Second-Party Opinion

EGE Haina Sustainability-Linked Financing Framework

SUSTAINALYTICS
a Morningstar company
SECOND-PARTY OPINION

Evaluation Summary

Evaluation Date	October 13, 2021
Issuer/Borrower Location	Santo Domingo, Dominican Republic

Sustainability-Linked Instruments

Sustainability-Linked Bond Principles 2020, Sustainability-Linked Loan Principles 2021

Sustainalytics is of the opinion that the EGE Haina Sustainability-Linked Financing Framework aligns with the Sustainability-Linked Bond Principles 2020 and Sustainability-Linked Loan Principles 2021.

KPI	SPT	Strength of the KPI	Ambitiousness of SPT
Total installed electricity generation capacity from renewable energy sources (MW)	Increase the renewable energy installed capacity to 526.5 MW by 2026, equivalent to developing 350 MW of additional renewable energy capacity	Adequate	Ambitious

Climate Transition Finance Handbook

Sustainalytics has evaluated EGE Haina's transition governance, strategy, decarbonization targets, and intentions to report on transition progress and finds EGE Haina to be partially aligned with the recommendations of the Climate Transition Finance Handbook 2020. EGE Haina has adopted climate-related short- and medium-term goals for its pathway to carbon neutrality by 2050; however, Sustainalytics notes that EGE Haina's transition strategy does not incorporate quantifiable science-based targets.

The SPT contributes to the following SDGs:

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Scope of Work and Limitations

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent[1] opinion on the alignment of the EGE Haina Sustainability-Linked Financing Framework, dated October 2021 (the "Framework") with current market standards. As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework's alignment with the Sustainability-Linked Bond Principles 2020[2] and Sustainability-Linked Loan Principles 2021[3];
- The credibility and anticipated positive impacts of the use of proceeds and SPTs;
- EGE Haina's sustainability strategy, performance and sustainability risk management; and
- EGE Haina's alignment with the recommendations of the Climate Transition Finance Handbook 2020[4].

As part of this engagement, Sustainalytics held conversations with various members of EGE Haina's management team to understand the sustainability impact of its business processes and the core components of the Framework. EGE Haina representatives have confirmed that:

(1) They understand it is the sole responsibility of EGE Haina to ensure that the information provided is complete, accurate and up to date;

(2) They have provided Sustainalytics with all relevant information; and

(3) 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. Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and EGE Haina.

Sustainalytics' Second-Party Opinion reflects on the alignment of the Framework with market standards but does not provide any guarantee of alignment nor warrants any alignment with future versions of relevant market standards. The Second-Party Opinion is valid for issuances aligned with the Framework for up to 24 months or until one of the following occurs: (1) a material change to the external benchmarks[5] against which targets were set; (2) a material corporate action (such as material M&A or change in business activity) which has a bearing on the achievement of the SPTs or the materiality of the KPI.

For sustainability-linked instruments, the Second-Party Opinion addresses the anticipated SPTs of KPIs but does not measure KPI performance. KPI measurement and reporting is the responsibility of the bond or loan issuer.

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 EGE Haina has made available to Sustainalytics for the purpose of this Second-Party Opinion.

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[1] 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.
[2] The Sustainabiliyt-Linked Bond Principles, Guidelines and Handbooks are administered by the International Capital Market Association and are available at: https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/.
[3] The loan Principles and Guidelines are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association, and are available at: https://www.lsta.org/content/?_industry_sector=guidelines-memos-primary-market.
[4] The Climate Transition Finance Handbook is administered by the International Capital Market Association and is available at: https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/Climate-Transition-Finance-Handbook-December-2020-091220.pdf.
[5] Benchmarks refers to science-based benchmarks.

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Introduction

Empresa Generadora de Electricidad Haina, S.A. ("EGE Haina" or the "Company") is an electricity generation company based in the Dominican Republic with an aggregate installed generation capacity of 1,086 MW. The Company is controlled by a public-private partnership whereby 49.993% is owned by the Dominican Republic's National Energy Commission (Comisión Nacional de Energía), and 50.007% is owned by private investors along with a small number of former commission employees. EGE Haina's diversified generation mix includes wind, solar, natural gas (NG), heavy fuel oil (HFO), diesel and coal. As of December 2020, the Company employed over 490 people and operated 11 power generation plants.

Under the Framework, EGE Haina intends to issue sustainability-linked bonds or loans. EGE Haina engaged Sustainalytics to review the Framework, dated October 2021, and provide a second-party opinion on the Framework's alignment with the Sustainability-Linked Bond Principles 2020, the Sustainability-Linked Loan Principles 2021, and the recommendations of the Climate Transition Finance Handbook 2020. The Framework has been published in a separate document.[6]

With regard to the sustainability-linked instruments eventually issued under the Framework, the coupon rates of the bonds or loans are tied to the achievement of one sustainability performance target (SPT) for one KPI related to increasing the Company's installed electricity generation capacity from renewable sources.

