



# Second-Party Opinion

## Shimao Group Holdings Limited Green Finance Framework

### Evaluation Summary

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



**USE OF PROCEEDS** The eligible categories for the use of proceeds – Green Buildings, Energy Efficiency, Pollution Prevention and Control, Sustainable Water and Wastewater Management, Renewable Energy, Clean Transportation – are aligned with those recognized by the Green Bond Principles 2018 and the Green Loan Principles 2020. Sustainalytics considers that the eligible categories are expected to reduce the carbon footprint and improve the environmental performance of Shimao’s operations while advancing the UN Sustainable Development Goals (SDGs), specifically SDG 6, 7, 11, 12.



**PROJECT EVALUATION / SELECTION** Shimao established a Sustainability Taskforce, comprised of senior members including Chief Financial Officer and department representatives from Finance & Investor Relations, Operation Management Center, Development & Design Center, and regional offices. The Sustainability Taskforce will meet at least annually to review the proposed allocations and ensure that the allocation is in line with the eligibility criteria. Sustainalytics considers the project selection process in line with market practice.



**MANAGEMENT OF PROCEEDS** Shimao Group Holdings Limited will use an internal register to track the use of proceeds for each transaction under the Framework. Shimao intends to reach full allocation within 24 months after each issuance. Pending allocation, the unallocated proceeds will be held in short-term time deposits or investments in accordance with Shimao’s liquidity guidelines. Shimao excludes any high pollution activity or any project that conflicts with the Framework eligibility criteria from temporary allocation. Sustainalytics views this as is in line with market practice.



**REPORTING** Shimao Group Holdings Limited intends to report on the allocation and impact of proceeds on its website, Annual Report or Sustainability Report on an annual basis until full allocation. Allocation reporting will include details such as the aggregate amount of proceeds allocated to eligible projects, the balance of unallocated proceeds, the share of financing vs refinancing. In addition, Shimao Group Holdings Limited is committed to reporting on relevant impact metrics. Sustainalytics views Shimao Group Holdings Limited’s allocation and impact reporting as aligned with market practice.

<b>Evaluation date</b>	January 29, 2021
<b>Issuer Location</b>	Hong Kong, China

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## Introduction

Shimao Group Holdings Limited (“Shimao”, the “Group”, or the “Issuer”) is a property developer in China established in 2001. The Group has diversified its business activities to include commercial properties operation, hotel operation, property management, and investments in advanced technology, medical care as well as education sectors. It has been listed on the main board of the Hong Kong Stock Exchange since 2006 (0813.HK). As of June 30, 2020, Shimao operates 423 projects with a land bank area of 83.93m<sup>2</sup> across 135 cities in China.

Shimao has developed the Shimao Group Holdings Limited Green Finance Framework (the “Framework”) under which it intends to issue green bonds, loans, and other debt-like financing instruments (collectively referred to as “Green Financing Transactions” or “GFT”) and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that are expected to reduce the carbon footprint and improve the environmental performance of Shimao’s operations. The Framework defines eligibility criteria in six green areas:

1. Green Buildings
2. Energy Efficiency
3. Pollution Prevention and Control
4. Sustainable Water and Wastewater Management
5. Renewable Energy
6. Clean Transportation

Shimao engaged Sustainalytics to review the Shimao Group Holdings Limited Green Finance Framework, dated January 2021, and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2018 (GBP)<sup>1</sup> and the Green Loan Principles 2020 (GLP).<sup>2</sup> This Framework has been published in a separate document.<sup>3</sup>

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics independent<sup>4</sup> opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible categories are credible and impactful.

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

- The Framework’s alignment with the Green Bond Principles 2018, as administered by ICMA, and the Green Loan Principles 2020, as administered by LMA, APLMA and LSTA<sup>5</sup>;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

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

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

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

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

<sup>3</sup> The Shimao Group Holdings Limited Green Finance Framework is available on Shimao Group Holdings Limited’s website at: [www.shimaogroup.hk/](http://www.shimaogroup.hk/)

<sup>4</sup> 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.

