

Second-Party Opinion

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



Evaluation Summary

Sustainalytics is of the opinion that the Seazen Group Limited/Seazen Holdings Co., Ltd. Sustainable Finance Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2018, Green Bond Principles 2018, Social Bond Principles 2020, Green Loan Principles 2021, and Social Loan Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Green Buildings, Energy Efficiency, Pollution Prevention and Control, Sustainable Water and Wastewater Management, Climate Change Adaptation, Renewable Energy, Clean Transportation, Environmentally Sustainable Management of Living Natural Resources and Land Use, and Access to Essential Services – are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Green Loan Principles, and Social Loan Principles. Sustainalytics considers that the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 3, 4, 6, 7, 9 and 11.



PROJECT EVALUATION / SELECTION Seazen’s project evaluation and selection process will be managed by a Sustainable Finance Working Group (“SFWG”), comprised of members from the Property Management, Sustainability, Treasury, Investor Relations, and Legal departments. The SFWG will be responsible for final approval of eligible projects which will be reviewed annually. In case of projects that no longer meet the criteria, they will be replaced with new eligible projects as soon as practicable. Sustainalytics considers the project selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS Seazen’s Finance Department will be responsible for the management of proceeds with oversight from the SFWG. The allocation of proceeds will be tracked using the Group’s internal management system. Unallocated proceeds will be temporarily held in money market instruments or used to repay existing debt within the Group in line with the exclusion criteria. This is aligned with market practice.



REPORTING Seazen intends to report on allocation of proceeds on its website on an annual basis until full allocation. Allocation reporting will include information such as the allocation amount by eligible category, share of financing vs. refinancing, project examples, and amount of unallocated proceeds and its temporary treatment. In addition, Seazen is committed to reporting on relevant impact metrics. Sustainalytics views Seazen’s allocation and impact reporting as aligned with market practice.

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Introduction

Seazen Group Limited (“Seazen”, or the “Group”) is a real estate developer and investor headquartered in Shanghai, China.¹ Founded in 1993, Seazen’s operations are focused on the residential and commercial real estate markets in China, and the Group now has presence across 129 cities.

Seazen has developed the Seazen Group Limited/Seazen Holdings Co., Ltd. Sustainable Finance Framework (the “Framework”) under which Seazen, along with its subsidiary, Seazen Holdings Co., Ltd. (“Seazen”), intends to issue green, social, and sustainability bonds, loans, and other debt-like instruments, and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that are intended to reduce Seazen’s carbon footprint and improve the sustainability performance of the Group’s operations in China.

The Framework defines eligibility criteria in seven green areas:

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

The Framework defines eligibility criteria in two social areas:

8. Environmentally Sustainable Management of Living Natural Resources and Land Use
9. Access to Essential Services

Seazen engaged Sustainalytics to review the Seazen Group Limited/Seazen Holdings Co., Ltd. Sustainable Finance Framework, dated June 2021, and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Green Bond Principles 2018 (GBP), Social Bond Principles 2020 (SBP), Sustainability Bond Guidelines 2018 (SBG)², Green Loan Principles 2021 (GLP), and Social Loan Principles 2021 (SLP)³. This Framework has been published in a separate document.⁴

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁵ 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 Sustainability Bond Guidelines 2018, Green Bond Principles 2018, and Social Bond Principles 2020, as administered by ICMA, and the Green Loan Principles 2021 and Social Loan Principles 2021, as administered by LMA, APLMA, and LSTA;

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.

¹ Seazen Group Limited, “2020 Interim Report” at: <http://www.seazengroup.com.cn/uploads/20200904170844/f.pdf>

² The Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

³ The Green Loan Principles and Social 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/#> and <https://www.lsta.org/content/social-loan-principles-slp/>

⁴ The Seazen Group Limited/Seazen Holdings Co., Ltd. Sustainable Finance Framework is available on Seazen Group Limited’s website at: <https://www.seazen.com.cn/responsibility/index.html>

⁵ 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.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.8.1, 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 Seazen'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. Seazen representatives have confirmed (1) they understand it is the sole responsibility of Seazen 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.