Tables 1 and 2 below detail the KPI and SPT defined by EGE Haina.

Table 1: KPI Definitions

KPI	Definition
Total installed electricity generation capacity from renewable sources (MW)	This KPI is defined by the total installed electricity generation capacity from renewable energy sources (wind and solar) in MW. The KPI covers all the power plants controlled or owned by the Company. The KPI is calculated based on the manufacturer's nameplate capacity of the projects installed by EGE Haina, its subsidiaries, affiliates or parents.

Table 2: SPT and Past Performance[7]

SPT	2017	2018	2019	2020 (baseline)	SPT 2026
Increase the renewable energy installed capacity to 526.5 MW by 2026, equivalent to developing 350 MW of additional renewable energy capacity	128.2	176.5	176.5	176.5	526.5

[6] The EGE Haina Sustainability-Linked Financing Framework is available on EGE Haina's website at https://www.egehaina.com/sostenibilidad.
[7] These restated historical performance figures have been provided by EGE Haina to Sustainalytics.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Alignment of the Framework with Relevant Market Standards

Alignment with Sustainability-Linked Principles

Sustainalytics is of the opinion that the EGE Haina Sustainability-Linked Financing Framework aligns with the Sustainability-Linked Bond Principles 2020 and Sustainability-Linked Loan Principles 2021. For detailed information, please refer to Appendix 1: Sustainability Linked Bond External Review Form. Sustainalytics highlights the following elements of EGE Haina's Sustainability-Linked Financing Framework:

Selection of Key Performance Indicators (KPI)

Relevance and Materiality of KPI

In its assessment of materiality and relevance, Sustainalytics considers: i) whether an indicator speaks to a material impact of the issuer or borrower's business on environmental or social issues, and ii) to what portion of impact the KPI is applicable.

Sustainalytics considers the KPI – Total installed electricity generation capacity from renewable sources (MW) – to be material and relevant given the strategic importance of expanding renewable electricity generation capacity, particularly from solar and wind, as part of global, regional and sectoral decarbonization pathways.[8] In its 2020 Sustainability Report, EGE Haina identified the development of a climate change strategy and focusing on renewable electricity generation among the most material issues to its operations. In 2018, the Company set forth a target to expand its renewable electricity generation capacity by 1,000 MW by 2030, aligned with the Dominican Republic's goals of expanding the contribution of renewable energy in electricity generation to 25% by 2025.[9]

Sustainalytics' ESG Risk Rating Industry Report – Utilities, identifies "Carbon – Own Operations"[10] as a key material ESG issue for the utilities sector.[11] As a utility company that engages exclusively in electricity generation activities and whose emissions primarily originate from those activities, Sustainalytics considers EGE Haina's KPI material and relevant.

In terms of applicability, the Company has not calculated nor reported on its total GHG emissions (scope 1, 2 and 3). Nevertheless, Sustainalytics considers the KPI to have high applicability since the Company is exclusively involved in the operations related to power plants. In this context, emissions from electricity generation activities would cover most of EGE Haina's GHG emissions.

KPI Characteristics

In its assessment of the KPI characteristics, Sustainalytics considers: i) whether a clear and consistent methodology is used; ii) whether the issuer or borrower follows an externally recognized definition; iii) whether the KPI is a direct measure of the performance of the issuer or borrower on a material environmental or social issue; and, if applicable, iv) whether the methodology can be benchmarked to an external contextual benchmark.[12]

Sustainalytics considers EGE Haina's definition and methodology for calculating KPI performance, clear and consistent with the Company's historical sustainability disclosure. The use of the manufacturer's nameplate capacity as a means for defining project electricity generation capacity is considered an industry standard.

[8] Deloitte, "Utility decarbonization strategies: Renew, reshape, and refuel to zero", (2020), at: https://www2.deloitte.com/content/dam/insights/us/articles/6849_Utility-decarbonization-strategies/DI_Utility-decarbonization-strategies.pdf
[9] International Trade Administration, "Dominican Republic – Country Commercial Guide", accessed on September 30, 2021, at: https://www.trade.gov/country-commercial-guides/dominican-republic-renewable-energy
[10] Carbon - Own Operations refers to a company's management of risks related to its own operational energy use and GHG emissions (scope 1 and 2 GHG emissions).
[11] Sustainalytics, "ESG Risk Rating Industry Report – Utilities" (2020)
[12] External contextual benchmarks provide guidance on the alignment with ecological system boundaries. This criterion is not applied to social KPIs or impact areas for which such contextual benchmarks are not available.