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

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 Shimao.

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

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

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

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Shimao Group Holdings Limited Green Finance Framework

Sustainalytics is of the opinion that the Shimao Group Holdings Limited Green Finance Framework is credible and impactful and aligns with the four core components of the GBP and GLP. Sustainalytics highlights the following elements of Shimao's Green Bond Framework:

- Use of Proceeds:
  - The eligible categories – Green Buildings, Energy Efficiency, Pollution Prevention and Control, Sustainable Water and Wastewater Management, Renewable Energy, Clean Transportation – are aligned with those recognized by the GBP and GLP. Shimao's investments in eligible categories can be expected to reduce the carbon footprint and improve the environmental performance of Shimao's operations in China.
  - Shimao has defined a look-back period of 36 months for refinancing activities, which Sustainalytics considers to be aligned with market practice.
  - Under the Green Buildings category, Shimao intends to invest in the acquisition, construction, or refurbishment of buildings that have received or expected to receive the following minimum green building certification levels: LEED (Gold or above), BREEAM (Excellent or above), BEAM Plus (Gold or above), and Chinese Green Building Evaluation Label (2 stars or above) or other equivalent green building labels. Sustainalytics views the selected certification schemes as credible and considers buildings meeting such standards to provide a positive impact. (For Sustainalytics' assessment of these building certification schemes, please refer to Appendix 1).
  - Within the Energy Efficiency category, Shimao may finance the development, installation, and upgrades of non-motorized or electric-powered equipment and products, and the adoption of smart technologies and systems that aim to track, monitor, and manage energy usage in new and existing buildings. Sustainalytics views positively the inclusion of a defined threshold under the category; 15% energy efficiency improvement compared to relevant baseline.
  - For the Pollution Prevention and Control category, Shimao intends to invest in the installation of recycling facilities in residential and commercial buildings, and system and equipment that aims to mitigate dust, noise, and water pollution during construction and operation of buildings. Shimao has confirmed that noise mitigation systems are aimed at achieving green building certification standards mentioned above.
  - For the Renewable Energy category, Shimao intends to finance renewable energy and energy storage projects such as solar, wind, geothermal with direct emission threshold of  $\leq 100g$

CO<sub>2</sub>/kWh or lower, air-to-water heat pumps, and battery storage. Sustainalytics notes that heat pumps offer an energy-efficient heat transfer alternative to conventional systems. Nevertheless, Sustainalytics recommends Shimao to exclude financing of heat pumps with high-GWP refrigerant(s) and promoting robust refrigerant leak control, detection, and monitoring, while ensuring recovery, reclamation/recycling, or destruction of refrigerants at the end of life.

- Project Evaluation and Selection:
  - Shimao’s internal process for project evaluation and selection will be overseen by the Sustainability Taskforce, comprised of senior members including Chief Financial Officer and representatives from Finance & Investor Relations Department, Operation Management Center, Development & Design Center and regional offices. The Sustainability Taskforce will meet at least annually to review and select Eligible Green Projects in line with the Framework’s eligibility criteria and manage future updates to the Framework.
  - Based on this structure, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
  - For each transaction under the Framework, Shimao will use an internal register to track the net proceeds. The register will contain information on the allocation of use of proceeds, namely, the amount of GFT allocated to each category and balance of unallocated proceeds to be earmarked.
  - Should any proceeds remain unallocated, they will be held in short-term time deposits or investments in accordance with Shimao’s liquidity guidelines. Shimao has committed not to invest unallocated proceeds to any high pollution activities or projects in conflict with the Framework’s eligibility criteria.
  - Based on the process in place, Sustainalytics considers this process to be in line with market practice.
- Reporting:
  - Shimao intends to report on the allocation and impact of proceeds on its website and Annual Report or Sustainability Report annually until full allocation. Allocation reporting will include the aggregate amount of proceeds allocated to eligible projects, the balance of unallocated proceeds, share of financing vs refinancing and where possible, examples of eligible green projects financed.
  - Additionally, Shimao will publish an impact report and intends to report on relevant indicators such as, number and type of certification of green buildings, annual GHG emissions reduced/avoided (t CO<sub>2</sub> eq p.a.), annual energy savings (MWh p.a.), prevented, minimised, reused or recycled waste before and after the project (% of total waste and absolute amount in tonnes p.a.), annual absolute (gross) water use before and after the project (m<sup>3</sup> p.a., reduction in water use %, annual absolute (gross) amount of wastewater treated, reused or avoided before and after the project in m<sup>3</sup> p.a. and as %), annual renewable energy generation (MWh/GWh for electricity) and (GJ/TJ for other energy), the capacity of renewable energy plant(s) constructed or rehabilitated (MW) and the number of electric vehicle charging stations installed.
  - Based on these commitments, Sustainalytics considers this process to be in line with market practice.