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 Seazen.

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 Seazen has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Seazen Group Limited/Seazen Holdings Co., Ltd. Sustainable Finance Framework

Sustainalytics is of the opinion that the Seazen Group Limited/Seazen Holdings Co., Ltd. Sustainable Finance Framework is credible, impactful and aligns with the four core components of the SBG, GBP, SBP, GLP, and SLP. Sustainalytics highlights the following elements of Seazen's Sustainability Bond Framework:

- Use of Proceeds:
 - The eligible categories – Green Buildings, Energy Efficiency, Pollution Prevention and Control, Sustainable Water and Wastewater Management, Climate Change Adaptation, Renewable Energy, Clean Transportation, Environmentally Sustainable Management of Living Natural Resources and Land Use, and Access to Essential Services – are aligned with those recognized by the GBP, SBP, GLP, and SLP. Sustainalytics considers that Seazen's investments in eligible projects are expected to improve environmental and social performance of the Group's operations in China.
 - Seazen has established a two-year look-back period for refinancing and intends to fully allocate the net proceeds within three years of issuance, which Sustainalytics considers to be in line with market practice.
 - Under the Green Buildings category, Seazen intends to invest in residential and commercial buildings according to the following criteria:
 - Buildings that have received or are expected to receive Chinese Green Building Evaluation Label (CGBEL) "2 stars" and above. Sustainalytics views this certification scheme as credible, and the selected level as impactful. See Appendix 1 for an overview of the certification scheme.

- Buildings that have received or are expected to receive third-party verified green building certification schemes equivalent to CGBEL. As Seazen Group has not specified such schemes in its Framework, Sustainalytics is not able to assess their credibility, and considers the inclusion of unspecified schemes to be a deviation from market practice. Sustainalytics encourages Seazen to provide disclosure and report the expected/achieved energy savings of certified buildings from to ensure transparency.
 - Buildings that fall or are expected to fall within the top 15% most energy-efficient buildings in their region based on absolute emissions performance or primary energy demand, which Sustainalytics considers to be consistent with market practice. In case of following this criterion, Sustainalytics encourages Seazen to provide further disclosure on the methodology to be used in determining the top 15% most energy-efficient buildings.
- Within the Energy Efficiency category, Seazen intends to invest in improving the energy efficiency and reducing the energy consumption of its building's portfolio:
 - Seazen may finance or refinance electricity powered energy efficient equipment, products or technologies that result in at least a 20% improvement in energy efficiency. Intended project examples include the installation and replacement of equipment in buildings such as LED lighting, smart metering, refrigerator and freezer, lighting design, heaters, laundry machines/dryer and air conditioning systems. Additionally, Sustainalytics notes that Seazen may install or upgrade energy-efficient mechanical cooling systems. Sustainalytics recommends considering low-GWP refrigerants for such cooling systems and promote robust refrigerant leak control, detection and monitoring, while ensuring recovery, reclamation/recycling, or destruction of refrigerants at end of life. Sustainalytics positively views the Framework's inclusion of a defined threshold for this category.
 - Additionally, Seazen plans to invest up to 5-10% of proceeds from the Framework in the research and development (R&D) of technologies, systems and methods with an aim to improve energy efficiency of buildings. Sustainalytics notes that allocation of R&D to 5-10% of net proceeds is in line with market practice.
- For the Pollution Prevention and Control category, Seazen intends to finance projects that prevent and limit waste and pollution. Intended project examples include the installation of equipment and technology to reduce resource consumption and pollution, and installation of air treatment and ventilation devices.
- Under the Sustainable Water and Wastewater Management category, Seazen intends to invest in the installation of rainwater collection systems and water management systems that improve water quality or water efficiency through the collection, conservation, treatment, and recycling of water, rainwater and wastewater.
- Under the Climate Change Adaptation category, Seazen plans to invest in the development of "Sponge Cities"⁶ that aim to reduce the risk of flood and replenish groundwater. Expenditures under this category could include examples include permeable pavements, concave green spaces, rainwater collection and utilization facilities and rainwater storage systems.
- Within the Renewable Energy category, Seazen may finance or refinance renewable energy generation projects and associated infrastructure such as solar photovoltaic and solar hot water systems. Sustainalytics notes that Seazen has not communicated the portion of fossil fuel back-up they will rely on. In case of solar hot water systems, Sustainalytics considers reliance on non-renewable energy back-up limited at 15% of the facility's electricity production as market practice and recommends that Seazen report on the limit of use of non-solar energy (fossil fuel backup sources).
 - In addition to investing directly in projects, the Group intends to procure renewable energy through power-purchase agreements ("PPAs") that are long-term (>5 years). Sustainalytics views this to be in line with market practice.

