# SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Sustainability-Linked Financing Framework

Canary Wharf Group Investment Holdings Plc

31 August 2022

## VERIFICATION PARAMETERS

| | |
|---|---|
| **Type(s) of instruments contemplated** | Sustainability-Linked Financing Instruments |
| **Relevant standard(s)** | Sustainability-Linked Bond Principles, as administered by ICMA (June 2022)<br><br>Sustainability-Linked Loan Principles, as administered by LMA, the (March 2022) |
| **Scope of verification** | Canary Wharf's Sustainability-Linked Financing Framework (as of August 25, 2022) |
| **Lifecycle** | Pre-issuance verification |
| **Validity** | As long as Canary Wharf's Sustainability-Linked Financing Framework and benchmarks for the Sustainability Performance target(s) remain unchanged |

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# SCOPE OF WORK

Canary Wharf Group Investment Holdings Plc ("Canary Wharf" or ''the issuer'' or ''the company'') commissioned ISS ESG to assist with its Sustainability-Linked Financing Instruments by assessing three core elements to determine the sustainability quality of the instrument:

1. Canary Wharf's Sustainability-Linked Financing Framework (as of August 25, 2022) and structural components of the transaction – benchmarked against the Sustainability-Linked Bond Principles (SLBP), as administered by the International Capital Market Association (ICMA) and the Sustainability-Linked Loan Principles (SLLP), as administered by LMA.
2. The sustainability credibility of the KPI selected and Sustainability Performance Target (SPT) calibrated – whether the KPI selected is core, relevant and material to the issuer's business model and industry, and whether the associated target is ambitious.
3. Sustainability-Linked Financing Instruments link to Canary Wharf sustainability strategy – drawing on Canary Wharf's overall sustainability profile and related objectives.

# CANARY WHARF BUSINESS OVERVIEW

Canary Wharf Group Investment Holdings Plc engages in the development, investment, and management of properties primarily at Canary Wharf. It is classified in the Real Estate industry, as per ISS ESG's sector clarification.

The company was founded on February 13, 2004 and is headquartered in London, the United Kingdom.

# ISS ESG SPO ASSESSMENT SUMMARY

| SECTION | EVALUATION SUMMARY[1] |
|---|---|
| **Part 1:**<br><br>**Alignment with the SLBP and SLLP** | **Aligned with ICMA Sustainability-Linked Bond Principles and LMA Sustainability-Linked Loan Principles (except historical data for SPT 1 that will be verified from Q4 2022 onward)**<br><br>The Issuer has defined a formal framework for its Sustainability-Linked Financing Instruments regarding the selection of KPI, calibration of Sustainability Performance Target (SPT), Sustainability-Linked Financing Instruments characteristics, reporting and verification. The framework is in line with the Sustainability-Linked Bond Principles (SLBP) administered by the ICMA and Sustainability-Linked Loan Principles by LMA, except for the baseline of SPT2 and historical performance on SPT2, which will be verified from Q4 2022 onwards.<br><br>The financial characteristics of any security issued under this Framework, will be specified in the relevant documentation of the specific transaction. The occurrence of a Trigger Event may result in a margin increase/decrease for loans, coupon step-up or higher redemption amount at maturity for bonds. |
| **Part 2A:**<br><br>**KPI selection and SPT calibration**<br><br>**KPI 1: Absolute GHG emissions (Scope 1, 2 & 3 from downstream leased assets)**<br><br>**SPT 1: Reduce absolute Scope 1, 2 and 3 (downstream leased assets) GHG emissions** | **KPI selection: Relevant and core to the issuer's business model and sustainability profile. If used individually on a financial instrument as a stand-alone KPI, the KPI is material to the company's direct operations but not to the whole Corporate Value Chain[2]. Given the issuer commits to include KPI 2 on the same financial instrument, then together, both KPI 1 and 2 are material to the issuer's business model and sustainability profile.**<br><br>**Sustainability Performance Target (SPT) calibration:**<br>• **In line with issuer's past performance**<br>• **In line with issuer's industry peer group**<br>• **SPT 1.3 Aligned with the Paris Agreement and SPT 1.1/1.2 is committed to be in line with the Paris Agreement**<br><br>ISS ESG finds that the KPI selected is core and relevant to the issuer's business model and consistent with its sustainability strategy. The materiality of the KPI is considered material as the issuer commits to include KPI 2 on the same financial instrument. As a standalone KPI (because it does not cover the entirety of Canary Wharf's scope 3 emissions, that account for 86% of the total GHG emissions) it is moderately material. It is appropriately measurable, quantifiable, externally verifiable and benchmarkable. Historical data for KPI 1 is not yet verified, but Canary Wharf commits to verify the performance data by an external assurance provider from Q4 2022 onward for the baseline year and following figures. It covers Canary Wharf direct operations, Residential Management landlord areas and all downstream leased assets operations which account to 14% of company's total GHG emissions.<br><br>ISS ESG finds that the SPT calibrated by Canary Wharf is in line with the company's past performance, is in line compared to Real Estate industry practices in terms of defining a GHG |

[1] ISS ESG's evaluation is based on the engagement conducted in August 2022, on Canary Wharf's Sustainability-Linked Financing Framework (as of August 25, 2022).
[2] This differentiation between direct operations and corporate value chain is in reference to the GHG Protocol consideration of Scope 1,2 and 3 emissions.

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| | emissions reduction target. SPT 1.3 is in line with the Paris Agreement, being validated by SBTi. SPT 1.1 and 1.2 are not SBTi verified but were calculated using the SBTi linear trajectory methodology and therefore are committed to be in line with the Paris Agreement. The target is set in a clear timeline, benchmarkable and is supported by a strategy and action plan disclosed in the company's framework. |