### **Alignment with Green Bond Principles 2018 and Green Loan Principles 2020**

Sustainalytics has determined that the Shimao Group Holdings Limited Green Finance Framework aligns to the four core components of the GBP and GLP. For detailed information please refer to Appendix 2: Green Bond/Green Bond Programme External Review Form.

## **Section 2: Sustainability Strategy of Shimao**

### **Contribution of Framework to Shimao Group Holdings Limited’s sustainability strategy**

Shimao has integrated environmental and social considerations into its core business operations, with the ambition of continuous investment in the development of green and sustainable cities in China.<sup>6</sup> To ensure the integration of its values and goals, Shimao has established the Sustainability Working Group (“SWG”),

<sup>6</sup> Shimao Group Holdings Limited Sustainability Report 2019, at: <http://www.shimaogroup.hk/Upload/DownloadFile/X6fVGCgkQFU1>

which is led by the Chairman of the Board, and the key organization within its business to oversee, promote and implement the Group's sustainability strategy developed by the Board of Directors.<sup>7</sup>

As part of the Group's Green Building Policy, Shimao continuously explores ways to increase further land conservation, outdoor environment preservation, energy conservation and utilization, water use, resource-saving, and material utilization measures.<sup>6</sup> In addition, Shimao is committed to advancing and implementing environmental protection technologies in its architectural design and construction activities. By developing such technologies, Shimao aims to organically reduce emissions and increase energy conservation in its building portfolio.<sup>6</sup> In 2019, the total green building area of the Group reached approximately 50 million sqm, which represents an increase of more than 50% from 2018, demonstrating Shimao's commitment to advancing China's green building landscape.<sup>6</sup> The Group has achieved 5 LEED Gold certifications, and further investment in green buildings as defined in the Framework will enable Shimao to continue and expand on its certification efforts.

In addition to Shimao's efforts in green buildings, the Group pledges to continuously implement measures in the areas of energy consumption, water utilization, emission, and waste management to reduce the Group's negative environmental impact. More specifically, Shimao intends to reduce its negative environmental impact through the implementation of the following initiatives in its building portfolio: non-fossil energy use, electricity reduction, water recycling, ozone protection, air purification, and waste recycling.<sup>6</sup>

Sustainalytics is of the opinion that the Shimao Group Holdings Limited Green Finance Framework is aligned with the Group's overall sustainability strategy and initiatives, and will further the Group's action on its key environmental priorities. Sustainalytics recognizes the importance of the above-mentioned commitments and practices as important contributors to the Group's sustainability performance and encourages the Group to develop time-bound targets to strengthen its sustainability practices further.

