

SECOND PARTY OPINION¹

ON THE SUSTAINABILITY OF BEIJING ENTERPRISES HOLDINGS LIMITED'S GREEN FINANCE FRAMEWORK

September 2020

SCOPE

Vigeo Eiris was commissioned to provide an independent opinion (thereafter “Second Party Opinion” or “SPO”) on the sustainability credentials and management of the Green Finance Framework (the “Framework”) created by Beijing Enterprises Holdings Limited (“BEHL” or the “Issuer”) to govern green finance issuances by BEHL or any other entity part of the Beijing Enterprises Group (“BVI”) Company Limited.²

Our opinion is established according to Vigeo Eiris’ Environmental, Social and Governance (“ESG”) exclusive assessment methodology and to the latest version of the International Capital Market Association’s (ICMA) Green Bond Principles (“GBP”) voluntary guidelines (edited in June 2018), and of the Green Loan Principles (“GLP”) voluntary guidelines developed by the EMEA Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association (last revised in May 2020).

Our opinion is built on the review of the following components:

- 1) **Issuer:** we assessed the Issuer’s integration of ESG factors in its commitments and strategy, its management of potential stakeholder-related ESG controversies and its involvement in controversial activities.³
- 2) **Issuance:** we assessed the Framework, including the coherence between the Framework and the Issuer’s environmental commitments, the Green Finance Instruments’ potential contribution to sustainability and their alignment with the four core components of the GBP 2018 & GLP 2020.

Our sources of information are multichannel, combining data gathered from (i) public sources, press content providers and stakeholders, (ii) Vigeo Eiris’ exclusive ESG rating database, and (iii) the Issuer, provided through documents and interviews conducted with the Issuer’s managers and stakeholders involved in the Bond issuance.

We carried out our due diligence assessment from March 3rd to April 17th, 2020 and September 9th 2020. We consider that we were provided with access to all the appropriate documents we solicited. To this purpose we used our reasonable efforts to verify such data accuracy.

VIGEO EIRIS’ OPINION

Vigeo Eiris is of the opinion that the Green Finance Framework of BEHL is aligned with the four core components of the GBP 2018 & GLP 2020.

We express a moderate assurance⁴ (our medium level of assurance) on the Issuer’s commitments and on the contribution of the contemplated Green Finance Instruments to sustainability.

The Eligible Categories and Sub-categories covered by the Framework are considered to provide clear environmental benefits, with the exception of the Sub-category “Waste-to-Energy”, for which its environmental benefits are partially clear and depend on the geographical locations of the Eligible Green Assets. The environmental benefits of the Green Finance Instruments issued under the Framework will therefore depend on the composition of Eligible Green Assets in the portfolio financed by the Green Finance Instruments. The assessment on the Issuer’s management of environmental and social risks associated with the Eligible Green Assets may vary in accordance with the sectors and/or the pure-play companies that BEHL will invest in as a holding company, and subject to whether group-level or subsidiary-level policies and measures will be adopted by the Issuer to manage relevant material risks.

¹ This opinion is to be considered as the “Second Party Opinion” described in the GBP (June 2018) voluntary guidelines edited by the International Capital Market Association (www.icmagroup.org) and GLP (May 2020) voluntary guidelines developed by the EMEA Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association.

² BEHL is a subsidiary of Beijing Enterprises Group (“BVI”) Company Limited.

³ The 17 controversial activities analysed by Vigeo Eiris are: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Fossil Fuel Industry, Coal, Unconventional Oil and Gas, Gambling, Genetic engineering, Human Embryonic Stem Cells, High interest rate lending, Military, Nuclear Power, Pornography, Reproductive Medicine and Tobacco.

⁴ Definition of Vigeo Eiris’ scales of assessment (as detailed in the Methodology section):

- Level of Evaluation: Advanced, Good, Limited, Weak.
- Level of Assurance: Reasonable, Moderate, Weak.

1) Issuer (see Part I):

- ▶ We reach an overall weak assurance on BEHL's capacity to integrate relevant ESG factors in its strategy, and to account on them. We reach a moderate assurance regarding BEHL's strategy in the Environment and Governance pillars, while our assurance is weak in the Social pillar.
- ▶ As of September 2020, the review conducted by Vigeo Eiris did not reveal any stakeholders-related ESG controversies involving BEHL over the past 4 years.
- ▶ As of September 2020, BEHL displays a major involvement in two of the 17 controversial activities screened under Vigeo Eiris methodology, namely: Alcohol (17.4% of total turnover) and Fossil Fuel Industry (between 10-20% of total turnover). We did not find any involvement of BEHL in the other 15 controversial activities screened under Vigeo Eiris methodology.

2) Issuance (see Part II):

The Issuer has formalised a Green Finance Framework which covers the four core components of the GBP 2018 & GLP 2020 (the last updated version was provided to Vigeo Eiris on September 9th, 2020). The Issuer has committed to make the Framework publicly accessible on BEHL's website⁵ prior to the first Bond' issuance date, in line with market practices.

We are of the opinion that the Green Finance Framework is coherent with the main sustainability issues of BEHL's sector and the sectors that it invests in, with its publicly disclosed strategic sustainable development priorities, and that it contributes to achieve its sustainable development commitments.

Use of Proceeds

- ▶ The amount equal to the net proceeds of the Green Finance issuances under the Framework will finance or refinance, in part or in full, new or existing, Eligible Green Assets falling under two Green Categories ("Eligible Categories"), namely: Pollution Prevention and Control, and Sustainable Waste and Water Management. We consider the Eligible Categories are clearly defined.
- ▶ The Eligible Categories are intended to contribute to five main environmental objectives (transition to a circular economy, pollution prevention and control, sustainable use and protection of water resources, climate change mitigation, and climate change adaptation). These objectives are formalized in the Framework and considered clearly defined and relevant.
- ▶ The Eligible Categories and Sub-categories are considered to provide clear environmental benefits, with the exception of the Sub-category "Waste-to-Energy", for which its environmental benefits are partially clear and depend on the geographical locations of the Eligible Green Assets. The Issuer has committed to assess and, where feasible, quantify the expected environmental benefits of the Green Finance Instruments. An area for improvement consists in defining ex-ante quantified environmental targets for each Eligible Category, and for the Sub-category "Waste-to-Energy" to assess and quantify the expected outcomes and environmental benefits of the Eligible Green Assets ex-ante and to communicate them, together with project location, before or at Green Finance issuance.
- ▶ The Eligible Categories are likely to contribute to five of the United Nations' Sustainable Development Goals ("SDGs"), namely: Goal 6. Water and Sanitation, Goal 9. Industry, Innovation and Infrastructure, Goal 11. Sustainable cities and communities, Goal 12. Responsible Consumption and Production, and Goal 13. Climate Action.
- ▶ The Issuer has transparently communicated on the estimated share of refinancing for its first Bond issuance, which will be equal to 100%. The Issuer has committed that, in case of re-financing, a look-back period of maximum 36 months from the Green Finance issuance date will be applied, in line with market practices.

Process for Projects Evaluation and Selection

- ▶ The governance and process for the evaluation and selection of the Eligible Projects are formalized in the Framework. We consider that the process is structured, transparent and relevant.
- ▶ The process relies on explicit eligibility criteria (selection and exclusion), relevant to the environmental objectives defined for the Eligible categories.
- ▶ The identification and management of environmental and social risks associated with the Eligible Green Assets are considered good, with the exception of the protection of biodiversity, safety for other stakeholders, and integration of social factors in supply chain.

⁵ <https://www.behl.com.hk/en/global/home.php>

Management of Proceeds

- ▶ The rules for the management of proceeds are clearly defined and will be verified. We consider that they would enable a documented and transparent allocation process.

Reporting

- ▶ The reporting process and commitments appear to be good, covering both the funds allocation and the environmental benefits of the Eligible Projects/Assets.
- ▶ The selected reporting indicators of the fund's allocation and environmental benefits are relevant and clear although not exhaustive.

BEHL has committed that its Green Finance Instruments will be supported by external reviews:

- A pre-issuance consultant review: the hereby Second Party Opinion delivered by Vigeo Eiris, covering all of the features of the Framework and the first Bond issuance, based on pre-issuance assessment and commitments, to be made publicly available by the Issuer on its website,⁶ prior to the issuance date.
- An annual verification: an external verification performed by a third-party auditor, covering the allocation of proceeds to Eligible Green Assets in compliance with the eligibility criteria of the Framework, starting approximately one year after issuance until full allocation. For the first Bond issuance, BEHL confirms that the external verification will also cover the Impact Reporting of the Bond proceeds to Eligible Green Assets. For other future Green Finance Instruments, BEHL states that an external verification may cover the Impact Reporting of the Green Finance proceeds to Eligible Green Assets.

An area for improvement is, for all future issuances, for BEHL to commit to an annual verification, performed by an external auditor, starting one year after issuance and until full allocation or maturity, that covers the indicators used to report on the environmental benefits of the Green Finance Instruments and in case of any material change.