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| **Part 2B:**<br><br>**KPI 2: Proportion of Suppliers that have set Science-Based Targets (SBTs)**<br><br>**SPT 2: Reach 60% of Suppliers with Science-Based Targets** | **KPI selection: Relevant and core to the issuer's business model and sustainability profile. If used individually on a financial instrument as a stand-alone KPI, the KPI is material to company's supply chain, but not to the direct operations of the company. Given the issuer commits to include KPI 1 on the same financial instrument, then together, both KPI 1 and 2 are material to the issuer's business model and sustainability profile.**<br><br>**Sustainability Performance Target (SPT) calibration:**<br>• **Ambitious against issuer's past performance**<br>• **Ambitious against issuer's industry peer group**<br>• **Aligned with Paris Agreement** |
| | ISS ESG finds that the KPI selected is core, relevant and it is material to the company's supply chain, but not material to the direct operations of the company, as it covers only scope 3 emissions. The KPI covers the majority (84%) of the company's reported scope 3 emissions, which in turn accounted for 81% of the company's total scope 1,2 and 3 emissions in 2020. Since the issuer commits to include KPI 1 as part of the same financial instrument, the two KPIs together can be considered material to issuer's business model and sustainability strategy of the company. The temporary alternative approach suggested by Canary Wharf for when SBTi submissions are pending approval while having been submitted at least 6 months before of the ESG performance observation date, show limitations in regards to the scrutiny of the providers regarding target validations and the transparency of the process, as currently SBTi publishes the list of companies with verified targets. It is appropriately measurable, quantifiable, externally verifiable, externally verified (for FY'17 & '20) and benchmarkable. It covers the 'Purchased goods and services' category of Scope 3 emissions, which makes up 84% of the company's annual Scope 3 emissions and 81% of total emissions.<br><br>ISS ESG finds that the SPT calibrated by CWG is ambitious against the company's past performance and compared to Real Estate industry practices in terms of defining a GHG emissions reduction target. According to the Science-Based Targets initiative, it is also in line with the Paris Agreement and a 1.5° Celsius warming scenario. The target is set in a clear timeline and is supported by a strategy and action plan disclosed in the company's framework. |

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| **Part 3:**<br><br>**Link to issuer's sustainability strategy** | **Consistent with Issuer's sustainability strategy** |
| | The KPIs selected by the issuer are related to climate change. Climate change has been defined as one of the key priorities of the issuer in terms of sustainability strategy and ISS ESG finds that this is a material sustainability topic for the issuer. ISS ESG finds that this issuance contributes to the issuer's sustainability strategy thanks to the KPI's clear link to one of the key sustainability priorities of the issuer |

# ISS ESG SPO ASSESSMENT

## PART 1: ALIGNMENT WITH ICMA SUSTAINABILITY-LINKED BOND PRINCIPLES AND LMA SUSTAINABILITY-LINKED LOAN PRINCIPLES

This section describes ISS ESG's assessment of the alignment of the Canary Wharf's Sustainability-Linked Financing Framework (dated as of August 25, 2022) with the SLBP, as administered by the ICMA and the SLLP, as administered by LMA.

| SLB PRINCIPLES | ASSESSMENT | ISS ESG'S OPINION |
|---|---|---|
| **1. Selection of KPIs** | ISS ESG conducted a detailed analysis of the sustainability credibility of the KPI selection, which is available in Part 2 of this report. | |
| **2. Calibration of SPTs** | ISS ESG conducted a detailed analysis of the sustainability credibility of the SPT calibration, which is available in Part 2 of this report. | |
| **3. Bond/Loan Characteristics** | ✓ | ISS ESG considers the Sustainability-Linked Bond / Loan Characteristics description provided by the issuer as aligned with the SLBP and SLLP. The issuer describes the potential variation of the financial characteristics of the instruments, which may include margin increase/decrease for loans, coupon step-up or higher redemption amount at maturity for bonds. |
| **4. Reporting** | ✓ | ISS ESG considers the Reporting description provided by the issuer as aligned with the SLBP and SLLP. This will be made available annually to investors and include valuable information. |
| **5. External verification** | ✓ | ISS ESG considers the Verification description provided by the issuer as aligned with the SLBP and SLLP. ISS ESG provides an SPO through this report. The performance of the SPTs against the KPIs will be externally verified annually until the target is reached.<br><br>However, Canary Wharf will be able to externally verify its SPTs from Q4'22 onward on 2017 and 2021 data. |

## PART 2: KPI SELECTION & SPT CALIBRATION

### 1A.1 Selection of KPI 1

### KPI 1: Absolute GHG emissions (Scope 1, 2 & 3 from downstream leased assets)

**FROM ISSUER'S FRAMEWORK**

- **KPI:** Absolute Greenhouse Gas 'GHG' (Scope 1, 2 & 3 from downstream leased assets) emissions expressed in tonnes of CO2 equivalent
- **SPT 1.1:** 40% decrease vs 2017 by 2025
- **SPT 1.2:** 50% decrease vs 2017 by 2027
- **SPT 1.3:** 65% decrease vs 2017 by 2030

**Definition:** The methodology employed to calculate GHG emissions is aligned with the Greenhouse Gas (GHG) Protocol.

This target has been set in line with a market-based approach (operational control).

The calculation of downstream leased assets uses baseline consumption and is premised on the assumption of 25% of tenants procuring renewable electricity.

**Long-term goal:** Net Zero by 2030

**Rationale:** The Paris Agreement and the IPCC 6th Assessment Report have highlighted the need to keep global warming within a 1.5°C temperature rise. The UK built environment is directly responsible for 25% of UK emissions[3]. Given the impact the real estate sector has on climate change, GHG emission reduction is a key focus of Canary Wharf sustainability strategy.

Canary Wharf has integrated GHG reduction initiatives and a longer-term ambition for net zero by 2030 within its sustainability and broader business strategy.

Scope 1, Scope 2 and scope 3 emissions from downstream leased assets represented 14% of the Group's carbon footprint in 2020.

**Baseline:** 159,966 $tCO_2e$

**Baseline year:** 2017

**Scope:** The scope of KPI#1 covers:

- All Canary Wharf direct operations & Canary Wharf Residential Management landlord areas.
- All downstream leased asset operations (tenant purchased energy (electricity & fuels)

Detailed analysis of Canary Wharf emissions profile indicates that Scope 1 & 2 emissions account for <3% of total emissions in 2020. The remaining 97% of total emissions can be attributed to indirect Scope 3 emissions. Those can be further broken down into 12% tenant energy use and 84% purchased goods and services (note that these emissions, whilst not part of KPI #1, are addressed by KPI #2 presented thereafter).

[3] Source: The Whole Life Carbon Roadmap – Answering your data FAQs received to date - UKGBC - UK Green Building Council

This KPI includes the following type of emissions:

- All reported Scope 1 & 2 emissions including those associated with head office energy use, company vehicles and landlord purchased energy (electricity & fuels) for own use .
- Scope 3 emissions from downstream leased assets include tenant energy use.

## Materiality and relevance

Climate change mitigation and management of tenants' sustainability impacts are considered as a key ESG issue faced by the Real Estate sector according to key ESG standards[4] for reporting and ISS ESG assessment. With the knowledge that the construction and operation of buildings contribute around 40% of worldwide GHG emissions[5], the Real Estate sector plays an important role in mitigating the impact of climate change and influencing tenant sustainability impacts.