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

While Sustainalytics recognizes that the net proceeds from the bonds and loans issued under the Framework will be directed towards eligible projects that are recognized by the GBP and GLP to have a positive environmental impact, Sustainalytics is aware that such eligible projects could also lead to adverse environmental and social outcomes. Some key environmental and social risks associated with the eligible projects could include occupational health and safety, land-use change, biodiversity loss, and public opposition associated with large-scale developments, as well as emissions, effluents, and waste generated in construction. Sustainalytics is of the opinion that Shimao is able to manage and mitigate potential risks through implementation of the following:<sup>6</sup>

- According to China's Environmental Impact Assessment Act<sup>8</sup>, companies must perform an environmental risk assessment for all construction, reconstruction, expansion or refurbishment projects during the initial phase of project design and feasibility analysis. Moreover, the Chinese Act mandates that companies undergo an independent and certified environmental impact assessment agency to avoid a potential conflict of interest, including the interest of local communities
- To ensure worker health and safety, Shimao has established the "Work Guidelines for Safe Maintenance and Construction," ensuring that proper safety measures are followed on construction sites. Furthermore, Shimao complies with the OHSAS 18000 standards<sup>9</sup> for occupational health and safety management. In 2019, Shimao recorded zero in severe safety issue or work-related fatality. To maintain the zero work-related fatality rate, Shimao has additional protection measures in place such as weekly documented safety checks conducted by safety officers and third-party evaluation of its construction sites.
- To minimize the negative environmental impacts associated with contractors and construction material, Shimao conducts an environmental performance assessment on its external suppliers and contractually requires its contractors to follow the "Green Construction Guidelines" issued by the Ministry of Construction and meet the requirements of the ISO14000<sup>10</sup> environmental management system. Furthermore, Shimao expects its contractors to dispose of waste daily in a sustainable manner and take effective control measures for construction-related negative environmental impacts including dust, exhaust gas, wastewater, solid waste, noise, and vibration.
- To reduce potentially negative environmental impacts and ensure that employee awareness of environmental protection, Shimao organizes monthly training sessions for each project unit on the use of

<sup>7</sup> Shimao Green Finance Framework

<sup>8</sup> Law of the People's Republic of China on Environmental Impact Assessment, at: <https://www.waizi.org.cn/law/11686.html>

<sup>9</sup> OHSAS 18000 standards comprise of OHSAS 18001 and OHSAS 18002, which provide requirements and guidelines for the implementation of safety and health management standards. For further information please visit: <https://18000store.com/ohsas-18000-standards/what-is-ohsas-18000/>

<sup>10</sup> The ISO 14000 family developed by ISO Technical Committee ISO/TC 207 provides practical tools to organizations to manage their environmental responsibilities. For further information please visit: <https://www.iso.org/iso-14001-environmental-management.html>

chemical agents, MSDS safety protection, and waste sorting. In 2019, Shimao reported zero environmental accidents.

- Shimao's Board of Directors (BOD) is the supervisory body for the Group's sustainable development. The BOD identifies and monitors sustainability risks associated with Shimao's operations and ensures effective environmental and social risk management implementation.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Shimao has implemented adequate measures and is well-positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

### Section 3: Impact of Use of Proceeds

All six use of proceeds categories are aligned with those recognized by the GBP and GLP. Sustainalytics has focused on two below where the impact is specifically relevant in the local context.

#### Importance of Green Buildings in China

In 2019, the building sector's total final energy consumption<sup>11</sup> accounted for 39% of global CO<sub>2</sub> emissions, remaining the same as in previous years.<sup>12</sup> However, emissions from buildings' operation reached a record high level in 2019, being responsible for 28% of total energy-related emissions globally.<sup>12</sup> To achieve the goal of a net-zero building stock globally by 2050 and meet the ambitions of the Paris Agreement, according to the IEA direct CO<sub>2</sub> emissions from the building sector would need to halve by 2030, meaning that building sector emissions should decline by 6% per year until 2030.<sup>13</sup> Optimizing building energy efficiency has the potential to close 20% to 55% of the gap between current emission trends and 2030 abatement targets, demonstrating the importance of green buildings.<sup>14</sup> Having a building floor area of around 58 billion m<sup>2</sup>, which is expected to reach 80 billion m<sup>2</sup> by 2050, decarbonizing China's building sector has a key role in keeping global temperature rise below 1.5 degree Celsius compared to pre-industrial levels.<sup>15</sup>

In recent decades, China has experienced rapid urbanization and economic growth. According to China Statistics Yearbook, people living in cities have increased from 13% in 1950 to 57% by 2016, an urbanization trend projected to continue with around 225 million people moving to cities by 2050, raising the population that lives in urban areas to 78% in the next 30 years.<sup>16</sup> The unprecedented rate of urbanization, the expansion of cities, and the building floor have reshaped China's landscape putting tremendous pressure on the environment.