However, the nature of this measurement, generation capacity, is not suitable for comparison with external science-based contextual benchmarks. Additionally, Sustainalytics views the KPI to be indirectly linked to EGE Haina's GHG emissions performance. The KPI measures absolute renewable electricity generation capacity and is not tied to specific GHG emissions reduction targets.

Overall Assessment

Sustainalytics overall considers the KPI to be adequate given that: (i) it is an indirect measure of performance on a highly relevant and material ESG issue for the Company, applicable to the majority of its GHG emissions; (ii) its definition is aligned with credible external methodologies; but (iii) it is not benchmarkable to science-based targets.

Total installed electricity generation capacity from renewable sources (MW)	Not Aligned	Adequate	Strong	Very strong

Calibration of Sustainability Performance Target (SPT)

Alignment with EGE Haina's Sustainability Strategy

EGE Haina has set the following SPT for its KPI:

- Increase the renewable energy installed capacity to 526.5 MW by 2026, equivalent to developing 350 MW of additional renewable energy capacity

Sustainalytics considers the SPT to be aligned with EGE Haina's sustainability strategy (please refer to Section 2 for an analysis of the credibility of EGE Haina's sustainability strategy).

As highlighted in its 2020 Sustainability Report, EGE Haina has identified increasing the focus on renewable electricity generation as one of the most material issues to the Company's sustainability endeavours.[13] In this context, EGE Haina aspires to be carbon neutral by 2050, has committed to expanding renewable energy and NG significantly in the short- and medium-term to achieve this goal. In addition, the Company's 2020 Sustainability Report outlines a commitment to developing an additional 1,000 MW of renewable electricity generation capacity by 2030 compared to a 2020 baseline of 176.5 MW.[14] Concerning this medium-term target, the SPT outlined in the Framework represents a direct milestone to be achieved by 2026, which would align with a trajectory for the Company's 2030 interim goal. Further, EGE Haina's business operations are solely dedicated to generating electricity within the Dominican Republic. Thus, expanding its renewable electricity generation capacity is directly related to the core of the Company's operations.

Strategy to Achieve the SPT

EGE Haina intends to achieve the SPT through the following strategy:

- Deployment of approximately USD 300 million towards developing renewable energy projects to expand its renewable generation capacity by nearly 200% between the baseline year of 2020 and the observation date of 2026, increasing it from 176.5 MW to 526.5 MW.
- This strategy will involve investments in wind and solar projects, such as the Girasol Solar Farm in Yaguate, Dominican Republic, completed in July 2021 and offering a generation capacity of 120 MW.
- EGE Haina's decarbonization aspirations are also rooted in the continuous development of NG projects, which acts as a transition fuel compared to more carbon-intensive thermal energy production methods from those the Company has been historically involved in, such as heavy fuel oil and coal.

[13] EGE Haina, "Informe de Sostenibilidad", (2020), at: https://www.egehaina.com/media/qa4cgp3m/informe-2020.pdf
[14] Ibid.

Ambitiousness, Baseline and Benchmarks

EGE Haina set the baseline for the SPT at 176.5 MW in 2020, meaning achieving the 526.5 MW target in 2026 will represent an increase in renewable electricity generation capacity of approximately 200%.

To determine the ambitiousness of SPTs, Sustainalytics considers: i) whether an SPT goes beyond a business-as-usual trajectory, ii) how the SPT compares to targets set by peers, and iii) how the SPTs compare with science.[15]

Sustainalytics was able to use the following benchmarks to assess ambitiousness: past performance and peer performance.

Regarding historical performance, Sustainalytics observed the period between the launch of EGE Haina's renewable energy expansion strategy in 2018 and leading up to the baseline year of 2020. This three-year period saw stagnant growth with no material change in renewable electricity generation capacity, which remained stable at approximately 175 MW. The Company's targets for 526.5 MW by 2026 represent a significant improvement upon historical performance in this context. EGE Haina's performance targets are aligned to those set by its direct peers.

Sustainalytics considers the SPT to be beyond a business-as-usual trajectory, and the targets for renewable energy capacity expansion align with those set by peers. The GHG intensity reduction figures indicated in the Framework were not considered in this assessment given the absence of a clear commitment to achieving them. They are not tied to the financial structure of the sustainability-linked instruments, despite being aligned with science-based targets. Given the absolute nature of the measurements used for renewable electricity generation capacity, the SPT cannot be compared with external science-based bench markets.

Overall Assessment

Sustainalytics considers the SPT to align with EGE Haina's sustainability strategy and considers EGE Haina's SPT to be ambitious given that: (i) it presents a material improvement compared to past performance, and (ii) it aligns with peers.

