



瑞安房地產
SHUI ON LAND

Sustainability -Linked Bond Framework

22 June 2021



About Shui On Land

Established in 2004, Shui On Land – (“SOL”, the “Company” or “Shui On Land”) – is the Shui On Group’s flagship property company in Mainland China. Listed on the Hong Kong Stock Exchange in October 2006 (stock code 272), it is headquartered in Shanghai.

As a leading developer, owner and asset manager focusing on commercial property, Shui On Land has established a solid track record in Mainland China. Unique in its approach to property development, Shui On Land offers in-depth understandings of local cities’ histories, culture, humanities and geographical environment.

SOL's innovative designs, attention to details and operational experience enable it to blend diverse elements harmoniously and seamlessly into “live-work-learn-play” communities.

Shui On Land operates in cities including Shanghai, Wuhan, Chongqing, Foshan and Nanjing.

SOL and Sustainability

Sustainable development (SD) is an important cornerstone of SOL’s real estate business and is reflected in the company’s corporate vision to become a pioneer of sustainable premium urban communities. Throughout SOL’s history, the company has always been committed to caring for the environment, preserving cultural heritage, and building and sustaining vibrant communities. The company cares for our colleagues, partners, and stakeholders, and does its utmost to uphold and raise the quality of our governance.

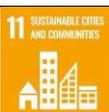
Faced with increasing global and stakeholder concerns and scrutiny about critical issues including climate change and resource scarcity; and as China has pledged to become carbon neutral by 2060, SOL recognizes its role as a property developer to help support these commitments. The company’s sustainable business model balances financial profitability with sustainability, social and environmental impact, as well as its contribution to local and regional economies, effectively encompassing all aspects of responsible management of environmental, social and governance (ESG) related issues.

In 2017, SOL established a set of environmentally focused sustainable development (SD) goals the company aimed to achieve by 2021. In 2019, the company announced its intention to enlarge its vision of what SD means for the company and to expand on existing internal goals by developing and implementing a *2030 5C Sustainable Development Strategy* (5C Strategy). To continue to advance its work in this area, the company further carefully and thoughtfully crafted a ten-year strategy to guide its SD journey towards 2030 and beyond.

SOL is committed to providing urban solutions that foster sustainable urban living, enhance local culture, and create vibrant communities for cities in China. The company’s 5C Strategy enables it to build and manage communities by concentrating their efforts behind five components that are central to its values and daily operations. The company believes these clear strategic priorities, known as the “the 5Cs”: Clean, Community, Culture, Care and Corporate Governance, will support its growth and deliver returns for its many stakeholders.

The ambitions and priority themes for each ‘C’ component of the *5C Strategy* were developed from an in-depth review of the materiality assessment conducted in 2019, internal and external engagement, as well as rigorous action plan development in 2020. They reflect the types of projects and initiatives the company wants to drive over the next ten years and serve as a feedback loop to ensure that it remains focused on meeting its corporate vision.

Motivated to contribute to the global sustainability agenda, SOL’s 5C Strategy was written to help us address global sustainability issues at a local level. When the company formulated the Strategy, it embedded relevant SDG oriented targets into the process as far as reasonably practical. To add further clarity and transparency to the SDG-related ambitions, SOL has mapped how the priority initiatives of the 5C Strategy may contribute to the successful achievement of these critical global goals.