This Second Party Opinion is based on the review of the information provided by the Issuer, according to our exclusive assessment methodology and to the GBP & GLP voluntary guidelines (2018). BEHL acknowledges that in case of changes of such standards and market practices and expectations, VIGEO EIRIS shall exclude any liability regarding the use of the concerned Second Party Opinion and its compliance with then-current standards and market practices and expectations.

September 9th, 2020

Contact

Sustainable Finance Team | VEsustainablefinance@vigeo-eiris.com

Disclaimer

Transparency on the relation between Vigeo Eiris and the Issuer: Vigeo Eiris has not carried out any audit mission or consultancy activity for BEHL. No established relation (financial or commercial) exists between Vigeo Eiris and the Issuer.

This opinion aims at providing an independent opinion on the sustainability credentials and management of the Framework, based on the information which has been made available to Vigeo Eiris. Vigeo Eiris has neither interviewed stakeholders out of the Issuer's employees, nor performed an on-site audit nor other test to check the accuracy of the information provided by the Issuer. The accuracy, comprehensiveness and trustworthiness of the information collected are a responsibility of the Issuer. The Issuer is fully responsible for attesting the compliance with its commitments defined in its policies, for their implementation and their monitoring. The opinion delivered by Vigeo Eiris neither focuses on the financial performance of the Bond, nor on the effective allocation of its proceeds. Vigeo Eiris is not liable for the induced consequences when third parties use this opinion either to make investments decisions or to make any kind of business transaction.

Restriction on distribution and use of this opinion: The deliverables remain the property of Vigeo Eiris. The draft version of the Second Party Opinion by Vigeo Eiris is for information purpose only and shall not be disclosed by the BEHL. Vigeo Eiris grants the Issuer all rights to use the final version of the Second Party Opinion delivered for external use via any media that the Issuer shall determine in a worldwide perimeter. The Issuer has the right to communicate to the outside only the Second Party Opinion complete and without any modification, that is to say without making selection, withdrawal or addition, without altering it in any way, either in substance or in the form and shall only be used in the frame of the contemplated concerned bond issuance. The Issuer acknowledges and agrees that Vigeo Eiris reserves the right to publish the final version of the Second Party Opinion on Vigeo Eiris' website and on Vigeo Eiris' internal and external communication supporting documents.

⁶ <https://www.behl.com.hk/en/global/home.php>

DETAILED RESULTS

Part I. ISSUER

BEHL is an investment holding company mainly engaged in the distribution and sale of piped natural gas. The Company is also engaged in the provision of natural gas transmission, gas technology consultation and development services, the surveying and plotting of underground construction projects, the construction and installation of gas pipelines and related equipment and the provision of repairs and maintenance services. The Company also produces, distributes and sells brewery products. In addition, BEHL is also involved in water and environment business and solid waste management business, which accounted for 6% and 19% of its total assets respectively as of 2018.⁷ BEHL owns 100% of EEW Energy from Waste GmbH.⁸

Integration of ESG factors in the Issuer's strategy

We reach an overall weak assurance on BEHL's capacity to integrate relevant ESG factors in its strategy, and to account on them. We reach a moderate assurance regarding BEHL's strategy in the Environment and Governance pillars, while our assurance is weak in the Social pillar.

Domain	Comments	Opinion
Environment	We reach a moderate level of assurance on BEHL's capacity to integrate its most material environmental factors in its strategy. The Issuer has formalised commitments to environmental protection in its corporate social responsibility (CSR) Report as well as in group-level policies such as " <i>BEHL Environmental Protection Management System</i> ", " <i>BEHL Environmental Protection Compliance System</i> " and " <i>BEHL Ten Guidelines on Safe Production</i> ". An Environmental Protection & Solid Waste Treatment Department, directly linked to CEO, is established.	Reasonable
	In terms of direct impacts, BEHL's commitment to improve its energy efficiency as well as to reduce its greenhouse gas (GHG) emissions related to Transmission & Distribution activities is general. BEHL did not disclose quantitative data on energy saved by customers, energy consumption, and GHG emissions related to its gas network.	Moderate
	Concerning its indirect impacts, BEHL's commitments take into account accidental pollution prevention during its operations, and the Issuer has implemented measures such as risk assessment and risk prevention procedures. Finally, the Company is not transparent on how it manages the biodiversity impact of its operations.	Weak
Social	We reach a weak level of assurance on BEHL's capacity to integrate its most material social factors in its strategy. Except for some information disclosed on a confidential reporting system to prevent discrimination, BEHL overall lacks transparency on how it manages Human Rights issues. However, one of its subsidiaries, Beijing Enterprises Water, has included a clear commitment to respect fundamental human and labour rights in its CSR Report 2018. ⁹	Reasonable
	On Health & Safety issues, the Issuer has made a formalised policy " <i>Safety Production Management Regulations and Administrative Measures for Investigation</i> " and detailed measures in its CSR Report. BEHL also states that it has passed the reaccreditation of the OHSAS 18001 certification for its health and safety management system.	Moderate
	On career development, the Company has an internal policy titled " <i>Training Management Regulations of Beijing Enterprises Holdings Limited (Revised Edition)</i> " to guide the planning and management of internal trainings. BEHL does not disclose any commitment to freedom of association and the right to collective bargaining. It has also not disclosed any information on its strategy to manage reorganisations responsibly and promoting labour relations, other than committing to strictly comply with relevant labour laws and regulations. For community involvement, the Company's commitment to promote local social and economic development is general. In addition, it does not disclose any commitment to address access to energy and prevent fuel poverty. The company has made references to including social factors in supply chain management in its CSR Report, however it mainly covers only health & safety issues.	Weak

⁷ https://www.behl.com.hk/en/csr/csr_2018.pdf, page 8 & 13

⁸ <https://doc.irasia.com/listco/hk/behl/interim/2019/intrep.pdf>, page 4

⁹ <https://doc.irasia.com/listco/hk/bewq/annual/2018/esr.pdf>, page 69

Governance	<p>We reach a moderate level of assurance on BEHL's capacity to integrate its most material governance factors in its strategy.</p> <p>The Board is composed by a majority of executive directors and only four members of the nine-member Board are considered independent, which is less than the recommended level. One executive is part of the Nomination Committee, which might raise concerns. Training is provided to board members through regular updates, but it remains unclear if CSR related issues are covered.</p>	Reasonable
	<p>The internal control system covers the standard issues related to financial, operational, and legal risks. The system also covers some of the CSR risks inherent to the company's business operations. The Audit Committee appears to have a comprehensive role.</p> <p>BEHL has established internal policies such as "<i>Provision on the Integrity of Employees with Business Discretion Rights</i>" and "<i>The Measures for Implementing Discipline Inspection and Handling Whistle-blowing Report</i>", to prevent corruption and has made references to prevent anti-competitive practices in its CSR Report.</p>	Moderate
	<p>The Company respects the "one share - one vote" principle. Major restrictions have been identified to convene an EGM. Limited transparency is provided on executive remuneration</p> <p>Information on the Company's commitment to ensuring transparency and integrity of lobbying practices and to integrating social standards in the supply chain and ensure responsible lobbying is insufficient.</p>	Weak

Management of stakeholder-related ESG controversies

As of September 2020, the review conducted by Vigeo Eiris did not reveal any stakeholders-related ESG controversies involving BEHL over the past 4 years.

Involvement in controversial activities

As of September 2020, BEHL displays a major involvement in two of the 17 controversial activities screened under Vigeo Eiris methodology, namely:

- **Alcohol:** BEHL has an estimated turnover from alcoholic beverages which is 17.4% of total turnover. This turnover is derived through its subsidiary Yanjing Beer (79.77% ownership), which produces beer and other alcoholic beverages, namely wine, Chinese sake, whisky and vodka, under brands such as Yanjing, Great Wall and Dragon Seal. The Company reports that the beer business represented 17.4% of total sales in 2019. Yanjing Brewery seeks to promote legislation and public policies release and implementation to reduce harmful drinking, and to help consumers establish a correct concept of alcoholic products and drink responsibly.
- **Fossil fuels industry:** BEHL has an estimated turnover from fossil fuels which is between 10-20% of total turnover. This turnover is primarily derived from gas transmission, storage and transportation, as well as from oil and gas extraction. Through wholly-owned subsidiary, Beijing Gas, the Company owns 20% of Verkhnechonskneftegaz (VCNG), which holds a license to develop the Verkhnechonsk oil and gas condensate field in Eastern Siberia. The field's recoverable reserves were 173 million tonnes of oil and gas condensate and 115 billion cubic meters of gas, as of June 2017. In 2019, the field produced 8.8 million tonnes of oil equivalent of hydrocarbons, including 7.8 million tonnes of liquid hydrocarbons. Vigeo Eiris reasonably believes the Company derives less than 5% of turnover from upstream activities. Through Beijing Gas, the Company owns 40% of PetroChina Beijing Pipeline Co, which owns and operates gas pipelines across China. Additionally, an associated company, China Gas Holdings Limited (23.72% ownership), focuses on investment, construction, operation and management of municipal gas pipeline infrastructure and the storage, transportation and sales of natural gas and LPG. The Company reports that, in 2019, its piped gas operations accounted for 70.1% of total turnover. However, only midstream (storage and transmission) activities are captured by the Vigeo Eiris methodology, so a more conservative estimate of 10-20% is deemed reasonable.