Increase the renewable energy installed capacity to 526.5 MW by 2026, equivalent to developing 350 MW of additional renewable energy capacity	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious

Bond or Loan Characteristics

EGE Haina has disclosed that, for any sustainability-linked instrument issued in alignment with the Framework, if the SPT has not been achieved by the target observation date, a premium will be payable by EGE Haina in the form of, but not limited to, a step-up in coupon margin. The amount, timing and mechanism for payment of the premium will be specified in the relevant instrument's documentation. Premium payments will also be applicable should the Company not report on or publish SPT performance data in a manner supported by a verification assurance.

Reporting

EGE Haina commits to report on an annual basis on its performance on the KPI, and expects to include the relevant figures in a sustainability-linked instrument report to be published along with its annual sustainability reporting and on its website[16], which is aligned with the Sustainability-Linked Bond Principles 2020 and Sustainability-Linked Loan Principles 2021. EGE Haina further commits to disclose relevant information that enables investors to monitor the level of ambition of the SPT.

[15] We refer here to contextual benchmarks that indicate the alignment of targets with ecosystem boundaries.
[16] https://www.egehaina.com/sostenibilidad

Verification

EGE Haina commits to having an external verifier provide limited assurance on the published KPI performance figures for each fiscal year, aligned with the Sustainability-Linked Bond Principles 2020 and Sustainability-Linked Loan Principles 2021on verification.

Alignment against the Climate Transition Finance Handbook 2020

Sustainalytics has assessed EGE Haina's alignment with the recommendations of the Climate Transition Finance Handbook and considers the Company's transition strategy to be adequate overall. Sustainalytics highlights the following key elements of the assessment:

Key Elements	ICMA Recommendation	Sustainalytics' Assessment	
EGE Haina's climate transition strategy and governance	- Transition strategy to address climate-related risks and contribute to alignment with the goals of the Paris Agreement - Relevant interim targets on the trajectory towards long-term goal - Governance of transition strategy	- See detailed assessment in Section 2. - Although EGE Haina does not have a formal climate transition strategy, the Company's sustainability strategy includes climate change mitigation actions to reduce its carbon footprint through initiatives and investments. The Company's sustainability strategy is governed and reviewed by its Sustainability Committee, overseen by its senior management. - The Company does not have a governance structure that consists of accountability to emissions reduction mandates built into specific roles.	Partially Aligned
Business model environmental materiality	- Transition trajectory should be relevant to the environmentally material parts of the EGE Haina's business model	- As an electric utility company, electricity generation is the core component of EGE Haina's business model. Therefore, the expansion of renewable energy and NG capacity as described in the Company's strategy contributes to the decarbonization of its electricity generation mix and is directly relevant to environmentally material aspects of its operations.	Aligned
Climate transition strategy to be science based, including targets and pathways	- Transition strategy should reference science-based targets and transition pathways	- EGE Haina's strategy has not set GHG emissions or carbon intensity (tCO_2e /MWh) reductions targets. Instead, the Company aims to reduce its carbon footprint by increasing its renewable energy capacity by an additional 1,000 MW by 2030, resulting in a significant increase in its renewable energy share. Nevertheless, these renewable energy targets are indirectly tied to emissions reductions, and therefore, they are not suitable for comparison with external science-based contextual benchmarks. Furthermore, EGE Haina has not set long-term targets beyond 2030. - See detailed assessment in Section 2	Not Aligned
Implementation transparency	- Disclosure of capex and opex plans - Climate-related outcomes and impacts that expenditures are intended to result in -	- EGE Haina intends to report on installed renewable energy capacity and avoided emissions but has not disclosed an intention to disclose details on the capital or operational expenditures related to these developments.	Partially Aligned

Section 2: Assessment of EGE Haina's Sustainability Strategy

Credibility of Climate Transition Strategy

Sustainalytics recognizes that proceeds from debt issuances under the Framework will be used for general corporate purposes to support a transition towards increasing renewable energy share in the generation matrix. Within this context, Sustainalytics assesses EGE Haina's climate transition strategy below.

