

Second-Party Opinion

Hudson Green Financing Framework



Evaluation Summary

Sustainalytics is of the opinion that the Hudson Green Financing Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2018 and the Green Loan Principles 2020. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Renewable Energy, Energy Efficiency, Water Quality and Conservation and Biomass Generation – are aligned with those recognized by the Green Bond Principles 2018 and the Green Loan Principles 2020. Sustainalytics considers that investments in projects in these areas will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 6: Clean Water and Sanitation and 7: Affordable and Clean Energy.



PROJECT EVALUATION / SELECTION Hudson Sustainable Group's Investment Opportunities Team along with deal team members will be responsible for project evaluation and selection. Sustainalytics considers the project selection process in line with market practice.



MANAGEMENT OF PROCEEDS The company's Finance and Treasury Department will be responsible for establishing and maintaining an ongoing record of allocations. Unallocated proceeds will be held in cash or cash equivalents, short-term investments, or used to repay existing external debt obligations. This is in line with market practice.



REPORTING Hudson Sustainable Group intends to report on allocation of proceeds in its annual sustainability report which will include details on the Eligible Projects financed. In addition, the company will report on the environmental impacts of the portfolio using relevant quantitative metrics. Sustainalytics views Hudson Sustainable Group's allocation and impact reporting as aligned with market practice.

Evaluation date	October 28, 2020
Issuer Location	New York, NY, USA

Report Sections

Introduction.....	2
Sustainalytics' Opinion	3
Appendices	8

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Introduction

Hudson Sustainable Group (“Hudson”, or the “Company”) is an investment company focused on investing in the sustainability sector globally, with an emphasis on renewable energy, resource efficiency, and other aspects of sustainable technology. Founded in 2007 and with its main offices in New York and Tokyo, Hudson acts as a principal investor and manager and has made 20 investments to date in 26 countries.

Hudson has developed the Hudson Green Financing Framework (the “Framework”) under which it intends to issue green bond(s) and loan(s) and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that generate renewable energy or provide benefits in the areas of energy efficiency or sustainable water management. The Framework defines eligibility criteria in four areas:

1. Renewable Energy
2. Energy Efficiency
3. Water Quality and Conservation
4. Biomass Generation

Hudson engaged Sustainalytics to review the Hudson Green Financing Framework, dated October 2020, and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2018 (GBP)¹ and the Green Loan Principles 2020 (GLP).² This Framework has been published in a separate document.³

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics independent⁴ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2018, as administered by ICMA, and the Green Loan Principles 2020, as administered by LMA, APLMA and LSTA⁵, as well as Japan’s Green Bond Guidelines 2020⁶;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.6, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Hudson’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Hudson representatives have confirmed (1) they understand it is the sole responsibility of Hudson to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

¹ The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

² The Green Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at <https://www.lsta.org/content/green-loan-principles/>

³ The Hudson Green Financing Framework will be made available on Hudson Sustainable Group’s website, <https://www.hudsonsustainable.com/>.

⁴ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

⁵ In addition to the Loan Markets Association, the GLP is also administered by the Asia Pacific Loan Market Association and the Loan Syndications & Trading Association

⁶ Ministry of the Environment, Japan, “Green Bond Guidelines, 2020”, at: http://www.env.go.jp/policy/guidelines_set_version_with%20cover.pdf

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Hudson.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the intended allocation of proceeds but does not guarantee the realised allocation of the bond and loan proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Hudson has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Hudson Green Financing Framework

Sustainalytics is of the opinion that the Hudson Green Financing Framework is credible, impactful, and aligns with the four core components of the GBP and GLP. Sustainalytics highlights the following elements of Hudson's Green Bond Framework:

- Use of Proceeds:
 - The eligible categories – Renewable Energy, Energy Efficiency, Water Quality and Conservation, and Biomass Generation – are aligned with those recognized by the GBP and GLP.
 - Within the Renewable Energy category, the company intends to finance or refinance the acquisition, development, manufacturing, operation and maintenance of new and ongoing renewable energy projects, including solar, wind, and small hydro facilities.
 - Sustainalytics recognizes wind and solar energy generation as well-accepted green use of proceeds categories.
 - The Framework specifies that hydroelectric facilities will have an installed capacity less than or equal to 25 megawatts. Sustainalytics considers this criterion to support risk mitigation and to be aligned with market practice.
 - Within the Energy Efficiency category, Hudson may finance energy efficiency projects and providers or consumer finance companies that provide energy efficiency loans for projects or assets that reduce energy consumption. Sustainalytics notes the following regarding the eligible projects specified in the Framework:
 - Building envelope improvements, such as insulation, cool roofing and air sealing, and the installation or upgrade of centralized energy control and solar energy systems are recognized to have the potential to deliver substantial energy efficiency benefits and are aligned with market expectations.
 - While electrical transmission and distribution grids may transmit electricity generated from a variety of sources, including fossil fuel power, Sustainalytics considers investments in technology to address energy loss reduction in transmission and distribution to be aligned with market expectation as these projects (i) may deliver quantifiable energy savings and (ii) will not result in fossil fuel "lock-in".
 - As the eligible projects described in the Framework may deliver a range of outcomes, Sustainalytics encourages quantitative and project-level reporting of energy efficiency outcomes.
 - Within the Water Quality and Conservation category, Hudson intends to finance or refinance projects to improve water quality, efficiency and conservation.
 - Eligible projects may include the installation or upgrade of water treatment infrastructure, such as for water recycling and wastewater treatment, water capture

- and storage infrastructure, such as stormwater management, distribution, aquifer and sewer systems, or water metering systems.
- Sustainalytics recognizes the diversity of potential projects, and on the whole views these activities as anticipated to deliver environmental benefits and to be in line with market practice.
 - Within the Biomass Generation category, the company intends to finance the construction, acquisition, maintenance, refurbishment or repowering of biomass facilities or businesses.
 - Biomass feedstocks will be sourced from agricultural or forestry residue sources. Sustainalytics considers this criterion to be in line with market practice, noting that such feedstocks do not deplete existing carbon pools or compete with food production and are anticipated to generate power with a lifecycle emissions intensity compliant with a low-carbon trajectory.
 - Project Evaluation and Selection:
 - Project eligibility and evaluation will be conducted by the Investment Opportunities Team and deal team members within Hudson, in line with the Company's typical deal evaluation process. The Company follows screening and due diligence requirements that incorporate ESG issues, and intends to ensure that all investments reduce the environmental impacts of energy production.
 - Based on the definition of responsible parties and the leveraging of existing procedures, Sustainalytics considers this process to be in line with market practice.
 - Management of Proceeds:
 - Hudson's Finance and Treasury Department will be responsible for establishing and maintaining an ongoing record of allocations to eligible projects.
 - The Green Bond proceeds will be deposited into Hudson's general account and an amount equal to the net proceeds will be allocated towards eligible projects. Upon full allocation, an independent party will verify that the proceeds have been allocated to eligible projects. Proceeds will be invested through either (i) direct investing or (ii) fund approach which is typically executed within three years.
 - Unallocated proceeds will be held in cash or cash equivalents, short-term investments, or used to repay existing external debt obligations.
 - Based on the definition of an earmarking approach and the disclosures around management of unallocated proceeds, Sustainalytics considers this process to be in line with market practice.
 - Reporting:
 - Hudson will report on the allocation of its proceeds in its annual sustainability report. The report will include details on the eligible projects financed, and the environmental impacts of the portfolio.
 - Environmental impact reporting metrics include: total energy produced and emissions avoided by funded renewable energy projects, MWh energy reductions and emissions avoided by energy efficiency projects, number of water meters installed, population served and volume of water reductions for water quality and conservation projects, and total energy produced and emissions avoided by biomass projects.
 - Based on Hudson's commitment to annual reporting, including the provision of quantitative impact indicators, Sustainalytics considers this process to be in line with market practice.

Alignment with Green Bond Principles 2018 and Green Loan Principles 2020

Sustainalytics has determined that the Hudson Green Financing Framework aligns to the four core components of the GBP and GLP. For detailed information please refer to Appendix 1: Green Bond/Green Bond Programme External Review Form.

