



Shui On Land Limited(SOL)

Green Finance Framework

2019.10

About Shui On Land

Established in 2004 and listed on The Stock Exchange of Hong Kong (Stock Code: 272) in October 2006, Shui On Land Limited (the "Company" or SOL) is one of the leading property developers in the PRC and the flagship property company of the Shui On Group. The Company and its subsidiaries (the "Group") engages principally in the development, sale, leasing, management and the long-term ownership of high-quality residential, office, retail, entertainment and cultural properties in the PRC, utilizing its expertise and experience in developing large-scale integrated property projects based on master plans that have been developed in conjunction with the local governments. The Company's past developments include the well-known restoration project, Shanghai Xintiandi, one of the landmarks in Shanghai, Corporate Avenue, Ruihong Xincheng, Knowledge and Innovation Community (KIC), Hongqiao Tiandi in Shanghai, Foshan Linanan Tiandi in Foshan, Chongqing Tiandi in Chongqing and Wuhan Tiandi in Wuhan.

Shui On Land's Corporate Social Responsibilities ("CSR") philosophy and strategies

Adhering to the corporate spirit of "Integrity • Dedication • Innovation • Excellence" and the principle of "cooperating with governments to promote prosperity and growing with the community" since its inception, the Group has made unremitting contribution to the process of urban modernisation and internationalisation in PRC and promoted building of sustainable communities and cities while changing the pattern that "a thousand cities all share the same appearance" and preserving historical culture and urban characteristics. During the process, the SOL has gradually developed three major components of its CSR philosophy and strategies, namely: "Sustainable Development", "Community Prosperity" and "Talent Development". With the advancement of Asset Light Strategy, the Group becomes more focused on the importance of environment and human and begins to think about the relationship of buildings with environment, human, community and city, with an aim to creating a future-oriented new urban world and ideal new life by fully integrating the three major components of its CSR philosophy and strategies during development and operation.

- **Sustainable Development – Respect nature, build green communities**

Pursue a harmonious unity of the real estate industry with the environment and culture, build sustainable communities, adhere to green planning, green design, green construction and green operation, and continuously promote urban sustainable development

- **Community Prosperity – Strive for perfection, lead the future**

Create quality living spaces and pleasant and interconnected communities, maintain visionary and innovative thinking, enhance integrated value at the regional level, and spearhead the joint efforts of the Company and community to create prosperity in the community

- **Talent Development – Put people first, share growth**

Gather together diversified talents, cultivate talent, build innovation platforms, support development of entrepreneurial talents in society, and promote career development and social progress

Shui On Land's Corporate Social Responsibilities ("CSR") Implementation and advancement

To better propel the synergetic development of SOL's CSR philosophy and strategies (i.e. "Sustainable Development", "Community Prosperity" and "Talent Development") in its development and operation, in 2006, the Group set up the Sustainable Development Committee directly led by the senior management with cross-departments and projects. The Sustainable Development Committee regularly analyses, promotes and tracks the sustainability performance of the Company. SOL has integrated the sustainable development philosophy of green and health into various stages of strategic planning, product development and daily operation and management, and formed a closed-loop management system featuring internal- external linkage by setting relevant targets, improving relevant mechanism and process and advocating corresponding lifestyle.

Synergetic promotion mechanism for sustainable development



From 2012 onwards, SOL issues the sustainable development guidelines every five years to guide the Company's sustainable development practices. In 2017, the Group issued the 2017-2021 "Six Major Sustainable Development Guidelines" guiding the development for the coming five years for the second time, which specifies the implementation method and development direction of the green and healthy philosophy.

The Group's sustainable development guidelines for 2017-2021



Up to now, SOL has been ranked first among developers in mainland China in terms of total building area awarded LEED-ND Stage 2 Gold level Certification (Taipingqiao, KIC, Ruihong Xincheng, Foshan Lingnan Tiandi, Wuhan Tiandi, Chongqing Tiandi). Many projects and buildings of the Group have been awarded LEED certification, China Green Building Label certification and Green Building Evaluation system (BREEAM) certification.

Green Building Certification Awarded to Shui On Land as of December 2018



SOL's CSR philosophy and strategies and their alignment with UN Sustainable Development Goals ("UN SDG")

SOL believes its CSR philosophy and strategies align broadly with the UN SDG. In particular, SOL believes that its current CSR philosophy and strategies have positive impact on the below UN SDG goal targets – 7) Affordable and Clean Energy, 8) Decent Work and Economic Growth, 11) Sustainable Cities and Communities, 13) Climate Action.