China's building sector is responsible for 20% of total primary energy consumption<sup>15,17</sup> and 25% of the country's greenhouse gas emissions according to the 2020 IEA Building Report.<sup>13</sup> As China's building stock is only expected to grow in the future, its old and future building stock must become greener and more energy efficient. In light of the importance of the building sector, China's Thirteenth Five Year Plan (2016-2020)<sup>18</sup>, released by the State Council of China, includes a target of increasing the share of urban green buildings to 50% of newly built green buildings. It is expected that the next five-year plan will continue to emphasize the importance of decarbonizing Chinese cities and its building sector.<sup>19</sup> China's green building sector presents

<sup>11</sup> Final energy consumption refers to the total energy consumed by end users, such as households, and industry. It is the energy which reaches the final consumer's door and excludes that which is used by the energy sector itself, at: [https://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Final\\_energy\\_consumption](https://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Final_energy_consumption)

<sup>12</sup> Global Alliance for Buildings and Construction, "2020 Global Status Report for Buildings and Construction", at: [https://globalabc.org/sites/default/files/inline-files/Buildings%20GSR\\_Executive\\_Summary%20FINAL\\_0.pdf](https://globalabc.org/sites/default/files/inline-files/Buildings%20GSR_Executive_Summary%20FINAL_0.pdf)

<sup>13</sup> IEA, "Tracking Buildings 2020", at: <https://www.iea.org/reports/tracking-buildings-2020>

<sup>14</sup> McKinsey Center for Business and Environment, "A strategic Approach to Climate Action in Cities to 2030", at:

<https://www.mckinsey.com/~media/McKinsey/Business%20Functions/Sustainability/Our%20Insights/A%20strategic%20approach%20to%20climate%20action%20in%20cities%20focused%20acceleration/Focused-acceleration.pdf>

<sup>15</sup> C40 China Buildings Programme, "Constructing a New, Low-Carbon Future", at: <https://www.c40.org/researches/constructing-a-new-low-carbon-future-china>

<sup>16</sup> European Commission, "Developments and Forecasts on Continuing Urbanisation", at:

[https://knowledge4policy.ec.europa.eu/foresight/topic/continuing-urbanisation/developments-and-forecasts-on-continuing-urbanisation\\_en](https://knowledge4policy.ec.europa.eu/foresight/topic/continuing-urbanisation/developments-and-forecasts-on-continuing-urbanisation_en)

<sup>17</sup> Primary energy consumption refers to the direct use at the source, or supply to users without transformation, of crude energy, that is, energy that has not been subjected to any conversion or transformation process, at: <https://stats.oecd.org/glossary/detail.asp?ID=2112>

<sup>18</sup> Grantham Research Institute on Climate Change and the Environment, "13th Five Year Plan", (2016), at: <https://climate-laws.org/geographies/china/policies/13th-five-year-plan>

<sup>19</sup> WRI, "China Is Investing \$13 Trillion in Construction. Will It Pursue Zero Carbon Buildings?", at: <https://www.wri.org/blog/2019/09/china-investing-13-trillion-construction-will-it-pursue-zero-carbon-buildings>

itself with great opportunities, with an estimated USD 12.9 trillion in potential low carbon building investments by 2030.<sup>20</sup>

By financing the acquisition, construction, or refurbishment of buildings as defined by the Framework, Sustainalytics is of the opinion that Shimao will have a positive environmental impact and contribute to the decarbonization of China's building sector.