	SDG	
CLEAN		- 3.9 – Helping to reduce the number of illnesses from hazardous chemicals and air, water and soil pollution and contamination – by providing quality air in our developments via constant monitoring and purification.
		- 6.4 - Upgrading our facilities to increase water-use-efficiency.
		- 9.4 – Upgrading our facilities to increase resource-use efficiency to reduce our CO2 emissions.
		- 12.5 – Innovating our waste and recycling practices to substantially reduce waste generation through prevention, reduction, recycling, and reuse.
		- 13 - Strengthening our portfolio and company's resilience and adaptive capacity to climate-related hazards and natural disasters – by preparing for emergency situations and decreasing our carbon emissions.
COMMUNITY		- 17.17 - Participating in and supporting public-private and civil society partnerships concerning sustainable building practices.
		- 11.6 - Paying special attention to air quality and waste management throughout our developments to help reduce the adverse environmental impact of cities. - 11.7 - Providing universal access to safe, inclusive and accessible, green and public spaces within and around our developments.
		- 12.2 – Striving to achieve the sustainable management and efficient use of natural resources in relation to our building and procurement practices. - 12.8 - Sharing with our community and value chain relevant information and awareness for sustainable development and lifestyles .
CULTURE		- 11.4 - Strengthening efforts to protect and safeguard cultural and natural heritage by conserving and rejuvenating cultural and historic sites.
		- 17.17 Participating in and supporting public-private and civil society partnerships concerning cultural heritage.
CARE		- 5.5 – Actively opening pathways for more representation of women in managerial positions within our organisation.
		- 8.8 – Adhering to all local regulations on labour rights and promoting a safe and secure working environment for all workers.
		- 16.b Promoting and enforcing non-discriminatory policies to ensure that no one on our staff have felt discriminated against or harassed.
CORPORATE GOVERNANCE		- 12.6 - Adopting sustainable practices and integrating sustainability information into our reporting cycle.
		- 16.5 – Enhancing our corporate governance practices and policies to reduce corruption and bribery in all their forms.

The company will continue to report on its progress and plans to address these important goals and to openly engage with interested stakeholders about its SDG-related activities for years to come.

SOL leverages its strong relationships with tenants and customers to increase its impact along the value chain by increasing awareness and providing and promoting sustainable options such as reusing existing buildouts in commercial spaces. In 2021 the company will promote low carbon living and environmental responsibility by rolling out a Green Pledge across its portfolio that encourages its retail tenants to reduce food packaging and food waste, and supports them to include plant-based and healthy food options (See Appendix 1).

SOL has adopted the following governing structures and measures with regards to Sustainable Development matters.

Board of Directors	Sustainability Committee	Sustainable Development Executive Committee and 5C Working Teams
<p>The Board of Directors – the company's highest governance body – has overall responsibility for SOL's sustainable development. It is responsible for final decision-making, and holistic evaluation and monitoring of SOL's strategies and results. The Board evaluates and adopts policies proposed by the Sustainability Committee to ensure that the Company strictly abides by all laws, regulations and regulatory provisions.</p>	<p>The Sustainability Committee – consisting of selected company executive directors and INEDs – meets regularly at least once a year to discuss and make decisions on sustainability goals. It directly monitors and guides the Company's overall sustainability performance, and supports the alignment of the SD Strategy to business objectives. The Committee also assists in raising the sustainability awareness of employees and stakeholders.</p>	<p>The Sustainable Executive Committee – comprising selected company directors and heads of corporate-level departments – meets quarterly to discuss and make decisions on sustainable policies and goals. Responsibility for specific proposals and the implementation of particular goals at operational level is delegated to five cross-departmental C Working Teams. Each team holds the KPIs of the goals, meets every month to drive implementation, and solves problems as they arise. KPIs are cascaded to relevant companies and departments for execution. The Sustainable Development Executive Committee and each C Working Team reports its progress and status to the Sustainability Committee for review on a regular basis, and the Sustainability Committee provides consolidated reports for submission to the Board of Directors.</p>

Rationale for SOL's Sustainability-linked Bond ("SLB") framework

SOL has been monitoring the development of the sustainable finance market which has seen strong growth since the introduction of ICMA Green Bond Principles. SOL has noticed that the emergence of SLB within the suite of sustainable finance products provide borrowers with a unique opportunity to align sustainability strategies, KPIs and targets at the corporate level with its financing objectives. The SLB product allows SOL to essentially leverage

a bespoke financing opportunity to achieve its ESG goal, and at the same time closely assessing and reporting on the ESG performance of the company for the benefit of bondholders.

In November 2019, SOL issued its first green bond under the Shui On Land Green Finance Framework, with an issuance size of US\$300 million and maturing in 2023. All of the proceeds were used to finance acquisition of Corporate Avenue 5 in Taipingqiao, Shanghai, the renovation of Shui On Plaza in Shanghai and the renovation of Shui On Land headquarters. Subsequently, SOL re-opened its green bond due 2023 for an additional size of US\$200 million taking its outstanding green bond size to a total of US\$500 million.

