

ASSESSMENT

22 April 2025



Send Your Feedback

Contacts

Alfred Hui
Sustainable Finance Analyst
alfred.hui@moody's.com

Junying Lou
Associate Lead Analyst - Sustainable Finance
junying.lou@moody's.com

Manon Inomata
Associate Lead Analyst - Sustainable Finance
manon.inomata@moody's.com

MJ Park
Associate Lead Analyst - Sustainable Finance
mj.park@moody's.com

Melody Au
Sustainable Finance Associate
melody.au@moody's.com

Jeffrey Lee
SVP - Sustainable Finance
sukjoonjeffrey.lee@moody's.com

Shanghai Construction Group Co., Ltd.

Second Party Opinion – Sustainable Financing Framework Assigned SQS2 Sustainability Quality Score

Summary

We have assigned an SQS2 Sustainability Quality Score (Very good) to Shanghai Construction Group Co., Ltd.'s (SCG) sustainable financing framework, dated February 2025. The issuer has established its use-of-proceeds framework with the aim of financing projects across eight eligible green categories and four eligible social categories. The framework is aligned with the four components of the International Capital Market Association's (ICMA) Green Bond Principles (GBP) 2021 (including the June 2022 Appendix 1), Social Bond Principles (SBP) 2023 and the Sustainability Bond Guidelines 2021; and the Loan Market Association, Asia-Pacific Loan Market Association and Loan Syndications & Trading Association's (LMA/APLMA/LSTA) Green Loan Principles (GLP) 2023 and Social Loan Principles (SLP) 2023. The framework demonstrates a significant contribution to sustainability.

Sustainability quality score



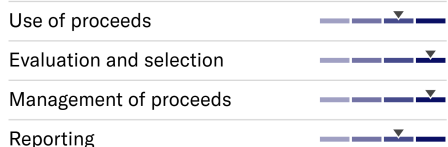
Alignment with principles USE OF PROCEEDS

Overall alignment



FACTORS

ALIGNMENT



Contribution to sustainability

Final contribution to sustainability



Preliminary contribution to sustainability

Relevance and magnitude

Additional considerations No adjustment

POINT-IN-TIME ASSESSMENT

This Second Party Opinion was originally assigned on a private basis on 28 February 2025 and is being published on 22 April 2025 at the request of the borrower.

Scope

We have provided a Second Party Opinion (SPO) on the sustainability credentials of SCG's sustainable financing framework, including the framework's alignment with the ICMA's GBP 2021 (including the June 2022 Appendix 1), SBP 2023 and SBG 2021; and the LMA/APLMA/LSTA's GLP 2023 and SLP 2023. Under its framework, the company plans to issue use-of-proceeds sustainability financing instruments to finance projects in eight eligible green categories and four eligible social categories, as outlined in Appendix 2 of this report.

Our assessment is based on the last updated version of the framework received in February 2025, and our opinion reflects our point-in-time assessment¹ of the details contained in this version of the framework, as well as other public and non-public information provided by the company.

We produced this SPO based on our [Assessment Framework: Second Party Opinions on Sustainable Debt](#), published in November 2024.

Issuer profile

Established in 1953 and headquartered in Shanghai, Shanghai Construction Group Co., Ltd. (SCG) is one of the largest construction companies in China and has been listed on the Shanghai Stock Exchange since 1998. SCG has a strong presence in Shanghai. The company undertakes more than half of the major construction projects in the city and constructs most of the city's landmark high-rise buildings and infrastructure.

The company's main business focus is on the construction, contracting, design and engineering of buildings, facilities and transportation infrastructure, including roads, bridges and municipal rail transit systems. It is also engaged in other business segments, which include real estate development and concrete product manufacturing.

As of September 2024, SCG was 30.26% owned and controlled by SCHG, and 14.92% owned by Shanghai Guosheng (Group) Co Ltd (SGS), with the rest of the shares held by public shareholders. Both SCHG and SGS are state-owned enterprises (SOEs) wholly owned by the State-owned Assets Supervision and Administration Commission (SASAC) of the Shanghai government.

In terms of E&S risk exposure, SCG is not a material direct source of pollution or carbon emissions given its customer and end-market diversity. That said, SCG is exposed to high human capital risks because of its large labor force that includes specialized talent and subcontractors. SCG also faces potentially high health and safety risks that require continuing investment to monitor, mitigate and ensure compliance with regulatory requirements.

Strengths

- » Clearly defined environmental and social objectives, and benefits in line with the United Nations' (UN) Sustainable Development Goals (SDGs)
- » Clearly defined and transparent project evaluation and selection process
- » Short period of proceeds allocation, which is less than 12 months

Challenges

- » Several eligible categories lack granular details on thresholds or specific assets to be financed
- » No commitment to disclose the share of refinancing before each issuance
- » No commitment to external verification on allocation and impact reporting

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

Alignment with principles

SCG's sustainable financing framework is aligned with the four core principles of ICMA's GBP 2021 (including the June 2022 Appendix 1), SBP 2023 and SBG 2021; and the LMA/APLMA/LSTA's GLP 2023 and SLP 2023. For a summary alignment with principles scorecard, please see Appendix 1.

- | | |
|---|---|
| <input checked="" type="checkbox"/> Green Bond Principles (GBP) | <input checked="" type="checkbox"/> Green Loan Principles (GLP) |
| <input checked="" type="checkbox"/> Social Bond Principles (SBP) | <input checked="" type="checkbox"/> Social Loan Principles (SLP) |
| <input type="checkbox"/> Sustainability-Linked Bond Principles (SLBP) | <input type="checkbox"/> Sustainability Linked Loan Principles (SLLP) |

Use of proceeds



Clarity of the eligible categories – ALIGNED

SCG has communicated the nature of expenditures, the eligibility and exclusion criteria for financed projects, and the target populations for the social categories. However, the criteria for some categories, such as “affordable basic infrastructure/ services” and “access to essential services” categories, are broadly defined without project specifics. Contractor companies face increased risks of double counting when contracted projects are funded through sustainable debt instruments from various stakeholders, including property developers. To prevent double counting for sustainable project eligibility, SCG has communicated with us internally that it will only count the portion it owns according to its ownership percentage. For engineering, procurement and construction (EPC) projects, only those that are currently under construction will be counted. Once the projects are completed and handed over to the project owner, they will no longer be considered eligible. The eligible projects in the current asset pool for the upcoming issuance are all located in China. However, we note some overseas projects, such as the social projects in “affordable basic infrastructure/ services” and “access to essential services” in developing countries under the Belt and Road Initiative may be included in this financing framework in the future.