ISS ESG finds that climate change mitigation and the GHG emissions reduction KPI selected by the issuer are:

- **Relevant** to Canary Wharf's business as its sector is responsible for climate change mitigation solutions (e.g., the physical effects of climate change, regulatory risks, consumer preferences). Asset owners, for example, are increasingly asking about climate action in their due diligence and manager evaluations[6]. In addition, according to the International Energy Agency's World Energy Outlook for Buildings[7], the buildings and building construction sectors are responsible for over one-third of global final energy consumption and nearly 40% of total direct and indirect $CO_2$ emissions. More specifically, energy-related $CO_2$ emissions from buildings have risen in recent years after flattening between 2013 and 2016, primarily given the growing energy demand for heating and cooling with rising air-conditioner ownership and extreme weather events.
- **Core** to the issuer's business as climate change mitigation measures affect key processes and operations that are core to the business model of the issuer. The KPI covers energy use for lighting, heating, or cooling in the communal areas of the buildings. Reducing the energy use would require reducing natural gas and fuel consumptions, reducing the energy use intensity of new and existing buildings on the Estate, supporting tenants with switching to renewable energy and increasing provision of on-site renewable energy, which are core functions of Canary Wharf 's building management operations.
- **Moderately Material** to Canary Wharf from an ESG perspective as it covers 14% of company's total GHG emissions but **Material** when combined with KPI 2 in the same financial instrument:
    - KPI 1 is material to the company's direct operations, because the KPI focuses on scope 1 and 2 emissions covering the entirety of the company's activities. However, the KPI only captures the downstream leased assets Scope 3 GHG emissions which represent 11% of Canary Wharf's total GHG emissions, excluding Scope 3 GHG emissions from purchased good and services that account for 81% of the total GHG emissions.

[4] Key ESG Standards include SASB and TCFD, among others.
[5] https://gresb.com/nl-en/2018/11/26/comprehensive-carbon-footprinting-in-real-estate/
[6] https://www.unpri.org/download?ac=13337
[7] https://www.iea.org/topics/buildings

Therefore, KPI 1 as a standalone KPI is deemed not material to the entire Corporate Value Chain of the company as per ISS ESG's methodology.

- However, integrated with KPI 2, the company is strengthening their decarbonization strategy by covering part of their upstream emissions which accounts for 81% of the total GHG emissions[8]. Therefore, KPI 1 and 2 together would be considered material when they are integrated in the same financial instrument, to which the issuer has committed to, and both linked to the bond characteristics. As the issuer covers emissions across the value chain in two individual KPIs, the end result will be material to the entire value chain.
- It is worth highlighting that Canary Wharf confirms that no offset will be used to achieve the SPT.

### Consistency with overall company's sustainability strategy

ISS ESG finds that the KPI selected by the issuer is consistent with the overall company's sustainability strategy, which is further detailed in Part III.B of this report.

### Measurability

- **Scope and perimeter:** The KPI scope and perimeter is transparently defined as it covers Canary Wharf direct operations, Residential Management landlord areas and all downstream leased assets operations that are responsible for 14% of the company's total GHG emissions **.**
- **Quantifiable/Externally verifiable:** The KPI selected is quantifiable and externally verifiable, because it is calculated and reported on using industry standards and established practices. It is calculated based on the Greenhouse Gas Protocol using the operational control approach.
- **Externally verified:** The historical data for KPI 1 is not yet verified, but Canary Wharf commits to verify the performance data by an external assurance provider only from Q4 2022 onward for the baseline year and on their 2021 figures onward
- **Benchmarkable:** By referring to commonly acknowledged GHG accounting standards and protocol, the KPI is easily comparable with the data reported by other companies and with international targets such as the Paris Agreement. Benchmarking of the SPT in relation with this KPI has been analysed in section 2.

***Opinion on KPI selection:*** *ISS ESG finds that the KPI selected is core and relevant to the issuer's business model and consistent with its sustainability strategy. The materiality of the KPI is considered material as the issuer commits to include KPI 2 on the same financial instrument. As a standalone KPI (because it does not cover the entirety of Canary Wharf's scope 3 emissions, that account for 86% of the total GHG emissions) it is moderately material. It is appropriately measurable, quantifiable, externally verifiable and benchmarkable. Historical data for KPI 1 is not yet verified, but Canary Wharf commits to verify the performance data by an external assurance provider from Q4 2022 onward for the baseline year and following figures. It covers Canary Wharf direct operations, Residential Management*

[8] ISS ESG bases this analysis on the issuer's own emissions reporting and makes no comment on the quality or consistency of the issuer's Scope 1, 2 or 3 emissions reporting, either in relation to GHG Protocol, or to established norms for the issuer's sector. ISS ESG notes that Scope 3 reporting may be different between companies in the same sector and does not undertake any benchmarking of an issuer's reporting''.

*landlord areas and all downstream leased assets operations which account to 14% of company's total GHG emissions.*

### 1A.2 Calibration of SPT 1

### SPT 1: Reduce absolute Scope 1, 2 and 3 (downstream leased assets) GHG emissions

**FROM ISSUER'S FRAMEWORK**[9]

**Sustainability Performance Target 1.1:** Reduce absolute Scope 1 & 2 and Scope 3 emissions from downstream leased assets by 40% by 2025 (2017 baseline)

**Sustainability Performance Target 1.2:** Reduce absolute Scope 1 & 2 and Scope 3 emissions from downstream leased assets by 50% by 2027 (2017 baseline)

**Sustainability Performance Target 1.3:** Reduce absolute Scope 1 & 2 and Scope 3 emissions from downstream leased assets by 65% by 2030 (2017 baseline)

**Sustainability Performance Target Trigger 1.1:** is calculated as follows: reduction in absolute Scope 1 & 2 and Scope 3 (downstream leased assets) GHG emissions in 2025

**Sustainability Performance Target Trigger 1.2:** is calculated as follows: reduction in absolute Scope 1 & 2 and Scope 3 (downstream leased assets) GHG emissions in 2027

**Sustainability Performance Target Trigger 1.3:** is calculated as follows: reduction in absolute Scope 1 & 2 and Scope **3** (downstream leased assets) GHG emissions in 2030

**Sustainability Performance Target Observation Date 1.1:** December 31, 2025

**Sustainability Performance Target Observation Date 1.2:** December 31, 2027

**Sustainability Performance Target Observation Date 1.3:** December 31, 2030

**2017 Baseline:** 159,966 $tCO_2e$

**Historical performance:**

| Overview of historical performance on KPI #1 | | | | |
|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2020[10] |
| Scope 1[11] ($TCO_2e$) | 5,758 | 3,433 | 4,302 | 5,787 |
| Scope 2[12] ($TCO_2e$) | 0 | 0 | 0 | 0 |
| Scope 3[13] | 154,209 | N/A | N/A | 123,269 |

