

Second-Party Opinion

Sino-Ocean Group Holding Limited

Green Finance Framework



Evaluation Summary

Sustainalytics is of the opinion that the Sino-Ocean Group 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, Sustainable Water Management, Pollution Prevention and Control, Energy Efficiency, and Climate Change Adaptation – are aligned with those recognized by the Green Bond Principles 2018 and the Green Loan Principles 2020. Sustainalytics considers that the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 6, 7, 11 and 12.



PROJECT EVALUATION / SELECTION Sino-Ocean Group's internal process in evaluating and selecting projects is overseen by the Sustainable Development Management Committee ("SDMC"). The SDMC will meet every 12 months to review and select eligible projects according to the criteria outlined in the Framework. Shortlisted eligible projects will be approved by senior management of Sino-Ocean Group. Sustainalytics considers the project selection process in line with market practice.



MANAGEMENT OF PROCEEDS Sino-Ocean Group's processes for management of proceeds is overseen by the Finance team. The net proceeds from each Green Financing Transaction (GFT) will be tracked and managed through a register. Sino-Ocean intends to complete the full allocation of proceeds within 1 year after the issuance. Pending full allocation, unallocated net proceeds raised under the GFT may be invested in cash or cash equivalents or used to repay existing borrowings under the general credit facilities of Sino-Ocean Group. This is in line with market practice.



REPORTING Sino-Ocean Group intends to annually report on allocation of proceeds on its website until full allocation. The allocation report may contain the amount allocated to various eligible projects, the remaining balance of unallocated funds, type of temporary instrument, and the share of financing vs refinancing. In addition, Sino-Ocean Group is committed to reporting on relevant impact metrics. Sustainalytics views Sino-Ocean Group's allocation and impact reporting as aligned with market practice.

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Introduction

Sino-Ocean Group Holding Limited (“Sino-Ocean”, or the “Company”) is an investment holding company engaging primarily in activities such as investment and development of property in China. Sino-Ocean is currently expanding activities by investing and/or financing a variety of sectors such as residential property development, commercial property development and operations, urban retail space, and property services. Sino Ocean is headquartered in China and owns 200 properties in growing cities and metropolitan regions of China such as Beijing, Tianjin, Shanghai, Hangzhou, among others.

Sino-Ocean has developed the Sino-Ocean Group Holding Limited Green Finance Framework (the “Framework”) under which it intends to issue green bonds, loans, and other debt-like financing instruments and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that reduce the carbon footprint and improve the environmental performance of the Company operations in China. The Framework defines eligibility criteria in five green areas:

1. Green Buildings
2. Sustainable Water Management
3. Pollution Prevention and Control
4. Energy Efficiency
5. Climate Change Adaptation

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

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁴ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project 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 LSTA⁵;
- 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 1.7.1, 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 Sino-Ocean’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. Sino-Ocean representatives have confirmed (1) they understand it is the sole responsibility of Sino-Ocean 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.

¹ 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/>.

² 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/>.

³ The Green Finance Framework is available on Sino-Ocean Group’s website at: <https://www.sinooceangroup.com/en-US>

⁴ 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.

⁵ In addition to the Loan Markets Association, the GLP are 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 Sino-Ocean.

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 potential 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 Sino-Ocean has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Sino-Ocean Group Holding Limited Green Finance Framework

Sustainalytics is of the opinion that the Sino-Ocean Group Holding Limited Green Finance Framework is credible, impactful, and aligns with the four core components of the GBP and GLP. Sustainalytics highlights the following elements of Sino-Ocean Group Green Bond Framework:

- Use of Proceeds:
 - The eligible categories – Green Buildings, Sustainable Water Management, Pollution Prevention and Control, Energy Efficiency, and Climate Change Adaptation – are aligned with those recognized by the GBP and GLP. Sino-Ocean's investments in these areas are expected to reduce the carbon footprint and improve the environmental performance of the Company operations in the People's Republic of China.
 - Sino-Ocean has established a three-year look-back period for its refinancing activities. Additionally, Sino-Ocean intends to complete the full allocation of proceeds within 12 months after issuance, which Sustainalytics considers to be in line with market practice.
 - Under the Green Buildings category, Sino-Ocean may invest in residential and commercial buildings using third party green building certification standards such as LEED (Gold and above), BEAM Plus (Gold and above), BREEAM (Excellent and above), the Chinese Green Building Evaluation Label (2 star and above) and other equivalent green building standards. Sustainalytics views these certifications as credible, and the levels selected as impactful (see Appendix 1 for further information on the referenced building standards). Moreover, Sino-Ocean may seek to obtain additional certification focused on the health and well-being of tenants (WELL Building Standard™).⁶
 - Under the Pollution Prevention and Control category, Sino-Ocean may finance or refinance equipment systems that are used to mitigate pollution such as air, water, noise⁷ during the construction and/or operation of the buildings. Sino-Ocean has confirmed that noise control measures are aimed at achieving green building certification standards mentioned above.

⁶ WELL Building Standard ("WELL") is a building certification issued by the International WELL Building Institute (IWBI); Comprehensive, third-party verified standard targeting the commercial and institutional office buildings. The WELL standards measure the health, well-being, productivity and the happiness of building occupants. In 2018, the WELL standard was updated to WELL V2, which makes some changes to the requirements and scoring compared to WELL V1.

⁷ Sino-Ocean has confirmed that the reduction of dust, noise, construction waste and gas pollution projects aim to go above and beyond regulatory requirements and provide additional net positive environmental impact.

- Within the Energy Efficiency category, the Company may invest in electric powered or non-motorized energy efficient smart technologies, equipment or products such as cooling systems, lifts, lighting, fresh air supply, and energy monitoring that are subject to third-party assessments and is expected to improve energy efficiency by 10% compared to its prior baseline consumption. Sustainalytics views positively the Framework's inclusion of a defined energy efficiency threshold on a portfolio basis for the installations of energy-efficient systems, equipment, and technologies.
- Within the Climate Change Adaptation category, the Company may finance investments to develop "Sponge Cities"⁸ that aim to reduce flood risk and replenish groundwater. Activities in this category can include hardware installations, upgrades of enhanced flood protection systems and addition of insulation.
- Sino-Ocean has communicated to Sustainalytics that projects, activities, assets or technologies associated with fossil fuels are excluded from financing under the Framework.
- Project Evaluation and Selection:
 - Sino-Ocean has established an Sustainable Development Management Committee ("SDMC"), that will be responsible for project evaluation and selection, the overall management of the ESG and Sustainability reporting and the Green Financing Transactions (GFT). The SDMC will consist of senior representatives from various departments such as – Investment and Finance Center, Financial and Capital Center, Corporate Executive Center, Operation Development Center, Human Resources Center, Property Construction Center, and Risk Control Center.
 - The SDMC is expected to meet every 12 months to review and select eligible projects according to the criteria outlined in the Framework and the guidelines outlined in the GBP and GLP. The shortlisted eligible projects will be approved by the senior management of Sino-Ocean Group. SDMC will be responsible for managing prospective updates to the Framework and the expansion of requirements of use of proceeds.
 - Based on the establishment of a formal council with cross-departmental representation that validates the eligibility of green projects, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - Sino-Ocean's Finance team will be responsible for managing proceeds raised under this bond. The net proceeds from each Green Financing Transaction (GFT) will be tracked and managed through a register that contains information such as issuer/borrower entity, transaction date, number of transactions, principal amount of proceeds, repayment or amortization profile, maturity date and interest or coupon, and ISIN number in case of bond transaction.
 - Sino-Ocean intends to complete the full allocation of proceeds within 12 months after the issuance. Pending full allocation, unallocated net proceeds raised under the GFT may be invested in cash or cash equivalents or used to repay existing borrowings under the general credit facilities of Sino-Ocean Group. The Company confirmed that the repurchase of debt will not be linked to emission-intensive activities.
 - Given Sino-Ocean's disclosure on the 12-month allocation period and internal tracking system for the management of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - Sino-Ocean commits to providing an allocation and impact report on an annual basis and until full allocation in the Company's Sustainability/ESG Reports, and/or website. The allocation report may contain the aggregate amount allocated to various Eligible Projects, the remaining balance of funds which have not yet been allocated, type of temporary instrument, share of financing vs refinancing, and examples of eligible projects.
 - Regarding impact reporting, the intended metrics may include level of certification by property, energy efficiency gains in MWh or % in comparison to baseline, estimated avoided GHG emissions (tCO₂eq), annual energy savings (MWh pa), annual reduction in water consumption, annual energy savings in MWh/GWh (electricity) and GJ/TJ (other energy savings), waste that is prevented, reused or recycled before and after the project in % of total waste and/or in

