

External Review Approach to Green Equity Designations

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1. Overview and Scope

Capital markets can support the transition to a low-carbon and environmentally sustainable economy by improving the visibility of companies whose activities and investments make a meaningful contribution to environmental objectives. Green equity designations established by exchanges, market operators and other recognised scheme owners can enhance transparency, strengthen investor confidence and help mobilise capital towards the green economy.

This document describes Lianhe Green Development Company Limited's ("Lianhe Green") analytical approach to providing an independent external review of an entity against an applicable green equity designation framework (the "Applicable Designation Framework"). It is intended to support reviews under various designation frameworks.

The external review assesses whether an issuer or other eligible entity (the "Applicant") has demonstrated that it meets the minimum requirements of the Applicable Designation Framework. The scope is adapted to that framework and may include green revenue, green investment, exposure to fossil-fuel or other excluded activities, operational safeguards, governance, disclosure and other eligibility conditions.

A Green Equity Designation External Review is an entity-level assessment. It considers the Applicant's overall activities, business mix, investments and operations. It is not a use-of-proceeds assessment of a particular bond, loan or financing instrument.

The **Green Equity Designation External Review**, is described in this document and assesses whether an issuer has demonstrated that it meets the minimum requirements of the applicable Green Equity Designation Framework. It results in an **Aligned** or **Not Aligned** conclusion in relation to that specified framework.

The external review results in one of two conclusions:

Conclusion	Meaning
Aligned	Lianhe Green considers that the Applicant has demonstrated that it meets the minimum applicable requirements of the specified Applicable Designation Framework.
Not Aligned	Lianhe Green considers that the Applicant has not demonstrated that it meets all minimum applicable requirements of the specified Applicable Designation Framework.

The conclusion is always expressed relative to the named designation framework, its applicable version and the assessment date. Conclusions under different designation frameworks may not be directly comparable because their scopes, thresholds, taxonomies and safeguards may differ.

Lianhe Green's external review approach is developed with generally accepted market principles and/or guidance, including but not limited to the World Federation of Exchanges ("WFE") Green Equity Principles and Green Equity Guidance.

2. Nature and Limitations

A Green Equity Designation External Review is an analytical opinion and reflects a point-in-time assessment based on the Applicable Designation Framework and information available by the assessment date.

The review is not an ESG rating, assurance engagement, certification, verification, or guarantee of future performance. It is not an investment recommendation or recommendation to buy, hold or sell a security. Unless expressly agreed and stated, Lianhe Green does not provide limited or reasonable assurance and does not independently verify every item supplied by the Applicant.

3. Overall Approach

Lianhe Green assesses whether an Applicant has demonstrated that it meets the minimum requirements of the Applicable Designation Framework. Although green equity designation frameworks differ in their objectives, eligibility criteria and market context, their requirements commonly address the extent of an Applicant's green activities, the revenue or investments attributable to those activities, exposure to fossil-fuel or other restricted activities, and applicable operational, governance or disclosure requirements.

We adapt the scope of each external review to the Applicable Designation Framework. Accordingly, a review may include all or only some of the analytical elements described in this chapter, depending on the requirements of the Applicable Designation Framework. We apply the definitions, thresholds, taxonomies, calculation methods and other conditions specified by that framework and do not treat the requirements of one designation framework as automatically applicable to another.

Our analysis is conducted at the entity level. It considers the following:

- the Applicant's operational eligibility in the aspects of environmental/social compliance, governance of ESG matters, and disclosures
- the alignment of Applicant's economic activities with applicable taxonomies and financial indicators as performed by the following indicators:
 - Green Revenue
 - Green Investment
 - Fossil-fuel Revenue
 - Fossil-fuel Investment
- the sufficiency and traceability of the information and supporting evidence provided in respect of the areas assessed above.

3.1 Operational Requirements, Governance and Disclosures

Some green equity designation frameworks include requirements relating to environmental or social compliance, minimum safeguards, sustainability governance, public disclosure or other operational matters. Where such requirements apply, we assess whether the Applicant has demonstrated compliance with each requirement on the basis specified by the Applicable Designation Framework.