⁶ 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.

- For the Clean Transportation category, Seazen intends to finance acquisition of electric vehicles and associated infrastructure. Potential infrastructure projects include electric vehicle charging stations. Sustainalytics considers these investments to be in line with market practice.
- Under the Environmentally Sustainable Management of Living Natural Resources and Land Use category, Seazen may invest in the development, maintenance and restoration of natural landscapes. Project examples include urban green spaces for public use.
- Within the Access to Essential Services category, Seazen intends to finance the development of education infrastructure and training facilities in targeted communities for use by the general public or vulnerable groups, including children and adults in rural and impoverished areas. The Group has confirmed that these facilities will be universally accessible regardless of the ability to pay.
- Sustainalytics notes that Seazen excludes the financing of activities within certain sectors such as weapons and munitions, alcoholic beverages, tobacco, gambling, radioactive materials, unbonded asbestos fibers, fossil fuel, drift net fishing, and any product or activity considered illegal under relevant national and international regulations. Sustainalytics is of the opinion that the addition of exclusionary criteria strengthens the Framework.
- Project Evaluation and Selection:
 - Seazen will establish a Sustainable Finance Working Group (“SFWG”) which will be comprised of representatives from the Property Management, Sustainability, Treasury, Investor Relations, and Legal departments.
 - The Property Management Department will shortlist eligible projects which will be reviewed and approved by the SFWG in line with the criteria in the Framework. Any projects that no longer meet the eligibility criteria will be replaced by new ones as soon as practicable.
 - Based on establishment of the SFWG and its’ cross divisional membership, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - The Finance department will track the allocation of net proceeds under the approach using an internal management system. The process will be overseen by the SFWG. Pending full allocation, the unallocated proceeds will be temporarily held in money market instruments or used to repay existing borrowings in line with exclusion criteria. Seazen has confirmed that debt associated with carbon intensive assets or/and activities from refinancing will be excluded. Seazen intends to fully allocate the proceeds within three years of issuance.
 - Based on the use of an internal tracking system and disclosure of temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - Seazen will report on the allocation of proceeds on the Group’s website on an annual basis until full allocation. Allocation reporting will include the amount of net proceeds allocated to eligible projects along with corresponding SDGs, the geographical distribution of the allocated proceeds, the balance of unallocated proceeds and its temporary use, and the share of financing vs refinancing. The report may also include project examples where feasible.
 - In addition, Seazen is committed to reporting on relevant impact metrics on a best effort basis and subject to availability. Seazen aims to include the following impact indicators, among others: annual energy savings in MWh, reduced or avoided GHG emissions, waste reduced or avoided in tonnes, reduction in water usage, renewable energy produced and number of electric vehicle charging stations constructed.
 - Based on the commitment to both allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2018

Sustainalytics has determined that the Seazen Group Limited/Seazen Holdings Co., Ltd. Sustainable Finance Framework aligns with the four core components of the GBP, SBP, GLP, and SLP. For detailed information please refer to Appendix 2: Sustainability Bond/ Sustainability Bond Programme External Review Form.

Section 2: Sustainability Strategy of Seazen

Contribution of Framework to Seazen Group Limited's sustainability strategy

Sustainalytics is of the opinion that Seazen's Framework is aligned with the Group's aim to deliver a positive impact by integrating sustainability into its operations. To achieve this, Seazen has implemented a Sustainable Development Policy which focuses on encouraging responsible use of the Group's products and services, positively influencing communities, and adopting sustainable development practices together with its suppliers.

