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ASSESSMENT
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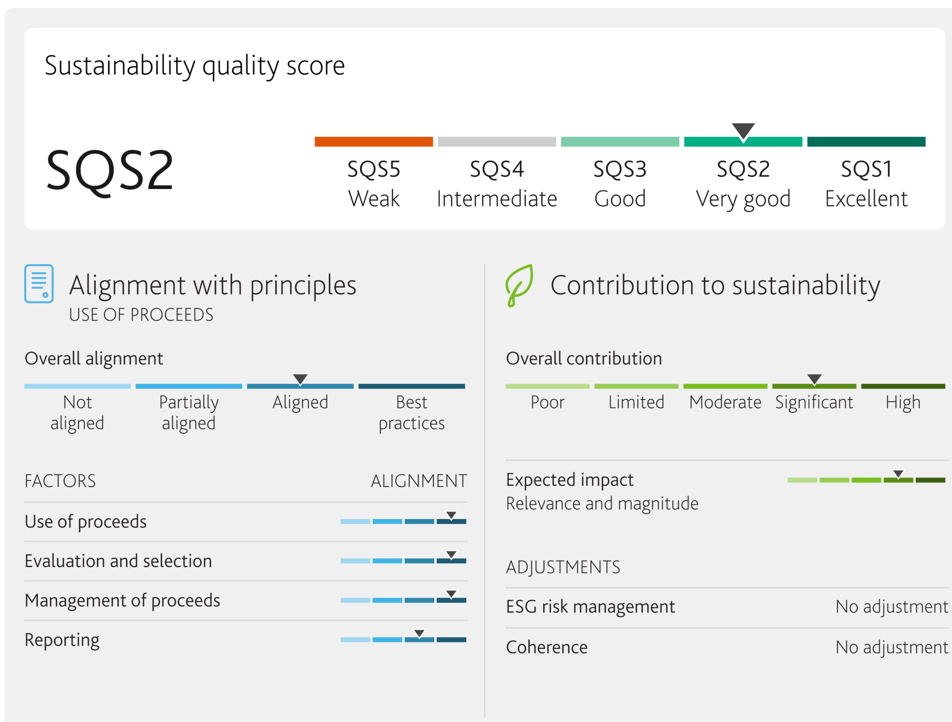
GuocoLand Limited

Second Party Opinion – Green Finance Framework Assigned SQS2 Sustainability Quality Score

Summary

We have assigned an SQS2 sustainability quality score (very good) to GuocoLand Limited's (GuocoLand) green finance framework dated February 2023. GuocoLand has established its use-of-proceeds framework with the aim to finance projects in three eligible green categories — green buildings, renewable energy and clean transportation. The framework is aligned with the four core components of the International Capital Market Association's (ICMA) Green Bond Principles (GBP) 2021 (including the June 2022 Appendix 1), and the Loan Market Association, the Asia Pacific Loan Market Association and the Loan Syndications and Trading Association's (LMA/APLMA/LSTA) Green Loan Principles 2023. The framework also demonstrates a significant contribution to sustainability.



Scope

We have provided a Second Party Opinion (SPO) on the sustainability credentials of GuocoLand's green finance framework, including the framework's alignment with the ICMA's GBP 2021 (including the June 2022 Appendix 1) and the LMA/APLMA/LSTA's Green Loan Principles 2023. Under its framework, the company plans to issue use-of-proceeds green bonds and obtain use-of-proceeds green loans to finance projects in three green categories — green buildings, renewable energy and clean transportation — as outlined in Appendix 2 of this report. The framework applies to GuocoLand and its subsidiaries and their associates and joint ventures.

Our assessment is based on the last updated version of GuocoLand's framework dated February 2023, and our opinion reflects our point-in-time assessment 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 Framework to Provide Second Party Opinions on Sustainable Debt, published in October 2022.

Issuer profile

GuocoLand Limited (GuocoLand) is a listed property company headquartered in Singapore. The principal business activities of GuocoLand and its subsidiaries are property development, property investment, property management and hotel operations. Its portfolio includes premium residential, commercial, retail, hospitality and mixed-use developments spanning across Singapore, Malaysia, China, the UK and Australia. The company was established in 1976 and is part of Guoco Group Limited, owned by Hong Leong Group.