Emissions Reduction Targets

The ICMA Climate Transition Finance Handbook recommends issuers develop a climate transition strategy that includes short, medium and long-term emission reduction targets that are aligned with the Paris Agreement.[17] Although EGE Haina has not yet established quantitative emissions reduction targets, its annual sustainability report indicates an intention to establish short- and long-term emissions reduction targets as part of its action plan to increase its commitment to the UN's SDGs.[18]

Decarbonization Pathway and Implementation Plan

EGE Haina's decarbonization pathway and strategic plan are guided by the following key pillars:

- Investment in low-carbon assets: EGE Haina focuses on increasing renewable energy projects within its generation matrix to reduce GHG emissions from its operations. Between 2011 and 2021, EGE Haina built four wind and two solar projects with a total installed capacity of 300 MW. In addition, the Company has established a growth strategy that aims to increase renewable energy capacity by 1,000 MW and NG generation by 400 MW by 2030.[19]

- Sustainalytics recognizes that EGE Haina contributes significantly to reducing its carbon footprint by halting the expansion of the most carbon-intensive assets of its generation portfolio and directing its capacity expansion towards solar, wind and NG projects. Incorporating NG has the opportunity to support the Company's renewable technologies, especially considering its focus on solar and wind, by balancing intermittency and providing a reliable energy supply.[20] Nevertheless, Sustainalytics acknowledges that NG's adverse impacts can overshadow EGE Haina's climate change mitigation actions if proper safety measures are not in place.[21] In this context, Sustainalytics encourages EGE Haina to implement initiatives for ensuring the responsible procurement of NG, aiming to identify proactive and responsible NG suppliers that have demonstrated leadership in ESG best practices. Ultimately, the use of these best practices can help reduce the environmental footprint of NG and mitigate potential risks from its procurement and use.

- Energy efficiency projects: EGE Haina implements several energy efficiency initiatives across its operations to increase efficiency in electricity production. Some of these initiatives include: (i) repowering older power plants, (ii) energy recovery, and (iii) particle filtering. Between 1999 and 2020, CO_2 emissions per kilowatt-hour produced were reduced by 50% through efficiency improvements and new renewable energy projects.[22]

Sustainalytics recognizes EGE Haina's initiatives to execute its sustainability strategy and climate change mitigation actions as notable efforts. Sustainalytics encourages the Company to consider setting clear and ambitious targets based on GHG emissions or carbon intensity to support long-term decarbonization strategies.

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[17] ICMA, "Climate Transition Finance Handbook", (2020), at: https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/Climate-Transition-Finance-Handbook-December-2020-091220.pdf
[18] EGE Haina, "Sustainability Report 2020", at: https://www.egehaina.com/media/qa4cgp3m/informe-2020.pdf
[19] EGE Haina, "Sustainability Report 2020", at: https://www.egehaina.com/media/qa4cgp3m/informe-2020.pdf
[20] Sustainalytics, "The role of natural gas in the energy transition", (2020), at: https://connect.sustainalytics.com/hubfs/SFS/SFS%20-%20Transition%20Bonds/The%20Role%20of%20Natural%20Gas%20in%20the%20Energy%20Transition.pdf
[21] Sustainalytics, "Is Natural Gas a Cleaner Energy Solution?", (2020), at: https://www.sustainalytics.com/esg-research/resource/investors-esg-blog/is-natural-gas-a-cleaner-energy-solution
[22] EGE Haina, "Sustainability Report 2020", at: https://www.egehaina.com/media/qa4cgp3m/informe-2020.pdf

EGE Haina's Environmental and Social Risk Management

Sustainalytics recognizes that EGE Haina's defined targets are impactful and that achieving the SPT bears environmental and social risks. Sustainalytics' ESG risk rating methodology identifies "Emissions, Effluents and Waste", "Human Capital", "Occupational Health and Safety" and "Community Relations"[23] as key material ESG issues for the utilities industry.

Sustainalytics comments below on EGE Haina's ability to mitigate such potential risks:

- EGE Haina has an environmental management system based on the ISO 14001 standard and has established an Environmental Policy which aims to identify, evaluate and mitigate the potential negative impacts associated with electricity generation.[24] The Company maintains atmospheric emissions, effluents and waste within the permissible limits defined by Dominican environmental legislation. Additionally, the Company conducts the following activities: (i) responsible management of liquid effluents, waste oil, and solid waste; (ii) proper storage, treatment, and transportation of chemicals and waste, (iii) control of pollutant emissions; and (iv) prevention and protection against spills.[25]
- EGE Haina has incorporated practices and initiatives that promote equal opportunities and non-discrimination into a Human Rights, Inclusion and Diversity Policy overseen by a diversity and inclusion committee.[26] Through this policy, the Company carries out ongoing activities such as developing mechanisms to prevent workplace violence, labour inclusion programmes, and establishing a compensation policy that ensures equal access to work, equal pay, elimination of discrimination associated with harassment and labour violence. The policy also establishes channels for registering complaints about any events that violate its mandate.[27]
- EGE Haina's safety management system is based on the OHSAS 18001 standard and ensures that each plant operates in compliance with the Dominican Republic Ministry of Labour's Health and Safety Regulation 522/06, as well as the Company's safety policy that complies with local legislation to ensure the safety of its employees and contractors through the incorporation of engineering controls, warning signs, administrative controls, personal protective equipment, safety training and drills.[28] The Company also has an Occupational Health Committee that reviews occupational health issues and oversees the implementation of its Occupational Health Program.
- EGE Haina has identified key stakeholders by conducting technical, legal, environmental and feasibility studies. The Company engages with communities closer to its operations through programmes and initiatives that promote health, education, technical training and economic development. The Company has also established communication channels with local communities to provide information about activities conducted as part of its social responsibility, compliance with environmental laws and efforts to promote local employment.