Alignment with Japan's Green Bond Guidelines 2020

Sustainalytics is of the opinion that the Framework is in line with Green Bond Guidelines 2020 formulated by the Ministry of the Environment, Japan. The guidelines communicate what an issuer is expected do to issue a credible green bond. Sustainalytics assessed the alignment between the Framework and the 'should' items outlined in Japan's Green Bond Guidelines 2020. For detailed information please refer to Appendix 2: Alignment to Japan's Green Bond Guidelines 2020

Section 2: Sustainability Performance of Hudson

Contribution of Framework to Hudson Sustainable Group's Sustainability Strategy

Sustainalytics is of the opinion that Hudson demonstrates a strong commitment to sustainability through its focus on: (I) environmental sustainability, (II) business growth, and (III) human development.

Hudson focuses exclusively on investments that promote sustainability across its three main goals. The company has committed to investing in companies and projects that promote low carbon energy sources, resource efficiency, efficient production methods, sustainable transportation, infrastructure resiliency and human development and safety.⁷

The Use of Proceeds Renewable Energy, Energy Efficiency, Water Quality and Conservation, and Biomass Generation contribute to these goals by increasing renewable energy sources, reducing emissions, and reducing water waste. These proceeds directly contribute to Hudson's primary goal of environmental sustainability. Hudson reports on its progress towards its goals privately to its investors.⁸ Sustainalytics encourages Hudson to introduce quantifiable, time-bound targets for its goals.

Sustainalytics is of the opinion that the Hudson Green Financing Framework is aligned with the company's overall sustainability strategy and initiatives and will further the Company's action on its key environmental priorities.

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

While Sustainalytics recognizes that the net proceeds from the bond(s) and/or loan(s) issued under the Framework will be directed towards eligible projects that are recognized by the GBP/GLP and to have positive environmental impacts, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects could include occupational health and safety during project construction, community relations including Indigenous land rights, biodiversity issues associated with large-scale infrastructure development and emissions, effluents, and waste generated in construction.

Sustainalytics recognizes that Hudson strives to manage and/or mitigate potential risks through implementation of the following:

- Hudson conducts screening and due diligence which takes into consideration ESG issues prior to investing in any company, including ensuring that all investments aim to reduce the environmental impacts of energy production as well as meet social and environmental standards.⁹ Hudson has confirmed that its investment screening includes consideration of workplace conditions, including health and safety, as well as community impacts.
- Hudson engages directly with the projects that it invests in. Its strategy involves remaining close to the recipient of proceeds either as a shareholder, board member or investor, providing active oversight on projects conducted.¹⁰
- Hudson engages in reporting and improvements across investments. The company reports on quantifiable environmental metrics of projects constructed by portfolio companies. It also works to improve and refine its sustainability efforts based on feedback from the market, investors and industry.¹¹
- Hudson has disclosed that its investments comply with national and other jurisdictional regulations, which may vary across the geographical locations of projects, and that all potential investments are screened at the project level to ensure regulatory compliance, the avoidance of illegal practices, and for any conflicts of interest which could be linked to the projects.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Hudson has implemented adequate measures and is well-positioned to manage and mitigate major environmental and social risks commonly associated with the eligible categories. Sustainalytics highlights that the Company's overall risk management approach could be strengthened through the development and publication of

⁷ Hudson Sustainable Investments, "Environmental, Social and Governance Policy" (2020), at <https://www.hudsonsustainable.com/hudson-sustainable-investments-esg-policy>

⁸ Ibid.

⁹ Ibid.

¹⁰ Ibid.

¹¹ Ibid.

policies addressing key risk areas as well adherence to international standards such as ISO14001 and the Equator Principles.

Section 3: Impact of Use of Proceeds

All four use of proceeds categories are aligned with those recognized by the GBP and GLP. Sustainalytics has focused below on the category of renewable energy, which it understands to be the most relevant for Hudson's intended investments under the Framework in the near term.

Importance of renewable energy in achieving climate goals

The International Energy Agency (IEA) estimates that annual global energy demand rose by 2.3% in 2018, notable because it represented the fastest growth in the last decade.¹² As the world's population continues to increase to an estimated 8.5 billion by 2030,¹³ energy use is expected to rise in tandem. According to the International Renewable Energy Agency (IRENA), 171 gigawatts of renewable energy were added to global energy capacity in 2018 driven primarily by wind and solar projects.¹⁴ Despite this growth, renewable energy represents only 30 percent of energy generation. Therefore, more investments in renewable energy will be required to meet Paris Agreement goals of 65% energy use arising from renewables by 2050 and mitigate climate change by limiting temperature increases to well below 2°C, and ideally to 1.5°C.¹⁵