Following the roll out of its new 5C Sustainable Development ("SD") Strategy in 2020, SOL has recently developed and plans to gradually implement its strategic goals and targets in relation to its SD strategy.

As part of the SOL's 10-year 5C SD Strategy, the company has committed to setting carbon emissions reduction goals towards 2030 using Science Based Targets Initiative (SBTi) that are in line with limiting global warming to well-below 2 degrees compared with pre-industrial levels. Further, SOL will use best endeavours to set targets that limit global warming to 1.5 degrees.

Importantly, SOL's latest assessment of topics material to the company was included in its Sustainable Development Report 2019 and were updated in the company's Annual Report 2020 Sustainable Development Report section following further internal and external stakeholder engagement, industry benchmarking, and review against regulations and international ESG frameworks including SASB, the TCFD recommendations and SDGs. These material topics remain valid as of the date of publication of SOL's SLB framework. As seen in the figure below, emissions management and climate change mitigation and adaptation are material environmental issues for SOL and hence, forms the focus of the company's SLB framework which is to target the reduction of carbon emissions stemming from the company's operations.

 Clean	 Community	 Culture	 Care	 Corporate Governance
<ul style="list-style-type: none"> • Green building and healthy buildings • Emissions management • Indoor air quality • Waste management • Water conservation • Climate change mitigation and adaptation 	<ul style="list-style-type: none"> • Master planning • Tenant and customer wellbeing and safety • Value chain management and engagement • Innovation and entrepreneurship • Volunteering 	<ul style="list-style-type: none"> • Heritage conservation and urban regeneration • Creative expression • International cultural exchange 	<ul style="list-style-type: none"> • Training and development • Diverse and equal opportunities • Occupational health and safety • Employee wellbeing 	<ul style="list-style-type: none"> • Business ethics and anti-corruption • Corporate governance • Emergency preparedness

SOL is of the belief that linking financing with the company's ESG performance is a natural next step in its Sustainable Development journey.

Another important objective for SOL in establishing its SLB framework is to provide fixed income investors with an opportunity to be part of the company's journey to achieving its ESG goal. Investing in sustainable finance instruments like SLBs which provide borrowers with more flexibility around use of proceeds versus traditional

green, social and sustainable bonds but also at the same time ensure that these borrowers remain committed towards achieving sustainability goals that will contribute to the transition towards a net-zero world.

Scope of SOL's SLB framework

SOL has established its SLB framework in accordance with the ICMA Sustainability-linked Bond Principles ("SLBP") published in June 2020 and its five core components:

- Selection of Key Performance Indicators ("KPI"s)
- Calibration of Sustainability Performance Targets ("SPT"s)
- Bond characteristics
- Reporting
- Verification

1) Selection of Key Performance Indicators (KPIs)

SOL has selected the following KPI which it believes to be direct, relevant and material with regards to its core business and coherent with the company's ESG strategy and priorities as well as meaningful in terms of measuring SOL's ESG performance.

KPI: Reduction of Scope 1 and 2 Greenhouse Gases ("GHG") emissions intensity relating to assets that are wholly or partially owned and operated by SOL for at least 1 year

2) Calibration of Sustainability Performance Targets ("SPT"s)

SOL has set the following target in relation to its selected KPI. The company believes that the targets are ambitious against the baseline and reflects the company's commitment to decarbonisation. SOL has specifically considered transparency to investors as well as verifiability considerations with regards to setting its SPTs.