We did not find any involvement of BEHL in the other 15 controversial activities screened under Vigeo Eiris methodology, namely: Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Coal, Unconventional Oil and Gas, Gambling, Genetic engineering, Human Embryonic Stem Cells, High interest rate lending, Military, Nuclear Power, Pornography, Reproductive Medicine and Tobacco.

The controversial activities research provides screening of companies to identify involvement in business activities that are subject to philosophical or moral beliefs. The information does not suggest any approval or disapproval on their content from Vigeo Eiris.

Part II. ISSUANCE

Coherence of the Issuances

Context note: Although direct environmental impacts of investment holding companies are considered moderate, these companies can have major impacts on environmental and social issues through the companies they own and manage (indirect impacts). Investment holding companies should therefore include their indirect environmental and social responsibilities in the scope of their sustainability strategies and adapt these strategies to the challenges of the sectors in which their subsidiaries operate. Investment holding companies are also expected to be transparent on the way they assess carbon risks in their portfolios.

BEHL is classified under the Electric & Gas Utilities sector in VE's universe due to its significant involvement in this sector. The Electric & Gas Utilities sector has a major role to play in tackling climate change and protecting the environment. Companies in this sector are expected to increase their efforts to reduce the energy consumption of their networks as well as fugitive methane emissions. The operation of gas transmission infrastructures (pipelines) also adds responsibility for the company to protect biodiversity through the entire lifecycle of its activities. In addition, pipeline operators are highly concerned by the prevention of accidents along the network and at compressor stations (fires, explosions, ruptures, etc.).

Companies operating in the waste and water utility sector have a major role to play in the fight against climate change by limiting GHG emissions from wastewater treatment, waste incineration and landfilling and by minimising energy use. Management of by-products from waste or wastewater treatment (sludge, ashes, biogas, clinkers) is crucial. Waste and water management activities must be handled carefully to avoid fires, flooding, accidental pollution or soil contamination. By reducing water losses, respecting effluents quality regulations, and by promoting wise use of water, water companies ensure the economic and environmental sustainability of their activities. Meanwhile, waste recovery strategy is critical both in terms of mitigating environmental impacts and of creating new business opportunities.

Safeguarding human and labour rights and the safety and health of employees and contractors is a key risk factor for companies in both sectors.

We are of the opinion that the Green Finance Framework is coherent with the main sustainability issues of BEHL's sector and the sectors that it invests in, with its publicly disclosed strategic sustainable development priorities, and that it contributes to achieve its sustainable development commitments.

BEHL appears to acknowledge its role in providing solutions to support society's transition to a low carbon and sustainable economy. It has committed through internal environmental and safety policies and public reports (e.g. annual CSR reports) on its responsibility to minimize the negative impacts of its business activities on the environment and climate change.

According to BEHL's CSR Report 2018, waste emission management, promotion of environmental protection and emission reduction are all among the highly important issues in its ESG Materiality Matrix. For its solid waste business, it has committed to continuously improve solid waste treatment capacity and optimising environmental protection benchmarking and rectification; for its water business, it is committed to build high-level water environment projects and expanded its environmental governance capabilities through environmental PPP project construction and acquisition.

By creating a Framework to issue green financial products (including bonds, loans and trade facilities) intended to finance or refinance Eligible Green Assets in pollution prevention and control, and sustainable water and wastewater management, the Issuer coherently aligns with its sustainability strategy and commitments, and addresses important sustainability issues of the sectors where it operates or invests.

Use of proceeds

The amount equal to the net proceeds of the Green Finance issuances under the Framework will finance or refinance, in part or in full, new or existing Eligible Green Assets falling under two Green Categories (“Eligible Categories”), namely: Pollution Prevention and Control, and Sustainable Waste and Water Management. We consider that the Eligible Categories are clearly defined.

The Eligible Categories are intended to contribute to five main environmental objectives (transition to a circular economy, pollution prevention and control, sustainable use and protection of water resources, climate change mitigation, and climate change adaptation). These objectives are formalized in the Framework and considered clearly defined and relevant.

The Eligible Categories and Sub-categories are considered to provide clear environmental benefits, with the exception of the Sub-category “Waste-to-Energy”, for which its environmental benefits are partially clear and depend on the geographical locations of the Eligible Green Assets. The Issuer has committed to assess and, where feasible, quantify the expected environmental benefits of the Green Finance Instruments. An area for improvement consists in defining ex-ante quantified environmental targets for each Eligible Category, and for the Sub-category “Waste-to-Energy” to assess and quantify the expected outcomes and environmental benefits of Eligible Green Assets ex-ante and to communicate them, together with project location, before or at Green Finance issuance.

The Issuer has transparently communicated on the estimated share of refinancing for its first Bond issuance, which will be equal to 100%. The Issuer has committed that, in case of re-financing, a look-back period of maximum 36 months from the Green Finance issuance date will be applied, in line with market practices.

The Issuer has also indicated that the eligible geographical location will be all countries where BEHL and its subsidiaries operate. For the first Bond issuance, all assets are located in Europe.

Assessment of eligible expenditures

The Framework defines eligible expenditures as follows:

- *Eligible Green Assets may include the acquisition of green and/or sustainable investments, assets or projects, green and/or sustainable capital expenditures, operating expenditures related to improvement and maintenance of Eligible Green Assets, research and development, and material acquisition costs.*
- For “green and/or sustainable assets”, the Framework also includes “*pure-play companies with at least 90% of revenue derived from business activities qualified as eligible in the table below (e.g. EEW Energy from Waste, a leading company in the generation of heating and electricity through thermal waste treatment and waste disposal)*”. Where feasible, BEHL commits to disclose, in its annual reporting, the year of operation of the acquired assets.

We are of the opinion that the description of eligible expenditures is clear and relevant. Based on our assessment below, it is considered that EEW Energy from Waste GmbH (“EEW”) can be deemed as a pure-play company:

- EEW is indirectly-held wholly-owned by BEHL. BEHL acquired the entire equity interest of EEW in March 2016.¹⁰ The total registered share capital of EEW & related subsidiaries amounted to EUR 99.57 million as of 2018¹¹ (The total assets of EEW is EUR 1.238 billion per audited report as of 31 Dec 2018), which is directly consolidated into BEHL consolidated financials.
- EEW operates thermal waste recovery plants in Germany and neighbouring European countries.¹² EEW’s scope of business is confirmed to be solely in: planning, construction and operation of waste incineration plants and provision of appropriate waste removal services.¹³ EEW reports that 100% of its revenues came from these activities. As per GBP, energy/emission-efficient waste to energy are considered eligible Green Projects.
- BEHL or a special purpose company 100% owned by BEHL plans to issue a Green Bond to 100% refinance the acquisition of EEW Energy from Waste GmbH (“EEW”).

The amount of the first Bond issuance is less than the total assets of EEW and hence refinancing of EEW can be deemed as investment in Eligible Green Asset, which fits under the sub-category “Waste-to-Energy”.

¹⁰ <https://www1.hkexnews.hk/listedco/listconews/sehk/2017/0403/ltm201704032259.pdf>, page 106

¹¹ <https://doc.irasia.com/listco/hk/behl/annual/2018/ar2018.pdf>, page 72

¹² https://www.eew-energyfromwaste.com/fileadmin/content/Materialbestellung/EEW_Broschuere_Image_ENG_2019-10.pdf, page 13

¹³ https://www.eew-energyfromwaste.com/fileadmin/content/Standorte/GmbH/EEW_GmbH_9001_14001_18001_e.pdf