Seazen's sustainability efforts are supported by its sustainability governance structure. Seazen has formed an environmental, social and governance committee ("ESG Committee") which is responsible for developing the Group's ESG strategy, targets, and policies. The ESG Committee ensures implementation of the policies to achieve the Group's sustainability targets through regular assessment and monitoring, with oversight from the Board of Directors.⁷

Seazen's environmental efforts include a commitment to improving environmental protection in the areas of emission reduction, energy-saving, and water-saving. The Group has set a target of lowering its greenhouse gas emissions by 10% by 2025, compared to 2020. In addition, Seazen is committed to reducing its energy and water consumption, per USD 15.5 million of rent and management fees for urban complexes, by 10% by 2025 – with 2020 as the baseline. Currently, 39% of the residential buildings and 72% of the commercial buildings owned and operated by Seazen in China are CGBEL certified ("2 stars" and above).

Sustainalytics is of the opinion that the Seazen Group Limited/Seazen Holdings Co., Ltd. Sustainable Finance Framework will further the Group's action on its key environmental priorities.

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

While Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards eligible projects that are expected to have positive environmental and social impact, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects, could include occupational health and safety, land use and biodiversity issues associated with large-scale infrastructure development, and emissions, and waste generated in construction, and supply-chain risks.

Sustainalytics is of the opinion that Seazen is able to manage and/or mitigate potential risks through implementation of the following:

- The Group conducts an environmental impact assessment for each of its projects in compliance with the Environmental Impact Assessment Law of the People's Republic of China.⁷ Under China's Environmental Impact Assessment Act, projects related to construction, reconstruction, expansion and/or refurbishing are required to undergo an independent environmental risk assessment during the initial design and feasibility phase of the project. The assessment must identify risk factors related to air, water, soil pollution or human health associated with the project and their potential impact on the environment.⁸
- Seazen is committed to the development of safe and sustainable real estate and implements a strict supplier selection and management process. The Group uses its "Suppliers Coordination Platform" to shortlist suppliers based on strict selection criteria, which includes performance and qualifications capability checks along with safety, quality assurance and risk prevention awareness to adhere to environmental and social responsibility.⁹
- Seazen has implemented occupational health and safety measures such as implementation of safe operation rules and fire safety regulations at construction sites, training construction workers and holding regular safety management meetings. Furthermore, to minimize injuries at various development sites, the Group requires its contractors to purchase personal accident insurance, employer's liability insurance and personal liability insurance. Seazen also ensures that its suppliers follow the same health and safety standards, ensuring worker health and safety during building's development and construction.¹⁰

⁷ Seazen Group Limited, "2020 Annual Report", at: <http://www.seazengroup.com.cn/uploads/20210422213513/f.pdf>

⁸ Zhengzhou Foreign-funded Enterprise Service Center, "Environmental Impact Assessment Law of the People's Republic of China", at: <https://www.waizi.org.cn/law/11686.html>

⁹ Sustainalytics has assessed internal documents shared by Seazen

¹⁰ Sustainalytics has assessed internal documents shared by Seazen

- In 2020, the Group's founder and ex-chairman was delivered a judgement by Shanghai Putuo District People's Court sentencing the defendant to a five-year imprisonment. The ex-chairman is the controlling shareholder of the Group but does not hold any position in the Group. Seazen has indicated that "It currently has a stable overall management team and personnel structure, and all operations are carried out in a regular and orderly manner. All directors, supervisors and senior management personnel of the Group will work diligently to safeguard the legitimate rights and interests of the Group and all its shareholders".¹¹ Sustainalytics notes that Seazen has internal governance structures in place including the separation of ownership and management which require that key business and operational decisions be made jointly by the senior management and the board of directors. Sustainalytics believes that the measures taken by Seazen provides assurance that the Group's ex-chairman is not and will not become involved in managing the Group during the time of his imprisonment.

Based on the above, Sustainalytics is of the opinion that Seazen 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 nine use of proceeds categories are aligned with those recognized by GBP, SBP, GLP or SLP. Sustainalytics has focused on two use of proceeds categories below where the impact is specifically relevant in the local context.