KPI	Reduction of Scope 1 and 2 Greenhouse Gases ("GHG") emissions intensity relating to assets that are wholly or partially owned and operated by SOL for at least one year
Rationale for KPI	<ul style="list-style-type: none"> • SOL is focusing on Scope 1 and 2 GHG emissions intensity for the purpose of its SLB framework given focusing on its own operations and what the company can accurately measure as well as control will generate the most immediate impact on tackling climate change • SOL has excluded Scope 3 GHG emissions for its SLB framework because currently it is unable to derive reliable and accurate data around its Scope 3 GHG emissions especially building material embodied carbon data. Scope 3 GHG emission reductions are integral part of the company's overall sustainability strategy and will actively work with tenants and other stakeholders to calculate and mitigate environmental impact • SOL intends to include Scope 3 GHG emissions for its 2030 SBTi targets and will also step up efforts to reduce embodied carbon as well as GHG emissions from its tenants
Baseline	<ul style="list-style-type: none"> • GHG emission intensity of 62.60 kg / square meter in 2019
Target	<ul style="list-style-type: none"> • GHG emission intensity that is equal or lower than 46.95 kg / square meter in 2024
SPT	<ul style="list-style-type: none"> • To reduce Scope 1 and 2 GHG emissions intensity (per square meter) by 25% by 2024 from a 2019 baseline

<p>Alignment with United Nations Sustainable Development Goals (UN SDGs)</p>	<p>The target to reduce carbon intensity aligns with UN SDG 7 - Affordable and Clean Energy, UN SDG 9 - Industry, Innovation and Infrastructure and UN SDG 11 – Sustainable Cities and Communities</p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">  <p>7 AFFORDABLE AND CLEAN ENERGY</p> </div> <div style="text-align: center;">  <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p> </div> <div style="text-align: center;">  <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p> </div> </div>																						
<p>Alignment with SBTi</p>	<ul style="list-style-type: none"> • SOL is engaging with SBTi currently in setting its decarbonisation targets (Scope 1, 2 and 3 GHG emissions) required to limit warming to well-below 2°C and use best endeavours to set targets that limit global warming to 1.5 degrees • The SPT has been set referencing resources from the SBTi and the company intends for it to align with its commitment to limiting warming to well-below 2°C levels and pursue efforts to limit warming to 1.5°C • SOL will use best efforts to align the performance of its SPT towards the trajectory required to achieve its 2030 SBTi targets 																						
<p>Methodology for calculating SPT</p>	<ul style="list-style-type: none"> • Scope 1 is defined by direct emissions of greenhouse gas • Scope 2 is defined by indirect emissions of greenhouse gas emissions • Definitions of Scope 1 and Scope 2 greenhouse emissions will be as defined in the GHG Protocol • GHG emission intensity calculated as CO2 emitted per square meter of gross floor area 																						
<p>Historical KPI performance</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #f4a460;"> <th></th> <th>2011</th> <th>2012</th> <th>2013</th> <th>2014</th> <th>2015</th> <th>2016</th> <th>2017</th> <th>2018</th> <th>2019</th> <th>2020</th> </tr> </thead> <tbody> <tr> <td style="color: #f4a460;">SOL group average Scope 1 and 2 GHG emissions intensity (kg per square meter)</td> <td>91.06</td> <td>85.53</td> <td>89.74</td> <td>80.35</td> <td>75.33</td> <td>67.79</td> <td>65.19</td> <td>64.60</td> <td>62.60</td> <td>52.91</td> </tr> </tbody> </table>		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	SOL group average Scope 1 and 2 GHG emissions intensity (kg per square meter)	91.06	85.53	89.74	80.35	75.33	67.79	65.19	64.60	62.60	52.91
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<p>Materiality</p>	<ul style="list-style-type: none"> • Currently, almost all of SOL's Scope 1 and 2 GHG emissions can be attributed to assets that are wholly or partially owned and operated by the company for at least one year • SOL's intention is for all of its assets that are wholly or partially owned and operated by the company to be 100% covered by the KPI (i.e. All of the company's Scope 1 and 2 GHG emissions are attributed to assets that are wholly or partially owned and operated by the company for at least one year). However, in future as the company would likely have new assets under construction or assets wholly or partially owned for less than one year, the KPI coverage may decrease 																						
<p>Strategy to achieve KPI SPT</p>	<ul style="list-style-type: none"> • SOL intends to set a roughly 3% annual energy intensity reduction target rate for its operation which will reduce GHG emissions from its operations • SOL intends to use more renewable energy to power its operations as some cities in which its assets are located will have renewable electricity supply available in the coming years • SOL will adopt diverse energy and resource efficiency measures to reduce energy consumption and corresponding carbon emissions including the following: <ul style="list-style-type: none"> – Using the highest possible design standard – Upgrading to LED lighting systems and using time controls in public lighting – Replacing low energy-efficient mechanical equipment with high efficient ones – Adopting better HVAC control strategy – Building recommissioning in operation 																						

