reporting will cover impact indicators and KPIs for each Green and Social Category. Sustainalytics considers the scope and frequency of reporting to be aligned with market practice.

Alignment with the ASEAN Sustainability Bond Standards
The ASEAN Sustainability Bond Standards provide guidance to issuers and communicate more specifically what an issuer should do to issue a credible green bond within Southeast Asia. Sustainalytics is of the opinion that the green categories and social categories under the Sustainable Financing Framework for Agricultural Bank of China Limited, Singapore Branch align with the ASEAN Sustainability Bond Standards.
Introduction

Agricultural Bank of China Limited ("ABC") is a Chinese commercial bank running four business segments, Corporate Finance, Personal Finance, Treasury and Asset Management, with branches in mainland China, Hong Kong, London, Tokyo, New York, Frankfurt, Sydney, Seoul and Singapore. It was founded in 1951 and it is headquartered in Beijing, China.

Agricultural Bank of China Limited, Singapore Branch ("ABC Singapore Branch" or "the branch") has developed the Sustainable Financing Framework for Agricultural Bank of China Limited, Singapore Branch (the "Framework") under which it intends to issue loans, bonds, private placements and/or other debt instruments and use the proceeds to finance or refinance, in whole or in part, existing and/or future projects, pure-play companies or assets that align with the sustainability bond market standards. The Framework defines eligibility criteria in nine areas:

1. Renewable Energy
2. Energy Efficiency
3. Pollution Prevention and Control
4. Environmentally Sustainable Management of Living Natural Resources and Land Use
5. Clean Transportation
6. Green Buildings
7. Access to Essential Services
8. Affordable Housing
9. Employment Generation including through SME financing/microfinance

ABC Singapore Branch engaged Sustainalytics to review the Sustainable Financing Framework, dated August 2019 and provide a second-party opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2018 (SBG)\(^1\) the Green Loan Principles (GLP)\(^2\) and the ASEAN Sustainability Bond Standards (ASBS)\(^3\) This Framework has been published in a separate document.\(^4\)

As part of this engagement, Sustainalytics held conversations with various members of ABC Singapore Branch’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 its sustainability transactions. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Sustainable Financing Framework for ABC Singapore Branch and should be read in conjunction with that Framework.

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\(^1\) The Sustainability Bond Guidelines are administered by the International Capital Market Association and are available at https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/


\(^3\) The ASEAN Sustainability Bond Standards are administered by the ASEAN Capital Markets Forum, and is available at: https://www.sc.com.my/api/documentms/download.ashx?id=3c4f768f-a290-4722-b9d1-ef55942fbfde

Sustainalytics’ Opinion

Section 1: Sustainalytics’ Opinion on the Sustainable Financing Framework for Agricultural Bank of China Limited, Singapore Branch

Summary

Sustainalytics is of the opinion that the Sustainable Financing Framework for Agricultural Bank of China Limited, Singapore Branch is credible and impactful, and aligns with the four core components of the Green Loan Principles 2018 (GLP), Green Bond Principles 2018 (GBP), Social Bond Principles 2018 (SBP), Sustainability Bond Guidelines (SBG), and the ASEAN Sustainability Bond Standards 2018 (ASBS). Sustainalytics highlights the following elements of the Framework:

Use of Proceeds:

- ABC Singapore Branch intends to issue loans, public bonds, private placements and/or other debt instruments under the framework and use the proceeds to finance projects/clients/assets, including pure-play companies. Sustainalytics considers that the projects and activities financed can contribute to improving the environmental performance of agricultural and other business activities and provide positive social impact.

- ABC Singapore Branch intends to use part of the proceeds for project-based lending and part for general purpose loans for pure-play businesses that derive 90% of revenues from eligible categories. Sustainalytics notes that the GBP, SBP, SBG, GLP and ASBS favor project-based lending, and that there is in general less transparency associated with reporting on non-project-based financing. Where proceeds are used for general purpose loans, Sustainalytics recommends that ABC Singapore Branch track and disclose the portion of bond proceeds allocated to general-purpose loans and to provide detailed impact reporting. Sustainalytics highlights that ABC Singapore Branch’s pure play approach does not apply to the category “Environmentally sustainable management of living natural resources and land use”. For this category, ABC Singapore Branch will focus on expenditures related to the eligible projects defined under this category. Sustainalytics notes that the category includes projects related to palm oil production limited to operations with RSPO certification and no expansion into new land, and notes that eligible projects are defined as follows:
  - R&D into yield intensification as a strategy for no deforestation, replanting of higher yielding material, conservation and restoration efforts; and/or
  - development of wildlife corridors; and/or
  - CAPEX investments at mills with traceable and certified palm oil to reduce emissions and discharge.

ABC Singapore Branch’s Framework does not explicitly require that financing provided to palm oil refineries and mills be provided only to those that source 100% of their palm oil from RSPO-certified sources. Sustainalytics considers this a limitation and encourages ABC Singapore Branch to ensure that financing is directly only to mills and refineries that meet this criterion.

- ABC Singapore Branch intends to use part of the proceeds to finance integrated municipal and commercial waste collection, recycling and diversion programs and pure play companies dedicated to waste management. Sustainalytics highlights positively that ABC Singapore Branch excludes landfill operations as well as incineration without energy recovery. Sustainalytics notes that waste treatment does not necessarily increase the rate of waste that is recycled, reused or used for recovery. Given the lack of knowledge, skill, labor, and technology for managing hazardous waste, as well as inadequate waste handling and treatment facilities in some ASEAN countries, Sustainalytics believes that financing adequate waste and adequate hazardous waste treatment can have a positive environmental and social impact. However, Sustainalytics encourages ABC Singapore Branch to limit financing to those projects and activities that have a clear positive environmental benefit and to report transparently on the activities financed and impact achieved.

- ABC Singapore Branch uses recognized third-party green building certification standards such as LEED (Gold or above), BEAM Plus (Gold or above), the Singapore Green Mark (Gold or above), or the China Green Building Evaluation Standard (Two-star or above) for projects that can include development of new buildings of refurbished buildings. Sustainalytics has conducted an assessment of these certification schemes (see Appendix 3). In addition, Sustainalytics highlights that ABC Singapore...
Branch’s 20% energy efficiency threshold for products and technologies related to buildings and other assets ensures that the investments will have significant impact on the energy performance of buildings. However, given the broad inclusion of energy efficiency in manufacturing processes, Sustainalytics recommends to transparently report on the technologies financed and applicable sectors.