Importance of financing green buildings and energy efficiency projects in China

According to a report published by the International Energy Agency (IEA), buildings accounted for 30% of global energy consumption and 30% of energy-related CO₂ emissions in 2020.¹² With regards to energy efficiency, the World Green Building Council estimates that carbon emissions related to heating, cooling and lighting buildings, account for 28% of global carbon emissions.¹³ As per the IEA, CO₂ emissions from the building sector would need to decline by 50% by 2030 to achieve global warming levels of below 1.5°C,¹⁴ in line with the Paris Agreement.¹⁵

China makes up 24% of the global energy consumption and 28.5% of global emissions.^{16,17} The building sector in China contributes 20% towards the nation's total primary energy consumption, and 25% towards its GHG emissions.¹⁸ In its efforts to scale up its ambitions in combating climate change, the Chinese government set a target of becoming carbon neutral by 2060. Boston Consulting Group (BCG) estimates that China would need to reduce its carbon emissions by 75%-85% by 2050 to achieve its carbon neutrality target.¹⁹ Additionally, BCG has identified that the energy efficiency and decarbonization of the building sector in China play an important role in achieving the nation's as well as global climate targets.¹⁹

In line with the carbon neutrality goal, the National People's Congress (NPC) has approved its 14th five-year plan (FYP) for economic and social development. The plan includes commitments to reducing the nation's energy consumption per unit of GDP by 13.5%, and its CO₂ emissions per unit of GDP by 18% – by 2025 relative to 2021.²⁰ As a result of these policies, there are significant opportunities for energy efficiency improvements in the green building industry in China.

¹¹ This note has been provided to Sustainalytics by Seazen.

¹² International Energy Agency, "World Energy Output Special Report: Buildings, (2020)", at: https://iea.blob.core.windows.net/assets/c3de5e13-26e8-4e52-8a67-b97aba17f0a2/Sustainable_Recovery.pdf

¹³ World Green Building Council, "New report: the building and construction sector can reach net zero carbon emissions by 2050", at: <https://www.worldgbc.org/news-media/WorldGBC-embodied-carbon-report-published>

¹⁴ International Energy Agency, "Tracking Buildings 2020", at: <https://www.iea.org/reports/tracking-buildings-2020/building-envelopes>

¹⁵ Paris Agreement, 2015 at: https://unfccc.int/sites/default/files/english_paris_agreement.pdf

¹⁶ International Energy Agency, "Global Energy Review 2020", at: https://iea.blob.core.windows.net/assets/7e802f6a-0b30-4714-abb1-46f21a7a9530/Global_Energy_Review_2020.pdf

¹⁷ ChinaPower, "How is China Managing its Greenhouse Gas Emissions?", (2020), at: <https://chinapower.csis.org/china-greenhouse-gasemissions/#:~:text=Greenhouse%20gas%20emissions%20from%20human,carbon%20dioxide%20emissions%20in%202018>

¹⁸ C40 China Buildings Programme, "Constructing a New, Low-Carbon Future", (2018) at: <https://www.c40.org/researches/constructing-a-new-low-carbon-future-china>

¹⁹ Boston Consulting Group, "How China Can Achieve Carbon Neutrality by 2060", (2020) at: <https://www.bcg.com/publications/2020/how-china-can-achieve-carbon-neutrality-by-2060>

²⁰ The State Council of China, "14th five-year plan, (2021)", at: <http://www.npc.gov.cn/npc/kgfb/202103/bf13037b5d2d4a398652ed253cea8eb1.shtml>

More than 51% of the Chinese population already lives in urban areas and the demand for urban housing is set to increase, with McKinsey estimating that China would build between 20,000-50,000 residential buildings of more than 30 floors by 2025.²¹ This urban migration trend in China presents an opportunity for investments in residential green building developers to make a positive contribution towards achieving the nation's climate ambitions.

Sustainalytics believes that investments in certified green buildings and energy efficiency projects offer the potential to enhance energy and resource efficiency of China's building sector while supporting China's climate goals.