BEHL Framework				Vigeo Eiris Analysis
Eligible Category	Sub-categories and Definition/Eligibility Criteria	Exclusion Criteria	Objectives and benefits	
Pollution Prevention and Control	<p>Financing and/or refinancing of investments and/or expenditures, including but not limited to:</p> <ul style="list-style-type: none"> • Waste prevention, minimization and re-use <ul style="list-style-type: none"> ○ Investments, projects and/or expenditures dedicated to the construction, development, expansion, maintenance of facilities, systems or equipment used to reduce GHG emissions and waste disposal • Waste recycling <ul style="list-style-type: none"> ○ Investments, projects and/or expenditures dedicated to the construction, development, expansion, maintenance of facilities, systems or equipment used for waste recycling activities 	<p>Any project, asset, expenditure or investment (including unallocated proceeds) which are considered irrelevant to the environmental objectives of Green Finance will be excluded, including but not limited to:</p> <ul style="list-style-type: none"> - Landfills without biogas extraction system (if applicable) - Waste-to-Energy facilities with an R1 value of energy efficiency < 0.65¹⁴ - Fossil energy generation - Nuclear energy generation - Alcohol 	<p>Transition to a circular economy</p> <p><i>Waste prevention, waste reduction and waste recycling</i></p> <p>Pollution prevention and control</p> <p><i>Waste prevention, waste reduction and waste recycling</i></p> <p><i>Energy/emission-efficient waste to energy</i></p> <p>Climate Change Mitigation</p> <p><i>Reduction of greenhouse gas emissions</i></p>	<p>The definition of the <u>Eligible Category</u> is overall clear, with the exception of the Sub-category “Waste prevention, minimisation and re-use”. The sub-categories are in line with waste hierarchy, which is a framework recognised by international and regional guidelines/regulations (such as EU’s <i>Waste Framework Directive 2008/98/EC</i>¹⁵) for different waste management options in the general order of their relative environmental impacts: prevention is prioritised followed by reuse, recycling, other recovery with disposal as the last resort. Waste disposal is not listed in this category.</p> <ul style="list-style-type: none"> - For the Sub-category “Waste prevention, minimisation and re-use”, an area for improvement is to provide more clarity in the definition by specifying the type of facilities, systems or equipment that will reduce GHG emissions and waste disposal. - For the Sub-category “waste-to-energy”, BEHL clarified that existing facilities of EEW are combined heat and power (CHP) facilities which produce waste heat. EEW recovers such heat for district heating. Areas for improvement for all Eligible Green Assets under the “waste-to-energy” category include: <ul style="list-style-type: none"> • to commit to not utilise recyclable or reusable waste and to not divert waste from other usage; and • to set a greenhouse gas emission threshold for the energy produced, e.g. 100gCO₂e/kWh or equivalent for projects/assets in the EU. <p>The defined exclusion criteria help prevent finance/refinance that may lead to negative environmental and/or social impacts, especially for the last two sub-categories:</p> <ul style="list-style-type: none"> - <u>Landfills without biogas extraction system</u>: without methane gas capture, the landfill contributes to climate change as methane produced from waste decomposition is a potent greenhouse gas.¹⁶

¹⁴ <https://ec.europa.eu/environment/waste/framework/pdf/guidance.pdf>

¹⁵ <https://ec.europa.eu/environment/waste/framework/>

¹⁶ <https://www.climatebonds.net/files/files/Waste%20Management%20Criteria%20Background%20Document.pdf>, p.13, 17

BEHL Framework				Vigeo Eiris Analysis
Eligible Category	Sub-categories and Definition/Eligibility Criteria	Exclusion Criteria	Objectives and benefits	
	<ul style="list-style-type: none"> • Waste-to-Energy <ul style="list-style-type: none"> ○ Thermal recovery of waste (such as industrial, municipal waste) ○ Production of electricity, heat and/or steam ○ Thermal sewage sludge recovery 			<p>- <u>Waste-to-Energy facilities with an R1 value of energy efficiency < 0.65:</u> the threshold for the R1 value refers to the requirements in EU's <i>Waste Framework Directive 2008/98/EC</i> for waste-to-energy installations permitted after 31 December 2008 and for such facilities to be considered efficient. It is considered a good practice to set a minimum requirement for the energy efficiency of waste-to-energy operations.</p> <p>The Issuer has chosen to map the objectives of the Eligible projects/assets against the six EU Environmental Objective as specified in the EU Taxonomy Regulation¹⁷ (<i>Climate Change Mitigation; Climate Change Adaptation; Sustainable use and protection of water and marine resources; Transition to a circular economy; Pollution prevention and control; Protection and restoration of biodiversity and ecosystems</i>).</p> <p>The Eligible Projects/Assets are intended to contribute to three main <u>environmental objectives</u> as below, which are considered clearly defined and relevant:</p> <ul style="list-style-type: none"> - <u>Transition to a circular economy:</u> appropriate and sustainable management of waste is an important part of building a circular economy.¹⁸ The European Commission also adopted the new <i>Circular Economy Action Plan</i>¹⁹ in March 2020, where waste management is a key component and enhanced waste policy is proposed in support of waste prevention and circularity. - <u>Pollution prevention and control:</u> the eligible investments and/or expenditures related to waste prevention, waste reduction, waste recycling and energy/emission-efficient waste to energy fit under the category "pollution prevention and control" in the GBP.

¹⁷ https://ec.europa.eu/info/publications/sustainable-finance-technical-expert-group_en

¹⁸ <https://www.ellenmacarthurfoundation.org/circular-economy/concept>

¹⁹ https://eur-lex.europa.eu/resource.html?uri=cellar:9903b325-6388-11ea-b735-01aa75ed71a1.0017.02/DOC_1&format=PDF

BEHL Framework				Vigeo Eiris Analysis
Eligible Category	Sub-categories and Definition/Eligibility Criteria	Exclusion Criteria	Objectives and benefits	
				<ul style="list-style-type: none"> - <u>Climate Change Mitigation</u>: According to a 2018 World Bank study, globally greenhouse gas (GHG) emissions from waste management is estimated to represent 5% of global GHG emissions or 1.6 billion tonnes of CO₂e, primarily from open dumping and disposal in landfills without landfill gas capture systems.²⁰ Prevention, reuse, recycling, and energy recovery can all reduce methane emissions from landfill, avoid emissions linked to resource extraction and production using virgin materials, and offer an alternative energy source to fossil fuels.²¹ <p>The Eligible Projects/Assets under the first and second sub-categories are considered to be able to provide clear, relevant and measurable <u>environmental benefits</u> in terms of waste prevention, waste reduction and waste recycling and reduction of greenhouse gas emissions. An area for improvement is to quantify the expected environmental benefits of the first two sub-categories with <i>ex-ante</i> environmental targets.</p> <p><u>Assessment of waste-to-energy</u></p> <p>For the third Sub-category, Waste-to-energy, we consider the environmental benefits are partially clear. According to UNEP's 2019 report "<i>Waste-to-Energy: Considerations for Informed Decision-Making</i>", thermal waste-to-energy (WTE) plants have limitation in delivering positive environmental benefits for the following (not exhaustive) reasons²²:</p> <ul style="list-style-type: none"> - It requires a certain level of calorific value of waste (on average at least 7 MJ/kg). Burning waste with lower levels of calorific value would require use of additional fuel and may produce heavy smoke emissions and other toxic air emissions;

²⁰ <https://openknowledge.worldbank.org/handle/10986/30317>

²¹ <https://www.climatebonds.net/files/files/Waste%20Management%20Background%20Paper%282%29.pdf>, page 15

²² <https://www.developmentaid.org/api/frontend/cms/uploadedImages/2019/08/WTEfull-compressed.pdf>, page 9

BEHL Framework				Vigeo Eiris Analysis
Eligible Category	Sub-categories and Definition/Eligibility Criteria	Exclusion Criteria	Objectives and benefits	
				<ul style="list-style-type: none"> - A large-scale plant requires at least 100,000 tonnes of municipal solid waste (MSW) per year over its lifetime, potentially creating lock-in effects and hampering efforts to reduce, reuse and recycle; - It will not completely abate greenhouse gas emissions; and - It reduces the volume of waste entering landfills by 75–90 per cent, but it does not remove the need for landfills. In addition, it can produce residues that are hazardous and require safe disposal. <p>For waste-to-energy projects/facilities within the EU (e.g. EEW), their environmental benefits are considered limited, considering the EU’s current legislation and positions on waste-to-energy, even if EEW can demonstrate to meet all the relevant compliance requirements:</p> <ul style="list-style-type: none"> - EEW operates its thermal waste recovery plants only within the EU; as a result, all of its facilities are subject to European and local laws, regulation and guidelines, including but not limited to: <ul style="list-style-type: none"> o Circular Economy Act in Germany (2012);²³ o DIRECTIVE (EU) 2018/851²⁴ amending Directive 2008/98/EC on waste;²⁵ o Directive 2010/75/EU on industrial emissions;²⁶ and o Best Available Techniques (BAT) Reference Document (BREF) for Waste Incineration, latest updated in November 2019.²⁷ - In EU’s waste legislation, waste-to-energy is low in waste hierarchy, and regional and local authorities are advised “<i>avoiding support to landfilling and incineration</i>”.²⁸

²³ <https://www.bmu.de/en/law/circular-economy-and-safeguard-the-environmentally-compatible-management-of-waste/>

²⁴ <https://eur-lex.europa.eu/eli/dir/2018/851/oj/eng>

²⁵ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32008L0098&from=EN>

²⁶ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32010L0075>

²⁷ <https://ec.europa.eu/jrc/en/news/new-eu-environmental-standards-waste-incineration>

²⁸ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32018L0851&from=EN>, ANNEX Iva

