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Seazen Group Limited / Seazen Holdings Co., Ltd. Sustainable Finance Framework

Introduction

Headquartered in Shanghai, Seazen was established in Changzhou in 1993. It is an industry investment and operation group specialized in building a happy life. Seazen Group Limited went public on the Hong Kong Stock Exchange (HKEX) (Ticker: 1030) in November 2012 and on the Shanghai Stock Exchange in December 2015 (Ticker: 601155) via its subsidiary Seazen Holdings Co., Ltd. Over 28 years of rapid development, Seazen has become a comprehensive real estate group that straddles the residential and commercial real estate sectors.

Closely following the strategic guideline of “improvement in stability, deepening regions, operation first and technology energization”, Seazen has insisted on the long-term strategic model driven by residential and commercial real estate, gradually completed the further development in central cities and key city clusters, engaged in real estate development, investment, commercial operation and management, health and other fields and achieved product synergy and in-depth strategic development. Seazen focuses on the rate of capital return and guarantees large-scale, high-quality, sustainable growth.

By Feb. 25, 2021, it had entered 129 large and middle-sized cities in China, including Shanghai, Beijing, Tianjin, Chongqing, Hangzhou, Nanjing, Suzhou, Ji'nan, Xi'an, Chengdu, Changchun, Changzhou, etc. with more than 600 projects under development or having been completed.

Seazen adheres to the strategic model of dual-core driving of residential and commercial real estate, namely, focusing on residential development while rationally selecting the quality plots for the development and operation of commercial complexes.

The company plans to form a “1+3” strategic layout with 'Shanghai as the hub, the Yangtze River Delta as the core, and expanding into the Pearl River Delta, Circum-Bohai Sea and Central West China regions'.

Seazen's Green & Sustainability Strategy

Seazen focuses on the coordinated development between the economy, society and environment while maintaining a strong performance. Seazen continues to improve the ESG management organization and established a special ESG Committee to ensure the execution and implementation of the ESG policies approved by the Board of Directors and regularly review the achievement of the ESG goals.

Seazen actively responds to the call of the government in precise poverty alleviation, promotes public benefit campaigns through the Colorful Light Project and won the Charity Award at the Golden Bull Social Responsibility Awards Ceremony 2020.

Seazen strongly emphasizes the awareness of climate change and implementation of green development, enforces the idea in daily routine, design and development, construction and operation. It is committed to reducing greenhouse gas emission, energy consumption and water use intensity as well as improving energy efficiency and reducing pollution in order to carry out its environmental responsibilities effectively. Meanwhile, Seazen continues to improve the green building standards system and implements green construction, advocates green living and provides green and healthy spaces for the property owners, commercial building tenants and its customers.

In 2021, Seazen will continue to carry out the “residential and commercial” driven strategy, pursue a strong and healthy development while ensuring the coordinated development between the society and environment. Seazen will provide a sustainable future for its customers, staff, environment and society while embracing its dream.

Seazen’s Sustainable Development Policy include:

- The company will aim to join hands with business partners to promote sustainable development together in the real estate industry (including both residential and commercial complex);
- The company is committed to healthy and safe operation for all stakeholders of the company in a reasonable manner
- The company is dedicated in creating a fair and respectful workplace that supports every employee, and in establishing itself as the preferred brand for all employees
- The company encourages and supports sustainable development in suppliers and encourage them to implement such policies
- The company advocates clients’ usage of their products and services in a responsible manner
- The company focuses on building a good relationship with the local community by promoting development while preserving local culture and conventions in the community
- The company encourages its staff to actively participate in sustainable development activities in the workplace and community
- The company is responsible for the management and conservation of natural resources and biodiversity under its influence, and assesses the potential adverse environmental impact caused by business operation and implement efficient and appropriate measures to manage the impact
- The company is committed in building proper corporate governance and in setting up regular dialogues with respective stakeholders
- The company will perform periodic review (at least once every 3 years) of its sustainable development policy

Seazen’s Sustainability Commitments include:

- Integrity and compliance for operation: follows the principle of zero tolerance for corruption, fights against commercial bribery, maintains a smooth and effective reporting mechanism, builds clean governance for Seazen together with all employees and partners
- Sincere services for happiness: implements strict selection and management of suppliers to ensure selected suppliers meet Seazen’s criteria or above (on building quality and safety, sustainability, etc.); works with suppliers to develop safe and sustainable commercial and residential buildings with resilience to disasters; adheres to the Happy 360° full cycle service system to ensure health and safety of owners and consumers, and improve customer satisfactory
- People first for Seazen dream: committed to zero accident and death by ensuring health and safety of Seazen employees; implements health and safety standards for suppliers equivalent to that of Seazen employees to facilitate eco-friendly and well-managed construction and build a safe and well-managed environment for construction
- Action for love: actively takes social responsibility and continues to launch public benefit activities through the Colorful Light Project
- Energy saving and carbon reduction for green growth: committed to protect environment and reduce carbon emission and continues to construct green buildings; reduces emission and use of resources, and by 2025, targets a 10% reduction of GHG, energy consumption, water use (emission intensity) per RMB100mn rent and management fee for urban complexes (2020 as the baseline)