Clarity of the environmental or social objectives – BEST PRACTICES

SCG has outlined the environmental and social (E&S) objectives associated with the 12 eligible categories. All eligible categories are relevant to the respective E&S objectives to which they aim to contribute. The company has referenced the UN's SDGs in articulating the objectives of the eligible categories (see Appendix 2).

Clarity of the expected benefits – ALIGNED

The company has identified clear expected E&S benefits for the 12 eligible categories and these are relevant based on the projects that are likely to be financed under each category. The benefits are measurable, and they will be quantified in the annual reporting. Although there is no commitment to disclose the estimated share of refinancing to investors before each issuance, the company has committed to a look-back period of no longer than three years from the time of issuance.

Process for project evaluation and selection

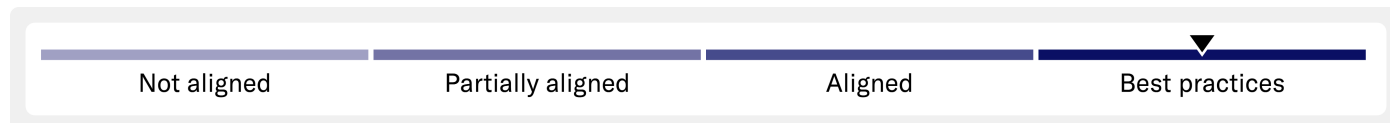


Transparency and clarity of the process for defining and monitoring eligible projects – BEST PRACTICES

The company has established a clear and structured process for the selection and evaluation of eligible assets, as detailed in its framework. The details of the decision-making process will be publicly available as part of the framework. The company will establish a Sustainable Financing Working Group (SFWG) to evaluate and select projects in line with the eligibility criteria set out in the framework. The SFWG comprises senior members and representatives from various key departments. The SFWG will meet at least

annually to review the eligibility of the financed projects. During the life of the bond or loan, in case a project is no longer compliant, the company will reallocate the proceeds to other eligible projects.

Management of proceeds

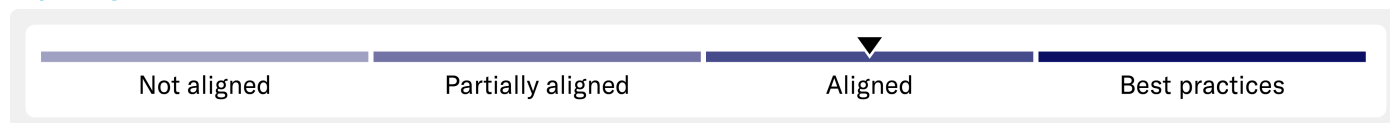


Allocation and tracking of proceeds – BEST PRACTICES

The company has defined a clear process for the management of proceeds. Net proceeds are managed by SCG or SCG subsidiary's finance and treasury team, and the proceeds of each sustainable finance transactions (SFTs) will be deposited in the general funding accounts and will be used only for eligible projects when applicable. SCG will also maintain a register to keep track of the use of proceeds. The company will adjust the balance of the tracked proceeds to match allocation to the eligible projects annually. The company aims to fully allocate net proceeds within 12 months from the date of issuance.

Unallocated proceeds will be managed according to SCG or the SCG subsidiary's usual liquidity practice, including in cash or cash equivalents. This temporary placement will be publicly disclosed as part of the framework. The company has communicated that unallocated proceeds will not be invested in greenhouse gas (GHG)-intensive activities or high environmental impact activities, and in the event of divestment, the company will reallocate the proceeds to other eligible projects as defined in the framework.

Reporting

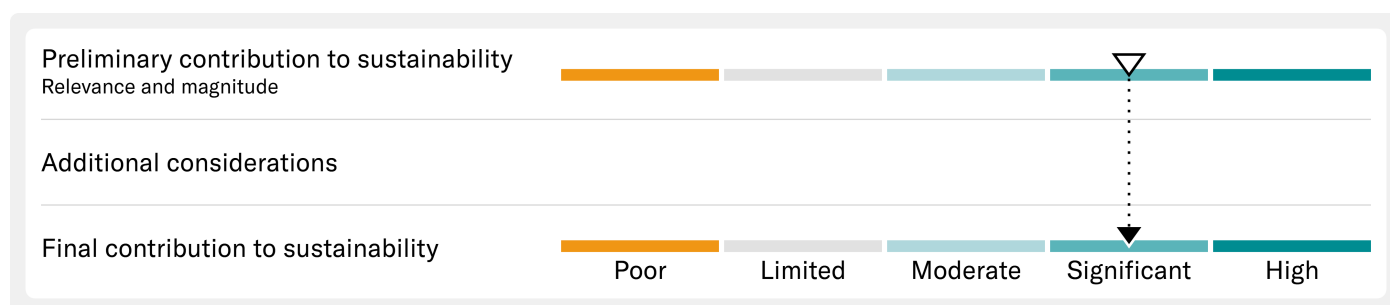


Reporting transparency – ALIGNED

SCG commits to produce annually an allocation report and an impact report on its eligible green and/or social projects throughout the life of the bond or loan. The company has confirmed that timely updates will be provided in case of any material changes to eligible projects. The report will be publicly available on SCG's website or will be included in the annual sustainability report/ESG report, and will include exhaustive indicators, such as examples of eligible green and/or social projects, the aggregate amount allocated to each eligible category, the balance of unallocated proceeds and temporary investments, the share of proceeds used for financing versus refinancing and material developments related to the eligible projects. The company has identified relevant potential impact indicators in the framework for the eligible categories and has confirmed that it is committed to disclosing the calculation methodologies and key assumptions to investors. However, the company has not committed to an independent third-party review of allocation and impact reporting.

Contribution to sustainability

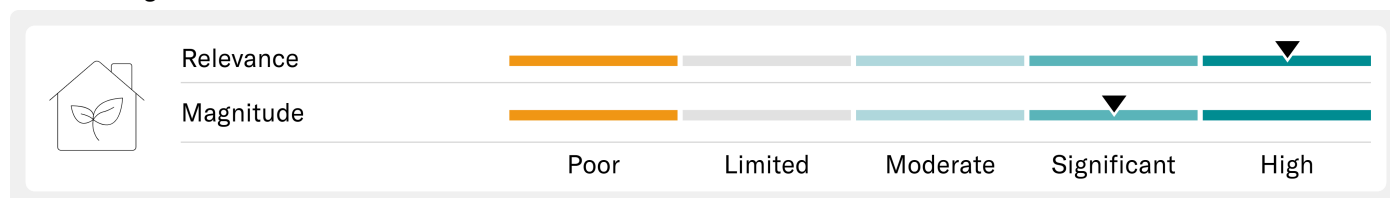
The framework demonstrates a significant overall contribution to sustainability. This reflects a preliminary contribution to sustainability score of significant, based on the relevance and magnitude of the eligible project categories. We have not made an adjustment to the preliminary score based on the additional contribution to sustainability considerations.