Strengths

» Clearly defined and relevant environmental objectives associated with all eligible categories

» Transparent project evaluation and selection process and identification of material environmental and social risks for all project categories

» Continuous monitoring of compliance of the selected projects with eligibility and exclusion criteria throughout the life of the project and a defined process in the event of non-compliance

» Proceeds management is in line with the market practice, which allows for proper allocation to projects

Challenges

» For green loans, no commitment to commission an independent audit of the tracking and allocation of funds at least until full allocation and in case of significant changes

» No commitment to commission an independent impact assessment on environmental benefits by a qualified third-party reviewer, at least until full allocation and in case of significant changes

Alignment with principles

GuocoLand's green finance framework is aligned with the four core components of the ICMA's GBP 2021 (including the June 2022 Appendix 1) and the LMA/APLMA/LSTA's Green Loan Principles 2023:

- [x] Green Bond Principles (GBP)
- [ ] Social Bond Principles (SBP)
- [x] Green Loan Principles (GLP)
- [ ] Social Loan Principles (SLP)
- [ ] Sustainability-Linked Bond Principles (SLBP)
- [ ] Sustainability Linked Loan Principles (SLLP)

Use of proceeds

Not aligned | Partially aligned | Aligned | Best practices

Clarity of the eligible categories – BEST PRACTICES

The company has clearly communicated the nature of the expenditure, and the eligibility and exclusion criteria for financed projects. The company has shared with us through internal documentation the potential locations of the eligible projects — Singapore, Malaysia, China, the UK and Australia. The company has articulated an exhaustive list of eligible building certification schemes and levels to be achieved for eligible green buildings. The company has also defined the eligible technologies and types of projects to be financed under the renewable energy and clean transportation categories.

Clarity of the environmental objectives – BEST PRACTICES

The company has clearly outlined the relevant environmental objectives associated with all the three eligible categories. These include climate change mitigation, pollution prevention and control, natural resource conservation and energy conservation. The company has referenced the UN's Sustainable Development Goals (SDGs) — including SDG7 (Affordable and Clean Energy), SDG9 (Industry, Innovation and Infrastructure), SDG11 (Sustainable Cities and Communities), SDG12 (Responsible Consumption and Production) and SDG13 (Climate Action) — in articulating the objectives of the eligible categories, and the objectives are coherent with the recognised international standards.

Clarity of the expected benefits – BEST PRACTICES

The company has identified the expected environmental benefits for all the three eligible categories, and these are relevant based on the projects that are likely to be financed under each category. The benefits are measurable and the company will report these quantitative benefits in its ongoing reporting. The company has committed to disclosing the share of refinancing and the associated look-back period to investors or lenders, prior to each transaction.

Best practices identified

» Eligibility criteria are clearly defined for all project categories

» Objectives set are defined, relevant and coherent for all project categories

» Relevant benefits are identified for all project categories

» Benefits are measurable and quantified for most projects, either ex-ante with clear baselines or with a commitment to doing so in future reporting

» Commitment to transparently disclose the share of proceeds used for refinancing, where feasible

» Commitment to transparently communicate the associated look-back period(s), where feasible

Process for project evaluation and selection

Not aligned	Partially aligned	Aligned	Best practices

Transparency and quality of process for defining eligible projects – BEST PRACTICES

The company has established a clear process for determining the eligibility of projects, with granular decision-making criteria formalised in its public framework. The Group Treasury team will nominate eligible green projects and the dedicated Green Finance Committee, which comprises the CEO and group CFO, will evaluate and approve the projects. Members of the committee have clearly defined roles and responsibilities, and will collectively oversee the proposal, selection and validation of eligible projects. The committee will also be responsible for the ongoing monitoring of the continued compliance of selected projects with the eligibility and exclusion criteria throughout the life of the outstanding bonds/loans, and the process will be traceable through internal documentation. The company has also formalised a clear action plan for removing or replacing projects that no longer meet the relevant eligibility criteria.

Environmental and social risk mitigation process – BEST PRACTICES

The company has established a comprehensive environmental and social risk mitigation process, including the monitoring of controversies and the identification and management of environmental and social risks. This process is summarised in the framework and annual sustainability report, and articulated in more granular detail in its internal documentation. As a real estate developer, the company will largely mitigate potential environmental and social (E&S) risks through the stringent selection of and cooperation with reputable main contractors who are responsible for project construction, and the management and monitoring of E&S performance. The company discloses information on its E&S performance in its annual sustainability report.