⁸ The Sponge Cities concept is designed to absorb and capture rainwater, and includes green rooftops, low elevation greenbelt, bioretention, rainwater-based irrigation, and rainwater cisterns for flood prevention

absolute amount in tonnes p.a., amount of water recycled and reduced (litres), number of technologies applied and number of flood prevention facilities built.

- Based on Sino-Ocean's commitment to providing periodic allocation and impact reports, 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 Sino-Ocean Group Holding 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 Sino-Ocean

Contribution of framework to Sino-Ocean Group's sustainability strategy

Sino-Ocean's sustainability and its sustainability goals are aligned with applicable Chinese and international sustainability objectives.⁹ For example, Sino-Ocean has introduced its *Big Environmental Protection* as an overarching strategy focused on the following key environmental areas: (i) green buildings and construction – addressing global climate change, reducing environmental impact of business activities and protecting surrounding ecological environment, (ii) green operation – introducing intelligent and information tools for efficient energy consumption management of buildings and facilities, (iii) green office – promoting reduced waste and recycling, and energy savings in the company's offices, and (iv) green promotion – promoting environmental protection and education.⁹

In 2018, Sino-Ocean introduced its "Healthy Building" concept, a comprehensive approach to real estate and urban development including sponge cities, healthy building, green building and environmental protection standards.⁹ The Healthy Building concept addresses building's energy, water and resource efficiency performance and deterioration of people's living environment.⁹ As of 2019, Sino-Ocean constructed 1.11 million m² of certified healthy buildings, with an additional 1.38 million m² to be registered. With regards to green buildings, Sino-Ocean had 14.40 million m² of green building area, in 2019.⁹ Sino-Ocean is committed to incorporate green sustainability into its long-term planning and establish green building construction objectives and carbon reduction targets to effectively protect the environment from all stages of building design, construction, operation and management.⁹

Sustainalytics is of the opinion that the Sino-Ocean Group Holding Limited Green Finance Framework is aligned with the company's overall sustainability strategy and initiatives and will further the Company's action on its key environmental priorities. Sustainalytics encourages the Company to define timebound and quantifiable sustainability targets.

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

While Sustainalytics recognizes that the net proceeds from the bonds, loans or other debt-like instruments issued under the Framework will be directed towards eligible projects that are recognized by the GBP and GLP to have positive environmental impact, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes such as occupational health and safety, land use-change, biodiversity loss, community relations/stakeholder participation, and emissions and waste generated in construction. Sustainalytics is of the opinion that Sino-Ocean is able to manage and/or mitigate potential risks through implementation of the following:

- In 2019, Sino-Ocean Group implemented its Sustainability Management System to improve its sustainability management capabilities. The system establishes the principles of risk management for sustainable development, and defines responsibilities and decision-making procedures.⁹
- With regards to worker health and safety, Sino-Ocean is committed to protect the rights and interests of employees, insist on equal employment, nondiscrimination and no child labor, provide fair and favorable working conditions, promote the employee health and caring, and strive to improve employees' well-being.⁹
- Sino-Ocean suppliers are required to abide by its Code of Conduct for Suppliers which requires suppliers to fulfil their social responsibilities and take into account factors such as environmental

⁹ Sino-Ocean Group, "Sustainable Development Report 2019", (2020), at: <https://www.sinooceangroup.com/en-us/Society/ResponsibilityReport>

protection. In addition, general construction contractors are required to provide environmental, quality and occupational health management system certifications.⁹