Preliminary contribution to sustainability

The preliminary contribution to sustainability is significant, based on the relevance and magnitude of the eligible project categories. We expect the vast majority of the proceeds from forthcoming issuances to be allocated to the green building, and sustainable water and wastewater management categories, with a small amount of proceeds allocated to the renewable energy, terrestrial and aquatic biodiversity conservation, and affordable housing categories. A detailed assessment by eligible category has been provided below.

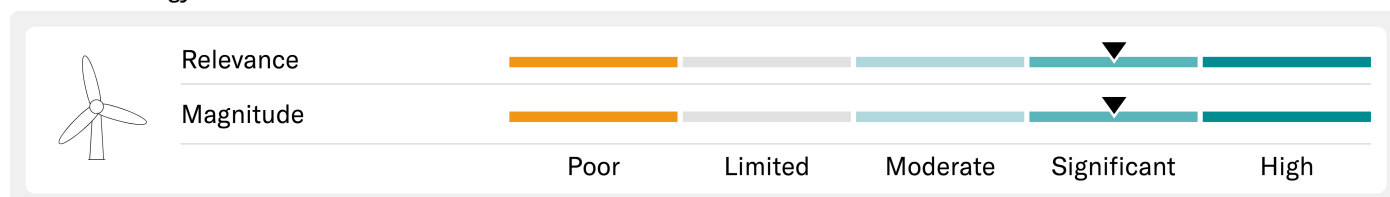
Green building



The relevance of this category is high. Financing energy-efficient buildings is crucial for China because the construction and building sector is one of the largest contributors to carbon emissions in the country, accounting for 48% of the country's total emissions in 2022 (including carbon emissions from the manufacturing and transport of construction materials) ². Addressing energy consumption and emissions associated with the construction and operation of buildings is essential for achieving China's dual carbon targets, as outlined in the 14th Five-Year Plan. Projects that foster low-carbon development within the building sector will support China's carbon neutrality goal and align with national strategies to promote green buildings. Because of SCG's leading role in building construction in China, green building projects are considered one of the sustainability priorities for the company.

The magnitude of the category is significant because financing green buildings will positively contribute to reducing carbon emissions from the building sector. The issuer will finance two eligible projects in this category. The buildings will carry China Green Building Evaluation Label with a certification level of 3 stars, which is recognized by CBI as indicative of the top 15% of buildings in terms of energy performance. Nevertheless, the issuer has not established additional energy efficiency thresholds for project eligibility, which could result in varying levels of energy performance. Furthermore, the issuer has indicated that the proceeds will be directed toward new building construction activities when feasible, which could potentially result in increased absolute energy consumption, higher GHG emissions, and environmental and social risks associated with the construction phase.

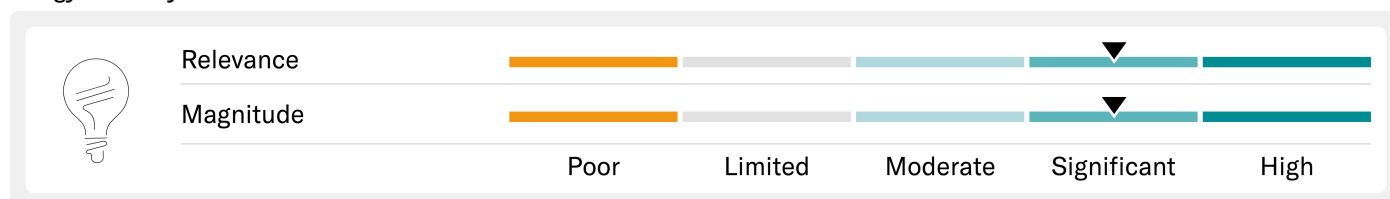
Renewable energy



The relevance of this category is significant, particularly for China, where fossil fuels remain a major source of electricity generation. The financed projects are in line with China's dual carbon goals and the country's commitment to expanding renewable energy capacity. Although reducing GHG emissions is crucial for the construction sector, financing renewable energy may not address the most pressing environmental concerns faced by the sector, such as resource extraction, material production, waste generation and pollution.

The magnitude of this category is significant because eligible projects mainly include solar photovoltaic (PV) and wind power, which are best available technologies without negative lock-in effects. The issuer has confirmed that concentrated solar power (CSP) and energy storage projects are not under the scope of this category. Although we lack visibility into whether an environmental and social impact assessment (ESIA) will always be conducted before project construction, the issuer has communicated that it will conduct a general inspection before the construction of distributed solar PV cells. We expect the associated E&S risks and externalities to be minimal because of the solar cells' small land use scale. However, because of the lack of a clear commitment to conduct an ESIA for offshore wind projects, the significant magnitude of the category also takes into consideration the associated marine biodiversity risks.

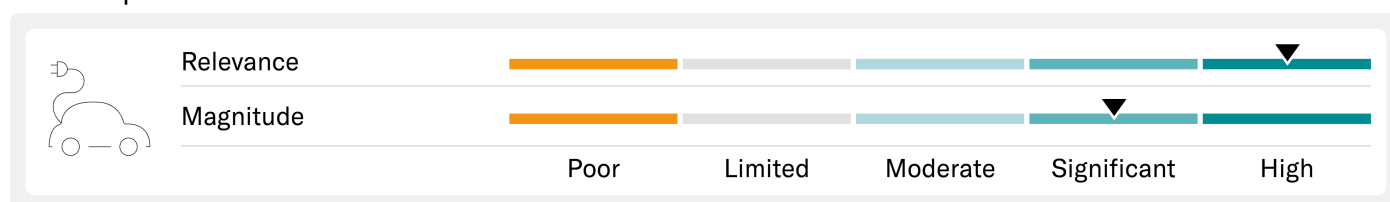
Energy efficiency



The relevance of this category is significant because of the critical need to reduce energy consumption and related emissions in China's construction sector. China's 14th Five-Year Plan emphasizes national strategies to enhance energy efficiency. However, the most pressing environmental issue in the sector is not the energy consumption during construction, but rather the energy consumption and emissions associated with the production of building materials.

The magnitude of this category is significant because most of the projects financed will result in positive environmental benefits through improvements in energy efficiency. Based on the eligible project examples, we expect limited E&S externalities or lock-in effects. The issuer has confirmed that all energy efficiency projects in this category will aim to achieve a minimum 30% improvement in energy efficiency, which is in line with market standards. However, the listed projects are not exhaustive and allows for a broad range of sectors, which limits our visibility for a more comprehensive assessment on the E&S externalities or lock-in effects associated with the eligible projects.