BEHL Framework				Vigeo Eiris Analysis
Eligible Category	Sub-categories and Definition/Eligibility Criteria	Exclusion Criteria	Objectives and benefits	
				<ul style="list-style-type: none"> - For waste management, since EEW/BEHL is currently predominantly involved in waste-to-energy projects. As per European Commissions' 2017 Communication COM(2017)34 on '<i>the role of waste-to-energy in the circular economy</i>', investment in this Sub-category may run the risk of providing incentive to prioritise waste-to-energy and potentially hamper the efforts required in promoting recycling and reuse.²⁹ - Moreover, in the Final report of the Technical Expert Group on Sustainable Finance to the European Commission, only energy recovery from biogenic waste is included in the proposed EU Taxonomy (under "<i>Production of Electricity from Bioenergy (Biomass, Biogas and Biofuels)</i>", "<i>Cogeneration of Heat/Cool and Power from Bioenergy (Biomass, Biogas, Biofuels)</i>" and "<i>Production of Heat/cool from Bioenergy (Biomass, Biogas, Biofuels)</i>").³⁰ According to EEW's Sustainability Report 2018, the waste recovered by EEW contains on average 50 per cent of biogenic material.³¹ - In addition, a 2015 report from Zero Waste Europe³² argued that the environmental benefits of switching from landfill to incineration are slight and will likely continue to decline as energy systems decarbonise. The report concludes that "<i>technologies such as incineration will become less attractive over time</i>". <p>An area for improvement is to commit to assess and quantify expected outcomes and environmental benefits of investments in Waste-to-Energy <i>ex-ante</i> and to communicate them, together with project location, before or at Green Finance issuance.</p>

²⁹ <https://ec.europa.eu/environment/waste/waste-to-energy.pdf>, Section 5

³⁰ https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/200309-sustainable-finance-teg-final-report-taxonomy_en.pdf

³¹ https://www.eew-energyfromwaste.com/fileadmin/content/Umwelt/Nachhaltigkeit/191204_EEW_NH-Bericht_2018_EN_interaktiv.pdf, page 35

³² <https://zerowasteurope.eu/downloads/the-potential-contribution-of-waste-management-to-a-low-carbon-economy/>, page 7 of the main report

BEHL Framework				Vigeo Eiris Analysis
Eligible Category	Sub-categories and Definition/Eligibility Criteria	Exclusion Criteria	Objectives and benefits	
Sustainable Water and Wastewater Management	Financing and/or refinancing of investments and/or expenditures, including but not limited to: <ul style="list-style-type: none"> • Investments, projects and/or expenditures dedicated to the construction, development, expansion, maintenance of facilities, systems or equipment used for: <ul style="list-style-type: none"> ○ Water recycling and wastewater treatment ○ Water distribution systems with improved efficiency/quality ○ Urban drainage systems ○ Flood mitigation infrastructure (such as anti-filtration infrastructure) 		Sustainable use and protection of water resources <i>Water efficiency improvement</i> <i>Water pollution control</i> Climate Change Adaptation <i>Mitigating impacts of floods</i>	<p>The definition of the <u>Eligible Category</u> is clear. The eligible investments and/or expenditures fit within the Eligible Categories “sustainable water and wastewater management” and “climate change adaptation” as per GBP/GLP.</p> <p>The Eligible Projects/Assets are intended to contribute to two main <u>environmental objectives</u> as below, which are considered clearly defined and relevant:</p> <ul style="list-style-type: none"> - <u>Sustainable use and protection of water resources</u>: Water recycling and water distribution systems with improved efficiency can contribute to the improvement of waste use efficiency and saving of water resources. Wastewater treatment, water distribution systems with improved quality and urban drainage systems can help prevent and control water pollution. - <u>Climate Change Adaptation</u>: the sub-categories “Urban drainage systems” and “Flood mitigation infrastructure” are confirmed to be viable hard technologies for adaptation to climate change, as per UNFCCC,³³ in addition to soft measures such as early warning systems as mentioned in the GBP. In addition, measures related to sustainable water management such as improving water use efficiency and sanitation are also considered to help adaptation in the water sector and the larger society.³⁴ <p>The Eligible Projects/Assets are considered to be able to provide clear, relevant and measurable <u>environmental benefits</u> in terms of:</p> <ul style="list-style-type: none"> - <i>Water efficiency improvement;</i> - <i>Water pollution control; and</i> - <i>Mitigating impacts of floods.</i> <p>An area for improvement is to quantify the expected environmental benefits with <i>ex-ante</i> environmental targets.</p>

³³ https://unfccc.int/resource/docs/publications/tech_for_adaptation_06.pdf, page 35

³⁴ https://unfccc.int/ttclear/misc_/StaticFiles/gnwoerk_static/TEC_column_L/0cac6640a3b945c08e7a54f8e496223e/55e192e14cd6495f975f4098843baf7e.pdf, page 3-7

The Eligible Categories are likely to contribute to five of the United Nations’ Sustainable Development Goals (“SDGs”), namely: Goal 6. Water and Sanitation, Goal 9. Industry, Innovation and Infrastructure, Goal 11. Sustainable cities and communities, Goal 12. Responsible Consumption and Production, and Goal 13. Climate Action.



Eligible Green and Social Projects	UN SDGs identified	UN SDGs targets
Pollution Prevention and Control	SDG 11. Sustainable cities and communities	11.6 Reducing the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management..
	SDG 12. Responsible Consumption and production	12.4 Achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment 12.5 Substantially reduce waste generation through prevention, reduction, recycling and reuse
	SDG 13. Climate Action	NA <i>Prevention, reuse, recycling, and energy recovery can all reduce methane emissions from landfill, avoid emissions linked to resource extraction and production using virgin materials, and offer an alternative energy source to fossil fuels.</i>
Sustainable Water and Wastewater Management	SDG 6. Clean Water and Sanitation	6.3 Improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally 6.4 Substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity
	SDG 9. Industry, Innovation and Infrastructure	9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all

Process for Project Evaluation and Selection

The governance and process for the evaluation and selection of the Eligible Projects are formalised in the Framework. We consider that the process is structured, transparent and relevant.

The process for evaluation and selection of Eligible Projects is clearly defined.

The evaluation and selection of Eligible Projects is based on relevant internal expertise, with clearly defined roles and responsibilities:

- For the purpose of the green financing under the Framework, the BEHL Sustainability Working Committee (“Committee”) is created. This Committee is composed of representatives of:
 - Group Finance Department;
 - Secretarial Department;
 - Investor Relations Department; and
 - Technical specialists’ support from business teams such as the Steering Committee of EEW.
- The Committee is responsible for:
 - Facilitating the process for evaluation and selection of the Eligible Portfolio to be financed and/or refinanced through Green Finance funding proceeds in accordance with the Green Finance Criteria set in the Framework.
 - Final decision will be made by BEHL’s Finance Department and Secretarial Department Jointly.
 - Ensuring the compliance of the selected Eligible Green Assets with official national and international environmental and social standards, local laws and regulations on a best effort basis.
 - Reviewing the Eligible Green Assets and the allocation of the proceeds to the Eligible Green Assets on an annual basis, and until full allocation.

BEHL also communicated that it will investigate controversies and misbehaviour in a timely manner, and if necessary engage an external reviewer in the investigation process. However, there is no sufficient information on the scope of controversies covered by such monitoring, and the process is also not yet formalised in internal documentation or the Framework.

An area for improvement is to clarify whether and how BEHL will monitor potential controversies linked to financed assets throughout the life of the Green Finance Instruments and action(s) that will be taken by the Committee in case of controversies concerning any project, asset, expenditure or investment financed/refinanced by the proceeds of Green Finance instruments issued under the Framework.

The traceability and verification of the evaluation and selection of the Eligible Projects/Assets is ensured throughout the process:

- The Committee will review and evaluate the compliance of Eligible Green Assets with the eligibility criteria outlined in the Use of Proceeds section in the Framework.
- Annual meeting of the Committee will include, among other things, the management of the Eligible Portfolio.
- BEHL also reports that meeting minutes will be circulated by email after all meetings of the Committee.

The process relies on explicit eligibility criteria (selection and exclusion), relevant to the environmental objectives defined for the Eligible categories.

- The selection is based on the Eligible Categories defined in the Use of Proceeds section of the Framework.
- The Issuer has established an exclusion list, which excludes any project, asset, expenditure or investment related to landfills without biogas extraction system (if applicable), Waste-to-Energy facilities with an R1 value of energy efficiency < 0.65, fossil energy generation, nuclear energy generation and alcohol.

The identification and management of environmental and social risks associated with the Eligible Green Assets are considered good.

The assessment of management of E&S risks is based on policies and measures put in place by both BEHL at the group-level and EEW, since refinancing the acquisition of EEW is the objective of the first Bond issuance. The level of performance in managing environmental and social risks associated with future Eligible Green Assets may vary

according to the sectors and the companies BEHL will invest in as a holding company and according to how policies and measures of subsidiary companies will complement or fill potential gaps in the management of relevant material risks.