Best practices identified

- The roles and responsibilities for project evaluation and selection are clearly defined and include relevant expertise
- There is evidence of continuity in the selection and evaluation process through the life of the financial instrument(s), including compliance verification and procedures to undertake mitigating actions when needed
- The process for project evaluation and selection is traceable
- Material environmental and social risks for most project categories are identified
- Presence of corrective measures to address environmental and social risks across projects
- ESG controversies are monitored

Management of proceeds

Not aligned	Partially aligned	Aligned	Best practices

Allocation and tracking of proceeds – BEST PRACTICES

The company has defined a clear process for the management and allocation of bond/loan proceeds in its publicly available framework. Net proceeds from bonds/loans under the framework will be placed in the company's general treasury account and will be separately tracked via the Green Project Register to ensure that the proceeds are used for eligible projects only. The company will track how the proceeds have been matched to eligible categories and projects, and the balance of the tracked proceeds will be monitored and reviewed annually. The company has communicated to us through internal documentation that the allocation period will be within 24 months.

Management of unallocated proceeds – BEST PRACTICES

Unallocated proceeds may be invested in cash or cash equivalent instruments, and will be managed in line with the company's treasury policy, subject to the same exclusion criteria set for the use of proceeds in the framework. In the event that a project is postponed, divested or becomes ineligible, the company has formalised in its framework that it will remove or replace the project with a new eligible project, as long as there are other eligible green projects to replace it with.

Best practices identified

- Broad disclosure of a clearly articulated and comprehensive management of proceeds policy to external stakeholders; bondholders or lenders at a minimum
- Short allocation period, for example typically less than 24 months
- Disclosure on temporary placement and presence of exclusion criteria toward environmentally or socially harmful activities
- Commitment to reallocate proceeds to projects that are compliant with the framework

Reporting

Not aligned | Partially aligned | Aligned | Best practices

Transparency of reporting – ALIGNED

The company will report annually on the use of proceeds of the green bonds and green loans issued under its framework, until the full allocation of the proceeds and on a timely basis in the event of material changes, and the reporting will be made publicly available in its annual sustainability report or in a standalone report that will be disclosed to investors or lenders only.

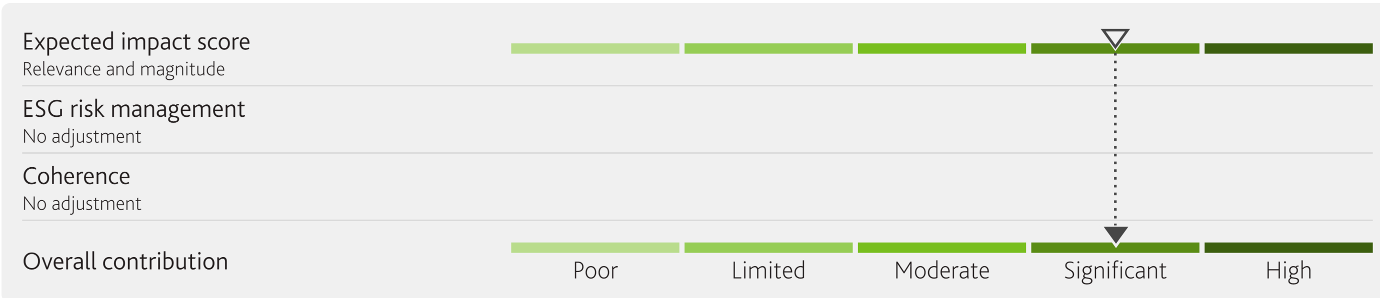
The company has stated that reporting will be done at least at the eligible category level and will cover details on specific projects, where feasible, including a list of projects and brief descriptions. Reporting will also cover the amount of proceeds allocated to eligible projects at the category level, the share of refinancing and associated lookback period, and the balance of unallocated funds with information on the types of temporary investments. The company has identified relevant environmental reporting indicators for each eligible category, which will be reported where possible, together with the methodologies and assumptions used for the calculation of the impact indicators. These include the gross floor area of green buildings, renewable energy generated and number of electric vehicle charging lots installed. The company will engage an independent third party for the external verification of the tracking and allocation of bond proceeds until full allocation or in case of material changes. However, it has not committed to doing so for loan proceeds. The company has not committed to an independent impact assessment of the environmental and social benefits, and externalities associated with the financed projects.