Hudson's business activities are situated across 26 countries and consist predominantly of renewable energy projects. In line with this global focus, the company is considering a project in Uruguay in the near term. Uruguay is home to a high level of renewable energy facilities, with an installed capacity of 4,600 MW supplying 98% of its electricity and excess energy being exported to neighbouring countries; exports to Brazil and Argentina totaled \$85 million in 2018.¹⁶ Despite the high overall share of renewable energy, there is potential to further diversify the resource mix, as 60% of renewable energy is generated by hydro.¹⁶ The government has set targets to decarbonize the Uruguayan transport system with the first electric-vehicle route in Latin America contributing its emissions goals.¹⁶

Based on the above, Sustainalytics believes that the use of proceeds from Hudson's proposed framework will increase the global share of renewable energy generation and support a shift towards low-carbon technologies thus mitigating climate change.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This green bond advances the following SDG(s) and target(s):

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency	7. Affordable and Clean Energy	7.3 double the global rate of improvement in energy efficiency by 2030
Water Quality and Conservation	6. Clean Water and Sanitation	6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity
Biomass Generation	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix

¹² IEA, "Global energy demand rose by 2.3% in 2018, its fastest pace in the last decade", (2019) at:

<https://www.iea.org/newsroom/news/2019/march/global-energy-demand-rose-by-23-in-2018-its-fastest-pace-in-the-last-decade.html>

¹³ United Nations, "Population 2030", (2015) at: <https://www.un.org/en/development/desa/population/publications/pdf/trends/Population2030.pdf>

¹⁴ International Renewable Energy Agency, "Sector adds 171 GW of generating capacity in 2018" (2018) at:

<https://www.irena.org/newsroom/pressreleases/2019/Apr/Renewable-Energy-Now-Accounts-for-a-Third-of-Global-Power-Capacity>

¹⁵ International Renewable Energy Agency, "Renewable energy: a key climate solution", (2017) at: https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2017/Nov/IRENA_A_key_climate_solution_2017.pdf?la=en&hash=A9561C1518629886361D12EFA11A051E004C5C98

¹⁶ The International Trade Administration, "Uruguay - Renewable Energy Equipment", (2020) at: <https://www.export.gov/apex/article2?id=Uruguay-Renewable-Energy-Equipment>

Conclusion

Hudson has developed the Hudson Green Financing Framework under which it will issue green bonds and loans and the use of proceeds to finance projects which support its mandate of investing in sustainable and low-carbon projects. Sustainalytics considers that investing in renewable energy, as well as energy efficiency, water efficiency, and biomass generation projects, will provide positive environmental impact.

The Hudson Green Financing Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Hudson Green Financing Framework is aligned with the overall sustainability strategy of the company and that the green use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals, in particular Goals 6 and 9. Additionally, Sustainalytics is of the opinion that Hudson has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that Hudson Sustainable Group is well-positioned to issue green bonds and loans and that the Hudson Green Financing Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2018 and Green Loan Principles 2020.

Appendices

Appendix 1: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Hudson Sustainable Group
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Hudson Green Financing Framework
Review provider's name:	Sustainalytics
Completion date of this form:	October 28, 2020
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP:

- | | |
|------------------------------------------------------------|----------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---------------------------------------------------------------------------------|----------------------------------------|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (if applicable):

The eligible categories for the use of proceeds – Renewable Energy, Energy Efficiency, Water Quality and Conservation and Biomass Generation – are aligned with those recognized by the Green Bond Principles 2018 and the Green Loan Principles 2020. Sustainalytics considers that investments in projects in these areas will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 6: Clean Water and Sanitation and 7: Affordable and Clean Energy.

Use of proceeds categories as per GBP:

- | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP | <input type="checkbox"/> Other (please specify): |

If applicable please specify the environmental taxonomy, if other than GBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Hudson Sustainable Group's Investment Opportunities Team along with deal team members will be responsible for project evaluation and selection. Sustainalytics considers the project selection process in line with market practice.

Evaluation and selection

- | | |
|--------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |

- Summary criteria for project evaluation and selection publicly available
- Other (*please specify*):

Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification
- In-house assessment
- Other (*please specify*):

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

The company's Finance and Treasury Department will be responsible for establishing and maintaining an ongoing record of allocations. Unallocated proceeds will be held in cash or cash equivalents, short-term investments, or used to repay existing external debt obligations. This is in line with market practice.