- ABC Singapore Branch also intends to use part of the proceeds for agricultural practices and systems to improve traceability in supply chain such as direct (“close to farmer”) sourcing to further combat deforestation and land abuse. While Sustainalytics considers technologies and practices to combat deforestation and land abuse to reduce some of the negative impacts of agricultural practices, Sustainalytics considers the broad scope of the criterion to be a limitation because it may allow minor improvements in agricultural value chains that have significant negative environmental and social impacts that cannot be outweighed by merely reducing deforestation. Sustainalytics encourages ABC Singapore Branch to report transparently on the type of projects financed under this category.

- The Framework includes the financing of animal husbandry operations that have received local or regional organic labels. Such labels generally result in positive environmental impacts in areas such as water, soil management and animal welfare. Sustainalytics also notes, however, that the standards behind such labels vary considerably, and they generally do not address the GHG emissions that result from livestock production. Given this, in Sustainalytics’ view this criterion may not adequately address the potential negative impacts of animal husbandry.

- Sustainalytics highlights the use of credible certification systems for forestry (FSC and PEFC), aquaculture (ASC), fisheries (MSC), and agriculture (Rainforest Alliance). Please see Appendix 1 and 2 for a detailed assessment of these standards. However, ABC Singapore Branch’s Framework does not specifically exclude ASC certifications granted with a variance from the standard. Sustainalytics strongly encourages ABC Singapore Branch to prioritize allocations to companies or projects with a full and complete ASC certification so as to ensure the full alignment with the standard. A list of variance requests is available on ASC’s website.\(^6\)

- Sustainalytics highlights that ABC Singapore Branch’s framework limits the financing of hydropower projects to those with capacity less than 25MW; the development and manufacture of vehicles to those emitting less than 75g CO\(_2\)/kWh\(^2\); and the development of bioenergy plants, waste-to-energy plants and geothermal plants to those with a maximum emissions intensity of 100gCO\(_2\)/kWh. Sustainalytics further notes that biomass used for energy will not be derived from sources that compete with food production and that ABC Singapore Branch excludes agricultural or afforestation operations located on land designated as primary forest, rich in biodiversity, high conservation value areas, or legally preserved areas, also applicable for the sourcing of feedstock for biomass.

- Regarding social projects, ABC Singapore Branch defined the following target populations for eligible projects:
  - Investments in healthcare and education facilities and services are limited to public institutions or non-for-profit organizations.
  - ABC Singapore Branch intends to finance the purchase and development of social housing, defining social housing by local governmental definition. Given the different approaches taken by governments on defining social housing, Sustainalytics recommends ABC Singapore Branch to transparently report on the definitions used in its annual reporting.
  - ABC Singapore Branch also intends to finance SMEs in underdeveloped regions and microcredits and finance any suitable financial instruments and supporting services for SMEs. Sustainalytics highlights ABC’s clarification that microcredits will be provided for low-income groups defined as those living on less than USD 3.20 per day reflects poverty lines in lower-middle-income countries and USD 5.50 a day in upper-middle-income countries. ABC Singapore Branch further clarifies that it will provide favorable rates and repayment terms. Sustainalytics encourages the company to provide transparent reporting on the general terms of microfinancing and to report on the types of financial instruments and supporting services for SMEs.

In addition, Sustainalytics highlights positively the use of the IFC definition to define SMEs and the use of the IFC exclusion list for screening of SMEs, as well as the exclusion of agricultural operations on land with high biodiversity and non-traceable and non-RSPO certified palm oil.

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\(^6\) ASC’s list of variance requests and variances previously granted is available here: [http://variance-requests.asc-aqua.org/](http://variance-requests.asc-aqua.org/)

\(^2\) For 2020, the thresholds are set for 75gCO\(_2\)/passenger-km and 25gCO\(_2\)/ton-km, more information available at: [https://www.climatebonds.net/files/files/Low%20Carbon%20Transport%20Background%20Paper%20Feb%20202017.pdf](https://www.climatebonds.net/files/files/Low%20Carbon%20Transport%20Background%20Paper%20Feb%20202017.pdf)
• ABC Singapore Branch limits investments in the development of roads to areas that lack connectivity, or in areas lacking infrastructure in underdeveloped regions and low-income OECD DAC countries.

• While ABC Singapore Branch does not disclose a lookback period in its framework, ABC Singapore Branch has committed to report on the portion of financing vs refinancing in its annual allocation report.

Project Evaluation and Selection:
• The project evaluation and selected process is executed through a dedicated Sustainable Financing Working Group headed by the Deputy General Management of Risk Management and comprising a comprehensive cross functional representation from the Front Office Departments, Credit Risk Department Officer and Back Office Department along with four deputy general managers from the Senior Management team. Sustainalytics assesses the team configuration as well as the overall process to be aligned with current market practices.

Management of Proceeds:
• ABC Singapore Branch confirmed to Sustainalytics that the branch will establish a separate register where it will deposit the proceeds and record the allocations through its internal systems. Pending full allocation, the unallocated proceeds will be invested in cash or cash equivalent according to the company’s local liquidity management guidelines. Sustainalytics views this process to be aligned with market practices.

Reporting:
• ABC Singapore Branch has committed to make available an annual allocation and impact reporting, as part of the company’s Singapore Branch annual report or as a standalone document. The (i) allocation reporting will comprise data relative to the list of Eligible Sustainable Assets financed or refinanced, the aggregated amount allocated to each asset, the balance of unallocated proceeds along with other more granular date. The (ii) impact reporting will cover quantitative data on the sustainability output resulting from the investments, tailored on multiple relevant impact metrics for each Green and Social Categories, such as: tonnes of GHG avoided, energy savings in kWh, number of people reached with improved healthcare, number of total affordable public housing financed, number of people/enterprises which benefited from SME financing and total SME financing provided, and others. Sustainalytics views the extensive scope and granularity of ABC Singapore Branch’s reporting to match current market practices.

Alignment with Sustainability Bond Guidelines 2018, Green Loan Principles and ASEAN Sustainability Bond Standards
Sustainalytics has determined that ABC Singapore Branch’s sustainability transactions align to the four core components of the Green Bond Principles 2018, Social Bond Principles 2018, the Sustainability Bond Guidelines, the Green Loan Principles and the ASEAN Sustainability Bond Standards. For detailed information please refer to Appendix 4 and 6: Alignment to the ASEAN Sustainability Bond Standards and Sustainability Bond/ Sustainability Bond Programme External Review Form.