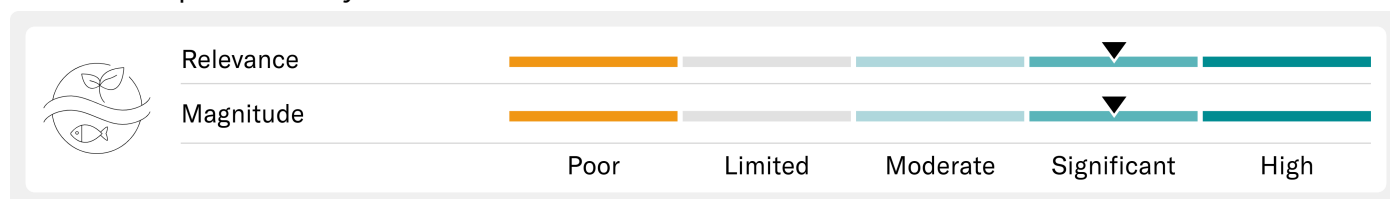
Clean transportation



The relevance of this category is high because the projects financed support China's efforts to reduce carbon emissions from the transportation sector, which accounted for around 8% of the country's total energy-related CO₂ emissions in 2022³. China's 14th Five-Year Plan also prioritizes the sector's decarbonization, including promoting the development of clean energy vehicles. The high relevance also considers the importance of infrastructure projects in SCG's business portfolio.

The magnitude of this category is significant because financing infrastructure for public rail and public transport can help promote the uptake of more efficient and lower-emission modes of transport. The issuer has shared that eligible public rail projects include subway construction, high-speed maglev, and the expansion of tracks and tunnels, which can help increase the use and connectivity of rail networks and reduce road congestion. Eligible public transport projects are dedicated low-carbon infrastructure such as electric vehicle (EV) battery charging and changing stations, hydrogen and refueling stations, and the electrification of vehicles. However, it is unclear whether only green hydrogen will be sourced for fueling stations. The issuer has confirmed that eligible infrastructure projects will not be used for the transport of fossil fuels. Rolling stock assets are not under the scope of this category. Although the company has internal policies and procedures to control potential E&S risks during construction, we lack visibility into whether an ESIA will be conducted before all construction activities to ensure associated E&S risks and externalities are identified and properly mitigated.

Terrestrial and aquatic biodiversity conservation

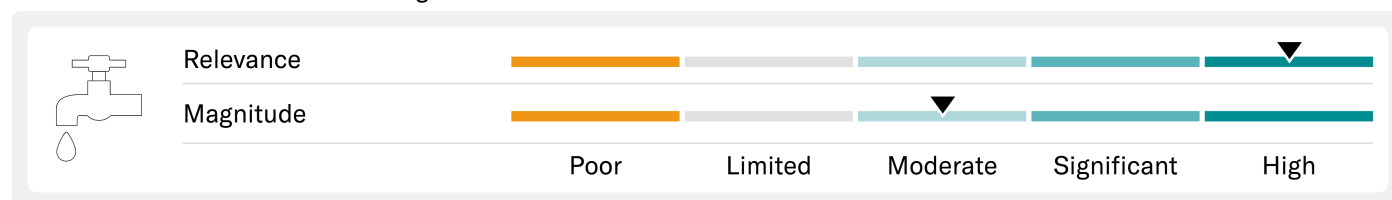


The category is significantly relevant to address the biodiversity loss and soil pollution issues in China. China is recognized for its rich biodiversity. However, the country faces significant biodiversity loss because of human-induced habitat loss and nature degradation. In response to the challenges, China released the China Biodiversity Conservation Strategy and Action Plan (2023-2030) to outline the

conservation priority areas⁴. Soil contamination represents another critical environmental challenge for China, presenting significant risks to public health and food security. China has unveiled a comprehensive action plan aimed at bolstering the prevention and control of soil pollution sources. This strategic initiative sets forth ambitious objectives in mitigating soil pollution by 2027⁵. Although the projects financed in this category are aligned with national environmental priorities, these are not considered the most pressing issues for the issuer and its sector.

Projects financed in this category will contribute significantly to biodiversity conservation. The issuer confirmed that biodiversity conservation projects include both national parks and wetland protection, as well as city park and greenery projects. We expect long-term positive environmental benefits from the national parks and wetland protection projects, which normally adopt an in situ conservation approach, allowing greater efficacy. Project examples shared by the issuer include Shanghai Chongming Dongtan National Nature Reserve, which was recently added into the World Heritage List for its contribution in restoring wetland for migratory waterbirds⁶. However, city park and greenery projects are not likely to deliver the same level of biodiversity conservation results as national parks and wetland protection, although the issuer communicated that all projects are operated under the supervision of relevant authorities. In terms of soil decontamination projects, those carried out by the issuer are typically complex and large-scale, requiring advanced remediation technology. Decontamination processes include physical, chemical, biological and thermal treatments. Various technologies will be used to ensure the effective treatment of such land, including soil washing, chemical oxidation or reduction, thermal desorption, bioremediation, soil venting and composting. However, it remains difficult to estimate the full extent of the projects' impact because of the lack of visibility into the specific technologies and thresholds used. In addition, we lack information about the future use of the decontaminated land, although the issuer confirmed that all projects will comply with national legislation.

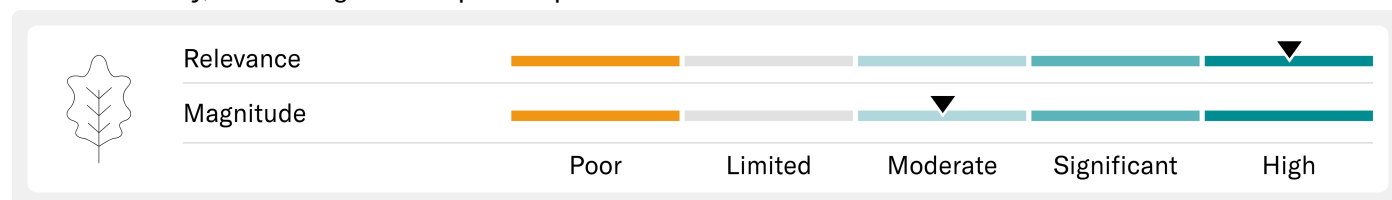
Sustainable water and wastewater management



The relevance of the category is high because water scarcity, uneven distribution and poor water quality present critical challenges in China. Rapid economic growth and urbanization are likely to exert increasing pressure on China's water resources, leading to the continued rise in wastewater quantity. The government is committed to enhancing its sewage treatment capabilities and expanding recycling efforts by 2025. The high relevance also considers the importance of infrastructure projects in SCG's business portfolio.