Tracking of proceeds:

- Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (*please specify*):

Additional disclosure:

- Allocations to future investments only
- Allocations to both existing and future investments
- Allocation to individual disbursements
- Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds
- Other (*please specify*):

4. REPORTING

Overall comment on section (*if applicable*):

Hudson Sustainable Group intends to report allocation proceeds in its annual sustainability report which will include details on the Eligible Projects financed. In addition, the company will report on the environmental impacts of the portfolio using relevant quantitative metrics. Sustainalytics views Hudson Sustainable Group's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- | | |
|--------------------------------------------------------|------------------------------------------------------------------|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (<i>please specify</i>): |

Information reported:

- | | |
|-----------------------------------------------------------|------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Green Bond financed share of total investment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Frequency:

- | | |
|-----------------------------------------------------------|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Impact reporting:

- | | |
|--------------------------------------------------------|------------------------------------------------------------------|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (<i>please specify</i>): |

Information reported (expected or ex-post):

- | | |
|-------------------------------------------------------------|--------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| <input checked="" type="checkbox"/> Decrease in water use | <input type="checkbox"/> Other ESG indicators (<i>please specify</i>): |

Frequency

- | | |
|-----------------------------------------------------------|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Means of Disclosure

- | | |
|-----------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|
| <input type="checkbox"/> Information published in financial report | <input checked="" type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input type="checkbox"/> Other (<i>please specify</i>): |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): | |

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE
Type(s) of Review provided:

- | | |
|----------------------------------------------------------------------|----------------------------------------|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Review provider(s):
Date of publication:
ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

- i. **Second-Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

Appendix 2: Alignment to Japan’s Green Bond Guidelines 2020

GBP and Japan’s Green Bond Guidelines 2020	Alignment with GBP and with Japan’s Green Bond Guidelines 2020	Sustainalytics’ comments on alignment with Japan’s Green Bond Guidelines 2020 ¹⁷
1. Use of Proceeds	Yes	<p>Hudson has prepared a Green Bond Framework, which it intends to make available to its investors.</p> <p>Eligible project categories (Renewable Energy, Energy Efficiency, Water Quality and Conservation, and Biomass Generation) in the Framework are outlined with clear details and are recognized by Japan’s Green Bond Guidelines 2020 as providing clear environmental benefits.</p> <p>Hudson has explained how they manage social and environmental risks (any potential negative impact associated with the eligible projects), through a reliance on internal procedures and regulatory compliance.</p> <p>Hudson has disclosed that it does not intend to use the proceeds of its transactions for “multiple refinancings”, as the term financings entered into are generally linked to the tenor of the underlying contracts on the assets.</p>
2. Process for Project Evaluation and Selection	Yes	<p>The Framework presents the information, required by Japan’s Green Bond Guidelines 2020, on 1) “Environmental sustainability objectives” 2) “Criteria” for evaluating and selecting specific green projects and 3) “Process” to evaluate and select eligible green projects. These factors are further discussed in sections 1 and 2 of this Second-Party Opinion.</p>
3. Management of Proceeds	Yes	<p>The Framework clarifies that Hudson manages proceeds by 1) allocating an amount equal to the net proceeds to qualified projects, 2) keeping a Register of all allocations updated at least annually, and 3) that independent assurance will be sought to confirm that the proceeds have been fully allocated.</p> <p>Additionally, the Framework explains that Hudson will hold any unallocated proceeds in cash or cash equivalents, or in other short-term liquid marketable instruments, or to repay existing external debt obligations of the company, as per the Company’s liquidity management policy.</p>
4. Reporting	Yes	<p>Hudson commits to disclosing a list of projects that have received allocations, along with a brief description of projects, amount allocated and unallocated, and environmental benefits annually until full allocation, and when necessary in the event of new developments, which are required by Japan’s Green Bond Guidelines 2020.</p> <p>Hudson has provided a list of potential environmental impact indicators, including energy produced, CO₂ emissions avoided, energy saved, and volume of water saved/treated/reduced.</p>

¹⁷ For detailed comments on alignment with ICMA GBP, please see Appendix 3.

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