In addition to the above, Sustainalytics notes that it has found no evidence of any major environmental or social controversies related to EGE Haina. Overall, Sustainalytics considers that EGE Haina has strong management programmes and policies to mitigate risks in achieving the SPT.

[23] Sustainalytics defines: i) Emissions, Effluents and Waste as the management of emissions and releases from a company's own operations to air, water and land, excluding greenhouse gas emissions, ii) Human Capital as the management of risks related to scarcity of skilled labour as well as labour relations, such as non-discrimination, working hours and minimum wages, iii) Occupational Health and Safety as the management of workplace hazards affecting a company's own employees and on-site contractors, and iv) Community Relations examines how companies engage with local communities (including Indigenous peoples) through community involvement, community development and measures to reduce negative impacts on local communities. More information is available at: https://www.sustainalytics.com/material-esg-issues-resource-center.
[24] EGE Haina, "Environmental Policy", at: https://www.egehaina.com/media/jdudxav5/02-050-ssm-0002-poli-tica-de-medio-ambiente.pdf
[25] EGE Haina, "Sustainability Report 2020", at: https://www.egehaina.com/media/qa4cgp3m/informe-2020.pdf
[26] EGE Haina, "Human Rights, Inclusion and Diversity Policy", at: https://www.egehaina.com/media/45pljgqr/02-160-tal-0005-poli-tica-derechos-humanos-inclusion-y-diversidad.pdf
[27] EGE Haina, "Sustainability Report 2020", at: https://www.egehaina.com/media/qa4cgp3m/informe-2020.pdf
[28] EGE Haina, "Human Rights, Inclusion and Diversity Policy", at: https://www.egehaina.com/media/45pljgqr/02-160-tal-0005-poli-tica-derechos-humanos-inclusion-y-diversidad.pdf

Section 3: Impact of the SPT Selected

The Dominican Republic is experiencing rapid economic growth, rising energy demand which is typically linked to increasing GHG emissions.[29] Between 2014 and 2016, approximately one-third to one-half of the country's GHG emissions originated in the energy sector, with a heavy reliance on fossil fuels, such as oil, gas and coal, 85% of which came from imports.[30,31,32] The country's dependence on imported fuels makes it, and its utilities sector, vulnerable to increases in fuel prices. In addition, the transportation of imported fuel adds to the country's carbon footprint and accounts for significant expenses. The expansion of renewable energy sources like wind and solar would reduce the Dominican Republic's dependence on fossil fuels and its carbon footprint. The savings from reduced fuel imports can drive further investments in developing renewable energy sources and infrastructure and contribute to the country's energy independence and decarbonization.

In 2007, the Dominican Republic recognized the importance of these endeavours and set forth a target for at least 25% of the energy generated to be from renewable energy sources by 2025, including by adding to its renewable energy legislation under the Renewable Energy Incentive Law 57-07.[33] In 2011, net metering legislation was developed for residential wind and solar installations smaller than 25 kW and commercial facilities under 1 MW, making them eligible to receive credits for excess power exported to the grid and further promoting the national development of renewable energy. [34]

In 2015, the Government of the Dominican Republic submitted its Nationally Determined Contribution (NDC) to the UN Framework Convention on Climate Change, where it committed to cut its GHG emissions by 27% by 2030 compared to 2010 levels. Further, the Dominican Republic aspires to be carbon neutral by 2050, and has been working with the Climate & Clean Air Coalition's Supporting National Action Planning Initiative to advance its international commitments to reduce short-lived climate pollutants.

As of 2018, renewable energy in the Dominican Republic accounted for 13% of the country's energy mix, with wind and solar contributing to 46% of that share.[35] Since submitting its NDC, the Dominican Republic has seen significant investments in its local renewable energy sector supported by government concession contracts, including USD 200 million in 2018 and over USD 530 million in 2019, further establishing renewable energy expansion as being a priority for the country.[36,37]

Overall, Sustainalytics expects EGE Haina's efforts to expand its electricity generation capacity to support the Dominican Republic in meeting both its renewable power generation and GHG emissions reduction targets. Overall, Sustainalytics acknowledges the ambitiousness of EGE Haina's target relative to the Dominican Republic's NDC and believes that the Company will directly contribute to the decarbonization of the Dominican Republic's energy mix.