Section 2: Sustainability Strategy of the Issuer

Contribution of Framework to Issuer’s sustainability strategy and performance
ABC complies with the policy requirements set out by China’s State-owned Assets Supervision and Administration Commission of the State Council (“SASAC”), which oversees all state-owned companies on behalf of the Central Government of the People’s Republic of China. All of SASAC’s corporate social responsibility policies, laws and regulations, mostly decided through the 13th Five-Year Plan for Economic and Social Development of the People’s Republic of China, apply to ABC’s regular business operations,
prescribing the vision, policy direction and sustainability commitments of all Chinese state-owned corporations.

In its 2017 Sustainability report, ABC reported a balance of green credit of RMB 747 billion (USD 108 billion) and had issued 10 green bonds totaling RMB 38.3 billion (USD 5.5 billion).\textsuperscript{11} Targeting structural improvements in environmental protection and remediation, ABC actively participated in funding green projects and assets through the expansion of its green credit facilities, such as clean energy, green transport, green agriculture, green building, regional pollution prevention and control and treatment, industrial energy and water conservation, recycling throughout mainland China. In the interest of transparency and to support expand credibility of the sustainable finance market, Sustainalytics encourages ABC Singapore Branch to likewise try to publicly disclose the projects and assets financed, within the limits of confidentiality rules.\textsuperscript{12}

Separately, in 2017, the bank participated in supporting the Chinese government’s goals to reduce and eliminate poverty by issuing poverty alleviation loans in the amount of RMB 371 billion (around USD 53.7 billion) which benefitted 6.65 million people\textsuperscript{13} previously living below the poverty line. ABC’s poverty alleviation loans target people living under the poverty line, in line with the propositions set out by the 19\textsuperscript{th} National Congress of the Community Party of China,\textsuperscript{14} and support infrastructure construction, development of modern agriculture, county-level industrial enterprises and small and micro enterprises and projects. Similar initiatives were formulated for affordable housing loans (RMB 177 billion – around USD 25.6 billion)\textsuperscript{15} issued for the renovation of distressed districts targeting to better ensure household stability, economic security and to improve overall livelihood outcomes.

Overall, Sustainalytics considers that ABC has demonstrated a strong intent to expand sustainable finance operations and re-direct capital towards environmentally and socially impactful projects and assets. Sustainalytics encourages ABC Singapore Branch to set time-bound and quantifiable targets and align its sustainability performance with the sustainability provisions of the Chinese state-owned companies.

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

Although the Green and Social Eligible Categories are aligned with those recognized as impactful by current market norms (GBP, SBP, SBG), Sustainalytics acknowledges that the Eligible Sustainable Assets may entail environmental and social risks. These risks may be related to loss of biodiversity and land use change for large scale renewable energy plants, unsustainable agricultural practices, construction and transportation projects or transmissions systems, as well as unintended air, water and land discharges (dust, particles, noise), fire, electrical and health and safety risks related to infrastructure and agricultural projects or recycling processes.

Under the Chinese regulations, project owners are obliged to conduct an Environmental Impact Assessment for all projects. The financing of banks for projects is limited to those projects/business that fulfill/pass the Environmental Impact Assessment.\textsuperscript{16,17} According to the Chinese Environmental Impact Assessment Act, the company must hire an independent third-party and certified impact assessment agency following a public tender process. The regulation stipulates that the assessment must include the identification of key risk factors related to air, water, soil pollution or human health. Additionally, the same Act instructs that the third-party agency prescribes prevention and remediation solutions, counsel on technologies along with calculations and budgets for such technologies. The independent Environment Impact Assessment is to be send by the agency to the Ministry of Environment Protection of China for final approval.

ABC Singapore Branch confirmed to Sustainalytics that its loan process requires recycling projects to have national environmental and health and safety standards. According to the Regulations for the Administration

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\textsuperscript{12} Idem
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\textsuperscript{13} Idem
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\textsuperscript{14} 19\textsuperscript{th} National Congress of the Communist Party of China, available at: http://english.www.gov.cn/19thcpccongress/achievements/
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\textsuperscript{16} Environmental Impact Assessment in China, technical report available at: https://www.researchgate.net/publication/26850332_Environmental_Impact_Assessment_in_China
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\textsuperscript{17} Law of the People’s Republic of China on Evaluation of Environmental Effects available at: https://www.elaw.org/eialaw/china
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of the Recovery and Disposal of Waste Electric and Electronic Products, the disposal of e-waste is subject to the governmental requirements, mainly related to comprehensive utilization of resources, environmental protection, labor safety and public health. Furthermore, the disposal of the recovered e-waste shall be executed by the qualified Disposing Enterprises.

Based on the above, Sustainalytics is of the opinion that Chinese regulation can help ABC Singapore Branch to mitigate environmental and social risks commonly associated with its Eligible Sustainable Assets that are in China. Sustainalytics encourages ABC Singapore Branch to develop a process to assess environmental and social risks of the eligible projects and assets.

Section 3: Impact of Use of Proceeds

All nine use of proceeds categories are recognized as impactful by the Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines, Green Loan Principles, and ASEAN Sustainability Bond Standards. Sustainalytics has focused on three below where the impact is specifically relevant in the local context.

Importance of renewable energy infrastructure deployment, green buildings and low-carbon transportation to decrease carbon reliance and air pollution

Despite China’s aspirational commitment to become an ‘ecological civilization’ and overcome its environmental challenges, the country became the largest GHG emitter globally with 9040.74 million metric tons, being responsible for 27% of the global emissions in 2007, more than the US and EU combined.

To tackle its air pollution, the Chinese government increased its investments to around USD 277 billion in green infrastructure investments, achieving a 18.2% energy intensity reduction and a 20% carbon intensity reduction between 2010 and 2015. The country also committed to a subsequent target to decrease its energy consumption per unit of GDP by an additional 15% by 2020. Given that China became the world’s largest investor in renewable energy production, transmission and storage with total expenditures of USD 102.9 billion, the Chinese government made a commitment to reduce its coal reliance from 64% to 55% of the energy mix by 2020, and offset the difference through an increase in non-fossil fuel energy consumption of up to 15% of the mix by 2020 and 20% by 2030. Sustainalytics views that ABC Singapore Branch’s investments into renewable energy production and transmission assets are aligned with the country’s targets and policies and will contribute to reach its Paris Climate Agreement Pledge, as well as to a potential improvement in the ambient air quality.