The assessment may consider compliance with applicable laws, regulations and permit conditions; outstanding enforcement actions, sanctions, penalties or unremedied breaches; material

environmental or social controversies; processes for considering environmental sustainability; and the oversight exercised by the board of directors or an appropriate board committee. The precise scope is determined by the framework under review.

Where disclosure forms part of the eligibility requirements, we assess whether the Applicant has made the disclosures required by the framework and whether those disclosures are consistent with the information used in our assessment. We do not assess an Applicant against additional disclosure standards unless the Applicable Designation Framework requires or expressly permits them.

3.2 Financial Indicators

3.2.1 Green Revenue and Investment

Where the Applicable Designation Framework requires an Applicant to derive a minimum proportion of its revenue from green activities, we assess the underlying economic activities from which that revenue is generated. We determine whether those activities satisfy the green activity definition, taxonomy or other classification basis specified by the framework and then assess the amount of revenue attributable to the qualifying activities.

Where a framework includes a green investment requirement, we assess the activities or assets to which the relevant investments are allocated. Depending on the framework, investments may comprise capital expenditure, operating expenditure, or a combination of both. We apply the relevant framework's definitions and calculation requirements and assess whether expenditure is attributable to qualifying green activities.

The financial reporting boundary, assessment period and treatment of subsidiaries, joint ventures and associates follow the Applicable Designation Framework. The relevant green revenue or investment amounts are assessed on a basis consistent with the corresponding total revenue or investment. Where an amount supports both green and non-green activities, it may be allocated only where the allocation basis reasonably reflects the economic substance, can be supported by available information and is applied consistently.

Where the Applicable Designation Framework specifies a minimum green revenue or investment threshold, we compare the resulting percentage with that threshold. If the available information does not allow us to determine that the threshold has been met, the Applicant has not demonstrated compliance with that requirement.

3.2.2 Fossil-Fuel Revenue and Investment

Where the Applicable Designation Framework includes limits on an Applicant's fossil-fuel exposure, Lianhe Green assesses the revenue and investments attributable to fossil-fuel activities using the definitions, financial measures and thresholds specified by that framework. Lianhe Green identifies the activities from which fossil-fuel revenue is derived and the activities or assets to which fossil-fuel investments are allocated. Depending on the relevant requirements, fossil-fuel investment may comprise capital expenditure, operating expenditure, or a combination of both. The scope of fossil-fuel activities, including any relevant value-chain functions, follows the Applicable Designation Framework.

Fossil-fuel revenue and investment amounts are assessed using a reporting boundary and calculation basis consistent with the corresponding total revenue or investment. Where an amount supports both fossil-fuel and other activities, it may be allocated only where the allocation basis reasonably reflects the economic substance, can be supported by available information and is applied consistently.

Where the Applicable Designation Framework specifies a maximum fossil-fuel revenue or investment threshold, we compare the resulting percentage with that threshold. The fossil-fuel exposure is assessed independently. A high proportion of green revenue or green investment does not offset a failure to meet a fossil-fuel threshold unless the framework expressly permits such treatment.

3.3 Taxonomy Alignment

Where the Applicable Designation Framework defines green activities by reference to a sustainable finance taxonomy, we assess the Applicant's activities against the taxonomy or taxonomy hierarchy specified by that framework. If the framework permits the use of more than one taxonomy, we apply the prescribed order of precedence, eligibility conditions and restrictions on substitution between taxonomies.

For each activity assessed, we first consider whether the activity falls within the scope of the applicable taxonomy. An activity that falls within a taxonomy description is considered taxonomy-eligible for the purpose of further assessment. We then assess the activity against the technical screening criteria or equivalent requirements that the Applicable Designation Framework requires to be met.

The scope of a taxonomy assessment follows the Applicable Designation Framework. Depending on the framework, the assessment may cover substantial contribution criteria or equivalent technical criteria, do no significant harm (DNSH) requirements, minimum safeguards, or a specified subset of these elements. We tailor the scope of our analysis to the requirements of the taxonomy against which the assessment is conducted.