[9] This table is displayed by the issuer in its Sustainability-Linked Bond Framework and have been copied over in this report by ISS ESG for clarity.
[10] 2020 value as reported in CANARY WHARF's 2021 Sustainability report and underwent limited assurance in line with ISAE 3000
[11] Historical Scope 1 emissions data has been externally verified
[12] Historical Scope 2 emissions data has been externally verified
[13] Scope 3 emissions from downstream leased assets excluding waste, water and refrigerants associated with Tenant managed areas and tenant supply chain emissions. CANARY WHARF had their Science Based Targets (SBTs) approved and published in July 2020, using a 2017 baseline year. As such, 2021 was the first year that performance against these targets was reported on, and the first year for which verified data for the Scope 3 portion of the targets is available. 2021 data will be made available in Canary Wharf's updated Sustainability Report to be published in Q4'22. CANARY WHARF will obtain verified data for FY18 and FY19 within 12-months from Framework publication or instrument issuance.

| | | | | |
|---|---|---|---|---|
| ($TCO_2e$) for downstream leased assets | | | | |
| Total KPI#1 | 159,966 | N/A | N/A | 129,056 |

**Selection of methodology for calculating the SPTs:**

The methodology employed to calculate GHG emissions is aligned with the Greenhouse Gas (GHG) Protocol .

These targets have been set in line with a market-based approach.

The calculation of downstream leased assets uses baseline consumption and is premised on the assumption of 25% of tenants procuring renewable electricity.

**Risks to the target:**

- Delays or reluctancy by tenants to switch to renewable energy contracts or delays in obtaining Power Purchase Agreements (PPA)
- Delays in vehicle fleet replacement
- Slower pace of reduction in energy intensity

## Ambition

### Against company's past performance

Canary Wharf sets a sequential SPT between 2025 and 2030 with increasing reduction targets for absolute GHG emissions Scope 1, 2 and 3 (downstream leased assets) with the baseline year in 2017. Emissions from 2018 and 2019 are not available as the company have not reported on that, although claims to make the data available within 12 months of the issuance. 2021 data will be made available in the company reporting in the Q4 2022.

| TABLE 1 | 2017 | 2018 | 2019 | 2020 | 2021 | 2025 – SPT 1.1 | 2027 – SPT 1.2 | 2030 – SPT 1.3 |
|---|---|---|---|---|---|---|---|---|
| **Absolute GHG emissions Scope 1, 2 and 3 (downstream leased assets) in tCO2e** | 159,996 | n/a | n/a | 129,056 | n/a | 95,998 | 79,998 | 55,999 |
| **CAGR 2017 – 2020** | | | | -6.91% | | | | |
| **CAGR 2017 – 2025** | | | | | | -6.19% | | |
| **CAGR 2017 – 2027** | | | | | | | -6.70% | |
| **CAGR 2017 – 2030** | | | | | | | | -7.76% |

With the information made available, it is verified that between 2017 and 2020 there was a 6,91% yearly average reduction rate. For the first two sub-targets (2025 and 2027), the annual reduction is on par with that value, being slightly superior for the 2030 sub-target which expected an average annual decrease of 7,76% to meet the 2030 goal. Without the 2018, 2019 and 2021 emissions data, ISS ESG is not able to extend the analysis to understand a more consistent trend.

In this context and compared to the baseline year, the SPT set by Canary Wharf is perceived by ISS ESG as in line with the company's past performance based on limited evidence. The level of ambition against past performance can only be partially judged due to the lack of verified historical data.

### Against company's industry peers

ISS ESG conducted a benchmarking of the SPT set by Canary Wharf against a peer group of 14 companies provided by the issuer – essentially Real Estate Investment Trust companies. When including Canary Wharf in the peer group, 33% (or 5 out of 15) companies had not set any Science-Based Targets initiative (SBTi) targets yet. 8 companies have SBTi validated targets, including Canary Wharf, positioning the company within the top 50% among its peers.

However, while certain companies have set a similar goal with a combined scope 1, 2 and 3, we note that all peers do not report on the same perimeter for Scope 3 GHG emissions and as a result no comparable targets could be retrieved in the sectorial peer group.

On the basis of this information, ISS ESG finds that SPT 1 is in line with industry peers.

### Against international targets

**Paris Agreement**

Canary Wharf has a Science-Based Targets initiative (SBTi) approved emission reduction target of cutting Scope 1, 2 and 3 (downstream leased assets) GHG emissions by 65% by 2030 from a 2017 base year. This target has been confirmed by the SBTi to be consistent with the reductions required to keep the global mean temperature increase to 1.5°C. ISS ESG concludes that SPT 1.3 is ambitious against the Paris Agreement, based on the SBTi validation of the 2030 target. We note that the SPT 1.1 and 1.2 have not been SBTi validated, but were calculated using the SBTi linear trajectory. The following chart shows the current estimated pathway and linkage between the SBTi target and SPTs 1.1 and 1.2.

| Year | Linear interpolation of SBTi validated target (SPT 1.3) | Actual target |
|---|---|---|
| 2025 | 40% | SPT 1.1: 40% |
| 2027 | 50% | SPT 1.2: 50% |

Source- SBTi

ISS ESG finds that the SPT 1.3 is in line with the Paris agreement and aligned with 1.5ºC scenario as per SBTi and SPTs 1.1 and 1.2 represent a commitment to be in line with the Paris Agreement.

### Measurability & comparability

- **Historical data:** The issuer provided relevant historical data by setting the baseline year of its SPT to 2017. However, since then only data from 2020 was shared. The company has stated that remaining information will be publicly shared by Q4 2022 and within 12 months of the issuance of this framework.
- **Timeline:** The issuer defined a precise timeline related to the SPT achievement, including the target observation date, the trigger event and the frequency of SPTs measurement.

### Supporting strategy and action plan

Canary Wharf intends to achieve net zero carbon by 2030 and has established a 'Net Zero Carbon Pathway' to outline the steps required to be taken for such a target to be realized.

Progress has already been made towards the targets with Canary Wharf having purchased 100% renewable electricity since 2012 and achieving a 6.6% reduction in Scope 1 & 2 and a portion of Scope 3 emissions in managed areas in 2020 (compared to 2019).

To ensure that progress towards Canary Wharf's GHG emissions targets continues, a number of initiatives have been implemented including, but not limited to:

- Reducing natural gas and fuel consumption
- Reducing Energy Use Intensity of new and existing buildings on the Estate
- Supporting tenants with switching to renewable energy and procuring Power Purchase Agreements (PPA) via Estate-wide renewable energy consortium and tenant engagement campaigns
- Increasing provision of on-site renewable energy
- Vehicle fleet replacement programme

***Opinion on SPT calibration:*** *ISS ESG finds that the SPT calibrated by Canary Wharf is in line with the company's past performance, is in line compared to Real Estate industry practices in terms of defining a GHG emissions reduction target. SPT 1.3 is in line with the Paris Agreement, being validated by SBTi. SPT 1.1 and 1.2 are not SBTi verified but were calculated using the SBTi linear trajectory methodology and therefore are committed to be in line with the Paris Agreement. The target is set in a clear timeline, benchmarkable and is supported by a strategy and action plan disclosed in the company's framework*.