The Issuer has formalised group-level policies such as "*BEHL Environmental Protection Management System*", "*BEHL Environmental Protection Compliance System*" and "*BEHL Ten Guidelines on Safe Production*", which apply to all operations financed/refinanced by Green Finance instruments under the Framework. The environmental and safety policies cover major environmental and social risks associated with the Eligible Green Assets.

At the group/BEHL level, an Environmental Protection & Solid Waste Treatment Department is established, which is directly linked to the CEO.

Environmental risks (applicable to both Eligible Categories unless otherwise specified)

- **Environmental management and eco-design** (good): BEHL indicates in its annual CSR reports that it requires all of its project companies to establish a sound Environmental Management system. It reports that it carries out environmental impact assessment in the early stage of any project and that it also carries out environmental risks screening at least annually. However, there is no specific policy or measure in place looking at lifecycle impacts and eco-design of relevant facilities.

Relating to the first Bond issuance, EEW has introduced and been certified in important management systems at all its plants and administrative sites including ISO 9001 (quality management), ISO 14001 (environmental management), ISO 50001 (energy management) and OHSAS 18001 (occupational safety). EIA and ongoing monitoring cover 100% of sites (administrative and plant sites) with implemented local community engagement, impact assessments, and/or development programmes, and the results of EIA is 100% publicly disclosed at least for 2017 and 2018.

- **Energy use** (good): Each business segment of BEHL has formed its own measures and work plans for energy saving and consumption reduction, and established an energy consumption monitoring system to achieve automatic detection of water, electricity and gas usage. BEHL implements energy conservation in all aspects of operations. An energy consumption online detection system was also said to have been established to strictly control energy consumption.

Relating to the first Bond issuance, EEW's measures and documents relevant environmental indicators (energy consumption; CO₂ emissions; nitrogen oxides (NO_x), sulphur oxides (SO_x) and other significant air emissions; waste by type and disposal method) for all plants annually in accordance with the process instructions on corporate environmental protection, including the calculation of energy use. The sustainability report covers these indicators, which is audited by EY.

- **Reducing GHG emissions** (good): BEHL monitors the energy consumption of all of its operations and reports its total greenhouse gas emissions by business activity, including gas, water & environment, solid waste treatment, and beer production. In addition, BEHL also reports on Greenhouse gas emissions per HK\$10,000 of revenue at the company level. However, there is no specific target set in reducing GHG emissions at the Company or Eligible Category level.

Relating to the first Bond issuance, EEW monitors its energy use and reports its CO₂ emissions (Scope 1 and Scope 2) in its Sustainability Report.

- **Prevention and mitigation of environmental pollution and environmental/industrial accident** (good): BEHL strictly abides by the Environmental Protection Law and relevant laws on pollution prevention and control for air and water pollution as well as solid waste in China. BEHL has established a centralised control system for monitoring exhaust gas and wastewater emissions, improve wastewater treatment capabilities and promote green manufacturing. For solid waste business, it commits to comply with industrial standards in China (e.g. GB18485-2014 and GB18484-2001) and the EU (e.g. 2000/76/EC and 2010/75/EC), wherever applicable.

Relating to the first Bond issuance, EEW uses state-of-the-art flue gas cleaning technology at all of its plants to filter out organic and inorganic pollutants to control air pollution. For dust management, EEW recycles raw materials from the residues that remain after waste combustion. EEW is also engaged in R&D of new technologies, including reutilisation of bottom ash (grate ash), alternative recovery options for ash, depollution and the composition of filter dust. In addition, EEW implements a zero-accident strategy.

- **Environmental impacts linked with transportation of waste** (good) – there is no specific policy at the group/BEHL level except for overall requirements on waste management and pollution control. As of 2018, EEW accounted for 75.8% of the revenue from solid waste treatment businesses, and the rest were from domestic projects in China from BEHL's other subsidiaries.³⁵ Hence, for the first Eligible Category, for activities carried out by EEW, these issues are covered by its policies and measures. For the second Eligible Category, one of BEHL's subsidiaries, BE Water, will be involved in wastewater treatment and has communicated that it will ensure zero leakage in transportation of waste from such projects.

Relating to the first Bond issuance, EEW monitors the deliveries of waste as part of its resource management process, and use random sampling to check whether the waste is delivered as per relevant agreement. EEW also checks the European Waste Catalogue (EWC) code numbers cited in the customers' declaration against analyses of the delivered waste and ensures the compliance with the permitted specifications of the particular EEW plant. We consider these measures could help manage GHG emissions related to transportation and also help ensure the vehicle is equipped for specific waste types.

- **Protection of biodiversity** (limited): BEHL does not have specific policies on the protection of biodiversity, but its policies and measures on environmental protection and pollution prevention and control can potentially ensure the protection of the natural environment where its businesses operate. In addition, one of its subsidiaries, BE Water, reports that it has established specific policies including "*BE Water Biodiversity Protection Policy*" and "*Regulations on Water Source Management*", which however may not be applicable to BEHL's other subsidiaries.
- **Integration of environmental factors in the supply chain** (good): At the group level, BEHL has established a strict bidding process, where strict management and audit are conducted on suppliers' qualifications and quality assurance capabilities in accordance with the supplier management process. BEHL also emphasizes the performance of the suppliers in terms of safety, health and environment: for instance, using ISO-related system certification as one of the access conditions.

Relating to the first Bond issuance, EEW reports that it implements sustainable procurement practices. It reports that the selection and evaluation of suppliers are also based on environmental criteria, but there is insufficient information on specific criteria used. The Technology and Procurement departments use this information to award contracts for subsequent projects to suitable responsible suppliers.

³⁵ <https://doc.irasia.com/listco/hk/behl/annual/2018/ar2018.pdf>, page 15

Social Risks (applicable to both Eligible Categories unless otherwise specified)

- **Health and safety of workers** (good): BEHL combines safety production and occupational health, implements an occupational health responsibility system, and establishes occupational disease records to ensure that all employees receive occupational health checks. BEHL also carries out various forms of safety education and trainings: in 2018, about 170,000 person-hours of trainings were conducted at all levels. BEHL has formulated internal policies such as “*Safety Production Management Regulations and Administrative Measures for Investigation*” and “*Management of Hidden Dangers of Production Safety Accidents*”, which apply to all of its business activities.

Relating to the first Bond issuance, EEW is certified according to OHSAS 18001, a management system for occupational health and safety which primarily serves to reduce accidents and minimise lost time. A specialist department RESHQ (Residual Materials, Environment, Safety, Health & Quality), the internal controlling unit Occupational Safety Measures and monthly reporting are in place. In addition, EEW applies the principles of health management, which were jointly developed with trade unions and the Central Works Council. According to its Sustainability Report 2018, EEW plans to create a sustainable structure by end of Q1 2020 to reduce hazards at plant sites, including shifting from OHSAS 18001 to ISO 45001.³⁶

- **Safety for other stakeholders** (limited): BEHL commits to comply with relevant environmental regulations and standards at project/asset sites. However, there is insufficient information regarding specific policies and/or measures in place to identify and manage potential safety risks to other stakeholders.

Relating to the first Bond issuance, EEW reports that its plant sites have employees directly responsible for the implementation of health & safety goals at the operational level, who include trained safety specialists, technical administrators, the environmental protection officer and other officers in the areas of waste, emission control, water protection and hazardous materials. However, there is insufficient information regarding specific safety measures in place in relation to local communities at the project sites and the supply of heat to users.

- **Fundamental labour and human rights** (good): At the group level, BEHL strictly complies with the Labour Law of the PRC, the Labour Contract Law of the PRC and other relevant laws and regulation where its subsidiaries operate. BEHL has formulated internal policies and guidelines such as “*Regulations on Recruitment Management*” and “*Regulations on the Management of Labour Contracts and Personnel Files*” to manage labour-related issues and set clear guidelines. BEHL has also established strict rules and policies and whistle-blowing procedures such as “*Provision on the Integrity of Employees with Business Discretion Rights*” to ensure equal and non-discriminatory employment and prohibits employment of child labour or forced labour.

Relating to the first Bond issuance, EEW is committed to respect human rights in its business operations. It has an internal system of corporate values and compliance rules in place to ensure this. EEW and all its suppliers are subject to European laws and therefore also to the corresponding standards in the various European jurisdictions.

- **Integration of social factors in the supply chain** (limited): For social factors, BEHL applies the same group-level processes for the integration of environmental factors in its supply chain as mentioned above.

Relating to the first Bond issuance, EEW reports that it has implemented sustainable procurement practices. It reports that the selection and evaluation of its suppliers are also based on social and environmental criteria and take into account the supplier’s labour and production conditions. The Technology and Procurement departments use this information to award contracts for subsequent projects to suitable responsible suppliers.

Areas for improvement include:

- to carry out an ESG risk assessment prior to the selection of an Eligible Green Asset; and
- to assess the impacts of Eligible Green Assets on biodiversity and device specific policies and measures to mitigate potential impacts.