Similarly, China’s accelerated urbanization rate from less than 20% in 1980 to more than 60% in 2019 (which is expected to reach 80% by 2050) increased the energy consumption of the building sector in China by an additional 20%. In order to reduce the carbon footprint originating from the building sector, statistics indicated that there is a USD 12.9 trillion financing gap in order for the local market to keep up with the Chinese government’s commitment to build 50% of all new buildings under green building frameworks.

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24 China’s carbon reliance statistics retrieved from: https://www.climatechangenews.com/2017/01/30/china-energy-efficiency-improved-in-2016-
26 https://ourworldindata.org/urbanization
27 Idem
Sustainalytics highlights the urgency to tackle buildings’ emissions, as the continued extensive urbanization rate is calculated to increase the building’s energy use by more than 40% in the upcoming 15 years. ABC Singapore Branch uses internationally recognized third-party certification schemes which ensure impactful investments, along with a 20% threshold in green building related energy efficiency investments such as improved chillers, LED lighting and others, thus aligning its investments with the Chinese government’s policies for a green transition.

In addition, China’s transportation sector accounted for more than 15% of its energy requirements in 2010, and is the sector with the most rapid growth in energy consumption equaling 40% of the total oil demand. However, governmental investments in clean transportation achieved a 70% year over year increase in the electric vehicle charging posts, with more than 1 million installed units across the country and more than 152,000 EV units sold in 2019 (80% increase compared to 2018). In this sense, Sustainalytics views that ABC Singapore Branch’s initiative to invest in clean transportation solutions to be aligned with the government’s policies to reduce the energy intensity and fossil fuel reliance of the transportation sector.

Impact of healthcare centers in China to provide basic services to underserved communities

ABC Singapore Branch confirmed to Sustainalytics that a portion of its use of proceeds will be dedicated to financing public or not-for-profit healthcare centers which have a free and universal character. Studies indicated that the Chinese healthcare system faces three structural issues related to (i) a rural/urban divide and unequal healthcare services across the country, (ii) the overcrowding of tertiary hospitals and (iii) a shift in the needs of patient due to a growing elderly population. The studies concluded that rural clinics are usually understaffed, undersupplied and underutilized, which in turn enforces an in-country medical migration causing an overcrowding of tertiary hospitals located in large cities, typically handling more than 50% of total patients in less than 8% of the country’s medical centers. Sustainalytics considers that ABC Singapore Branch’s financing the development and operation of healthcare centers will contribute to an improvement in the overall access for healthcare services in China and in other parts of the world.

Importance of sustainable management of living natural resources to strengthen the agricultural sector in China and Southeast Asia

ABC Singapore Branch confirmed to Sustainalytics part of the proceeds will be allocated to finance projects related to the sustainable management of living natural resources and certified industrial operations and processes which restore ecological systems to a healthy state. Scientists calculated that the value of the ecosystem services in China was 1.73 times the GDP in 1994, largely originating from the forest ecosystem services, the wetland ecosystem services and the grassland ecosystem services, together contributing to almost three percent of the planet’s ecosystem services. However, other studies indicated that the net value of those same services decreased significantly over the last 60 years largely due to significant negative impacts on wetlands and grasslands originating from intensive farming and mining activities. The Chinese authorities concluded that more than a quarter of the country’s wetlands were lost to farming and mining activities, while 90% of its remaining 4 million km² of grassland are in poor health. As the UN considers China one of the 13 countries most affected by water scarcity due to the asymmetry between water resources and overpopulation and human consumption, grassland loss is seen as a major contributor to exacerbate water shortages and sandstorms.

The people living in the Southeast Asia countries account for almost 9% of the global population, in which 75% of those people are considered as rural. Given the significant demographic challenges coming from the
primary goal of feeding the population, agriculture is the main resource of livelihood in the Southeast Asia countries. According to the Food and Agriculture Organizations (FAO) of the UN, the agricultural sector still accounts for about 12% of the regional GDP. Therefore, advancing agricultural sector plays a crucial role in terms of job creation and adding value to regional commodities.

In this sense, Sustainalytics considers that ABC Singapore Branch’s investments into projects and assets certified under FSC, PEFC, RSPO, ASC, MSC, Rainforest Alliance and other equivalent, may be an important contributor to restore ecosystem services while advancing the agricultural sector in Southeast Asia, China and other parts of the world.

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 sustainability bond advances the following SDG goals and targets:

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<thead>
<tr>
<th>Use of Proceeds Category</th>
<th>SDG</th>
<th>SDG target</th>
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<tbody>
<tr>
<td>Renewable Energy</td>
<td>7. Affordable and Clean Energy</td>
<td>7.2 By 2030, increase substantially the share of renewable energy in the global energy mix</td>
</tr>
<tr>
<td>Energy Efficiency</td>
<td>9. Industry, Innovation and Infrastructure</td>
<td>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</td>
</tr>
<tr>
<td>Green Buildings</td>
<td>11. Sustainable Cities and Communities</td>
<td>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.</td>
</tr>
<tr>
<td>Pollution Prevention and Control</td>
<td>12. Responsible Consumption and Production</td>
<td>12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.</td>
</tr>
<tr>
<td>Environmentally Sustainable Management of Living Natural Resources and Land Use</td>
<td>9. Industry, Innovation and Infrastructure</td>
<td>9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all</td>
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<td></td>
<td>11. Sustainable Cities and Communities</td>
<td>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</td>
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<tr>
<td>Clean transportation</td>
<td>4. Quality Education</td>
<td>4.1 By 2030, ensure that all girls and boys complete free, equitable, and quality primary and secondary education</td>
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Conclusion

Agricultural Bank of China Limited, Singapore Branch has developed the Sustainable Financing Framework (the “Framework”) under which it intends to issue loans, bonds, private placements and/or other debt instruments and use the proceeds to finance or refinance, in whole or in part, existing and/or future projects, pure-play companies or assets that provide a positive environmental impact and contribute to the socio-economic advancement of underprivileged target populations in the categories (i) Renewable Energy, (ii) Energy Efficiency, (iii) Pollution Prevention and Control, (iv) Environmentally Sustainable Management of Living Natural Resources, (v) Clean Transportation, (vi) Green Buildings, (vii) Access to Essential Services, (viii) Affordable Housing, (ix) Employment Generation including through SME Financing/Microfinance.