## 1B.1 Selection of KPI 2

### KPI 2: Proportion of suppliers that have set Science-Based Targets (SBTs)

| FROM ISSUER'S FRAMEWORK |
|---|
| • **KPI:** % of suppliers, by emissions covering purchased goods and services, that have set science-based targets (SBTs)<br>• **SPT:** 60% of suppliers by emissions by 2025 |

**Definition:** To be considered having science-based targets by the Target Observation Date, the suppliers need to:

- Either have obtained science-based targets validated by the Science Based Targets Initiative (SBTi)
- Or already have valid SBTi targets (validity being defined by the SBTi methodology).

In the event a supplier has submitted its GHG Reduction Target(s) to SBTi for approval before the 30th of June (i.e. at least 6 months before the observation date of the ESG performance), but hasn't yet received SBTi conclusion by the time CWG collects its ESG performance data (by the 1st of March following the observation date), CWG may at its sole and absolute discretion and acting in good faith, request a recognized Assurance Provider (e.g EcoAct, Carbone 4, Carbon Trust) to issue an opinion (on a non-reliance basis) that the GHG Reduction Target(s) of such supplier has(have) been set according to the SBTI methodology and in line with a 1.5°C climate change scenario. This opinion is meant to be used temporarily and will be replaced by the actual SBTi conclusion when available, notably for the annual assessment of the KPI performance.

**Long-term goal: NetZero by 2030**

**Rationale:** Scope 3 emissions represented 97% of Canary Wharf's total emissions in 2020 including purchased goods and services which accounted for approximately 84% of total Scope 3 emissions. Thus this KPI covers 81% of total emissions. Given the materiality of emissions associated with suppliers' purchased goods and services, Canary Wharf has set a SBTi verified target tied to the proportion of suppliers that have set SBTs.

By setting such a target, Canary Wharf promotes the reduction of its suppliers' emissions profile, thus contributing to UN SDG 11 'Sustainable Cities and Communities' and 13 'Climate Action'.

**Scope:** All direct suppliers, excluding bank transfers between the Group

## Materiality and relevance

Climate change mitigation is considered as a key ESG issue faced by the Real Estate industry according to key ESG standards[14] for reporting and ISS ESG assessment. Companies of this industry are highly exposed to Green building considerations, as well as Climate protection, energy efficiency and renewables. In fact, concrete – and therefore the supply chain for most modern construction or infrastructure projects – is one of the largest sources of anthropogenic CO2: between 4-8% of total global emissions are linked to its production.[15] As such, scope 3 represented 97% of the company's total emissions in 2020, with category 1: 'purchased good and services' representing 84% of said scope 3 emissions.

ISS ESG finds that the GHG emissions reduction KPI selected by the issuer is:

- **Relevant** to Canary Wharf's business as its industry is responsible for and exposed to the risks related to climate change. By addressing a significant portion of its Scope 3 emissions, the company can lower the environmental impact of its supply chain, specifically upstream.
- **Core** to the issuer's business as the issuer will need to dedicate effort to internal processes and operations. Canary Wharf started engaging with several of its suppliers which are often

[14] Key ESG Standards include SASB and TCFD, among others.
[15] Shen et al. (2015), Quantifying CO2 emissions from China's cement industry, Renewable and Sustainable Energy Reviews

repeat suppliers, thus contributing to their progress on the reduction of their GHG emissions. Future engagement efforts will need to involve a larger share of the supplier base, thus requiring significant efforts. To do so Canary Wharf will initially be reaching out to suppliers via engagement events that will offer information on setting SBTs, before providing them with access to resources including a Supply Chain Sustainability School, and will eventually accompany them through the SBTi process via one to one engagement (for at least top 60% of supply chain). The company is also considering the initiation of a fund geared towards this process, plans to engage with specialized SBT consultants, and is embedding sustainability in its supply chain with the presence of a sustainable procurement manager.

- **Moderately Material** to Canary Wharf's Scope 3 emissions as it covers category 1: 'Purchased goods and services', which makes up approximately 84% of total Scope 3 emissions but **Material** when combined with KPI 1 in the same financial instrument:
    - While it does not cover the company's direct operations (Scope 1 and 2 emissions) nor the whole corporate value chain (other categories in Scope 3), the KPI is still in line with SBTi guidance, as the latter preconizes a threshold of two-thirds (67%) of total scope 3 emissions to be included in SBTs.[16]
    - It is worth noting that KPI 1 addresses GHG emissions from direct operations (Scope 1 and 2 emissions and downstream leased assets part of scope 3), representing an estimated 14% of total emissions of the company. Therefore, KPI 1 and 2 together are considered material if they are integrated in the same financial instrument and both linked to the characteristics of the financial instrument to which Canary Wharf committed to.
    - Also, it is noted the limitations of the alternative provided by Canary Wharf, in case of SBTi late feedback, for suppliers who submit a GHG emission target reduction to SBTi at least 6 months before the ESG Performance observation date. At the time of this SPO, SBTi has a tighter scrutiny compared to other service providers in terms of target validations and currently publishes the list of companies with SBTi verified targets, which fosters transparency and reinforces the credibility of the commitment

## Consistency with overall company's sustainability strategy

ISS ESG finds that the KPI selected by the issuer is consistent with the overall company's sustainability strategy, which is further detailed in Part III.B of this report.

## Measurability

- **Scope and perimeter:** The KPI scope and perimeter is transparently defined as it covers all direct suppliers from the company that are responsible for scope 3 – category 1: 'Purchased goods and services' represented 84% of the company's annual Scope 3 GHG emissions and 81% of total GHG emissions.

[16] SBTi-criteria.pdf (sciencebasedtargets.org)

- **Quantifiable/Externally verifiable:** The KPI selected is quantifiable and externally verifiable. Supplier targets will be verified by SBTi or an Assurance Provider on a temporary basis, in case of SBTi late feedback.
- **Externally verified:** The issuer will rely on suppliers' targets verified by the SBTi or by a reputable Assurance Provider on a temporary basis, in case of SBTi late feedback. Canary Wharf is currently obtaining verified data for FY18 and FY19, and will publish it within 12-months from Framework publication or instrument issuance. The rest of the historical data (FY'17 & '20) on this KPI has been externally verified and the issuer commits to having the future data verified by an external reviewer as well.
- **Benchmarkable:** According to the latest SBTi's target validation criteria, companies can set suppliers engagement target to address emissions in the supply chain. This target requires company's suppliers to set Science-Based Targets. Thus, the KPI can be benchmarked against peers and international targets.