Best practices identified

- Reporting covers material developments and issues related to the projects or assets
- Reporting on allocation of proceeds and benefits done at least at eligible category level
- Exhaustive allocation reporting – balance or % of unallocated funds, types of temporary investments (e.g. cash or cash equivalent) and share of financing vs re-financing
- Disclosure of reporting methodology and calculation assumptions to bondholders or lenders at a minimum

Contribution to sustainability

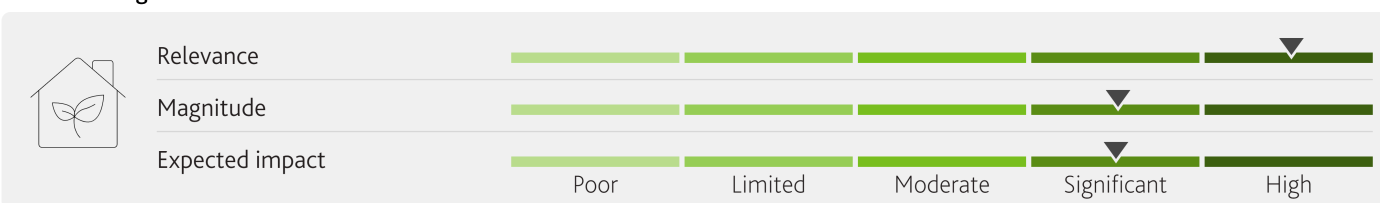
The framework demonstrates a significant overall contribution to sustainability.



Expected impact

The expected impact of the eligible project categories on green objectives is significant. Based on the information provided by the company, we expect a substantial majority of the proceeds from forthcoming issuances to be allocated to the green buildings category. Thus, we have assigned a higher weight to the green buildings category when assessing the overall contribution to sustainability. A detailed assessment by eligible category is provided below.

Green buildings



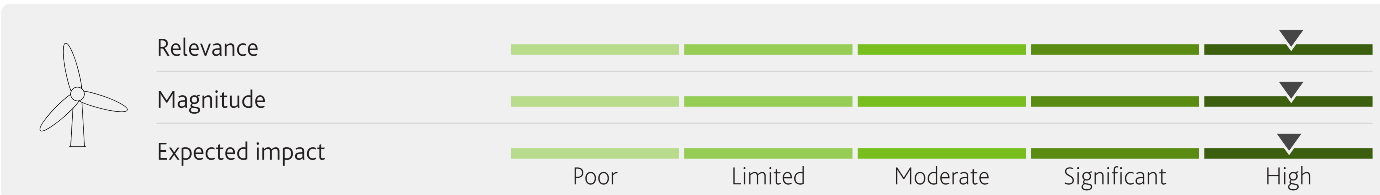
GuocoLand's property portfolio is currently predominantly located in Singapore, followed by Malaysia and China, with each country having national development plans identifying green buildings as a key focus area to lower emissions. Hence, the project category is highly relevant for the project locations and also to the company's operations. The buildings sector accounted for 33% of global emissions from energy combustion and industrial processes in 2021 — 27% attributable to the operation of buildings and 6% attributable to the manufacture of building construction materials, such as cement, steel and aluminium[1]. The operation of buildings accounted for 30% of the global final energy consumption in 2021[2], and across Asia the share of energy use in buildings ranged from 49% in China to 23% in the ASEAN region in 2019[3].

The company plans to finance new, existing and refurbished buildings that have or will receive a building certification equal to or higher than the corresponding levels stated in its framework. The company has not disclosed information on its expected allocation of proceeds among the three building activities or type of building certification. It is important to note that the applicable certification schemes could differ depending on different factors, including the building type and location, and whether it is new, existing or retrofitted. The building certification schemes also differ in terms of their scoring categories and criteria. Such differences across certification schemes result in varying levels of environmental performance that each certification system suggests should materialise for the certified building, which is also dependent on the level of certification that is achieved within any given system. For example, a building's energy performance during the operational phase, which may be the primary driver of the building's life cycle greenhouse gas (GHG) emissions, may vary significantly across corresponding certification levels in different certification systems.