- As part of China's Environmental Impact Assessment Act, all projects related to construction, reconstruction, expansion and/or refurbishing are obliged to conduct an environmental risk assessment during the initial phase of project design and feasibility analysis. The act stipulates that the evaluation must include considerations on key risk factors related to air, water, soil pollution or human health. According to Chinese law, all companies are required to undergo an assessment by an independent and certified environmental impact assessment agency in order to avoid any conflict of interest.¹⁰

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Sino-Ocean 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 five use of proceeds categories are aligned with those recognized by the GBP and GLP. Sustainalytics has focused on the following below where the impact is specifically relevant in the local context.

The role of green buildings and energy efficiency to achieve carbon neutrality in China

In September 2020, the Chinese Government announced at the UN General Assembly, the intention to scale up China's Nationally Determined Contribution (NDC) to address climate change by introducing more vigorous policies and measures in an effort to have CO₂ emissions peak before 2030 and reach carbon neutrality before 2060.¹¹ Accounting for about a quarter of carbon emissions worldwide,¹¹ green buildings are likely to make a significant contribution in reaching China's targets. China has experienced average annual electricity consumption growth of 10% in the period 2000-2018,¹² with buildings accounting for around 17-20% of the country's energy consumption,¹³ contributing to the steady rise of CO₂ emissions over the past decade.¹⁴

Estimates predict urban population to reach 1 billion people by 2030 in China,¹⁵ the urban real estate sector is expected to grow, making the sector an important player in controlling carbon emissions and energy consumption. Following the introduction of after several national policies by the Ministry of Housing, Urban-Rural Development (MOHURD) over the last decade, there has been an increase in the number of green building initiatives. These include the 12th Five-Year-Plan ("FYP") for green buildings, the Eco-City Development (2011-2015) and the 13th FYP for Building Energy Conservation and GB Development (2016-2020), which set target standards for building energy efficiency. As such, the law required that government agencies implement standards and regulations for residential and commercial buildings.¹⁶

In regards to energy efficiency, the China Construction Energy Saving Committee reported that energy consumption from the building sector accounted for 21% of China's aggregate energy use, and around 19.5% of energy-related CO₂ emissions in 2017.¹⁷ At the end of 2020, the Government of China has established its climate target of carbon neutrality by 2060.¹⁸ Following the 2060 target, climate and energy targets in different sectors will be set by 2021 in the *14th Five Year Plan (2021-2025)*.¹⁸ To date, the Plan outlines the high-level national development direction between 2021-2025 including the importance of promoting green buildings to accelerate a low-carbon development.¹⁹ Aligned with the Government's development direction, Chinese

¹⁰ China's Environmental Impact Assessment Law available at: <http://www.waizi.org.cn/law/11686.html>

¹¹ WRI, "4 Questions About China's New Climate Commitments", (2020), at: <https://www.wri.org/blog/2020/09/4-questions-about-chinas-new-climate-commitments>.

¹² IEA, "Southeast Asia Energy Outlook Report 2019", (2019), at: https://webstore.iea.org/download/direct/2887?filename=southeast_asia_energy_outlook_2019.pdf.

¹³ Huo, Tengfei et al. (2018), "China's Energy Consumption in the Building Sector: A Statistical Yearbook-Energy Balance Sheet based splitting method", at: <https://www.sciencedirect.com/science/article/pii/S0959652618306152>.

¹⁴ Carbon Brief, "Analysis: Global fossil-fuel emissions up 0.6% in 2019 due to China", (2019), at: <https://www.carbonbrief.org/analysis-global-fossil-fuel-emissions-up-zero-point-six-per-cent-in-2019-due-to-china>

¹⁵ IFC, "Climate Investment Opportunities in Emerging Markets", (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.

¹⁶ Shen, Y, and Faure, M, (2020), "Green building in China", International Environmental Agreements: Politics, Law and Economics, at: <https://link.springer.com/article/10.1007/s10784-020-09495-3>.

¹⁷ CABEE, "China Construction Energy Consumption Report 2019", at: <http://www.cabee.org/site/content/23565.html>.