***Opinion on KPI selection:*** *ISS ESG finds that the KPI selected is core, relevant and it is material to the company's supply chain, but not material to the direct operations of the company, as it covers only scope 3 emissions. The KPI covers the majority (84%) of the company's reported scope 3 emissions, which in turn accounted for 81% of the company's total scope 1,2 and 3 emissions in 2020. Since the issuer commits to include KPI 1 as part of the same financial instrument, the two KPIs together can be considered material to issuer's business model and sustainability strategy of the company. The temporary alternative approach suggested by Canary Wharf for when SBTi submissions are pending approval while having been submitted at least 6 months before of the ESG performance observation date, show limitations in regards to the scrutiny of the providers regarding target validations and the transparency of the process, as currently SBTi publishes the list of companies with verified targets. It is appropriately measurable, quantifiable, externally verifiable, externally verified (for FY'17 & '20) and benchmarkable. It covers the 'Purchased goods and services' category of Scope 3 emissions, which makes up 84% of the company's annual Scope 3 emissions and 81% of total emissions.*

### 1B.2 Calibration of SPT 2

### SPT 2: Reach 60% of suppliers by emissions with Science-Based Targets

| FROM ISSUER'S FRAMEWORK[17] |
|---|
| **Sustainability Performance Target:** 60% of suppliers by emissions covering purchased goods and services will have science-based targets (SBTs) by 2025 |
| **Sustainability Performance Target Trigger:** is calculated as follows: the percentage of scope 3 category 1 emissions (purchased goods and services) coming from suppliers that have set science-based targets (SBTs) on the target observation date. |
| **Sustainability Performance Target Observation Date:** December 31, 2025 |
| **Historical performance:** Canary Wharf had their Science Based Targets (SBTs) approved and published in July 2020. As such, 2021 was the first year that performance against these targets was reported on, and the first year for which verified data is available. 2021 data will be made available in Canary Wharf's updated |

[17] This table is displayed by the issuer in its Sustainability-Linked Bond Framework and have been copied over in this report by ISS ESG for clarity.

Sustainability Report. Canary Wharf will obtain verified data for FY18 and FY19 within 12-months from Framework publication or instrument issuance.

| Overview of historical performance of KPI #2 | | | | |
|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2020 |
| % Suppliers with SBTs | 0% | N/A | N/A | 2.3% |

**Strategic 2030 Goal and selection of methodology for calculating the SPT:**

Canary Wharf is using the Supply Chain Greenhouse Gas Emission Factors for US Industries and Commodities Report from the US Environmental Protection Agency as this provides Canary Wharf with more granular factors and therefore allows for a more accurate picture of Category 1 emissions. Canary Wharf uses a list of top suppliers by emissions covering purchased goods and services identified every year on the last day of Canary Wharf's fiscal year (the 31st December) and including on the Target Observation Date

This type of "supplier engagement target" is possible under SBTi's methodologies. Canary Wharf will recommend that their suppliers use the SBTi guidance and tools available to set science-based targets. As per SBTi's guidance, SBTi validation of supplier science based targets (SBT) is recommended but not required.

**Risks to the target:**

- Delays or reluctancy by tenants to switch to renewable energy contracts or delays in obtaining PPA
- Delays in vehicle fleet replacement
- Slower pace of reduction in energy intensity

## Ambition

### Against company's past performance

Canary Wharf has set the SPT to achieve a share of at least 60% suppliers by emissions signed up for Science Based Targets initiative by 2025. Baseline is 2017, date at which this percentage was of 0%. While Canary Wharf expects to publish 2018 and 2019 data within a year from Framework publication or instrument issuance, they have shared their performance for 2020, which was of 2.3%.

| TABLE 2. | 2017 | 2020 | 2025 – SPT 2 |
|---|---|---|---|
| **Share of suppliers who signed up for Science Based Targets initiative** | 0% | 2.3% | 60% |
| **CAGR 2017 – 2021** | | 0.77% | |
| **CAGR 2017– 2025** | | | 11.54% |

As shown in Table 2, this means it is possible to extrapolate an average annual increase of 0.77 percentage point since 2017. Going forward to 2025 – the observation year for the SPT – an annual increase of 11.54 percentage point will be necessary to reach the 60% target. Future performance will therefore need to largely surpass what has been observed in the past.

ISS ESG finds that SPT 2 is quantitatively ambitious against past performance.

### Against company's industry peers

ISS ESG conducted a benchmarking of the SPT set by against a peer group of 14 companies provided by the issuer – essentially construction & civil engineering Canary Wharf companies. When including Canary Wharf in the peer group, 33% (or 5 out of 15) companies had not set any SBTi targets yet. Another 5 companies have committed to setting such targets, while 5 (Canary Wharf included) have validated scope 3 targets. This places Canary Wharf in the top 33% of its peer group.

While certain companies have set a similar goal of having a percentage of their suppliers set SBTs, several of them have done so on the basis of purchase spending which is a much less relevant approach than on the basis of suppliers emissions as CWG has chosen to do. Because of the various possible approaches, targets are difficult to compare.

In order to supplement this analysis, ISS ESG conducted a supplementary benchmarking by looking at Canary Wharf 's target setting endeavors in light of the whole ISS ESG ratings universe for Real Estate. Of the 587 companies in said universe, 133 companies had set GHG reduction targets – approximately 23%.

On the basis of this information, ISS ESG finds that SPT 2 is ambitious against industry peers.

### Against international targets

**Paris Agreement**
Canary Wharf has set various goals to reduce its Scope 1, 2, and 3 emissions. As part of its initiatives to reduce Scope 3 emissions, Canary Wharf has committed that 60% of its direct suppliers by emissions covering purchased goods and services will have set science-based targets by 2025. This goal, along with the others covering Scope 1 and 2, and other sources of Scope 3, has been verified by SBTi as in line with the objective of limiting average global temperature increases to 1.5 degrees Celsius. Given the SBTi verification, ISS ESG concludes that SPT 2 is in line with the Paris Agreement. The SBTi states that the preferred method for addressing scope 3 emissions is setting absolute targets in line with approved methods by the SBTi, which the issuer has also done.

## Measurability & comparability

- **Historical data:** The issuer provided relevant historical data for FY17 & FY20, and is currently obtaining verified data for FY18 and FY19, which it will publish within 12-months from Framework publication or instrument issuance. 2021 data will be made available in Canary Wharf 's updated Sustainability Report.
- **Timeline:** The issuer defined a precise timeline related to the SPT achievement, including the target observation date, the trigger event and the frequency of SPTs measurement.