Importance of access to education and training facilities in China

According to the United Nations, the "COVID-19 pandemic has created the largest disruption of education systems in history",²² with around 1.6 billion students impacted on a global level, many of whom come from vulnerable groups that lack the means to facilitate remote learning.²³ As a result of the pandemic, one-third of the upper-middle and high-income countries have decreased their education budgets.²⁴ The OECD found that "the students likely to lose the most will be children and the youth from low-income households, ethnic minority, indigenous backgrounds, ethnic minority, diverse gender and sexual orientations and those with special education needs."²⁵

In China, the literacy rate²⁶ stands at 96.4% - ahead of the global average of 85% as estimated by the World Bank.^{27,28} The Chinese education system has undergone continuous reform since the 1980s and operates as the largest education system in the world with 400 million students. During this time, the percentage of high school graduates that attend university tripled from 20% to 60%.²⁷ The education system is steered largely by the Ministry of Education which provides nine years of compulsory education free of cost. In its progress review for the 13th Five-Year Plan for Education in 2017, the Chinese State Council stated that it expects the nation to rank amongst the leaders in the overall robustness of education by 2020, with a goal to fully modernize the education system by 2030.²⁹ Education reforms focus on improving the quality of higher education, promoting educational equity in poverty-stricken areas largely inhabited by ethnic minorities and remote areas, ensuring access to education to rural areas, low-income households and students with disabilities. Under the Program for Promoting Special Education: Phase II (2017-2020), the government set a target of achieving more than 95% enrollment rate of disabled children in compulsory education.²⁹ The Chinese government has established the Compulsory Education School Management Standards that outline the basic requirements for the management of schools providing compulsory education to ensure access to high quality free education.²⁹

While significant strides have been made, significant challenges still exist, particularly with regards to access to quality education in remote areas and vulnerable groups. Sustainalytics believes that Seazen's investments in educational and training projects are expected to positively contribute towards the access of essential services in China.

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) issued under the Seazen Group Limited/Seazen Holdings Co., Ltd. Sustainable Finance Framework advances the following SDGs and targets:

²¹ The U.S. Consulate General Shanghai Commercial Service, "China's Growing Green Building Industry", at: https://2016.export.gov/china/build/groups/public/@eg_cn/documents/webcontent/eg_cn_088721.pdf

²² United Nations, "Policy Brief: Education during Covid-19 and beyond", (2020), at: https://www.un.org/development/desa/dspd/wp-content/uploads/sites/22/2020/08/sg_policy_brief_covid-19_and_education_august_2020.pdf

²³ United Nations, "UN report finds COVID-19 is reversing decades of progress on poverty, healthcare and education", (2020), at: <https://www.un.org/development/desa/en/news/sustainable/sustainable-development-goals-report-2020.html>

²⁴ World Bank, "Two-Thirds of Poorer Countries Are Cutting Education Budgets Due to COVID-19", (2021), at: <https://www.worldbank.org/en/news/press-release/2021/02/22/two-thirds-of-poorer-countries-are-cutting-education-budgets-due-to-covid-19>

²⁵ OECD, "The Impact of COVID-19 on student equity and inclusion: Supporting vulnerable students during school closures and school re-openings", (2020), at: <https://www.oecd.org/coronavirus/policy-responses/the-impact-of-covid-19-on-student-equity-and-inclusion-supporting-vulnerable-students-during-school-closures-and-school-re-openings-d593b5c8/>

²⁶ The literacy rate is defined as the population aged 15 and above who can read and write.