³⁶ https://www.eew-energyfromwaste.com/fileadmin/content/Umwelt/Nachhaltigkeit/191204_EEW_NH-Bericht_2018_EN_interaktiv.pdf

Management of proceeds

The rules for the management of proceeds are clearly defined and will be verified. We consider that they would enable a documented and transparent allocation process.

The allocation and management of the proceeds are clearly defined:

- The net proceeds from the Green Finance Funding will be allocated to the general account held in BEHL's Treasury department.
- The amount equal to the net proceeds will be earmarked for allocation to the Eligible Portfolio as selected by the Committee.
- The Treasury department will allocate the net proceeds to the corporate entities in charge of the selected projects/assets via intercompany loans or equity capital, with the purposes to finance the disbursements in connection with the Eligible Green Portfolio carried out by BEHL's subsidiaries.
- BEHL commits to achieve a level of allocation over time for any green finance issuances to match or exceed the balance of net proceeds from its outstanding Green Finance funding.
- Additional Eligible Assets may be added to the extent required to ensure that an amount equal to the net proceeds from outstanding Green Finance funding will be allocated.
- In case of temporarily unallocated proceeds, these will be held no longer than 12 months from the issuance of the Green Finance instruments in BEHL's treasury liquidity portfolio in:
 - temporary investment instruments that are cash or cash equivalent instruments; or
 - temporary investment instruments that do not include greenhouse gas intensive projects which are inconsistent with the delivery of a low carbon and climate resilient economy; nor controversial activities, or activities facing material ESG issues; or
 - to temporarily reduce indebtedness of a revolving nature before being redrawn for investments or disbursements to Eligible Green Assets.
- In case that an Investment/Asset/Project is confirmed to be no longer meeting the Eligibility Criteria, BEHL will decategorize the asset as an Eligible Green Asset and reduce the allocated investment volume by the value of the decategorised asset. If a new Investment/Asset/Project is confirmed as meeting the Eligibility Criteria, BEHL will categorise the asset as an Eligible Green Asset and increase the allocated investment volume by the value of the categorized asset. The process and commitments in relation to temporarily unallocated proceeds mentioned above apply.

Traceability and verification of both the tracking method and allocation of the proceeds, are ensured throughout the process:

- The Green Financing proceeds will be managed and monitored by BEHL in a portfolio approach, in accordance with the Company's established governance arrangements with respect to its treasury activities.
- BEHL commits to the following tasks related to managing and monitoring at least annually:
 - reviewing and confirming the current Eligible Green Assets against the Eligibility Criteria;
 - determining eligibility of any potential new assets as Eligible Green Assets; and
 - confirming overall compliance with the Framework and the Principles.
- The allocation of net proceeds will be tracked and audited by BEHL's internal accounting system.
- BEHL commits to engage an external auditor to verify the allocation of funds from the Green Finance proceeds and the outstanding amount of net proceeds once a year and until full allocation.

Monitoring & Reporting

The reporting process and commitments appear to be good. The selected reporting indicators related to the funds' allocation are considered clear and relevant. The reporting indicators selected to report on the environmental benefits are relevant and clear although not exhaustive.

The processes for monitoring, data collection, consolidation, validation and reporting are only partially defined by the Issuer in the Framework.

The processes are partially structured as per the process described below:

- The company's established governance arrangements with respect to its treasury activities that will be used to monitor and review the financial aspects of the projects.
- The Committee is responsible for monitoring and/or data collection and will provide aggregated reporting for all its Green Finance transactions outstanding, with support from technical experts of relevant business departments.

The Issuer has committed:

- For Green Bonds, to report on the allocation of net proceeds to the Eligible Portfolio, within approximately one year from the date of the bond issuance and thereafter on an annual basis until full allocation, and to make the information on allocation of proceeds publicly available on the Company's website.³⁷
- For Green Loans, to make the above-mentioned report readily available to its lenders upon request.

The Issuer has committed to transparently communicate, at least at the category level, on:

- Allocation of proceeds: the selected reporting indicators are clear and relevant although not exhaustive.

Reporting indicators
<ul style="list-style-type: none"> - The total amount of proceeds allocated to the Eligible Green Assets - The proportion of net proceeds used for financing vs. refinancing - The balance of unallocated amount, if any - The geographical distribution of the Eligible Green Assets (at country level)

An area for improvement is to also report on the following indicators related to allocation of proceeds:

- a list of the Eligible Assets included in the pool of Eligible Green Assets; and
- the % of co-financing in case that another source of financing is involved
- Environmental benefits, wherever feasible: the selected reporting indicators are relevant and clear although not exhaustive.

Eligible categories	Environmental benefits indicators	
	Outputs and outcomes	Impact Indicators
Pollution Prevention and Control	<ul style="list-style-type: none"> - Total weight of residues sent for recycling in tonnes - Annual energy generation from non-recyclable waste in energy/emission-efficient waste to energy facilities in MWh/GWh (electricity) and GJ/TJ (other energy) - For waste-to-energy sub-category: energy efficiency of the energy recovery (i.e. R1 value in case of projects in the EU) 	<ul style="list-style-type: none"> - Waste diverted from landfills (in tons/year) - CO₂ and other GHG avoided (in tons/year) - Number of households with energy from waste

³⁷ <https://www.behl.com.hk/en/global/home.php>

Eligible categories	Environmental benefits indicators	
	Outputs and outcomes	Impact Indicators
Sustainable Water and wastewater Management	N/A	<ul style="list-style-type: none"> - Reduction in water losses in water transfer and/or distribution (change in leakage rate in %) - Wastewater treated to appropriate standards or raw/untreated wastewater discharges avoided (million tons/year)

BEHL commits to disclose in the Post-issuance Reporting document the key methodologies and assumptions used to calculate the environmental benefit of the Eligible Assets, at least at the category level.

For bond issuances, BEHL commits to appoint an external auditor to verify on an annual basis, starting approximately one year after issuance and until full allocation, a limited assurance report of the allocation of the bond proceeds to eligible assets. For the first Bond issuance, BEHL confirms that the external verification will also cover the Impact Reporting of the Bond proceeds to Eligible Green Assets. For other future Green Finance Instruments, BEHL states that an external verification may cover the Impact Reporting of the Green Finance proceeds to Eligible Green Assets.

Areas for improvement include:

- To report at least to the investors, in case of material developments relating to the first Bond issuance and to the Eligible Projects, including in case of ESG controversies or project/asset modification.
- To have an independent external reviewer, for all future Green Finance issuances, to verify the reported information and data on the environmental benefits measured.

METHODOLOGY

In Vigeo Eiris' view, Environmental, Social and Governance (ESG) factors are intertwined and complementary. As such they cannot be separated in the assessment of ESG management in any organization, activity or transaction. In this sense, Vigeo Eiris writes an opinion on the Issuer's Corporate Social Responsibility as an organization, and on the process and commitments applying to the intended issuance.

Vigeo Eiris' methodology for the definition and assessment of the corporation's ESG performance is based on criteria aligned with public international standards, in compliance with the ISO 26000 guidelines, and is organized in 6 domains: Environment, Human Resources, Human Rights, Community Involvement, Business Behaviour and Corporate Governance. Our evaluation framework of the material ESG issues have been adapted, based on the specificities of the Issuer's business activity.

Our research and rating procedures are subject to internal quality control at three levels (analysts, heads of cluster sectors, and internal review by the audit department for second party opinions) complemented by a final review and validation by the Director of Methods. Our SPO are also subject to internal quality control at three levels (consultants in charge of the mission, Production Manager, and final review and validation by the Director of Sustainable Finance and/or the Director of Methods. A right of complaint and recourse is guaranteed to all companies under our review, following three levels: first, the team in contact with the company, then the Director of Methods, and finally Vigeo Eiris' Scientific Council.

All employees are signatories of Vigeo Eiris' Code of Conduct, and all consultants have also signed its add-on covering financial rules of confidentiality.

Part I. ISSUER

NB: The ESG performance of the Issuer has not been assessed following the complete process of rating and benchmark developed by Vigeo Eiris. In this SPO, the assessment has been limited to the integration of ESG factors in the Issuer's commitments and strategy, i.e. the content, visibility and ownership of its ESG policies.

Level of the Issuer's ESG performance

BEHL has been evaluated by Vigeo Eiris based on its capacity to integrate the main ESG sector issues in its Corporate Social Responsibility (CSR) strategy and commitments, based on 23 relevant ESG drivers organized in the 6 sustainability domains.

The assessment of BEHL's ESG performance has focused only on the Leadership items from Vigeo Eiris' ESG rating methodology:

- Leadership: relevance of the commitments (content, visibility and ownership).

Management of stakeholder-related ESG controversies

A controversy is an information, a flow of information, or a contradictory opinion that is public, documented and traceable, allegation against an Issuer on corporate responsibility issues. Such allegations can relate to tangible facts, be an interpretation of these facts, or constitute an allegation based on unproven facts.