## Supporting strategy and action plan

To increase the amount of suppliers having set SBTi targets, Canary Wharf plans to implement a set of measures, including:

- Actively engaging with suppliers and provide support in setting SBTs
- Supply chain educational and engagement events to provide information on setting an SBT

- Providing suppliers with access to resources including Supply Chain Sustainability School
- One to one engagement for at least top 60% of supply chain from internal Canary Wharf Sustainable Procurement Specialist
- Ongoing information updates for supply chain to support setting targets
- Empowering a sustainable procurement manager
- Engaging with specialists to facilitate the process
- Considering the development of a dedicated fund

***Opinion on SPT calibration:*** *ISS ESG finds that the SPT calibrated by CWG is ambitious against the company's past performance and compared to Real Estate industry practices in terms of defining a GHG emissions reduction target. According to the Science-Based Targets initiative, it is also in line with the Paris Agreement and a 1.5° Celsius warming scenario. The target is set in a clear timeline and is supported by a strategy and action plan disclosed in the company's framework.*

# PART 3: LINK TO CANARY WHARF GROUP'S SUSTAINABILITY STRATEGY

## A. CANARY WHARF'S BUSINESS EXPOSURE TO ESG RISKS

This section aims to provide an overall level of information on the ESG risks to which the issuer is exposed through its business activities, providing additional context to the issuance assessed in the present report.

### *ESG risks associated with the Issuer's industry*

The issuer is classified in the Real Estate, as per ISS ESG's sector classification. Key challenges faced by companies in terms of sustainability management in this industry are displayed in the table below. Please note, that this is not a company specific assessment but areas that are of particular relevance for companies within that industry.

| ESG KEY ISSUES IN THE INDUSTRY |
|---|
| Green building considerations |
| Climate protection, energy efficiency and renewables |
| Environmental and social aspects in site selection |
| Health and well-being of occupants |
| Occupational health and safety |

### *ESG strengths and points of attention related to the issuer's disclosures*

Leveraging ISS ESG's Research, ISS ESG identified the following strengths and points of attention[18]:

[18] Please note that Canary Wharf is not part of the ISS ESG Corporate Rating Universe. Thus, the information is based on a disclosure review conducted by the analyst in charge of the Real Estate sector, based on publicly available information exclusively. No direct communication between the Issuer and the analyst has taken place during the process. The below is not based on an ISS ESG Corporate Rating but considers ISS ESG Research's methodology.

| STRENGTHS | POINTS OF ATTENTION |
|---|---|
| The company has disclosed its measures for minimization of water use in buildings such as the use of low flow fittings and automatic meters in its properties. Additionally, it uses locally sourced material and targets to use FSC-certified timber in 100% of its developments.<br><br>The company has reported on the implementation of energy efficiency measures in its buildings and the use of renewable energy sources. The company mentions that 100 % of electricity comes from renewable sources. The company's energy management system is certified with ISO-50001.<br><br>The company has set its climate change strategy to become Net Zero by 2030. The company has also set a science-based target for the reduction of greenhouse gas emissions.<br><br>The company has designed comprehensive "Biodiversity Action Plan" for maintaining and assessing the impacts on biodiversity and taking appropriate mitigation measures.<br><br>The company discloses having development in the brownfield site and has provided a public commitment to responsible site selection i.e., commitment to refrain from operating in the areas of high biodiversity value.<br><br>The company has implemented a health and safety management system that is certified to ISO-45001 & OHSAS-18001. Further, it has taken measures to prevent employee mental health issues by creating awareness at the workplace through webinars, supporting with an employee assistance program, and providing related toolkits.<br><br>The company focuses on tenant's/customer's health and well-being by obtaining WELL certification for its office buildings and maintaining air quality by developing green spaces under Biodiversity Action Plan. | The company has not reported energy and GHG intensity by floor area for three consecutive years.<br><br>The company has not disclosed measures taken to reduce the impact of construction activities on the neighborhood.<br><br>The company has not reported data for the accident rate of employees and contractor accident rate for three consecutive years. Further, no data has been reported on employee and contractor fatalities.<br><br>The company has not disclosed information on supplier standards with regard to labor rights, working conditions, and compliance procedures dealing with it. |

Please note that the consistency between the issuance subject to this report and the issuer's sustainability strategy is further detailed in Part III.B of the report.

### *Sustainability impact of products and services portfolio*

Leveraging ISS ESG's Sustainability Solutions Assessment methodology, ISS ESG assessed the contribution of the issuer's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs). This analysis is limited to the evaluation of final product characteristics and does not include practices along the issuer's production process.

| PRODUCT/SERVICES PORTFOLIO | ASSOCIATED PERCENTAGE OF REVENUE | DIRECTION OF IMPACT | UN SDGS |
|---|---|---|---|
| **Buildings certified to a comprehensive sustainable building standard** | 32% | Contribution |  |

### *Breaches of international norms and ESG controversies*

*At issuer level*

At the date of publication, ISS ESG has not identified any severe controversy in which the issuer would be involved.

*At industry level*

Based on a review of controversies over a 2-year period, the top three issues that have been reported against companies within the Real Estate industry are as follows: failure to respect the right to just and favorable conditions of work, failure to pay fair share of taxes and failure to respect consumer health and safety.

Please note, that this is not a company specific assessment but areas that can be of particular relevance for companies within that industry.

## B. CONSISTENCY OF SUSTAINABILITY-LINKED FINANCING INSTRUMENTS WITH CANARY WHARF'S SUSTAINABILITY STRATEGY

### *Key sustainability objectives and priorities defined by the issuer*

The built environment is estimated to contribute c.25% of the UK's greenhouse gas emissions. In recognition of the significant role the real estate sector must play in climate action, Canary Wharf has been reporting its emissions under EPRA guidelines since 2012, achieving a 49% reduction in Scope 1 & 2 emissions. Moreover, CWG's energy management systems have been in compliance with ISO50001 since 2015 and undergo regular audits and monitoring to ensure that the highest environmental standards are maintained.

Since then, Canary Wharf has set science-based targets ('SBTs') for reducing emissions that are aligned with limiting global temperature increase to 1.5ºC above pre-industrial levels. Canary Wharf's SBTs, approved and published in 2020, have been set in line with a market-based approach.

To reinforce its SBTs, Canary Wharf launched its Net Zero Carbon Pathway (2020)[19] which is aligned with the Better Buildings Partnership Climate Change Commitment[20] and intends to provide a comprehensive roadmap detailing the steps required to be taken with tenants and suppliers to achieve SBTs and transition to net zero by 2030.