Sustainalytics considers ABC Singapore Branch’s processes for projects selection and evaluation, management of proceeds and reporting to be in line with market practice.

Despite some of the limitations outlined above, mainly related to sustainable management of living natural resources, Sustainalytics is of the opinion that the projects, pure-play companies or assets financed by ABC Singapore Branch will provide a positive social and environmental impact and encourages the branch to provide detailed reporting on the impact achieved.

Based on the above Sustainalytics considers ABC Singapore Branch to be well-positioned to issue loans, bonds, private placements and believes that its Sustainable Financing Framework is impactful, transparent and in alignment with the four components of the Green Bond Principles 2018, the Social Bond Principles 2018, the Sustainability Bond Guidelines 2018, and the ASEAN Sustainability Bond Standards.
Appendices

Appendix 1: Sustainalytics’ Analysis of FSC and PEFC Certifications

FSC and PEFC are both based on rigorous standards and on a multi-stakeholder structure. Both organizations are in line with international norms such as the International Labor Organization (ILO) conventions, the Convention on Biological Diversity (CBD), and the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). In addition to compliance with laws in the country of certification, both schemes have a set of minimum requirements that companies are required to meet to obtain and maintain certifications. These requirements include compliance with standards around sustainable management of forests, management of environmental impact of operations, preservation of biodiversity, management of socio-economic and community relations, and sourcing of sustainable wood (chain of custody). Furthermore, both FSC and PEFC require external annual audits to ensure compliance, and achieve and maintain certification. Despite these similarities, PEFC has faced certain criticisms from civil society actors. These are highlighted below:

(i) **Type of organization:** Since the FSC is an international labelling and certification system, it sets its own global standards. The PEFC, in contrast, is not a standard setter, but a mutual recognition scheme. The PEFC sets sustainability benchmarks according to international norms, and endorses national certification schemes that comply with these benchmarks. A common criticism of this model is that it allows for more flexibility in the interpretation of international PEFC benchmarks as per regional, cultural, and socio-economic context, and results in the endorsement of less rigorous national certification schemes. However, the process for being endorsed by the PEFC is thorough; any national certification system seeking to obtain PEFC endorsement must submit to a comprehensive assessment process, including independent evaluation and public consultation. This evaluation of compliance with international PEFC benchmarks is carried out by independent, accredited certification organizations.

(ii) **Indigenous People’s Rights:** FSC and PEFC both identify indigenous rights as an important standard in forest management. Both certification schemes require that forest management activities consider and do not infringe on indigenous people’s rights, and the activities are carried out using frameworks ensuring their free and informed consent. A criticism of PEFC is that it requires only engagement with indigenous people in forest management decisions, while the FSC provides performance-oriented targets, and requires forest managers operating on indigenous lands to obtain indigenous people’s consent through binding agreements.

(iii) **Sourcing wood from non-certified sources:** Both FSC and the PEFC have established standards around sourcing wood from non-certified and controversial sources. FSC’s standards direct forest managers to avoid wood harvested in violation of traditional and civil rights. A criticism of the comparable PEFC standard is that it limits identification of controversially sourced wood to situations where the local legislation is violated. However, PEFC standards explicitly reference the violation of local, national, and international legislation with regards to worker’s and indigenous people’s rights as being a controversial source of wood.
## Appendix 2: Overview and Assessment of Fishery, Aquaculture, and Agriculture Certifications

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<thead>
<tr>
<th>Marine Stewardship Council 42</th>
<th>Aquaculture Stewardship Council 43</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Background</strong></td>
<td></td>
</tr>
<tr>
<td>Marine Stewardship Council (MSC) is a non-profit organization founded in 1996, that issues eco-label certifications for fisheries which are sustainable and well-managed.</td>
<td>The Aquaculture Stewardship Council (ASC) is an independent, international NGO that manages the ASC certification and labelling program for responsible aquaculture.</td>
</tr>
<tr>
<td><strong>Clear positive impact</strong></td>
<td></td>
</tr>
<tr>
<td>Promoting sustainable fisheries practices.</td>
<td>Promoting sustainable aquaculture practices.</td>
</tr>
<tr>
<td><strong>Minimum standards</strong></td>
<td></td>
</tr>
<tr>
<td>A minimum score must be met across each of the performance indicators.</td>
<td>Quantitative and qualitative thresholds which are designed to be measurable, metric- and performance-based.</td>
</tr>
<tr>
<td>As a condition to certification, low-scoring indicators must be accompanied by action plans for improvement.</td>
<td>Certification may be granted with a “variance” to certain requirements of the standard. This variance is designed to allow the standard to adapt to local conditions, but has been criticized for weakening the standard and overriding the consultations involved in the standard-setting process.</td>
</tr>
<tr>
<td><strong>Scope of certification or programme</strong></td>
<td></td>
</tr>
<tr>
<td>The MSC standard consists of a fisheries standard and a chain of custody standard.</td>
<td>ASC encompasses nine farm standards, covering 15 fish species as well as the harvest of seaweed. These farm standards lay out minimum requirements regarding both environmental and social performance.</td>
</tr>
<tr>
<td>The Fishery Standard assesses three core principles: sustainable fish stocks, minimising environmental impact, and effective fisheries management; collectively these account for the major environmental and social impacts.</td>
<td>Additionally, a Chain of Custody Standard is mandatory for all supply chain actors in order to ensure traceability.</td>
</tr>
<tr>
<td>The Chain of Custody standard addresses certified sprieching, product identification, separation, traceability and records, and good management.</td>
<td></td>
</tr>
<tr>
<td><strong>Verification of standards and risk mitigation</strong></td>
<td></td>
</tr>
<tr>
<td>Third-party conformity assessment bodies (CABs), certified by Accreditation Service International (ASI) carry out assessments in line with the MSC standard and ISO 17065. Certification is valid for up to five years.</td>
<td>Third-party conformity assessment bodies (CABs), certified by Accreditation Service International (ASI) carry out assessments in line with the ASC standard and ISO 17065. Major non-compliances must be remedied within three months.</td>
</tr>
<tr>
<td><strong>Third party expertise and multi-stakeholder process</strong></td>
<td></td>
</tr>
<tr>
<td>Aligned with the UN Code of Conduct for Responsible Fishing, and further informed by the Global Sustainable Seafood Initiative (GSSI), World Trade Organization (WTO), and International Social and Environmental Accreditation and Labelling (ISEAL)</td>
<td>Developed in line with United Nation’s Food and Agriculture Organization (UN FAO) and International Labour Organisation (ILO) principles.</td>
</tr>
<tr>
<td>Managed in accordance with the International Social and Environmental</td>
<td></td>
</tr>
</tbody>
</table>

Performance display

Qualitative considerations

The MSC label is the most widely recognized sustainable fisheries label worldwide, and is generally accepted to have positive impacts on marine environments.