Sustainable Finance Framework

The Sustainable Finance Framework (“Framework”) sets out the governance and processes under which Seazen Group and Holdings intend to issue Green, Social or Sustainability bonds, loans or any other debt-like instruments, and in doing so contribute to positive environmental and social impacts.

The proceeds of Green financing will be used exclusively for eligible green projects. The proceeds of Social financing will be used exclusively for eligible social projects. The proceeds of Sustainability financing will be used for both eligible green and social projects.

The framework aligns with International Capital Markets Association (“ICMA”) Green Bond Principles (2018), Social Bond Principles (2020), Sustainability Bond Guidelines (2018), Loan Market Association (“LMA”) Green Loan Principles (2021), and adopts the following key pillars:

- Use of Proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting
- External Review

(1) Use of Proceeds

The net proceeds raised under this Framework will be used to finance or refinance in whole or in part, expenditure on projects that are consistent with Seazen Group and Holdings’ policies and that meet the eligibility criteria set out below.

Eligible Green Projects

| Eligible Project Categories | Eligibility Criteria & Examples | UN SDG Mapping |
|-----------------------------|--|--|
| Green Buildings | <ul style="list-style-type: none"> • Investments and expenditures in buildings which meet or expected to meet regional, national or internationally or any equivalent internationally-recognized third-party verified certification scheme: <ul style="list-style-type: none"> ▪ China Green Building Evaluation Label with a minimum of 2 Stars • Investments and expenditures in buildings that are or are expected to be within the top 15% best-performing buildings regionally based on absolute emissions or primary energy demand |   |
| Energy Efficiency | <ul style="list-style-type: none"> • Investments and expenditures in projects that improve energy efficiency and reduce energy consumption in buildings and facilities by a minimum of 20%, such as but not limited to: <ul style="list-style-type: none"> ▪ Installation/replacement of equipment in buildings such as LED lighting, smart metering, refrigerator and freezer, lighting design, laundry machines/dryer, electric heater, air conditioning systems |   |

| | | |
|--|--|---|
| | <ul style="list-style-type: none"> Investments and expenditures dedicated to the research and development of technologies, systems and methods aimed to improve energy efficiency of buildings Proceeds for such research and development will be no more than 5-10% of proceeds for each debt instrument | |
| Pollution Prevention and Control | <ul style="list-style-type: none"> Investments and expenditures in projects that prevent and reduce waste and pollution, such as but not limited to: <ul style="list-style-type: none"> Equipment and technologies for reducing resource consumption and pollution emission Air treatment and ventilation device Prevention of air pollution |     |
| Sustainable Water and Wastewater Management | <ul style="list-style-type: none"> Installation of rainwater collection systems, water conservation systems, water recycling and treatment systems |  |
| Climate Change Adaptation | <ul style="list-style-type: none"> Investments to develop “sponge cities” that aim to reduce flood risk and replenish groundwater |   |
| Renewable Energy | <ul style="list-style-type: none"> Investments and expenditures in renewable energy generation projects and related infrastructure, including but not limited to: <ul style="list-style-type: none"> Solar photovoltaic Solar hot water Expenditures from sourcing of renewable energy through long-term (5 years or longer) project-tied power purchase agreements |    |
| Clean Transportation | <ul style="list-style-type: none"> Investments and expenditures in electric vehicles and related infrastructure, including but not limited to: <ul style="list-style-type: none"> Installation of charging facilities for electric vehicles |  |

Social Project Categories

Environmentally Sustainable Management of Living Natural Resources and Land Use

- Investments and expenditures in greening of landscapes and preservation or restoration of natural landscapes, such as but not limited to:
 - Creating and enhancing urban green space



Access to Essential Services

- Investment and expenditures in projects to develop education and training facilities in targeted communities for general public or vulnerable groups



Exclusion Criteria

In any case, eligible assets/projects exclude the type of activities listed in the International Finance Corporation (“IFC”) Exclusion List (2007)¹:

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB's, wildlife or products regulated under CITES
- Production or trade in weapons and munitions
- Production or trade in alcoholic beverages (excluding beer and wine)
- Production or trade in tobacco
- Gambling, casinos and equivalent enterprises
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded
- Production or trade in unbonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%
- Drift net fishing in the marine environment using nets in excess of 2.5 km. in length
- Production or trade in fossil fuel

¹https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/company-resources/ifcexclusionlist

(2) Project Evaluation and Selection

Representatives from Seazen Group and Holdings’ Property Management, Sustainability, Treasury, Investor Relations and Legal Departments will form a **Sustainable Finance Working Group**. Potential projects will be shortlisted by the Property Management Department and presented to the Sustainable Finance Working Group to review and approve according to the criteria defined in this Framework. The list

of Eligible Projects will be reviewed annually and projects will be removed (and replaced as soon as practicable) if they no longer meet the criteria.

(3) Management of Proceeds

The proceeds from each Green, Social, Sustainability debt instrument issued will be managed by the Finance department with oversight by the SFWG. Seazen Group and Holdings will track the allocation of proceeds to eligible projects within its internal management system including descriptions of the projects, the regions in which the projects are located, and the amount of proceeds allocated to the projects.

The proceeds of each Green, Social, Sustainability debt instrument can be used both for the financing and/or refinancing of eligible projects. If all or a proportion of the proceeds are used for refinancing, Seazen Group and Holdings will provide an estimate of the share of financing versus refinancing. Seazen Group and Holdings will allow a look-back period of two years for refinanced projects.

Pending allocation, net proceeds from the sale of the notes may be invested in money market instruments with good market liquidity or used to repay existing borrowings within the Group, subject to exclusion criteria.

(4) Reporting

Seazen Group and Holdings will publish post-issuance annual report, or more frequently in case of material developments. The reporting will provide the following information:

Allocation Reporting, to be disclosed annually or until full allocation will include:

- Allocation amount by eligible project category, and clearly indicating the SDG(s) of which such allocation supports
- Allocation amount by geographical distribution
- Proportion between financing and refinancing
- Project examples, subject to confidentiality
- Amount of unallocated proceeds and its temporary treatment

Impact Reporting, to be disclosed annually up until the maturity of the bond, will include:

- Where possible and subject to data availability and confidentiality, reporting of environmental and/or social impact of the projects using relevant indicators as suggested in the ICMA Harmonized Framework for Impact Reporting:

| Eligible Project Categories | Potential KPI and Reporting Metrics |
|---|---|
| Green Project Categories | |
| Green Buildings | <ul style="list-style-type: none"> • Type/Number of green building certifications obtained • Total floor area of certified green buildings |
| Energy Efficiency | <ul style="list-style-type: none"> • Annual energy savings in (MWh for electricity) (GJ for other energy) • Annual GHG emissions reduced/avoided (tonnes of CO2 equivalent) |
| Pollution Prevention and Control | <ul style="list-style-type: none"> • Waste reduced/avoided (tonnes) • Annual GHG emissions reduced/avoided (tonnes of CO2 equivalent) |

| | |
|--|--|
| Sustainable Water and Wastewater Management | <ul style="list-style-type: none"> • Annual absolute (gross) water use before and after the project in m³ p.a., reduction in water use in % • Annual absolute (gross) amount of wastewater treated, reused or avoided before and after the project in m³ p.a. and as % |
| Climate Change Adaptation | <ul style="list-style-type: none"> • Area covered by sponge city-related projects in km² • Number of people benefitted from reduced flood risk and associated benefits of sponge city-related projects |
| Renewable Energy | <ul style="list-style-type: none"> • Annual renewable energy generation (MWh for electricity) (GJ for other energy) • Annual GHG emissions reduced/avoided (tonnes of CO₂ equivalent) |
| Clean Transportation | <ul style="list-style-type: none"> • Number of electric vehicles/charging stations built • Annual GHG emissions reduced/avoided (tonnes of CO₂ equivalent) |
| Social Project Categories | |
| Environmentally Sustainable Management of Living Natural Resources and Land Use | <ul style="list-style-type: none"> • Area of green landscape conserved/enhanced/created in km² |
| Access to Essential Services | <ul style="list-style-type: none"> • Number of education and training devices/facilities deployed • Number of individuals/households benefitted |

External Review

Seazen Group and Holdings have engaged Sustainalytics to provide an External Review in the form of a Second Party Opinion on the Framework and confirm alignment with relevant ICMA and LMA principles and guidelines. Seazen Group and Holdings have also engaged HKQAA as the independent provider to evaluate on the environmental and social benefit from Eligible Projects. The External Review has been made public on Seazen Group and Holdings' websites at <https://www.seazen.com.cn/responsibility/index.html>