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. The EGE Haina Sustainability-Linked Financing Framework advance the following SDG goals and targets:

KPI	SDG	SDG Target
Total installed capacity from renewable energy sources (MW)	7. Affordable and Clean Energy 13. Climate Action	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix 13.2 Integrate climate change measures into national policies, strategies and planning

[29] Our World in Data, "Domincan Republic: CO_2 Country Profile", at: https://ourworldindata.org/co2/country/dominican-republic
[30] Energy Transition initiative – Islands, "Energy Snapshot: Dominican Republic", at: https://www.nrel.gov/docs/fy15osti/64125.pdf
[31] Our World in Data, "CO_2 emission by sector, Dominican Republic", at: https://ourworldindata.org/grapher/co-emissions-by-sector?country=~DOM
[32] IRENA, "Remap 2030-Renewable Energy Prospects: Dominican Republic", at: https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2016/IRENA_REmap_Dominican_Republic_summary_2016_EN.PDF?la=en&hash=EDD8056451CEAF57D1360D6E85AFEFA0189A05C0
[33] Climate Laws, "Law 57-07 on Renewable Energy", at: https://climate-laws.org/geographies/dominican-republic/laws/law-57-07-on-renewable-energy-supported-by-the-2008-renewable-energy-regulating-decree-no-202-08
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Conclusion

EGE Haina has developed the EGE Haina Sustainability-Linked Financing Framework, under which it may issue sustainability-linked bonds or obtain sustainability-linked loans.

EGE Haina intends to tie the coupon rate of these sustainability-linked instruments to the achievement of the following SPT:

- Increase the renewable energy installed capacity to 526.5 MW by 2026, equivalent to developing 350 MW of additional renewable energy capacity

Sustainalytics considers the KPI chosen to be adequate based on its high level of materiality to the Company's industry, and the SPT to be ambitious based on it taking the Company well above its historical performance with regards to renewable energy capacity expansion. Sustainalytics considers reporting and verification commitments to be aligned with market expectations.

Sustainalytics is of the opinion that the EGE Haina Sustainability-Linked Financing Framework aligns with the Sustainability-Linked Bond Principles 2020 and Sustainability-Linked Loan Principles 2021. Sustainalytics has also assessed EGE Haina's alignment with the recommendations of the Climate Transition Finance Handbook and considers the Company's transition strategy to be partially aligned overall. Based on the above, Sustainalytics is confident that EGE Haina is well-positioned to issue sustainability-linked bonds or obtain sustainability-linked bonds loans.

Appendix 1: Sustainability-Linked Bonds - External Review Form

Section 1. Basic Information

Issuer name: Empresa Generadora de Electricidad Haina, S.A.

Sustainability-Linked Bond ISIN: not known at the time of publication

Independent External Review provider's name for second party opinion pre-issuance (sections 2 & 3): Sustainalytics

Completion date of second party opinion pre-issuance: October 13, 2021

Independent External Review provider's name for post-issuance verification (section 4): not known at the time of publication

Completion date of post issuance verification:

At the launch of the bond, the structure is:

☒ a step-up structure ☐ a variable redemption structure

Section 2. Pre-Issuance Review

2-1 SCOPE OF REVIEW

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

The review:

☒ assessed all the following elements (complete review) ☐ only some of them (partial review):

- ☐ Selection of Key Performance Indicators (KPIs)
- ☐ Calibration of Sustainability Performance Targets (SPTs)
- ☐ Verification
- ☐ Bond characteristics (acknowledgment of)
- ☐ Reporting

☒ and confirmed their alignment with the SLBP.

2-2 ROLE(S) OF INDEPENDENT EXTERNAL REVIEW PROVIDER

- ☒ Second Party Opinion
- ☐ Verification
- ☐ Certification
- ☐ Scoring/Rating

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

2-3 EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

EGE Haina has developed the EGE Haina Sustainability-Linked Financing Framework, under which it may issue sustainability-linked bonds or obtain sustainability-linked loans.

EGE Haina intends to tie the coupon rate of these sustainability-linked instruments to the achievement of the following SPT:
•Increase the renewable energy installed capacity to 526.5 MW by 2026, equivalent to developing 350 MW of additional renewable energy capacity

Sustainalytics considers the KPI chosen to be adequate based on its high level of materiality to the Company's industry, and the SPT to be ambitious based on it taking the Company well above its historical performance with regards to renewable energy capacity expansion. Sustainalytics considers reporting and verification commitments to be aligned with market expectations.