Proponents of the label cite the transparent science-based process for approval and its successful engagement with industry groups. Criticism from various observers include lack of focus on preventing by-catch, protecting marine mammals and endangered species, follow-up on conditions, crew safety, and live tracking of supply chains.

Widely recognized, and modeled on the successful MSC certification.

Some criticism has been focused on the ability to certify with a “variance”, in which certain aspects of the standard can be interpreted or waived during the audit procedure.

While a reputable certification overall, the standard does not fully mitigate all the risks associated with aquaculture.

Appendix 3: Overview and Assessment of Real Estate Certification Schemes

<table>
<thead>
<tr>
<th>Background</th>
<th>LEED</th>
<th>BEAM Plus</th>
<th>Singapore BCA Green Mark</th>
<th>China Green Building Evaluation Standard</th>
</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
<td>BEAM Society Limited (BSL), owner of the Building Environmental Assessment Method (BEAM), is a public body established in 2010. It owns BEAM Plus - a green building assessment tool tailor-made for the high-rise, high density built environment of subtropical climate in Hong Kong.</td>
<td>The BCA Green Mark Scheme provides real estate certifications in Singapore to promote sustainability in the built environment (during project conceptualization and design, as well as during construction.)</td>
<td>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).</td>
<td></td>
</tr>
</tbody>
</table>

### Certification levels

<table>
<thead>
<tr>
<th>Certified Silver</th>
<th>Certified Gold</th>
<th>Certified Gold Plus</th>
<th>1-Star</th>
<th>2-Star</th>
<th>3-Star</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gold Platinum</td>
<td>Gold Platinum</td>
<td>Platinum</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Areas of Assessment: Environmental Performance of the Building

<table>
<thead>
<tr>
<th>Areas</th>
<th>Prerequisites for each performance area + Credits with associated points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy and atmosphere</td>
<td>Site Aspects (location and design of building, emissions from the site, site management)</td>
</tr>
<tr>
<td>Sustainable Sites</td>
<td>Materials Aspects (selection of materials, efficient use of materials, waste disposal and recycling)</td>
</tr>
<tr>
<td>Location and Transportation</td>
<td>Energy Use (annual CO2 emissions or energy use, energy efficient systems and equipment, energy management)</td>
</tr>
<tr>
<td>Materials and resources</td>
<td>Water Use (water quality, water conservation, effluent discharges)</td>
</tr>
<tr>
<td>Water efficiency</td>
<td>Indoor Environmental Quality (IEQ)</td>
</tr>
<tr>
<td>Indoor environmental quality</td>
<td>Climate Responsive Design</td>
</tr>
<tr>
<td>Innovation in Design</td>
<td>Building Energy Performance</td>
</tr>
<tr>
<td>Regional Priority</td>
<td>Resource Stewardship</td>
</tr>
<tr>
<td>• Land savings and outdoor environment;</td>
<td></td>
</tr>
<tr>
<td>• Energy savings and utilisation;</td>
<td></td>
</tr>
<tr>
<td>• Water savings and utilisation;</td>
<td></td>
</tr>
<tr>
<td>• Material savings and utilisation;</td>
<td></td>
</tr>
<tr>
<td>• Indoor environment; Operations and management.</td>
<td></td>
</tr>
</tbody>
</table>

### Requirements

| Prerequisites (independent of level of certification) + Credits with associated points |
| These points are then added together to obtain the LEED level of certification |
| There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major) |
| Prerequisites for each performance area + Credits with associated points |
| Detailed compliance with legal requirements is a prerequisite for the award of credits. |
| For every performance area BEAM prescribes different prerequisites. Every applicable prerequisite in every BEAM category must be achieved for the project to be assessed. |
| Credits are allocated for each performance area, and every area is weighted as per international consensus. The Overall Assessment Grade is determined by |
| 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 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. |

---

## Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance.

<table>
<thead>
<tr>
<th>Performance display</th>
<th>the percentage (%) of the applicable credits gained under each performance category and its weighting factor. Verification of compliance with BEAM criteria is done by an independent BEAM Assessor.</th>
<th>Green Mark criteria is done by the Singapore Building and Construction Authority (BCA).</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Accreditation</th>
<th>LEED AP BD+C</th>
<th>BEAM</th>
<th>The Singapore Green Building Council</th>
<th>China Three Star organization</th>
</tr>
</thead>
</table>


## Appendix 4: Alignment with the ASEAN Sustainability Bond Standards

<table>
<thead>
<tr>
<th>ASEAN Sustainability Bond Standards’ Criteria</th>
<th>Alignment with ASEAN SBS</th>
<th>Sustainability’s comments on alignment with the ASEAN Sustainability Bond Standards.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eligibility</td>
<td>Yes</td>
<td>The ASBS requires that issuers must be located in or that the proceeds be directed to assets in an ASEAN country. As the issuing entity is the Agricultural Bank of China Limited, Singapore Branch, the company qualifies.</td>
</tr>
<tr>
<td>Use of Proceeds</td>
<td>Yes</td>
<td>The ASBS offers specific clarification that fossil fuel power generation projects are excluded; ABC Singapore Branch excludes the financing of coal and any other fossil fuel related assets. Furthermore, the ASBS requires the exclusion of investments in alcohol, gambling, tobacco and weaponry. ABC Singapore Branch in its framework states that it follows the IFC exclusion list (2007)(^\text{47}), which excludes the production and trade in weapons and munitions, alcoholic beverages (excluding beer and wine), tobacco and investments in gambling, casinos and equivalent enterprises.</td>
</tr>
</tbody>
</table>

\(^\text{47}\) IFC exclusion list 2007: https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/company-resources/ifcexclusionlist
Process for Project Evaluation and Selection

Yes

The ASBS specifies information that must be clearly communicated to investors before issuance regarding project selection. Within its framework, ABC Singapore Branch confirmed that project evaluation and selection process will be conducted by a dedicated Sustainable Financing Working Group with cross functional representation and chaired by the Deputy General Manager of Risk Management.