¹⁸ China Dialogue, "Climate and energy in China's 14th Five Year Plan – the signals so far", (2020), at: <https://chinadialogue.net/en/energy/chinas-14th-five-year-plan-climate-and-energy/>

¹⁹ Jianzhuj, "The 14th Five-Year Plan has 60 recommendations to develop green buildings and promote the green development of rural cities (available in Chinese)", News article, (2020), at: <https://www.jianzhuj.cn/news/51624.html>

Provinces have issued their 14th Five-Year Plan demonstrating their ambition towards the promotion of green buildings in December 2020.²⁰

The opportunities for the Chinese green building industry are significant, with an estimated USD 12.9 trillion in potential low carbon building investments by 2030.²¹ According to the International Energy Agency, China has made significant energy efficiency improvements across its economy, without which, China would have used 25% more energy in 2018.²² Energy efficiency in residential buildings in particular have resulted in savings of 2.1 EJ²³ in the period 2000-2017, and China is expected to be able to avoid 16 EJ of energy use by 2040 if it maximizes available cost-effective efficiency potential.²² Sustainalytics considers that Sino-Ocean's financing for green buildings and energy efficiency projects will have a positive environmental impact by reducing GHG emissions from the built environment and contribute to China's carbon neutrality goal by 2060.

Importance of promoting sustainable water management and flood prevention in China

The World Bank has identified that for the continuation of China's economic prosperity, there is a need for the "effective management of water resources".²⁴ This will be a paramount consideration as the country seeks to continue its economic growth while addressing water scarcity and flooding that affect different parts of the country due to uneven distribution of water resources and infrastructure.²⁴ With continued population growth, urbanization and socioeconomic advancements, stress on water resources has the potential to exacerbate well into the future.²⁵ China has recently placed more emphasis on building "sponge cities" which refers to the construction and development of infrastructure for cities to be able to cope with urban water accumulation, waterlogging, and precipitation.²⁶ These actions have the potential to minimize the impact of city development and the built environment on the natural environment and to manage water sustainably for the future, ultimately rendering Chinese cities more resilient to major pluvial floods.

Similarly, China's socioeconomic development over the past decades has resulted in adverse side-effects associated with water quality and availability.²⁷ Rising urbanization and increasing domestic wastewater discharge is adding pressure on water quality and availability due to increased concentrated water demand and wastewater effluents.^{27,28} In 2020, the government allocated RMB 3.5 billion (USD 493 million) from the central budget to invest in the construction of water treatment projects,²⁹ and announced a plan to invest further RMB 1 trillion (USD 140 billion) in a series of additional water conservancy projects.

Sustainalytics is of the opinion that Sino-Ocean's financing of sponge cities, rainwater collection systems, water conservation, water recycling and treatment systems will positively contribute to China's water safeguarding ambitions, to reduce flooding risk and provide significant environmental benefits.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The bond(s) and loan(s) issued under the Sino-Ocean Group Holding Limited Green Finance Framework 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

²⁰ IN-EN, "Many provinces have issued the "14th Five-Year Plan" and see how to promote green and low-carbon development", News article, (2020), at: <https://www.in-en.com/article/html/energy-2298929.shtml>

²¹ The International Finance Corporation, Climate Investment Opportunities in Emerging Markets Report (2016), available at:

https://www.ifc.org/wps/wcm/connect/59260145-ec2e-40de-97e6-3aa78b82b3c9/3503-IFC-Climate_Investment_Opportunity-Report-Dec-

²² IEA, "E4 Country Profile: Energy Efficiency in China", (2021), at: <https://www.iea.org/articles/e4-country-profile-energy-efficiency-in-china>.

²³ IEA, "Energy savings due to energy efficiency, China, 2000-2017", (2019), at: <https://www.iea.org/data-and-statistics/charts/energy-savings-due-to-energy-efficiency-china-2000-2017>.

²⁴ The World Bank, "China: A Watershed Moment for Water Governance", (2018), at: <https://www.worldbank.org/en/news/press-release/2018/11/07/china-a-watershed-moment-for-water-governance>.