### Importance of Renewable Energy Investments in China

China is the biggest CO<sub>2</sub> emitter, being responsible for around 28% of global emissions.<sup>21</sup> In 2020 China's government announced at the UN General Assembly that China is committed to hitting peak emissions before 2030 and setting the target to become climate neutral by 2060.<sup>22</sup> As part of the 13th Five Year Plan, China committed to increasing the share of non-fossil energy in total primary energy consumption to 15% by 2020 and 20% by 2030.<sup>23,24</sup>

Global coal use continued to rise in 2018, led by China, India, and other Asian economies. China is the largest coal producer and consumer globally, and it is expected that China's coal consumption will continue to rise until 2022.<sup>25</sup> To meet the 2060 carbon neutrality target, China's renewable energy share needs to expand to replace the economy's heavy reliance on coal. China has a large potential to harness renewable energy<sup>26</sup>, and it is estimated that with USD 145 billion investment per year, China could scale up its renewable energy share to 26% before 2030 and save USD 200 billion per year from reduced CO<sub>2</sub> emissions and adverse effects associated with it.<sup>27</sup>

Given the importance of facilitating renewable energy investments in decreasing China's reliance on coal, Sustainalytics believes that by investing in renewable energy projects, Shimao will contribute to China's long-term and short-term climate change goals and increase the share of renewables in China'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. This green bond advances the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Green Buildings	11. Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Pollution Prevention and Control	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Sustainable Water and Wastewater Management	6. Clean Water and Sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally

<sup>20</sup> The International Finance Corporation, "Climate Investment Opportunities in Emerging Markets Report" (2016), at: [https://www.ifc.org/wps/wcm/connect/59260145-ec2e-40de-97e6-3aa78b82b3c9/3503-IFC-Climate\\_Investment\\_Opportunity-Report-Dec-FINAL.pdf?MOD=AJPERES&CVID=IBLd6Xq](https://www.ifc.org/wps/wcm/connect/59260145-ec2e-40de-97e6-3aa78b82b3c9/3503-IFC-Climate_Investment_Opportunity-Report-Dec-FINAL.pdf?MOD=AJPERES&CVID=IBLd6Xq)

<sup>21</sup> BBC, "China aims for carbon neutrality by 2060", at: <https://www.bbc.com/news/science-environment-54256826>

<sup>22</sup> UN News, "Enhance solidarity' to fight COVID-19, Chinese President urges, also pledges carbon neutrality by 2060", at: <https://news.un.org/en/story/2020/09/1073052>

<sup>23</sup> IEA, "China 13th Renewable Energy Development Five Year Plan", at: <https://www.iea.org/policies/6277-china-13th-renewable-energy-development-five-year-plan-2016-2020?page=4&sector=Multi-sector>

<sup>24</sup> CarbonBrief, <https://www.carbonbrief.org/analysis-chinas-new-2030-targets-promise-more-low-carbon-power-than-meets-the-eye>

<sup>25</sup> IEA, "Coal 2019", at: <https://www.iea.org/reports/coal-2019>

<sup>26</sup> Forbes, "China is set to become the world's renewable energy superpower", at: <https://www.forbes.com/sites/dominicdudley/2019/01/11/china-renewable-energy-superpower/>

<sup>27</sup> IRENA, "Energy Propects: China", at: <https://www.irena.org/publications/2014/Nov/Renewable-Energy-Prospects-China>

Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons

## Conclusion

Shimao has developed the Shimao Group Holdings Limited Green Finance Framework under which it intends to issue green bonds, loans, and other debt-like financing instruments and the use of proceeds to finance or refinance Green Buildings, Energy Efficiency, Pollution Prevention and Control, Sustainable Water and Wastewater Management, Renewable Energy, Clean Transportation projects. Sustainalytics considers that the projects funded by the proceeds are expected to reduce the carbon footprint and improve the environmental performance of Shimao's operations.