The scope for Canary Wharf's Net Zero Carbon Pathway covers[21]:

- All Canary Wharf direct operations & Canary Wharf Residential Management landlord areas
- All downstream leased asset operations
- All embodied impacts (new build & refurbishment projects)
- Purchased goods and services (expanded scope to cover our full Science Based Target footprint)

To achieve Net-Zero Canary Wharf has identified 7 key focus areas[22]:

**1. Operational Performance**

Canary Wharf aims to improve energy use of assets, meet Science Based Targets, and ensure that new developments are designed to meet Energy Use Intensity targets and other operational performance objectives.

**2. Onsite Generation**

Maximise onsite renewables across Canary Wharf's Estate, including building and infrastructure assets, and ensure this is incorporated within development pipeline, while also exploring and supporting renewables innovation.

**3. Renewable Energy Procurement**

The Group already procures 100% renewable electricity for all our managed assets. Canary Wharf will continue to encourage customers, using its strategic plan, to switch to renewable energy and seek to make long term investments in Power Purchase Agreements (PPAs).

**4. Embodied Carbon**

Canary Wharf recognises that embodied carbon is a significant source of emissions, particularly for the construction business. The Group will seek to measure and reduce embodied carbon for new developments and refurbishments, including those of customers, and reduce the embodied carbon of all the Group's activities, including through the adoption of circular economy principles.

**5. Carbon offsetting**

[19] https://group.canarywharf.com/wp-content/uploads/2021/04/canary-wharf-esg-net-zero-carbon-pathway-dec-2020.pdf
[20] https://www.betterbuildingspartnership.co.uk/node/877
[21] The current investment boundary excludes Joint Ventures where CWG has no operational control
[22] Further details on CWG's Net Zero carbon pathway can be found at: canary-wharf-esg-net-zero-carbon-pathway-dec-2020.pdf (canarywharf.com)

In addition to reducing emissions, the Group will offset emissions that cannot be eliminated using high quality offsets[23] and seek to achieve this through innovation and collaboration with key stakeholders.

**6. Climate Resilience**

The Group recognises that climate change can impact building and infrastructure assets. Therefore, Canary Wharf will seek to adhere to recommendations outlined by the Task Force for Climate-Related Financial Disclosure (TCFD), a Framework to help companies disclose climate-related risks and opportunities, by 2022.

**7. Verification**

The Group will ensure that all data is third-party verified on an annual basis.

Canary Wharf's Net Zero Carbon Pathway is led by the Climate Action Working Group (CAWG), which is chaired by the MD of Operations and includes representative from across the organisation including buildings management, construction, operations, and sustainability. The CAWG forms part of the wider CRG.

### *Consistency with KPIs*

**KPI 1:** ISS ESG finds that the KPI selected by the issuer is consistent with the overall company's sustainability strategy, especially points 1 and 2.

**KPI 2:** ISS ESG finds that the KPI selected by the issuer is consistent with the overall company's sustainability strategy, especially points 3 and 4.

[23] CWG will ensure that any offsets used are aligned with internationally recognised standards

## DISCLAIMER

1. Validity of the SPO: For Canary Wharf's Sustainability-Linked Financing Instruments issuances as long as the Sustainability-Linked Financing Framework (as of August 25, 2022), SPTs benchmarks (including data for KPI baseline) and structural securities characteristics described in this document do not change.
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to standardized procedures to ensure consistent quality of responsibility research worldwide. In addition, we provide Second Party Opinion (SPO) on bonds based on data provided by the issuer.
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# ANNEX 2: Methodology

## Alignment of the concept set for transactions against the Sustainability-Linked Bond Principles, as administered by ICMA and Sustainability-Linked Loan Principles by LMA

ISS ESG reviewed the Sustainability-Linked Financing Framework of Canary Wharf, as well as the concept and processes for issuance against the Sustainability-Linked Bond Principles administered by the ICMA / Sustainability-Linked Loan Principles by the LMA. Those principles are voluntary process guidelines that outline best practices for financial instruments to incorporate forward-looking ESG outcomes and promote integrity in the development of the Sustainability-Linked Bond / Loan market by clarifying the approach for issuance.

ISS ESG reviewed the alignment of the concept of the Canary Wharf's issuance with mandatory and necessary requirements as per the Appendix II - SLB Disclosure Data Checklist of those principles, and with encouraged practices as suggested by the core content of the Principles.

## Analysis of the KPI selection and associated SPT

In line with the voluntary guidance provided by the Sustainability-Linked Bond Principles / Sustainability-Linked Loan Principles, ISS ESG conducted an in-depth analysis of the sustainability credibility of the KPI selected and associated SPT. ISS ESG analysed if the KPI selected is core, relevant and material to the issuer's business model and consistent with its sustainability strategy thanks to its long-standing expertise in evaluating corporate sustainability performance and strategy. ISS ESG also reviewed if the KPI is appropriately measurable by referring to key GHG reporting protocols and against acknowledged benchmarks.

ISS ESG analysed the ambition of the SPT against Canary Wharf's own past performance (according to Canary Wharf's reported data), against Canary Wharf's industry peers (as per ISS ESG Peer Universe and data), and against international benchmarks such as the Paris agreement (based on data from the Transition Pathway Initiative). Finally, ISS ESG evaluated the measurability & comparability of the SPT, and the supporting strategy and action plan of Canary Wharf.

# ANNEX 3: Quality management processes

## SCOPE

Canary Wharf commissioned ISS ESG to compile a Sustainability-Linked Financing Instruments SPO. The Second Party Opinion process includes verifying whether the Sustainability-Linked Financing Framework aligns with the ICMA Sustainability-Linked Bond Principles / LMA Sustainability-Linked Loan Principles and to assess the sustainability credentials of its Sustainability-Linked Financing Instruments, as well as the issuer's sustainability strategy.

## CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Sustainability-Linked Bond Principles
- LMA Sustainability-Linked Loan Principles

## ISSUER'S RESPONSIBILITY

Canary Wharf's responsibility was to provide information and documentation on:

- Framework

## ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

ISS ESG has conducted this independent Second Party Opinion of the Sustainability-Linked Financing Instruments to be issued by Canary Wharf based on ISS ESG methodology and in line with the ICMA Sustainability-Linked Bond Principles / Sustainability Loan Principles.

The engagement with Canary Wharf took place in August 2022.

## ISS ESG'S BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

# About ISS ESG SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/

For information about SPO services, please contact: SPOsales@isscorporatesolutions.com

For information about this specific Sustainability-Linked Financing Instruments SPO, please contact: SPOOperations@iss-esg.com

## Project team

| Project lead | Project support | Project supervision |
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