²⁵ WRI, "17 Countries, Home to One-Quarter of the World's Population, Face Extremely High Water Stress" (2019), at:

<https://www.wri.org/blog/2019/08/17-countries-home-one-quarter-world-population-face-extremely-high-water-stress>.

²⁶ Wang, Z, et al., (2020), "Thoughts and Strategies of Sponge City Construction Planning: A Case Study of Pingxiang, Jiangxi Province", Open Journal of Civil Engineering, at: <https://www.scirp.org/journal/paperinformation.aspx?paperid=98975>.

²⁷ Ma, Ting et al. (2020), "China's improving inland surface water quality since 2003", at: <https://advances.sciencemag.org/content/6/1/eaau3798>.

²⁸ Bao, Chao et al. (2019), "Scenario Modeling of Urbanization Development and Water Scarcity Based on System Dynamics: A Case Study of Beijing-Tianjin-Hebei Urban Agglomeration, China", at: <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC6843306/>

²⁹ The State Council of The People's Republic of China, "China ramps up efforts to improve water environment", (2020), at: http://english.www.gov.cn/statecouncil/ministries/202003/24/content_WS5e7a02a5c6d0c201c2cbf599.html.

		paying special attention to air quality and municipal and other waste management
Sustainable Water 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
Pollution Prevention and Control	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Climate Change Adaptation	11. Sustainable cities and communities	11.b By 2020, substantially increase the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, resilience to disasters, and develop and implement, in line with the Sendai Framework for Disaster Risk Reduction 2015-2030, holistic disaster risk management at all levels

Conclusion

Sino-Ocean has developed the Sino-Ocean Group Holding Limited Green Finance Framework under which it will issue green bonds, loans, and other debt-like financing instruments and the use of proceeds to finance and refinance the eligible categories for the use of proceeds; Green Buildings, Sustainable Water Management, Pollution Prevention and Control, Energy Efficiency, and Climate Change Adaptation. Sustainalytics considers that the projects funded by the green bond proceeds are expected to provide positive environmental impact.

The Sino-Ocean Group Holding 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 Sino-Ocean Group Holding 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 and 12. Additionally, Sustainalytics is of the opinion that Sino-Ocean 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 Sino-Ocean Group is well-positioned to issue green bonds and that the Sino-Ocean Group Holding 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: Overview and Assessment of Green Building Certification Schemes











	China Three Star ³⁰	LEED ³¹	HK BEAM Plus ³²	BREEAM ³³
Background	The Chinese 3-Star Green Building Standard 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.	Building Research Establishment Environmental Assessment Method (BREEAM) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK, BREEAM is used for new, refurbished and extension of existing buildings.
Certification levels	1-Star 2-Star 3-Star	Certified Silver Gold Platinum	Bronze Silver Gold Platinum	Pass Good Very Good Excellent Outstanding
Areas of Assessment: Environmental Performance of the Building	<ul style="list-style-type: none"> Land savings and outdoor environment Energy savings and utilization Water savings and utilization Material savings and utilization Indoor environment Operations and management. 	<ul style="list-style-type: none"> Energy and atmosphere Sustainable Sites Location and Transportation Materials and resources Water efficiency Indoor environmental quality Innovation in Design Regional Priority 	<ul style="list-style-type: none"> Site Aspects (location and design of building, emissions from the site, site management) Materials Aspects (selection of materials, efficient use of materials, waste disposal and recycling) Energy Use (annual CO2 emissions or energy use, energy efficient systems and equipment, energy management) Water Use (water quality, water conservation, effluent discharges) Indoor Environmental Quality (IEQ) 	<ul style="list-style-type: none"> Energy Land Use and Ecology Pollution Transport Materials Water Waste Health and Wellbeing Innovation
Requirements	Prerequisites 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	Prerequisites (independent of level of certification) + Credits with associated points These points are then added together to obtain the LEED level of certification	Prerequisites for each performance area + Credits with associated points Detailed compliance with legal requirements is a prerequisite for the award of credits.	Prerequisites depending on the levels of certification + Credits with associated points

³⁰Chinese Green Building Evaluation Label (China Three Star), at: <http://www.gbgl.org/collections/14970%22>