We expect eligible projects certified under this category to have a positive impact on reducing carbon emissions. However, reaching net zero carbon emissions by 2050 would require emissions to fall by more than 98% from the 2020 level[4], requiring significant efforts in reducing building energy demand through clean and efficient technologies[5]. Given that operational energy constitutes a large proportion of the total life cycle carbon emissions of buildings in the potential project locations, the energy performance requirements of the building certification schemes are critical to reducing the impact of buildings. Buildings certified at higher levels would have to meet higher energy performance criteria. National building energy codes also set mandatory minimum energy performance requirements for buildings, although these may not apply to all buildings, for instance, in Malaysia. Thus, eligible projects in such cases are likely to drive higher standards for buildings' energy efficiency and usage within the country. Beyond national requirements, the eligibility levels set by the company for the building certification schemes have requisite energy performance criteria that must be met either through required energy savings ratios, energy use intensity targets or minimum scores to be achieved.

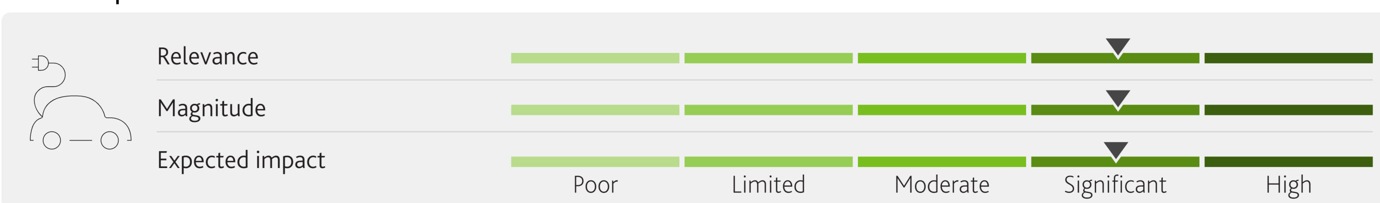
The construction of new buildings will generate a larger carbon footprint and greater environmental and social externalities than the retrofitting of existing buildings. The company has an E&S management system and mitigation measures in place, which will help minimise the potential impact of externalities.

Renewable energy



The company plans to invest in wind and solar energy generation facilities, and energy storage systems with a dedicated connection to these facilities. Given that the operation of buildings consumes a large amount of electricity and the energy mix in the potential project locations is still largely dominated by fossil fuels, increasing the installed capacity of renewable energy is highly relevant for the buildings sector. The eligible solar and wind projects under the framework utilise the best technologies currently available in the market, such as solar photovoltaic, which have no negative lock-in effects and limited ESG externalities, resulting in a high contribution to sustainability.

Clean transportation



The company plans to finance projects that support zero tailpipe GHG emissions transportation modes, such as electric vehicles, cycling and walking. Infrastructure supporting public transport and zero-emissions vehicles play an important role in ensuring a sustainable, low-carbon transition for the transportation sector. The availability of electric vehicle charging infrastructure will facilitate an increased uptake of electric vehicles. While China leads globally in the number of publicly available electric vehicle charging infrastructure, an increase in the number of charging infrastructure in the other project locations — particularly in Singapore and Malaysia — would provide a significant benefit[6]. While the projects facilitate a positive long-term impact on climate change mitigation and pollution prevention, as well as support safe access to buildings and promote active mobility of occupants — a consideration for some building certification schemes — the eligible projects do not address the core environmental issue of energy consumption associated with buildings in potential project locations.

ESG risk management

We have not applied a negative adjustment for ESG risk management to the expected impact score. GuocoLand has a Sustainability Committee, responsible for assessing and managing climate-related risks and opportunities, over which the board has ultimate oversight. The company has identified significant environmental risks through its Environmental Risk Management register, for which risk owners must provide and regularly review mitigation measures. The company also has a workplace safety and health (WSH) management system in place to ensure compliance with associated national regulations and laws, and the continued monitoring of performance. As part of its WSH management process, the company conducts hazard identification, risk assessment and risk management. The company has selection criteria for contractors and suppliers, which include the assessment of their track records and safety records. GuocoLand works closely with the qualified main contractors to proactively identify environmental and worksite risks, and reduce potential implications for health and safety. The main contractors are required to be ISO 45001 certified with established Occupational Health and Safety Management Systems and ISO 9001/14001 certified with quality management and environmental management systems. They must also deliver a monthly report covering project progress, environmental-related checks and WSH performance.