SOL's Green Finance Framework (the "Framework") Overview

SOL has developed this Green Finance Framework as a basis for entering into future Green financing via bonds, commercial mortgage backed securities or other private equity or public fund raising where proceeds will be deployed towards contribution to sustainable development.

The Company has developed the framework referencing both the International Capital Market Association (ICMA) Green Bond Principles and Loan Market Association (LMA) Green Loan Principles.

The format of the relevant Green financing will depend upon the relevant market conditions and will reflect the Company's business needs as well as align with its CSR philosophy and strategies.

SOL asserts to adopt the standards covered under the 4 sections of 1) Use of Proceeds, 2) Project Evaluation and Selection, 3) Management of Proceeds and 4) Reporting which was developed based on the ICMA Green Bond Principles and LMA Green Loan Principles.

1) Use of Proceeds

Financing proceeds raised under SOL's Green Finance Framework will be used exclusively for funding, financing or refinancing the acquisition, development, renovation in whole or in part of the "Eligible Projects"

"Eligible Projects" refer to projects funded, in whole or in part, by the Group that promotes sustainable development in the real estate industry. Such Eligible Projects include the following categories:

Eligible Projects Categories

Criteria and examples

Eligible Projects Categories	Criteria and examples
Green Buildings	new commercial projects, or commercial projects which require renovation or refurbishment and furnished residential projects owned and managed by the Group to achieve LEED or China Green Building Label certification, which include but is not limited to Corporate Avenue 5 in Taipingqiao, Shanghai (which is a LEED CS Gold and China Green Building Label 3 Star building).
Energy Efficiency	Investments aiming to encourage and facilitate the adoption of new technologies and upgrade of mechanical equipment for the purpose of reducing the energy consumption in operation, which includes, but is not limited to investment into LED lighting and "better control" system.
Pollution Prevention and Control	Expenditure relating to indoor PM2.5 treatment, recycling as well as resources conservation.

1. Project Evaluation and Selection

Eligible Projects will be screened and selected according to the criteria outlined above by the sustainable development working group through an inclusive decision-making

process involving participants from various functional teams within the Company including design, construction, procurement, quality management, finance, branding and operation teams. The sustainable development working group will identify and manage potentially environmental and social risks associated with the Eligible Projects, if applicable. The shortlisted projects will be presented to the Sustainable Development Committee for approval.

2) Management of Proceeds

Proceeds raised from bonds or loans under the Green Financing Framework will be allocated to finance designated Eligible Projects. Payment of principal and interest under any bonds or loans financing under the Framework will not be directly linked to the performance of any specific Eligible Project.

The following outline how SOL intends to manage the proceeds raised from financing under the Framework

Process

Description

Tracking of Proceeds

- SOL intends to monitor the allocation proceeds raised under the Framework via internal information systems. SOL will create registers to facilitate the monitoring and reporting of net monies raised and deployed towards Eligible Projects under the Framework
- The register will include information such as
 - Details of loans and bonds raised under the financing including issue date, maturity date, principal amount, interest cost, identification codes such as ISIN / Common Codes
 - Mapping of Eligible Projects against the relevant categories and amount allocated towards each respective Eligible Projects
 - Environmental certification or third party reports if applicable
 - Balance of proceeds not yet allocated towards Eligible Projects
 - Status of unallocated proceeds

Allocation of Unused Proceeds

- Pending any allocation towards Eligible Projects, net proceeds from bonds or loans raised under the Framework may be invested in cash or cash equivalents as part of the Company's cash management policies or used to repay existing indebtedness of the Company

Reallocation of Proceeds

- Proceeds previously allocated to Eligible Projects will be monitored and reallocated in the event any Eligible Projects cease to become an Eligible Project as designated by the Company or in the event of assets / projects disposal made by the Company from time to time

3) Reporting

SOL intends to publish on an annual basis the following information within the "Corporate Social Responsibilities" section of its Annual Report:

- List of approved Eligible Projects and the corresponding proceeds raised from bonds or loans under the Framework earmarked towards such Eligible Projects
- Balance of unallocated proceeds raised from bonds or loans under the Framework

On a best efforts basis, SOL will also endeavour to provide additional information of the Eligible Projects including building certifications, energy data, environmental performance indicators of funded Eligible Projects as well as case studies of certain Eligible Projects. Such data and indicators include but not limited to:

- Electricity and energy usage (kWh)
- Greenhouse gases emissions (tonnes of CO₂e)
- Water consumption (m³)
- Number and type of certification of green buildings

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