³¹ Leadership in Energy and Environmental Design, at: <https://new.usgbc.org/leed>

³² Hing Kong, Building Environmental Assessment Method, at: <https://www.hkgbc.org.hk/eng/beam-plus/beam-plus-new-buildings/>

³³ BREEAM, Building Research Establishment LTD, at: <https://breeam.com/>

	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.	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).	For every performance area BEAM prescribes different prerequisites. Every applicable prerequisite in every BEAM category must be achieved for the project to be assessed. Credits are allocated for each performance area, and every area is weighted as per international consensus. The Overall Assessment Grade is determined by the percentage (%) of the applicable credits gained under each performance category and its weighting factor. Verification of compliance with BEAM criteria is done by an independent BEAM Assessor.	This number of points is then weighted by item ³⁴ 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. BREEAM has two stages/audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.
Performance display		   	   	 ★★★★☆ Plac Outstanding

Appendix 2: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Sino-Ocean Group Holding Limited
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Sino-Ocean Group Holding Limited Green Finance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	February 17, 2021
Publication date of review publication:	

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:

³⁴ 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

- | | |
|--|--|
| <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 nd 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, Sustainable Water Management, Pollution Prevention and Control, Energy Efficiency, and Climate Change Adaptation – are aligned with those recognized by the Green Bond Principles 2018 and the Green Loan Principles 2020. Sustainalytics considers that the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 6, 7, 11 and 12.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input 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 type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable Water Management | <input checked="" 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):

Sino-Ocean Group's internal process in evaluating and selecting projects is overseen by the Sustainable Development Management Committee ("SDMC"). The SDMC will meet every 12 months to review and select eligible projects according to the criteria outlined in the Framework. The shortlisted eligible projects will be approved by the senior management of Sino-Ocean Group. The SDMC will be responsible for managing updates to the Framework and the expansion of use of proceeds 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 type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (<i>please specify</i>): |

Information on Responsibilities and Accountability

- | | |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

Sino-Ocean Group's processes for management of proceeds is overseen by the Finance team. The net proceeds from each Green Financing Transaction (GFT) will be tracked and managed through a register. Sino-Ocean intends to complete the full allocation of proceeds within 1 year after the issuance. Pending full allocation, unallocated net proceeds raised under the GFT may be invested in cash or cash equivalents or used to repay existing borrowings under the general credit facilities of Sino-Ocean Group. This 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):

Sino-Ocean Group intends to annually report on allocation of proceeds on it's website until full allocation. The allocation report may contain the amount allocated to various eligible projects, the remaining balance of unallocated funds, type of temporary instrument, and the share of financing vs refinancing. In addition, Sino-Ocean Group is committed to reporting on relevant impact metrics. Sustainalytics views Sino-Ocean Group's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

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

Information reported:

- Allocated amounts
- Green Bond financed share of total investment
- Other (*please specify*): the share of financing vs refinancing

Frequency:

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

Impact reporting:

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

Information reported (expected or ex-post):

- GHG Emissions / Savings Energy Savings
 Decrease in water use Other ESG indicators (please specify): include level of certification by property, waste that is prevented, reused or recycled before and after the project in % of total waste and/or in absolute amount in tonnes p.a., amount of water recycled (in litres), number of technologies applied, and number of flood prevention facilities built.

Frequency

- Annual Semi-annual
 Other (please specify):

Means of Disclosure

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

<https://www.sinooceangroup.com/en-US>

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**Type(s) of Review provided:**

- Consultancy (incl. 2nd opinion) Certification
 Verification / Audit Rating
 Other (please specify):

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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These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world's foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2020, Climate Bonds Initiative named Sustainalytics the "Largest Approved Verifier for Certified Climate Bonds" for the third consecutive year. The firm was also recognized by Environmental Finance as the "Largest External Reviewer" in 2020 for the second consecutive year. For more information, visit www.sustainalytics.com.



Named
2015: Best SRI or Green Bond Research or Rating Firm
2017, 2018, 2019: Most Impressive Second Opinion Provider