Management of Proceeds

Yes

The ASBS mandates that proceeds must be appropriately tracked and that temporary investments be disclosed. Within its framework, ABC Singapore Branch disclosed that all proceeds from the sustainable transactions will be deposited in the general account of Agricultural Bank of China Limited, Singapore Branch, while a register recording each specific asset allocated, will be created. The unallocated proceeds are to be invested in cash or cash equivalents according to ABC’s local liquidity management guidelines.

Reporting

Yes

The ASBS requires annual reporting on the allocation of funds and the expected impacts. ABC Singapore Branch states that it will provide an allocation and impact report until the full allocation of proceeds, on an annual basis.

Annual Review

Yes

The ASBS encourages, but does not require, annual reviews. ABC Singapore Branch commits in its Framework that for each of the Sustainable Finance instruments launched or issued under the ABC Singapore Branch’s Sustainable Finance Framework, ABC Singapore Branch will engage an appropriate independent provider to review the Allocation Report on an annual basis, and evaluate its conformity with its Framework.

Appendix 5: Overview and Assessment of Agricultural Certifications

<table>
<thead>
<tr>
<th>Rainforest Alliance</th>
<th>RSPO</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Background</strong></td>
<td>The Rainforest Alliance Seal is a global certification system for Agriculture, Forestry and Tourism. The Rainforest Alliance certification indicates compliance with the organization’s standards for environmental, social and economic sustainability. Rainforest Alliance merged with UTZ in January 2018.</td>
</tr>
<tr>
<td><strong>Clear positive impact</strong></td>
<td>Promoting sustainable practices in agriculture, forestry and tourism.</td>
</tr>
<tr>
<td><strong>Minimum standards</strong></td>
<td>Rainforest alliance establishes a minimum threshold for impact through critical criteria, and requires farmers to go beyond by demonstrating improved sustainability on 14 continuous improvement criteria.</td>
</tr>
<tr>
<td><strong>Directly addressing social and environmental risk</strong></td>
<td>Rainforest alliance addresses key risks such as human rights, child labour, pesticide use and biodiversity use through its criteria.</td>
</tr>
<tr>
<td><strong>Verification of standards and risk mitigation</strong></td>
<td>Certified entities undergo third party verification to ensure compliance with criteria and continuous improvement.</td>
</tr>
<tr>
<td><strong>Performance Display</strong></td>
<td><img src="image1.png" alt="Rainforest Alliance" /></td>
</tr>
</tbody>
</table>
| **Accreditation** | • Africert  
• Conservacion y Desarrollo Certified S.A.  
• Imaflora  
• IMO India  
• CERES  
• IBD  
• Indocert  
• NaturaCert  
• Productos y Procesos Sustenables, A.C.  
• NEPCOn | The RSPO is the most widely recognized sustainable palm oil production label with 4000 members worldwide. Although it is generally considered to have positive impacts, the standard does not fully mitigate all the social and environmental risks associated with palm oil production and has received the following criticisms:  
- Does not require No Deforestation, No Peat and No Exploitation (NDPE) commitments  
- Unaligned with the High Carbon Stock Approach (HCSA) methodology to determine appropriate areas for expansion  
- Hiring a permanent non-contract workforce, ensuring a zero tolerance policy for retention of worker passports, and banning paraquat and other harmful pesticides. |
Appendix 6: Sustainability Bond / Sustainability Bond Programme
- External Review Form

Section 1. Basic Information

<table>
<thead>
<tr>
<th>Issuer name:</th>
<th>Agricultural Bank of China Limited, Singapore Branch</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:</td>
<td>Sustainable Financing Framework for Agricultural Bank of China Limited, Singapore Branch</td>
</tr>
<tr>
<td>Review provider’s name:</td>
<td>Sustainalytics</td>
</tr>
<tr>
<td>Completion date of this form:</td>
<td>August 2019</td>
</tr>
</tbody>
</table>

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 and SBPs:

Qualitative considerations
Global recognition across 76 countries around the world. There are 763 Rainforest Alliance certified products and more than 1,354,057 people which have conducted training, certification and verification under the Rainforest Alliance standard. Rigorous on the enforcement of minimum standards and strong governance over the implementaton of social and environmental mitigation processes.
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):

Sustainalytics considers that ABC Singapore Branch’s Eligible Sustainable Assets such as loans, public bonds, private placements and/or other debt instruments can contribute to improve the environmental performance of agricultural and economic activities and provide positive social impact. ABC Singapore Branch intends to use part of the proceeds for project-based lending and part for general purpose loans for pure-play businesses that derive 90% of revenues from eligible categories. Sustainalytics notes that the GBP, SBP, SBG, GLP and ASBS favor project-based lending, and that there is in general less transparency associated with reporting on non-project-based financing. Where proceeds are used for general purpose loans, Sustainalytics recommends that ABC Singapore Branch track and disclose the portion of bond proceeds allocated to general-purpose loans and to provide detailed impact reporting. Sustainalytics highlights that ABC Singapore Branch’s pure play approach does not apply to the category “Environmentally sustainable management of living natural resources and land use”. For this category, ABC Singapore Branch will focus on expenditures related to the eligible projects defined under this category. Sustainalytics notes that the category includes projects related to palm oil production limited to operations with RSPO certification and no expansion into new land, and notes that eligible projects are defined as follows:

R&D into yield intensification as a strategy for no deforestation, replanting of higher yielding material, conservation and restoration efforts; and/or
Development of wildlife corridors; and/or
CAPEX investments at mills with traceable and certified palm oil to reduce emissions and discharge.

ABC Singapore Branch’s Framework does not explicitly require that financing provided to palm oil refineries and mills be provided only to those that source 100% of their palm oil from RSPO-certified sources.
Sustainalytics considers this a limitation and encourages ABC Singapore Branch to ensure that financing is directly only to mills and refineries that meet this criterion. ABC Singapore Branch has committed to report on the portion of financing vs refinancing in its annual allocation report.