Exclusion criteria

- SOL commits that proceeds raised from SLBs under its SLB framework will not go towards financing activities related to fossil fuels or coal

The baseline may be recalculated or adjusted and calibration of the SPT may change if there is a material change to SOL's property business and / or the composition of its property portfolio in case of any divestments, corporate restructuring, etc. Any such changes will be communicated by way of public announcements.

3) Bond characteristics

For each specific SLB transaction, SOL will look to satisfy the above SPT outlined. In the event that SOL fails to satisfy the SPT(s) it has selected, this will trigger a coupon adjustment or premium payment event as the case may be. The mechanism for coupon adjustment or payment of such premium will reference the coupon rate and could include one of the following:-

- Coupon rate step-up by 0.25% applying to the relevant bond from the first day of the next interest period immediately following the target observation date until maturity of the bond
- Purchase of Green Electricity Certificates or Carbon Credit / offset Certificates (aligned to internationally reputable sources such as The Gold Standard) in an amount that equals to the increase in coupon rate step-up mentioned above
- Payment to a research institute or NGO, of international standing contributing to research in the fields of climate research or climate change mitigation in an amount that equals to the increase in coupon rate step-up mentioned above

More details of the increase in coupon of SOL's SLB will be specified in the relevant documentation of each specific SLB transaction.

SOL will report the performance and progress it has made with regards to the SPT within its Annual Report or a separate report specific to the company's green and SLB bonds.

4) Reporting

SOL will look to make relevant disclosure with regards to the progress against its SPTs within its Annual Report, its annual standalone Sustainable Development Report or a separate bond-level report which will be published on SOL's corporate website annually until there are no SLBs outstanding.

Such disclosure may include the following information:

- Up-to-date information on the performance of the selected KPI(s), including baselines where relevant
- Verification assurance report outlining the KPI(s) performance against the SPT(s) and the relevant impact if any on the bond's financial characteristics
- Any information which the company considers relevant towards enabling investors to monitor progress against SPT as well as analysis of the company's KPI(s) and SPT(s)

5) Verification

SOL has engaged an external reviewer Sustainalytics to review its SLB Framework and provide a Second-Party Opinion of this Framework with respect to the alignment of the Framework and associated documentation with the ICMA SLBP.

Additional bond-level review / assurance in relation to the performance of SOL's SPT will be obtained from a qualified independent third party and disclosed within the company's Annual Report or its annual Standalone Sustainable Development Report or a separate bond-level report on an annual basis. Such bond-level review / assurance report will also be made available on SOL's corporate website.

Appendix 1 – Green Pledge Commitment

In order to protect the environment, drive sustainable development, and advocate healthy diet, as F&B partner of Shui On Land, we embrace and support its sustainable development philosophy, and follow the Green principles of compliance, balance and openness. We hereby pledge to conduct the following sustainable and green practices during our lease and operation, as required by this agreement:

1. Compulsory Terms

1.1. Practice **sustainable packaging** initiatives to Reduce-Replace-Recycle By **December** (Month) 31st (Day), 2021 (Year)¹:

- 1) Replace disposable non-degradable plastic straws/shopping bags/lunch boxes and tableware with environmentally friendly packaging, including straws, packaging bags, and packaging lunch boxes
- 2) Reduce the provision of disposable tableware to consumers, and encourage takeaway users to tick "no need for tableware" when ordering and use their own

1.2. **Advocate healthy diet**, and drive awareness and adoption of sustainable food system By **September** (Month) 1st (Day), 2021 (Year)²:

- 1) Launch Green Menu and vegetarian offerings
- 2) Ensure legitimate and safe sourcing
- 3) Choose raw materials as safe and traceable as possible
- 4) Procure animal-based ingredients as scientifically and healthily bred as possible