Coherence

We have not applied a negative adjustment for coherence to the expected impact score. Projects to be financed under the company's framework align with its sustainability mission, which includes taking action “towards a greener future”. This involves improving energy efficiency and the use of resources in its operations. The company is committed to aligning with national initiatives such as the Singapore Green Plan 2030 and China’s Action Plan for Reaching Carbon Dioxide Peak Before 2030. The company is also a signatory of the Singapore Built Environment Embodied Carbon Pledge, which aims to promote industry action on addressing built environment embodied carbon emissions. Guided by the Global Reporting Initiative’s materiality principles, GuocoLand has identified energy, water, emissions, waste and environmental compliance as significant sustainability factors relevant to its core activity of developing and managing properties.

Appendix 1 - Mapping eligible categories to the United Nations' Sustainable Development Goals

The three eligible categories included in GuocoLand's framework are likely to contribute to five of the United Nations' SDGs, namely:

UN SDG 17 Goals	Eligible Category	SDG Targets
GOAL 7: Affordable and Clean Energy	Renewable Energy	7.2: Increase substantially the share of renewable energy in the global energy mix
GOAL 9: Industry, Innovation and Infrastructure	Green Buildings	9.4: Upgrade infrastructure and retrofit industries to make them sustainable, with all countries taking action
GOAL 11: Sustainable Cities and Communities	Green Buildings Clean Transportation	11.2: Provide access to safe, affordable, accessible and sustainable transport systems for all
GOAL 12: Responsible Consumption and Production	Renewable Energy	12.2: Achieve the sustainable management and efficient use of natural resources
GOAL 13: Climate Action	Green Buildings Renewable Energy Clean Transportation	13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

The mapping of the UN's SDGs in this SPO takes into consideration the eligible project categories and associated sustainability objectives/benefits documented in the company's green finance framework, and resources and guidelines from public institutions, such as the ICMA's SDG Mapping Guidance and the UN's SDG targets and indicators.

Appendix 2 - Summary of eligible categories in GuocoLand's framework

Eligible Category	Description	Sustainability Objectives	Impact Reporting Metrics
Green Buildings	Green buildings are new, existing or refurbished buildings which meet regional, national or internationally recognised standards or certifications, which include: - Green Mark by the Singapore Building and Construction Authority ("BCA"): Green Mark Gold^{PLUS} and above; - China Green Building Evaluation Label 2-star rating and above; - LEED (Leadership in Energy and Environmental Design) by the U.S. Green Building Council: Gold and above; - Malaysia Green Building Index Gold and above; - BREEAM (Building Research Establishment Environmental Assessment Method) Excellent and above; - NABERS (National Australian Built Environment Rating System) Energy rating 5 star and above	- Climate Change Mitigation - Energy Conservation - Natural Resource Conservation	- Number and Gross Floor Area (m^2) of Green Buildings and number of Green Building Certifications obtained
Renewable Energy	Capital expenditures for installation, maintenance and operations of existing and new wind (onshore/offshore) and solar (rooftop/ground mount/floating/offshore) energy generation facilities as well as energy storage systems with a dedicated connection to the wind and solar energy generation facilities.	- Climate Change Mitigation - Energy Conservation - Natural Resource Conservation	- Renewable energy generated (kWh) - Tonnes of greenhouse gas or carbon dioxide equivalent (tCO_2e) avoided - Renewable energy installed capacity (kW)
Clean Transportation	Projects that exclusively support environmentally-friendly transportation modes of zero emission such as electric vehicles, public transportation, public walking and cycling infrastructure	- Climate Change Mitigation - Pollution Prevention - Natural Resource Conservation	- Number of EV charging lots installed - Number of bicycle parking lots

Moody's related publications

Second Party Opinion analytical framework:

» Framework to Provide Second Party Opinions on Sustainable Debt, October 2022

Topic page:

» ESG Credit and Sustainable Finance

Endnotes

1 IEA Buildings, September 2022.

2 See footnote 1.

3 2021 Global Status Report for Buildings and Construction, 19 October 2021.

4 2022 Global Status Report for Buildings and Construction, 9 November 2022.

5 See footnote 1.

6 IEA Global Electric Vehicle Outlook, 2022.

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