Our assessment considers the activity description, applicable environmental objective, quantitative thresholds, qualitative conditions and the technical or operational information relevant to those requirements. Evidence may include measured operating performance, asset or project information, technical specifications, certifications, policies and other information relevant to the applicable criteria. A future plan or commitment is not treated as evidence of current taxonomy alignment unless the Applicable Designation Framework or taxonomy expressly permits a forward-looking or remedial route. An activity is considered aligned only where the Applicant has provided sufficient information to demonstrate that all applicable requirements have been met.

We link the taxonomy conclusion for each qualifying activity to the revenue, capital expenditure or operating expenditure attributable to that activity. The resulting taxonomy-aligned amounts are then aggregated in accordance with the Applicable Designation Framework to determine whether the Applicant satisfies the relevant entity-level threshold.

Where a framework does not prescribe a particular taxonomy but expressly permits the designation owner or reviewer to select an appropriate taxonomy or activity-classification basis, Lianhe Green considers whether the proposed basis is publicly available, clear, objective, relevant to the activity and jurisdiction, supported by a credible governance or standard-setting process, and capable of evidence-based assessment. We do not use a more permissive taxonomy solely to avoid a failed criterion under another taxonomy where the Applicable Designation Framework prohibits such substitution.

3.4 Outcome of the External Review

Our Green Equity Designation External Review has two possible conclusions: Aligned or Not Aligned.

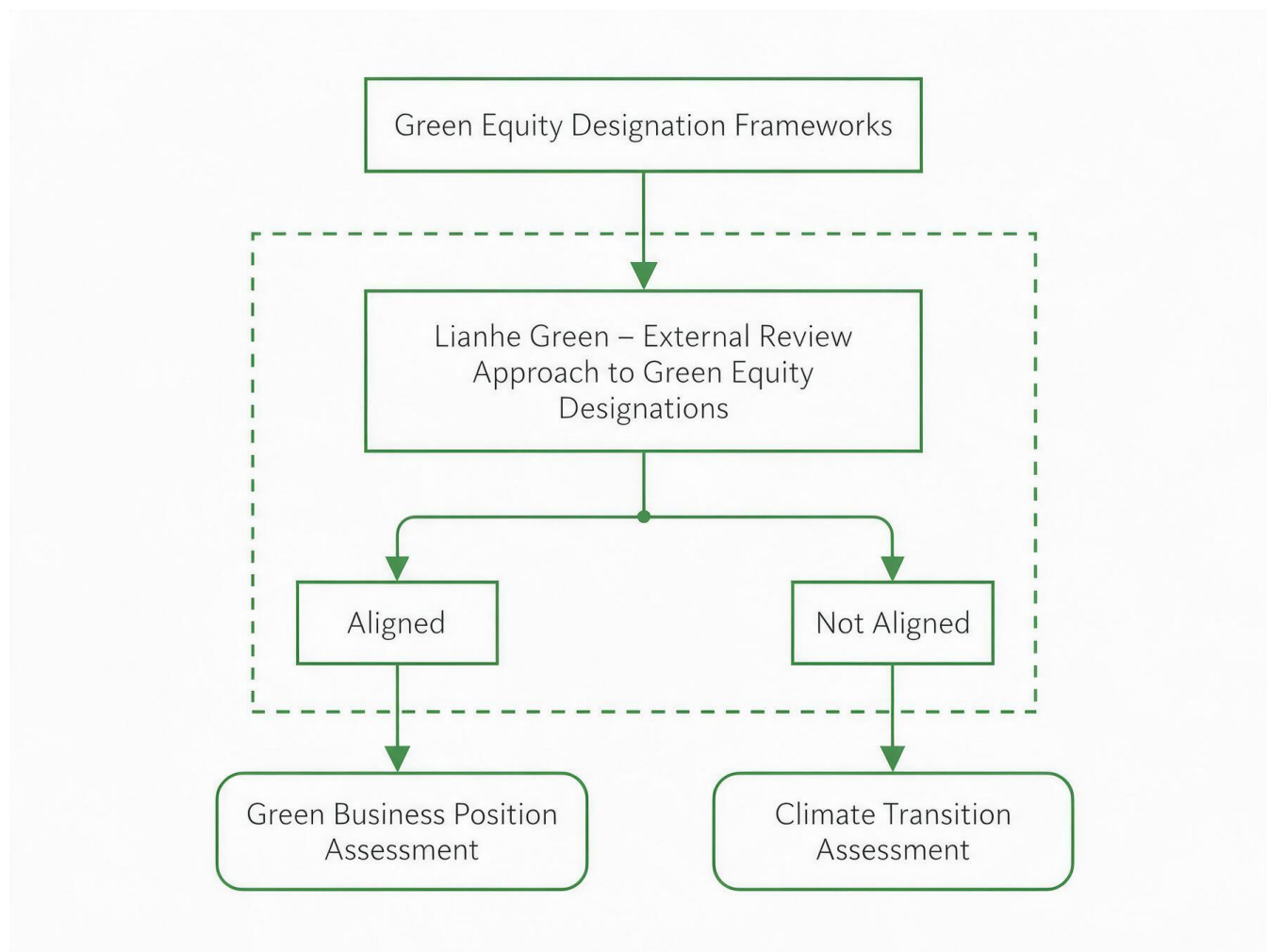
We conclude **Aligned** where, in our opinion, the Applicant has demonstrated that it meets all minimum requirements applicable to it under the specified Applicable Designation Framework. This includes satisfaction of the applicable green activity, taxonomy, financial, restricted-activity, operational, governance and disclosure requirements included in that framework.