The Shimao Group Holdings Limited Green Finance Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Shimao Group Holdings Limited Green Finance Framework is aligned with the overall sustainability strategy of the company and that the green use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 6, 7, 11, 12. Additionally, Sustainalytics is of the opinion that Shimao has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

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

## Appendices

### Appendix 1: Green Building Certifications

	Chinese Green Building Evaluation Label (China Three Star)	LEED	BEAM Plus	BREEAM
<b>Background</b>	The Chinese Green Building Evaluation Label is a Certification System used in China for residential and public buildings (including commercial, hotel and government-owned) that was introduced in 2006 by MOHURD (Ministry of Housing and Urban-Rural Development).	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.	BEAM Society Limited (BSL), owner of the Building Environmental Assessment Method (BEAM), is a public body established in 2010. It owns BEAM Plus - a green building assessment tool tailor-made for the high-rise, high density-built environment of sub-tropical climate in Hong Kong.	BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK. Used for new, refurbished and extension of existing buildings.
<b>Certification levels</b>	1-Star 2-Star 3-Star	Certified Silver Gold Platinum	Bronze Silver Gold Platinum	Pass Good Very Good Excellent Outstanding
<b>Areas of Assessment: Environmental Performance of the Building</b>	<ul style="list-style-type: none"> <li>Land savings and outdoor environment;</li> <li>Energy savings and utilisation;</li> <li>Water savings and utilisation;</li> <li>Material savings and utilisation;</li> <li>Indoor environment;</li> <li>Operations and management.</li> </ul>	<ul style="list-style-type: none"> <li>Energy and atmosphere</li> <li>Sustainable Sites</li> <li>Location and Transportation</li> <li>Materials and resources</li> <li>Water efficiency</li> <li>Indoor environmental quality</li> <li>Innovation in Design</li> <li>Regional Priority</li> </ul>	<ul style="list-style-type: none"> <li>Site Aspects (location and design of building, emissions from the site, site management)</li> <li>Materials Aspects (selection of materials, efficient use of materials, waste disposal and recycling)</li> <li>Energy Use (annual CO2 emissions or energy use, energy efficient systems and equipment, energy management)</li> </ul>	<ul style="list-style-type: none"> <li>Energy</li> <li>Land Use and Ecology</li> <li>Pollution</li> <li>Transport</li> <li>Materials</li> <li>Water</li> <li>Waste</li> <li>Health and Wellbeing</li> <li>Innovation</li> </ul>

			<ul style="list-style-type: none"> <li>• Water Use (water quality, water conservation, effluent discharges)</li> <li>• Indoor Environmental Quality (IEQ)</li> </ul>	
<b>Requirements</b>	<p>Prerequisites:</p> <p>The system functions on a checklist basis, with 1-Star buildings meeting 26 criteria, 2-Star an additional 43 items, and 3-Star on a further 14 items. Criteria and weighting differ for public and residential buildings. In public buildings, more weight is given to energy and material savings, while the standard for residential buildings places greater importance on urban land saving and outdoor environments.</p>	<p>Prerequisites (independent of level of certification) + Credits with associated points</p> <p>These points are then added together to obtain the LEED level of certification</p> <p>There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).</p>	<p>Prerequisites for each performance area + Credits with associated points</p> <p>Detailed compliance with legal requirements is a prerequisite for the award of credits.</p> <p>For every performance area BEAM prescribes different prerequisites. Every applicable prerequisite in every BEAM category must be achieved for the project to be assessed.</p> <p>Credits are allocated for each performance area, and every area is weighted as per international consensus.<sup>28</sup> The Overall Assessment Grade is determined by the percentage (%) of the applicable credits gained under each performance category and its weighting factor.</p> <p>Verification of compliance with BEAM criteria is done by an independent BEAM Assessor.</p>	<p>Prerequisites depending on the levels of certification + Credits with associated points</p> <p>This number of points is then weighted by item<sup>29</sup> and gives a BREEAM level of certification, which is based on the overall score obtained (expressed as a percentage). Majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their BREEAM performance score.</p> <p>BREEAM has two stages/ audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.</p>

<sup>28</sup> BEAM Plus New Buildings, at: <https://www.beamsociety.org.hk/files/download/download-20130724174420.pdf>.