The magnitude of the category is moderate. We expect the eligible projects will generate positive contribution to water conservation and pollution control. The issuer has shared with us the detailed technologies and monitoring measures it will adopt in operating the two water projects that it will finance in the forthcoming issuance. While the water quality will comply with the national standards and these technologies and monitoring measures can improve water quality and potentially better detect leakage in the plants, the moderate magnitude has considered the lack of explicit thresholds on energy efficiency. Because of the energy-intensive nature of the water treatment process, this lack of thresholds could lead to increased energy consumption and subsequently higher GHG emissions. There is no desalination project in the category, which also mitigates some of our concerns on environmental externalities associated with the eligible projects.

Resource efficiency, waste management and pollution prevention

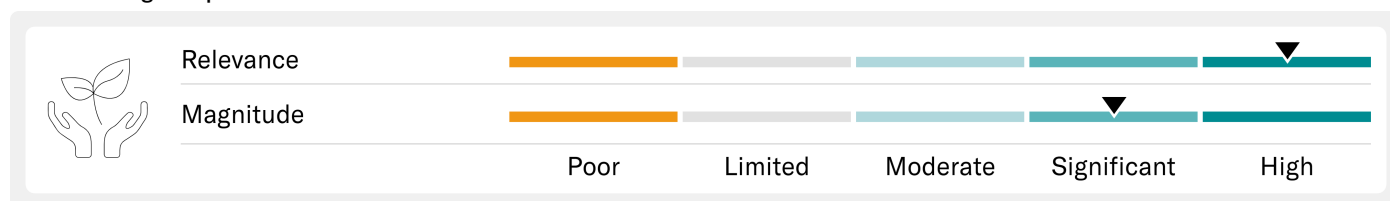


This category is highly relevant for tackling environmental pollution resulting from construction-related activities, which include the recycling and reuse of construction and demolition waste, as well as mitigating air and noise pollution. China generates a significant

amount of construction and demolition waste annually, with less than 10% being recycled or reused. This is a significantly lower rate than those of developed countries². Construction activities are also a primary contributor to air and noise pollution.

Eligible projects financed in this category will have a moderate impact on the stipulated environmental objectives. According to project examples provided by the issuer, materials such as steel slag and muck, currently considered waste, will be recycled and reused as road construction materials, with muck potentially also being repurposed for agricultural use. These initiatives are likely to contribute positively to pollution control and offer additional climate change mitigation benefits through the carbonation of slag. However, the subcategory related to equipment and systems used to mitigate environmental pollution lacks detailed information on specific projects, actions, technologies and thresholds that may be financed. In addition, there is no evidence that the financed dust control, noise reduction, construction waste and gas pollution minimization measures will exceed regulatory requirements.

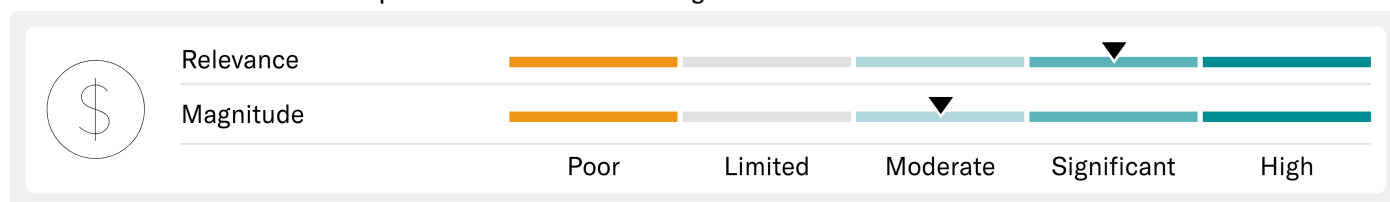
Climate change adaptation



The relevance of this category is high. China is susceptible to natural disasters, including floods, typhoons, droughts, storm surges and heat waves. With the intensification of climate change, the frequency and severity of natural disasters in China are likely to increase; for instance, the likelihood of super typhoons and intense rainfall is rising, thereby increasing the risk of riverine and flash floods⁸. In this context, the Ministry of Ecology and Environment of the People's Republic of China has issued the "National Strategy for Adaptation to Climate Change 2035" to fortify climate change adaptation measures across various economic sectors⁹. Lastly, enhancing building resilience against extreme weather events is of paramount relevance to the issuer, which has substantial exposure to housing construction activities.

The magnitude of this category is significant. The eligible projects are likely to provide long-term benefits by enhancing buildings' resilience against extreme weather events, such as flooding, heat and rainfall. Examples of such projects include upgrades to drainage systems, the installation of floodgates, and the replacement of curtain walls and windows. Although these projects may entail externalities during the construction phase, SCG has also established some internal measures to assess the environmental and social impacts with mitigation measures during construction. The issuer also confirms the projects will comply with relevant regulatory standards.

Socioeconomic advancement and empowerment - Vocational training

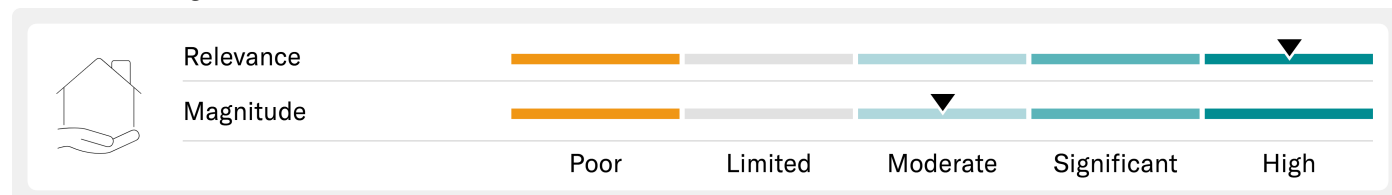


This category holds significant relevance for addressing inequitable access to vocational training in the project countries. Based on the project example shared by the issuer, the projects financed in this category will primarily involve on-the-job training programs provided by the issuer to local employees in the Belt and Road Initiative (BRI) participating countries. While fostering local talent and facilitating skill transfer are critically important for the economic development of BRI countries and aligns with China's strategic direction for BRI projects, this category is less pertinent to the construction sector and the issuer. Additionally, we note that such projects might be less relevant to the local context if the issuer finances similar initiatives within China.