We conclude **Not Aligned** where, in our opinion, the Applicant has not demonstrated that it meets all applicable minimum requirements. This may arise because a requirement is not met, a prescribed threshold is not satisfied, an activity does not meet the applicable taxonomy criteria, a prohibited or restricted exposure exceeds the permitted level, or the available information is insufficient to support a positive conclusion.

The conclusion is expressed only in relation to the named Applicable Designation Framework, its applicable version and the assessment date. It does not mean that the designation owner has granted, renewed or will maintain the designation. The designation owner retains sole responsibility for its designation decision.

3.5 Separate Supplementary Assessments

The Green Equity Designation External Review described in this document is limited to an assessment of whether the Applicant has demonstrated that it meets the minimum requirements of the Applicable Designation Framework. Lianhe Green may also offer the following separate assessments upon request. These assessments are not part of the Green Equity Designation External Review and do not form part of the Aligned or Not Aligned conclusion.



Where an Applicant is assessed as Aligned with the Applicable Designation Framework, Lianhe Green may, upon request, provide a separate Green Business Position Assessment. This assessment provides a more granular view of the environmental quality and composition of the Applicant's business

activities, including business mix, long-term climate viability, sustainability strategy, governance, performances against the four financial metrics (green revenue and investment, fossil-fuel revenue and investment), and quality of sustainability disclosure. It is distinct from, and does not alter, the Aligned conclusion under the Green Equity Designation External Review. The Green Business Position Assessment provides additional analytical insight into the characteristics of that alignment.

Where an Applicant is assessed as Not Aligned with the Applicable Designation Framework, Lianhe Green may, upon request, provide a separate Climate Transition Assessment. This assessment considers the Applicant's capacity and preparedness to transition towards a lower-carbon business model, including the credibility of its transition strategy, targets, governance, implementation arrangements, capital allocation and relevant disclosures. It is designed to provide a forward-looking assessment for entities that do not currently satisfy the applicable green equity designation criteria but may be seeking to improve their environmental performance and eligibility over time.

The Green Business Position Assessment and the Climate Transition Assessment are separate Lianhe Green products. They are subject to their own scope, analytical approach and terms of engagement, and are not addressed in this External Review Approach.

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Lianhe Green's Green Equity Designation External Review is an entity-level analytical opinion on alignment with the Applicable Designation Framework, its specified version and the information available as at the assessment date. Lianhe Green does not carry on credit rating business, and this external review does not assess the creditworthiness of the Applicant or any financial instrument. It is not an ESG rating, credit rating, audit, assurance engagement, certification or guarantee of future performance. The designation owner alone decides whether to grant, renew or maintain a designation; our opinion does not guarantee that decision or imply regulatory endorsement. Unless required by applicable law, the Applicable Designation Framework or the agreed scope of work, the review does not include ongoing monitoring. This does not remove any applicable obligation to correct material errors or notify relevant parties of matters affecting the opinion.

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