Sustainalytics highlights that ABC Singapore Branch’s limits financing of hydropower projects to those with less than 25MW, development and manufacture of vehicles to those emitting less than 75g CO2/kWh, bio-energy plants, waste to energy plants and geothermal plants to those with 100gCO2/kWh which is aligned with allow carbon trajectory of the energy sector. Sustainalytics further notes that biomass used for energy will not be derived from sources that compete with food production and that ABC Singapore Branch excludes agricultural or afforestation operations located on land designated as primary forest, rich biodiversity, high conservation value areas, or legally preserved areas, also applicable for the sourcing of feedstock for biomass.

ABC Singapore Branch intends to use part of the proceeds to invest in sustainable agriculture with credible certification systems for forestry (FSC and PEFC), aquaculture (ASC) and fishery (MSC). However, ABC Singapore Branch’s Framework does not specifically exclude ASC certifications granted with a variance from the standard. Sustainalytics strongly encourages ABC Singapore Branch to prioritize proceeds allocations to companies or projects with a full and complete ASC certification.

ABC Singapore Branch also intends to use part of the proceeds for agricultural practices and systems to improve traceability in supply chain. Sustainalytics considers the broad scope of the criterion to be a limitation because it may allow minor improvements in agricultural value chains that have a significant negative environmental and social aspects.

Sustainalytics highlights positively that ABC Singapore Branch excludes landfill and exclude incineration without energy recovery.

ABC Singapore Branch uses recognized third-party green building certification standards such as LEED (Gold or above), BEAM Plus (Gold or above), the Singapore Green Mark (Gold or above), or the China Green Building Evaluation Standard (Two-star or above) for projects that can include development of new buildings of refurbished buildings.

### 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:

### Use of proceeds categories as per SBP:

- ☐ Affordable basic infrastructure
- ☒ Access to essential services
2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

The project evaluation and selected process is executed through a dedicated Sustainable Financing Working Group headed by the Deputy General Management of Risk Management and comprising a comprehensive cross functional representation from the Front Office Departments, Credit Risk Department Officer and Back Office Departments along with four deputy general managers from the Senior Management team. Sustainalytics assesses the team configuration as well as the overall process to be aligned with current market practices.

Evaluation and selection

- ☒ Credentials on the issuer’s social and green objectives
- ☒ Defined and transparent criteria for projects eligible for Sustainability Bond proceeds
- ☐ Documentation process to determine that projects fit within defined categories
- ☐ Defined 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):

ABC Singapore Branch confirmed to Sustainalytics that the branch will establish a separate register where it will deposit the proceeds and record the allocations through its internal systems. Pending full allocation, the unallocated proceeds will be invested in cash or cash equivalent according to the company’s local liquidity management guidelines. Sustainalytics views this process to be aligned with market practices.
Sustainability 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

☐ Allocation 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):

ABC Singapore Branch has committed to make available an annual allocation and impact reporting, as part of the branch’s annual report or as a standalone document. The (i) allocation reporting will comprise data relative to the list of Eligible Sustainable Assets financed or refinanced, the aggregated amount allocated to each asset, the balance of unallocated proceeds along with other more granular data. The (ii) impact reporting will cover quantitative data on the sustainability output resulting from the investments, tailored on multiple relevant impact metrics for each Green and Social Categories, such as: tonnes of GHG avoided, energy savings in kWh, number of people reached with improved healthcare, number of total affordable public housing financed, number of people/enterprises which benefited from SME financing and total SME financing provided, and others. Sustainalytics views the extensive scope and granularity of ABC Singapore Branch’s reporting to match current 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

☐ Sustainability Bond financed share of total investment

☒ Other (please specify): The list of Eligible Sustainable Assets (re)financed by category, the aggregated amount of allocation of the net proceeds to the Eligible Sustainable Assets, the
proportion of net proceeds used for financing versus refinancing, the balance of any unallocated proceeds invested in cash and/or cash equivalents

**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): where feasible

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

- ☒ GHG Emissions / Savings
- ☒ Energy Savings
- □ Decrease in water use
- □ Number of beneficiaries
- □ Target populations
- ☒ Other ESG indicators (please specify): tonnes of air pollutants reduced, number of people provided access to clean and affordable energy, area covered by sustainable agricultural land management practices and crop yields in tonnes per hectare, number of people/enterprises benefiting from SME financing and total of SME financing provided

**Means of Disclosure**

- □ Information published in financial report
- □ Information published in sustainability report
- ☒ Information published in ad hoc documents
- □ Other (please specify): Report will be published as a standalone Sustainable Financing Report or as a part of ABC Singapore Branch’s annual report
- □ 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:**

- [ ] Consultancy (incl. 2nd opinion)
- [ ] Certification
- [ ] Verification / Audit
- [ ] Rating
- [ ] Other (*please specify)*:

**Review provider(s):**

**Date of publication:**

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

i. Consultant Review: An issuer can seek advice from consultants and/or institutions with recognized expertise in environmental and social sustainability or other aspects of the issuance of a Sustainability Bond, such as the establishment/review of an issuer’s Sustainability Bond framework. “Second Party Opinions” may fall into this category.

ii. Verification: An issuer can have its Sustainability Bond, associated Sustainability Bond framework, or underlying assets independently verified by qualified parties, such as auditors. In contrast to certification, verification may focus on alignment with internal standards or claims made by the issuer. Evaluation of the environmentally and socially sustainable features of underlying assets may be termed verification and may reference external criteria.

iii. Certification: An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against an external green and social assessment standard. An assessment standard defines criteria, and alignment with such criteria is tested by qualified third parties / certifiers.

iv. Rating: An issuer can have its Sustainability Bond or associated Sustainability Bond framework rated by qualified third parties, such as specialised research providers or rating agencies. Sustainability Bond ratings are separate from an issuer’s ESG rating as they typically apply to individual securities or Sustainability Bond frameworks / programmes.
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Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that supports investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world’s leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization, and supports various stakeholders in the development and verification of their frameworks. In 2015, Global Capital awarded Sustainalytics "Best SRI or Green Bond Research or Ratings Firm" and in 2018 and 2019, named Sustainalytics the “Most Impressive Second Party Opinion Provider. The firm was recognized as the "Largest External Reviewer" by the Climate Bonds Initiative as well as Environmental Finance in 2018, and in 2019 was named the “Largest Approved Verifier for Certified Climate Bonds” by the Climate Bonds Initiative. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan and the Minister of the Environment Award in the Japan Green Contributor category of the Japan Green Bond Awards in 2019.

For more information, visit www.sustainalytics.com

Or contact us info@sustainalytics.com