The training programs are likely to have a moderate contribution to the stated social objective of creating inclusive and sustainable communities and societies. The issuer has provided one project example involving 400 training sessions for 4,000 local employees in Cambodia as a prerequisite for work commencement. The issuer stated that the training programs were offered free of charge, encompassing both management and technical training tailored for local middle- and lower-level managers, carpenters, concrete

workers, scaffolders, heavy machinery operators, and other relevant areas. These training initiatives are expected to contribute to the long-term economic development of host countries by upskilling local workers. However, the beneficiaries are limited to the issuer's local employees, which restricts the accessibility of these services and does not ensure that the most vulnerable populations are included, although these local employees can potentially enhance their on-the-job skills from these programs for other career opportunities. Furthermore, aside from this example, there is no information available on other potential project locations, specifics or descriptions, making it difficult to fully assess the impact of the projects within this category.

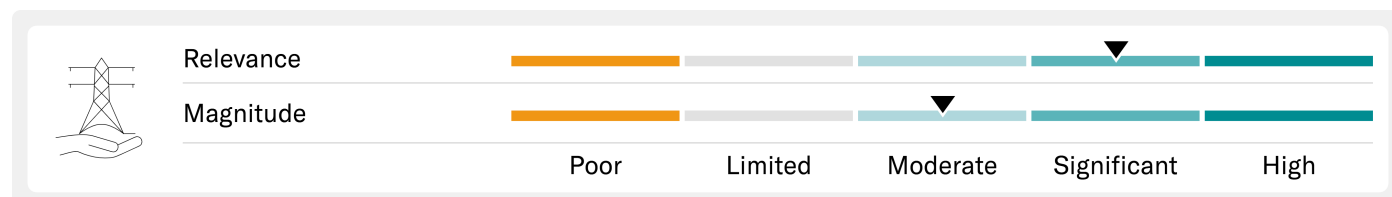
Affordable housing



The relevance of this category is high. Based on the asset pool, SCG will finance an indemnificatory housing project in Shanghai with well-defined eligibility criteria on the target population as determined by the Shanghai municipal government ¹⁰. Housing affordability has been a major social issue in China, especially in higher-tier cities such as Shanghai, considering the per capita disposable income and high property prices. To address the high housing costs exacerbated by rapid urbanization, the Chinese government has implemented key strategies to expand subsidized rental housing programs, as outlined in the 14th Five-Year Plan. Affordable housing projects are highly relevant to SCG because of its extensive involvement in housing construction and its leading role in affordable housing construction in Shanghai.

The magnitude is moderate. We expect the project can reach to some of the vulnerable population in the society with housing difficulties and the quality of the properties will follow the regulatory standard. The rental rate of this project will be set with at least a 10% discount to the prevailing market price, in line with the indemnificatory housing policy in Shanghai. Such a discount may not be very material to the target population to resolve their housing difficulties associated with high residential costs. Also, we note that there are other types of affordable housing programs in Shanghai with more attractive rental subsidies for the target population.

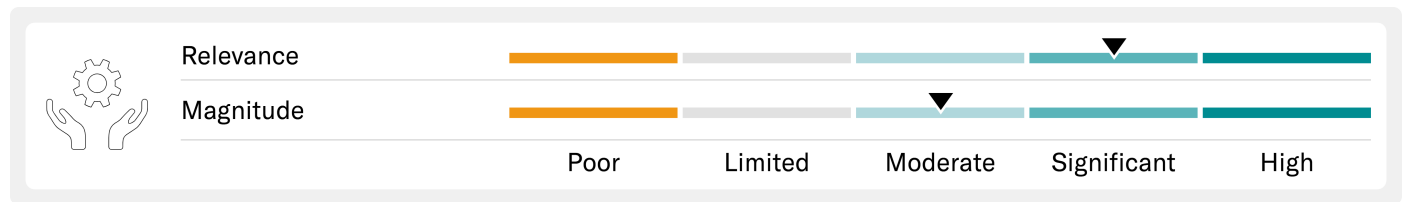
Affordable basic infrastructure/services



The relevance of this category is significant, driven by the need to address the lack of affordable basic infrastructure in underserved areas in China and the developing countries under the Belt and Road Initiative. These underdeveloped and rural regions face challenges such as inadequate and substandard transportation and water supply infrastructure. The inclusion of rural development in China's 14th Five-Year Plan underscores the importance of these initiatives. However, we see this category is addressing a sustainability issue that is less imminent than other categories, according to SCG's materiality matrix.

The magnitude is moderate. Based on the project examples shared by the issuer, water supply and toll road projects are two types of projects potentially eligible for this category. We expect the projects can help improve the access and quality of water supply and transport to the target population, and affordability is not a material concern. Although the projects can reach to the vulnerable population, the target population is broadly defined without specific thresholds, which limits our visibility in assessing vulnerability of the target population. The magnitude is also constrained by the fact that this category may include large scale constructions which carry significant environmental externalities, especially if the projects are related to toll roads, which are likely to open to fossil fuel vehicles. Based on a toll road project shared by the issuer, ESIA's may be conducted for the eligible projects to identify the E&S risks with the involvement of local authorities in implementing mitigation measures in the project design, construction and operation phase, which helps mitigate some of our concerns on material environmental and social impacts from very large-scale infrastructure projects.

Access to essential services



The relevance of this category is significant, considering the importance of enhanced educational and public healthcare support in underserved areas in China and the developing countries under the Belt and Road Initiative. Education in these regions tend to face significant challenges because of resource constraints and limited access to quality education. The education services in these schools are less diverse because of these constraints and a shortage of qualified teachers. Similarly, these areas often struggle with adequate access to quality healthcare services because these resources are often more concentrated in urban areas, especially large cities. We see this category is addressing a sustainability challenge that is relatively less imminent than other categories, according to SCG's materiality matrix.

The magnitude is moderate. These projects will be located in China and low income countries in the Belt and Road Initiative and will adhere to the regulatory construction standards. The eligible projects will be mainly public schools and hospitals and subject to oversight by related government bodies. Accordingly, we believe affordability is not a major concern, particularly for the school projects. However, the target population is broadly defined without specific thresholds, which limits our visibility in assessing vulnerability of the target population. In China, there are nine years of free education offered to students in primary and junior high schools. For hospital projects, although most of the medical cost of public healthcare services can be covered by the National Health Insurance Funds in China, there could still be out-of-pocket expenses to the target population, and these expenses can vary case by case. For overseas projects, the company has shared with us a project example of rebuilding a public high school in Nepal which was destroyed by an earthquake. The moderate magnitude considers the lack of project details in this category, which makes it challenging for a more granular assessment on the social impact of the projects.