Sustainalytics is of the opinion that the EGE Haina Sustainability-Linked Financing Framework aligns with the Sustainability-Linked Bond Principles 2020, and Sustainability-Linked Loan Principles 2021. Sustainalytics has also assessed EGE Haina's alignment with the recommendations of the Climate Transition Finance Handbook and considers the Company's transition strategy to be partially aligned overall. Based on the above, Sustainalytics is confident that EGE Haina is well-positioned to issue sustainability-linked bonds or obtain sustainability-linked bonds loans.

Section 3. Detailed pre-issuance 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.

3-1 SELECTION OF KEY PERFORMANCE INDICATOR (KPI)

Overall comment on the section *(if applicable)*:
Sustainalytics overall considers the KPI to be adequate given that: (i) it is an indirect measure of performance on a highly relevant and material ESG issue for the Company, applicable to the majority of its GHG emissions; (ii) its definition is aligned with credible external methodologies; but (iii) it is not benchmarkable to science-based targets.

List of selected KPIs:

- Total installed electricity generation capacity from renewable energy sources (MW)

Definition, Scope, and parameters

☒ Clear definition of each selected KPIs
☒ Clear calculation methodology
☐ Other (please specify):

Relevance, robustness, and reliability of the selected KPIs

☒ Credentials that the selected KPIs are relevant, core and material to the issuer's sustainability and business strategy.
☒ Evidence that the KPIs are externally verifiable
☒ Credentials that the KPIs are measurable or quantifiable on a consistent methodological basis
☐ Evidence that the KPIs can be benchmarked
☐ Other (*please specify*):

3-2 CALIBRATION OF SUSTAINABILITY PERFORMANCE TARGET (SPT)

Overall comment on the section (*if applicable*):
Sustainalytics considers the SPT to align with EGE Haina's sustainability strategy and considers EGE Haina's SPT to be ambitious given that: (i) it presents a material improvement compared to past performance, and (ii) it aligns with market best practices.

Rationale and level of ambition

- ☒ Evidence that the SPTs represent a material improvement
- ☒ Evidence that SPTs are consistent with the issuer's sustainability and business strategy
- ☐ Credentials on the relevance and reliability of selected benchmarks and baselines
- ☒ Credentials that the SPTs are determined on a predefined timeline
- ☐ Other (please specify):

Benchmarking approach

- ☒ Issuer own performance
- ☐ reference to the science
- ☒ Issuer's peers
- ☐ Other *(please specify):*

Additional disclosure

- ☐ potential recalculations or adjustments description
- ☐ identification of key factors that may affect the achievement of the SPTs
- ☐ issuer's strategy to achieve description
- ☐ Other (please specify):

3-3 BOND CHARACTERISTICS

Overall comment on the section (*if applicable*):
EGE Haina has disclosed that, for any sustainability-linked instrument issued in alignment with the Framework, if the SPT has not been achieved by the target observation date, a premium will be payable by EGE Haina in the form of, but not limited to, a step-up in coupon margin.

Financial impact:

- ☒ variation of the coupon
- ☐ …
- ☐ Other (*please specify*):

Structural characteristic:

- ☐ …
- ☐ …
- ☐ Other (*please specify*):

3-4 REPORTING

Overall comment on the section (*if applicable*):
EGE Haina commits to report on an annual basis on its performance on the KPI, and expects to include the relevant figures in a sustainability-linked instrument report, to be published along with its annual sustainability reporting and on its website. EGE Haina further commits to disclose relevant information that enables investors to monitor the level of ambition of the SPT, and commits to having have an external verifier provide limited assurance on the published KPI performance figures for each fiscal year.

Information reported:

- ☒ performance of the selected KPIs
- ☐ level of ambition of the SPTs
- ☒ verification assurance report
- ☐ Other (*please specify*):

Frequency:

- ☒ Annual
- ☐ Semi-annual
- ☐ Other (please specify):

Means of Disclosure

- ☐ Information published in financial report
- ☐ Information published in sustainability report
- ☒ Information published in ad hoc documents
- ☐ Other (please specify):
- ☐ 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.

Level of Assurance on Reporting

- ☒ limited assurance
- ☐ reasonable assurance
- ☐ Other *(please specify)*:

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

Section 4. Post-issuance verification

Overall comment on the section (*if applicable*):

Information reported:

- ☐ limited assurance
- ☐ reasonable assurance
- ☐ Other (please specify):

Frequency:

- ☐ Annual
- ☐ Semi-annual
- ☐ Other (please specify):

Material change:

- ☐ Perimeter
- ☐ KPI methodology
- ☐ SPTs calibration

Disclaimer

About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 25 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. With 17 offices globally, Sustainalytics has more than 800 staff members, including more than 300 analysts with varied multidisciplinary expertise across more than 40 industry groups.

For more information, visit www.sustainalytics.com

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