Vigeo Eiris reviewed information provided by the Issuer, press content providers and stakeholders (partnership with Factiva Dow Jones: access to the content of 28,500 publications worldwide from reference financial newspapers to sector-focused magazines, local publications or Non-Government Organizations). Information gathered from these sources is considered as long as it is public, documented and traceable.

Vigeo Eiris provides an opinion on companies' controversies risks mitigation based on the analysis of 3 factors:

- Frequency: reflects for each ESG challenge the number of controversies faced. At corporate level, this factor reflects on the overall number of controversies faced and scope of ESG issues impacted (scale: Isolated, Occasional, Frequent, Persistent).
- Severity: the more a controversy will relate to stakeholders' fundamental interests, will prove actual corporate responsibility in its occurrence, and will have adverse impacts for stakeholders and the company, the highest its severity. Severity assigned at corporate level will reflect the highest severity of all cases faced by the company (scale: Minor, Significant, High, Critical).
- Responsiveness: ability demonstrated by an Issuer to dialogue with its stakeholders in a risk management perspective and based on explanatory, preventative, remediating or corrective measures. At corporate level, this factor will reflect the overall responsiveness of the company for all cases faced (scale: Proactive, Remediate, Reactive, Non- Communicative).

The impact of a controversy on a company's reputation reduces with time, depending on the severity of the event and the company's responsiveness to this event. Conventionally, Vigeo Eiris' controversy database covers any controversy with Minor or Significant severity during 24 months after the last event registered and during 48 months for High and Critical controversies.

Involvement in controversial activities

17 controversial activities have been analysed following 30 parameters to verify if the company is involved in any of them. The company's level of involvement (Major, Minor, No) in a controversial activity is based on:

- An estimation of the revenues derived from controversial products or services.
- The specific nature of the controversial products or services provided by the company.

Part II. ISSUANCE

The Framework has been evaluated by Vigeo Eiris according to the GBP 2018 & GLP 2020 and on our methodology based on international standards and sector guidelines applying in terms of ESG management and assessment.

Use of proceeds

The definition of the Eligible Projects and of their sustainable objectives and benefits are a core element of Green Bonds or Loans standards. Vigeo Eiris evaluates the definition of the Eligible Categories, as well as the definition and the relevance of the aimed sustainability objectives. We evaluate the definition of the expected benefits in terms of assessment and quantification. In addition, we evaluate the potential contribution of Eligible Projects to the United Nations Sustainable Development Goals' targets.

Process for evaluation and selection

The evaluation and selection process has been assessed by Vigeo Eiris on its transparency, governance and relevance. The eligibility criteria have been assessed on their explicitness and relevance vs. the intended objectives of the Eligible Projects. The identification and management of the ESG risks associated with the Eligible Projects are analysed based Vigeo Eiris' ESG assessment methodology, international standards and sector guidelines applying in terms of ESG management and assessment.

Management of proceeds

The rules for the management of proceeds and the allocation process are evaluated by Vigeo Eiris on their transparency, coherence and efficiency.

Reporting

Monitoring process and commitments, reporting commitments, reporting indicators and methodologies are defined by the Issuer to enable transparent reporting on the proceeds allocation and tracking, on the sustainable benefits (output and impact indicators) and on the responsible management of the Eligible Projects financed. Vigeo Eiris has evaluated the reporting based on its transparency and relevance.

VIGEO EIRIS' ASSESSMENT SCALES

Performance evaluation		Level of assurance	
Advanced	Advanced commitment; strong evidence of command over the issues dedicated to achieving the objective of sustainability responsibility. Reasonable level of risk management and using innovative methods to anticipate emerging risks.	Reasonable	Able to convincingly conform to the prescribed principles and objectives of the evaluation framework
Good	Convincing commitment; significant and consistent evidence of command over the issues. Reasonable level of risk management.	Moderate	Compatibility or partial convergence with the prescribed principles and objectives of the evaluation framework
Limited	Commitment to the objective of sustainability responsibility has been initiated or partially achieved; fragmentary evidence of command over the issues. Limited to weak level of risk management.	Weak	Lack or unawareness of, or incompatibility with the prescribed principles and objectives of the evaluation framework
Weak	Commitment to sustainability responsibility is non-tangible; no evidence of command over the issues. Level of insurance of risk management is weak to very weak.		



Vigeo Eiris is an independent international provider of environmental, social and governance (ESG) research and services for investors and public & private organizations. We undertake risk assessments and evaluate the level of integration of sustainability factors within the strategy and operations of organizations.

Vigeo Eiris offers a wide range of services:

- ▶ **For investors:** decision making support covering all sustainable and ethical investment approaches (including ratings, databases, sector analyses, portfolio analyses, structured products, indices and more).
- ▶ **For companies & organizations:** supporting the integration of ESG criteria into business functions and strategic operations (including sustainable bonds, corporate ratings, CSR evaluations and more).

Vigeo Eiris is committed to delivering client products and services with high added value: a result of research and analysis that adheres to the strictest quality standards. Our methodology is reviewed by an independent scientific council and all our production processes, from information collection to service delivery, are documented and audited. Vigeo Eiris has chosen to certify all its processes to the latest ISO 9001 standard. Vigeo Eiris is an approved verifier for CBI (Climate Bond Initiative). Vigeo Eiris' research is referenced in several international scientific publications.

With a team of more than 240 experts of 28 different nationalities, Vigeo Eiris is present in Paris, London, Brussels, Casablanca, Hong Kong, Milan, New York, Rabat and Santiago de Chile.

The Vigeo Eiris Global Network, comprising 4 exclusive research partners, is present in Brazil, Germany, Israel and Japan.

For more information: www.vigeo-eiris.com

Disclaimer

© 2020 Vigeo SAS and/or its licensors and subsidiaries (collectively, "Vigeo Eiris"). All rights reserved.

Vigeo Eiris provides its customers with data, information, research, analyses, reports, quantitative model-based scores, assessments and/or other opinions (collectively, "Research") with respect to the environmental, social and/or governance ("ESG") attributes and/or performance of individual issuers or with respect to sectors, activities, regions, stakeholders, states or specific themes.

VIGEO EIRIS'S RESEARCH DOES NOT ADDRESS NON-ESG FACTORS AND/OR RISKS, INCLUDING BUT NOT LIMITED TO: CREDIT RISK, LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. VIGEO EIRIS'S RESEARCH DOES NOT CONSTITUTE STATEMENTS OF CURRENT OR HISTORICAL FACT. VIGEO EIRIS'S RESEARCH: (i) DOES NOT CONSTITUTE OR PROVIDE CREDIT RATINGS OR INVESTMENT OR FINANCIAL ADVICE; (ii) IS NOT AND DOES NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES; AND (iii) DOES NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. VIGEO EIRIS ISSUES ITS RESEARCH WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

VIGEO EIRIS'S RESEARCH IS NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE VIGEO EIRIS'S RESEARCH WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER. VIGEO EIRIS'S RESEARCH IS NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT VIGEO EIRIS'S PRIOR WRITTEN CONSENT.

ALL INFORMATION CONTAINED HEREIN IS OBTAINED BY VIGEO EIRIS FROM SOURCES BELIEVED BY IT TO BE ACCURATE AND RELIABLE. BECAUSE OF THE POSSIBILITY OF HUMAN OR MECHANICAL ERROR AS WELL AS OTHER FACTORS, HOWEVER, ALL INFORMATION CONTAINED HEREIN IS PROVIDED "AS IS" WITHOUT WARRANTY, EXPRESS OR IMPLIED, OF ANY KIND, INCLUDING AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE. VIGEO EIRIS IS NOT AN AUDITOR AND CANNOT IN EVERY INSTANCE INDEPENDENTLY VERIFY OR VALIDATE INFORMATION IT RECEIVES.

To the extent permitted by law, Vigeo Eiris and its directors, officers, employees, agents, representatives, licensors and suppliers (together, "**Vigeo Parties**") disclaim liability to any person or entity for any (a) indirect, special, consequential, or incidental losses or damages, and (b) direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded); on the part of, or any contingency within or beyond the control of any **Vigeo Party**, arising from or in connection with the information contained herein or the use of or inability to use any such information.

Additional terms For PRC only: Any Second Party Opinion or other opinion issued by Vigeo Eiris: (1) does not constitute a PRC Green Bond Assessment as defined under any relevant PRC laws or regulations; (2) cannot be included in any registration statement, offering circular, prospectus or any other documents submitted to the PRC regulatory authorities or otherwise used to satisfy any PRC regulatory disclosure requirement; and (3) cannot be used within the PRC for any regulatory purpose or for any other purpose which is not permitted under relevant PRC laws or regulations. For the purposes of this disclaimer, "PRC" refers to the mainland of the People's Republic of China, excluding Hong Kong, Macau and Taiwan.