Additional contribution to sustainability considerations

We have not made an adjustment to the preliminary contribution to sustainability score based on additional considerations. The project categories are coherent with SCG's sustainability objectives, as referenced in its materiality matrix. We also expect limited environmental and social externalities for the eligible projects in the current asset pool, as shared by the issuer. SCG confirms that environmental impact assessments will be conducted for all the eligible projects in the current asset pool, except for renewable energy projects, which could involve high-level inspection only. We do not expect the E&S externalities associated with the renewable energy projects to be material because these projects involve distributed PV solar cells and require small area for installation.

Appendix 1 - Alignment with principles scorecard for SCG's sustainable financing framework

Factor	Sub-factor	Component	Component score	Sub-factor score	Factor score
Use of proceeds	Clarity of the eligible categories	Nature of expenditure	A	Aligned	Aligned
		Definition of content, eligibility and exclusion criteria for nearly all categories	A		
		Location	A		
		BP: Definition of content, eligibility and exclusion criteria for all categories	No		
	Clarity of the objectives	Relevance of objectives to project categories for nearly all categories	A	Best practices	
		Coherence of project category objectives with standards for nearly all categories	A		
		BP: Objectives are defined, relevant and coherent for all categories	Yes		
	Clarity of expected benefits	Identification and relevance of expected benefits for nearly all categories	A	Aligned	
		Measurability of expected benefits for nearly all categories	A		
		BP: Relevant benefits are identified for all categories	Yes		
		BP: Benefits are measurable for all categories	Yes		
		BP: Disclosure of refinancing prior to issuance and in post-allocation reporting	No		
		BP: Commitment to communicate refinancing look-back period prior to issuance	Yes		
Process for project evaluation and selection	Transparency and clarity of the process for defining and monitoring eligible projects	Clarity of the process	A	Best practices	Best practices
		Disclosure of the process	A		
		Transparency of the environmental and social risk mitigation process	A		
		BP: Monitoring of continued project compliance	Yes		
Management of proceeds	Allocation and tracking of proceeds	Tracking of proceeds	A	Best practices	Best practices
		Periodic adjustment of proceeds to match allocations	A		
		Disclosure of the intended types of temporary placements of unallocated proceeds	A		
		BP: Disclosure of the proceeds management process	Yes		
		BP: Allocation period is 24 months or less	Yes		
Reporting	Reporting transparency	Reporting frequency	A	Aligned	Aligned
		Reporting duration	A		
		Report disclosure	A		
		Reporting exhaustivity	A		
		BP: Allocation reporting at least until full allocation of proceeds, and impact reporting until full bond maturity or loan payback	Yes		
		BP: Clarity and relevance of the indicators on the sustainability benefits	Yes		
		BP: Disclosure of reporting methodology and calculation assumptions	Yes		
		BP: Independent external auditor, or other third party, to verify the tracking and allocation of funds	No		
		BP: Independent impact assessment on environmental and social benefits	No		
Overall alignment with principles score:					Aligned

Legend: BP - Best practice, A - Aligned, PA - Partially aligned, NA - Not aligned

Appendix 2 - Mapping eligible categories to the United Nations' Sustainable Development Goals

The 12 eligible categories included in SCG's framework are likely to contribute to nine of the UN's SDGs, namely:

UN SDG 17 Goals	Eligible Category	SDG Targets
GOAL 3: Good Health and Well-being	Access to Essential Services	3.8: Achieve universal health coverage with access to quality and affordable essential health-care services and medicines for all
GOAL 4: Quality Education	Access to Essential Services	4.1: Ensure that all children complete quality primary and secondary education leading to relevant and effective outcomes
	Socioeconomic Advancement and Empowerment – Vocational Training	4.3: Ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education
		4.4: Increase the number of youth and adults with technical and vocational skills for employment and entrepreneurship
	Access to Essential Services	4.5: Eliminate gender disparities in education and ensure equal access to education and training for vulnerable persons
	Socioeconomic Advancement and Empowerment – Vocational Training	
	Access to Essential Services	4.A: Build and upgrade education facilities that provide safe and effective learning environments for all
GOAL 6: Clean Water and Sanitation	Sustainable Water and Wastewater Management	6.3: Improve water quality by reducing pollution, eliminating dumping and minimizing hazardous chemicals and materials
		6.4: Increase water-use efficiency across all sectors and ensure sustainable supply of freshwater to reduce water scarcity
GOAL 7: Affordable and Clean Energy	Renewable Energy	7.2: Increase substantially the share of renewable energy in the global energy mix
	Energy Efficiency	7.3: Double the global rate of improvement in energy efficiency
GOAL 9: Industry, Innovation and Infrastructure	Affordable Basic Infrastructure/ Services	9.1: Develop sustainable infrastructure to support economic development and human well-being, focusing on equitable access
GOAL 11: Sustainable Cities and Communities	Affordable Housing	11.1: Ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
	Clean Transportation	11.2: Provide access to safe, affordable, accessible and sustainable transport systems for all
	Green Building	11.6: Reduce the adverse per capita environmental impact of cities, with special attention to air quality and waste management
GOAL 12: Responsible Consumption and Production	Resource Efficiency, Waste Management and Pollution Prevention	12.5: Substantially reduce waste generation through prevention, reduction, recycling and reuse
GOAL 13: Climate Action	Climate Change Adaptation	13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries
GOAL 15: Life on Land	Terrestrial and Aquatic Biodiversity Conservation	15.1: Ensure the conservation and sustainable use of terrestrial and inland freshwater ecosystems and their services

The mapping of the UN's SDGs in this SPO considers the eligible project categories and associated sustainability objectives/benefits documented in SCG's financing framework, as well as resources and guidelines from public institutions, such as the ICMA's SDG Mapping Guidance and the UN's SDG targets and indicators.