<sup>29</sup> BREEAM weighting: Management 12%, Health and wellbeing 15%, Energy 19%, Transport 8%, Water 6%, Materials 12.5%, Waste 7.5%, Land Use and ecology 10%, Pollution 10% and Innovation 10%. One point scored in the Energy item is therefore worth twice as much in the overall score as one point scored in the Pollution item.

Performance display				
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## Appendix 2: Green Bond / Green Bond Programme - External Review Form

### Section 1. Basic Information

<b>Issuer name:</b>	Shimao Group Holdings Limited
<b>Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:</b>	Shimao Group Holdings Limited Green Finance Framework
<b>Review provider's name:</b>	Sustainalytics
<b>Completion date of this form:</b>	January 25, 2021
<b>Publication date of review publication:</b>	

### Section 2. Review overview

#### SCOPE OF REVIEW

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

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

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

#### ROLE(S) OF REVIEW PROVIDER

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

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

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

Please refer to Evaluation Summary above.

### Section 3. Detailed review

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

## 1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

The eligible categories for the use of proceeds – Green Buildings, Energy Efficiency, Pollution Prevention and Control, Sustainable Water and Wastewater Management, Renewable Energy, Clean Transportation – are aligned with those recognized by the Green Bond Principles 2018 and the Green Loan Principles 2020. Sustainalytics considers that the eligible categories are expected to reduce the carbon footprint and improve the environmental performance of Shimao’s operations while advancing the UN Sustainable Development Goals (SDGs), specifically SDG 6, 7, 11, 12.

### Use of proceeds categories as per GBP:

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

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

## 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section *(if applicable)*:

Shimao established a Sustainability Taskforce, comprised of senior members including Chief Financial Officer and department representatives from Finance & Investor Relations, Operation Management Center, Development & Design Center, and regional offices. The Sustainability Taskforce will meet at least annually to review the proposed allocations and ensure that the allocation is in line with the eligibility criteria. Sustainalytics considers the project selection process in line with market practice.

### Evaluation and selection

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Credentials on the issuer’s environmental sustainability objectives            | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories               |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available       | <input type="checkbox"/> Other <i>(please specify)</i> :  |

### Information on Responsibilities and Accountability

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

### 3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

Shimao Group Holdings Limited will use an internal register to track the use of proceeds for each transaction under the Framework. Shimao intends to reach full allocation within 24 months after each issuance. Pending allocation, the unallocated proceeds will be held in short-term time deposits or investments in accordance with Shimao's liquidity guidelines. Shimao excludes any high pollution activity or any project that conflicts with the Framework eligibility criteria from temporary allocation. Sustainalytics views this as is in line with market practice.

#### Tracking of proceeds:

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

#### Additional disclosure:

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

### 4. REPORTING

Overall comment on section (if applicable):

Shimao Group Holdings Limited intends to report on the allocation and impact of proceeds on its website, Annual Report or Sustainability Report on an annual basis until full allocation. Allocation reporting will include details such as the aggregate amount of proceeds allocated to eligible projects, the balance of unallocated proceeds, the share of financing vs refinancing. In addition, Shimao Group Holdings Limited is committed to reporting on relevant impact metrics. Sustainalytics views Shimao Group Holdings Limited's allocation and impact reporting as aligned with market practice.

- Project-by-project
- On a project portfolio basis
- Linkage to individual bond(s)
- Other (*please specify*):

**Information reported:**

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

**Frequency:**

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

**Impact reporting:**

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

**Information reported (expected or ex-post):**

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

**Frequency**

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

**Means of Disclosure**

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

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

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

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**

**Type(s) of Review provided:**

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

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

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

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