1.3. **Sustainable store operation** to reduce negative social and environmental impact By **December** (Month) 31st (Day), 2021 (Year):

- 1) Avoid excessive purchase and storage of ingredients
- 2) Standardize and quantify the amount of ingredients needed for each recipe
- 3) Maximize ingredient utilization in the cooking process
- 4) Encourage consumers to avoid excessive ordering by offering smaller serving options, posting slogans, and training waiters to remind consumers

2. Optional Terms (please tick "v" on chosen options)

2.1. Practice **sustainable packaging** initiatives to Reduce-Replace-Recycle By **December** (Month) 31st (Day), 2021 (Year):

- 1) Advocate and participate in packaging recycling. Stores, as providers of packaging, can conduct disposable plastic lunch box recycle campaigns

2.2. **Advocate healthy diet**, and drive awareness and adoption of sustainable food system By **December** (Month) 31st (Day), 2021(Year):

- 1) Choose safe and healthy cooking methods, such as steaming, boiling, stewing, braising, cold salad and others that use less oil
- 2) Avoid excessive use of condiments, including less salt, oil, and sugar
- 3) Install "see-through kitchens" that gives consumers visibility and supervision over cooking process

2.3. **Sustainable store operation** to reduce negative social and environmental impact By **December** (Month) 31st (Day), 2022(Year):

- 1) Use environmentally friendly or reusable revamp materials, monitor store air pollution during revamp and operation, and effectively control the emission of toxic and harmful volatiles such as VOC/TVOC
- 2) Stores can improve water and energy efficiency by adopting energy & water-saving equipment and optimizing store operation and management
- 3) Optimize supply chain and choose sustainable and environmentally friendly suppliers

Create value for community by leveraging store resources and participate in charitable work

3. Green Menu (No need to tick "v" for compulsory terms; please tick "v" on chosen optional ones)

3.1. Green Menu-Restaurants

1) Menu design

- **Compulsory:** offer at least 1-2 vegetarian dishes
- **Compulsory:** offer whole grains, nuts, fruits and vegetables, or replace animal-based foods with plant-based options
- **Optional:** offer at least 5 fruits (no added sugar)/non-fried vegetables; 5 vegetarian dishes
- **Optional:** offer vegetarian set
- **Optional:** promote healthy servings
- **Optional:** encourage consumers to “bring your own cup”, and even offer preferential treatment for doing so

2) Display

- **Compulsory:** create vegetarian menu page using Shui On Land's standardized Green Menu template
- **Optional:** add dedicated Green Menu module to store digital ordering system
- **Optional:** indicate healthy and green ingredients in store menu, including but not limited to sustainably and healthily farmed animal-based ingredients, sustainable aquatic products, organically grown food, etc.
- **Optional:** indicate calorie and sugar amount in store menu

3) Tracking

- **Compulsory:** regularly report or disclose order amount and basket size of Green Menu offerings

3.2. Green Menu-Beverages & Bakeries

1) Menu design

- **Compulsory:** offer at least 1-2 vegetarian products
- **Compulsory:** encourage consumers to “bring your own cup”, and even offer preferential treatment for doing so
- **Optional:** offer vegetarian combo(s)
- **Optional:** promote products containing healthy amount of sugar

2) Display

- **Compulsory:** create vegetarian menu page using Shui On Land's standardized Green Menu template
- **Optional:** add dedicated Green Menu module to store digital ordering system
- **Optional:** indicate calorie and sugar amount in store menu

3) Tracking

- **Compulsory: regularly report or disclose order amount and basket size of Green Menu offerings**

Note:

- 1) Due date of this term for Foshan project is 31 December 2022. According to the Foshan Municipal Government Information Office, Foshan has issued the "Foshan Implementation Plan on Further Strengthening Plastic Pollution Control", which stipulates that by the end of 2022, non-degradable plastic bags will be banned in shopping malls, supermarkets, pharmacies, bookstores and other establishments, as well as food and beverage take out services and exhibition activities in Foshan’s urban built up areas, and restrained in wet market
- 2) Due date of this term for Taipingqiao project is 1 September 2021, and 31 December 2021 for other Shui on Land commercial projects