Appendix 3 - Summary of eligible categories in SCG's framework

Eligible Categories	Description	Sustainability Objectives	Impact Reporting Metrics
Eligible Green Projects			
Green Building	Acquisition, construction, development, and refurbishment of new or existing buildings to be certified by a third party in accordance with, any one of the following certification systems: -Chinese Green Building Evaluation Label (GBL) – minimum certification level of 3 stars; or -U.S. Leadership in Energy and Environmental Design (LEED) – minimum certification of Gold; or -BEAM Plus – minimum certification level of Gold; or -BREEAM – minimum certification level of Excellent; or -Any other green building label, that is an equivalent standard of the above	Climate change mitigation	-Type of green building certifications obtained -Number of Green building certification obtained -Amount of energy saved (MW)
Renewable Energy	Acquisition, construction, development, operation, and upgrade of projects or assets that increase the percentage of renewable energy, such as infrastructure construction and equipment manufacturing related to: -Solar photovoltaic energy -Onshore and offshore wind energy	Climate change mitigation	-Annual GHG emissions reduced in tonnes of CO2 equiv. (tCO2) -Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy)
Energy Efficiency	Acquisition, development, manufacture, installation, maintenance, modifications, or upgrades of energy efficiency facilities, and energy consumption reduction by a minimum of 30%: -Energy management systems for energy data accounting, analysis and monitoring -Smart meters, smart grids and upgraded equipment such as LED lighting, smart lighting solutions	Climate change mitigation	-Annual GHG emissions reduced in tonnes of CO2 equiv. (tCO2) -Annual energy saving in MWh/GWh (electricity) and GJ/TJ (other energy)
Clean Transportation	Acquisition, development, manufacture, installation, maintenance, modifications, or upgrades of: -Infrastructure for operation of low-carbon public rail -Public transport infrastructure enabling electric vehicles, such as charging stations, battery changing facilities, hydrogen and refueling stations, and electrification of vehicles	Climate change mitigation	-Passenger-kilometres (i.e. the transport of one passenger over one kilometre) and/or passengers; or tonne-kilometres (i.e. the transport of one tonne over one kilometre) and/or tonnes -Annual GHG emissions reduced in tonnes of CO2 equiv. (tCO2)
Terrestrial and Aquatic Biodiversity Conservation	Investments and expenditures related to the acquisition, construction, development and maintenance in the conservation, protection and management activities to prevent loss or degradation of terrestrial and aquatic biodiversity: -Conservation activities to prevent habitat loss and degradation -Protection measures to avoid, remedy or mitigate the adverse effects of activities, such as grass restoration, remediation and restoration of polluted soil	Biodiversity conservation	-Maintenance/safeguarding/increase of protected area/ OECM/ habitat in km ² and in % for increase -Absolute number of protected and/or priority species that are deemed sensitive in protected/ conserved area before and after the project

Eligible Categories	Description	Sustainability Objectives	Impact Reporting Metrics
Sustainable Water and Wastewater Management	Acquisition, construction, development, investment, operation, and upgrade of: -Wastewater treatment facilities -Drinking water treatment -Water recycling systems	Natural resource conservation and pollution prevention and control	-Annual absolute (gross) water use/ wastewater treated, reduction in water use in %
Resource Efficiency, Waste Management and Pollution Prevention	The procurement, investment, equipment, facilities, factories processes and R&D activities related to recyclable products and solutions, to increase the circularity of the production, prioritizing the reutilization of residual and waste materials. Examples include: -Solid waste recycling and resource utilization from construction and industrial processes (e.g. steel slag and cement waste) -Equipment, system that are used to mitigate environmental pollution (e.g. air, noise, water) during the construction and/or operation of buildings -Enforcement of dust control, noise reduction, construction waste and gas pollution minimization	Climate change mitigation and pollution prevention and control	-The % increase in materials, components and products that are reusable, recyclable, and/or certified compostable as a result of the project and/or in absolute amount in tonnes p.a. -Estimated annual GHG emissions avoided or reduced (tCO ₂ e) and/or energy savings (MWh per year)
Climate Change Adaptation	Enhancement of building resilience to climate-related weather events and implementation of climate adaptation measures facility upgrade: -Drainage system upgrade -Flood gate installation to reduce the flood risk -Curtain wall/window replacement projects to adapt to extreme weather like stronger wind and rainfall, increase in temperature due to climate change	Climate change adaptation	-Number and type of adaptation and resilience measures or systems installed
Eligible Social Projects			
Socioeconomic Advancement and Empowerment Vocational Training	Investment in programmes and projects which provide: -Vocational trainings for unskilled or unemployed workers -Target population: -Unemployed as defined by local authorities and government -Population with limited access to vocational training	Inclusive and sustainable communities and societies	-Hours of training provided -Number of beneficiary in the vocational training programme
Affordable Housing	Provide safe, affordable and inclusive residential Housing Target population: -Communities with housing difficulties, as defined by local government, such as low income families, newly employed graduates, migrant workers, migrant population as well as populations currently living in shantytown, dangerous and dilapidated housing	Adequate living standards and wellbeing of end-users	-Number of households benefitting from affordable housing -Number of housing units built or refurbished

Eligible Categories	Description	Sustainability Objectives	Impact Reporting Metrics
Affordable Basic Infrastructure/ Services	<p>Development, investments, refurbishment and maintenance of basic infrastructures/ services such as free public roads infrastructure and public water supply projects</p> <p>Target population:</p> <ul style="list-style-type: none"> -Underserved communities residing in mountainous areas, rural areas, key counties for national rural revitalization, with inadequate infrastructure, such as unpaved, narrow, and dilapidated roads and bridges, inadequate water and irrigation facilities -Vulnerable communities as a result of natural disasters 	Adequate living standards and wellbeing of end-users	<ul style="list-style-type: none"> -Length of water pipes installed with equitable access -Number of people with access to clean water systems -Number of people with access to transportation systems -Roads built in rural/ remote areas (km)
Access to Essential Services	<p>Investment in the infrastructures, projects and Facilities such as public schools and hospitals</p> <p>Target population:</p> <ul style="list-style-type: none"> -Underserved communities residing in mountainous areas, rural areas, key counties for national rural revitalization, with limited access to basic education and healthcare services 	Adequate living standards and wellbeing of end-users	<ul style="list-style-type: none"> -Number of patient being treated in the hospital -Number of public hospitals built -Number of students enrolled to the school -Number of schools built

Endnotes

- ¹ The point-in-time assessment is applicable only on the date of assignment or update.
- ² [China Association of Building Energy Efficiency: 2024 Series of research reports on China's urban and rural construction sector carbon emissions \(in Chinese\)](#), accessed in February 2025.
- ³ [IEA: China - Emissions](#), accessed on 3 January 2025.
- ⁴ [Ministry of Ecology and Environment: China Biodiversity Conservation Strategy and Action Plan \(2023-2030\) \(in Chinese\)](#), 18 January 2024.
- ⁵ [China Daily: China to strengthen prevention, control of soil pollution sources](#), 15 November 2024.
- ⁶ [Shanghai Government: Shanghai Chongming Dongtan added to World Heritage List](#), 29 July 2024.
- ⁷ [Waste Management: Estimating construction and demolition waste in the building sector in China: Towards the end of the century](#), 15 December 2024.
- ⁸ [Global Facility for Disaster Reduction and Recovery: Natural Disaster Challenges in China: Key Trends and Insights](#), August 2020.
- ⁹ [Ministry of Ecology and Environment of the People's Republic of China: National Strategy for Adaptation to Climate Change 2035 \(in Chinese\)](#), May 2022.
- ¹⁰ [Indemnificatory housing policy in Shanghai](#), January 2022.

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