²⁷ China Mike, "Education in China - Interesting Facts & Figures", (2020) at: <https://www.china-mike.com/facts-about-china/facts-chinese-education/>

²⁸ World Bank, Literacy Rate (2019) at: <https://data.worldbank.org/indicator/SE.ADT.LITR.ZS>

²⁹ Ministry of Education, People's Republic of China, "Review of China's education reform in 2017", (2018), at: http://en.moe.gov.cn/News/Top_News/201801/t20180130_326023.html

Use of Proceeds Category	SDG	SDG target
Green Buildings	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Energy Efficiency	7. Affordable and Clean Energy 9. Industry, Innovation and Infrastructure	7.3 By 2030, double the global rate of improvement in energy efficiency 9.5 Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending
Pollution Prevention and Control	3. Good Health and Wellbeing 6. Clean Water and Sanitation 11. Sustainable Cities and Communities	3.9 By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination 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 11. 6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
Sustainable Water and Wastewater Management	6. Clean Water and Sanitation	6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity
Climate Change Adaptation	11. Sustainable Cities and Communities	11. 5 By 2030, significantly reduce the number of deaths and the number of people affected and substantially decrease the direct economic losses relative to global gross domestic product caused by disasters, including water-related disasters, with a focus on protecting the poor and people in vulnerable situations
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons

Environmentally Sustainable Management of Living Natural Resources and Land Use	11. Sustainable Cities and Communities	11. 7 By 2030, provide universal access to safe, inclusive and accessible, green and public spaces, in particular for women and children, older persons and persons with disabilities
Access to Essential Services	4. Quality Education	<p>4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship</p> <p>4.5 By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations</p>

Conclusion


Seazen has developed the Seazen Group Limited/Seazen Holdings Co., Ltd. Sustainable Finance Framework under which it may issue green, social, and sustainability bonds, loans, and other debt-like instruments, and use the proceeds to finance projects are expected to reduce the Group's carbon footprint and improve the sustainability performance of Seazen's operations in China.

The Seazen Group Limited/Seazen Holdings Co., Ltd. Sustainable 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 Seazen Group Limited/Seazen Holdings Co., Ltd. Sustainable Finance Framework is aligned with the overall sustainability strategy of the company and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 3, 4, 6, 7, 9 and 11. Additionally, Sustainalytics is of the opinion that Seazen 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 Seazen Group Limited is well-positioned to issue sustainability bonds and that that Seazen Group Limited/Seazen Holdings Co., Ltd. Sustainable Finance Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles (2018), Social Bond Principles (2020), Green Loan Principles (2021), and Social Loan Principles (2021).

Appendices

Appendix 1: Green Building Certification Schemes

	Chinese Green Building Evaluation Label (China 3-Star)
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).
Certification levels	1-Star 2-Star 3-Star
Areas of Assessment: Environmental Performance of the Building	<ul style="list-style-type: none"> • Land savings and outdoor environment; • Energy savings and utilisation; • Water savings and utilisation; • Material savings and utilisation; • Indoor environment; Operations and management
Requirements	Prerequisites: The system functions on a checklist basis, with 1-Star buildings meeting 26 criteria, 2-Star with an additional 43 items and 3-Star on a further 14 items. Criteria and weighting differ for public and residential 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.
Performance display	

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

Section 1. Basic Information

Issuer name:	Seazen Group Limited
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	Seazen Group Limited/Seazen Holdings Co., Ltd. Sustainable Finance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	June 2, 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 and SBP:

- | | |
|--|--|
| <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, Energy Efficiency, Pollution Prevention and Control, Sustainable Water and Wastewater Management, Climate Change Adaptation, Renewable Energy, Clean Transportation, Environmentally Sustainable Management of Living Natural Resources and Land Use, and Access to Essential Services – are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Green Loan Principles, and Social Loan Principles. Sustainalytics considers that the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 3, 4, 6, 7, 9 and 11.

Use of proceeds categories as per GBP:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input checked="" type="checkbox"/> Pollution prevention and control | <input checked="" type="checkbox"/> Environmentally sustainable management of living natural resources and land use |

- | | |
|--|---|
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input 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 GBPs | <input type="checkbox"/> Other (please specify): |

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

Use of proceeds categories as per SBP:

- | | |
|---|---|
| <input type="checkbox"/> Affordable basic infrastructure | <input checked="" type="checkbox"/> Access to essential services |
| <input type="checkbox"/> Affordable housing | <input type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input type="checkbox"/> Other (please specify): |

If applicable please specify the social taxonomy, if other than SBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Seazen's project evaluation and selection process will be managed by a Sustainable Finance Working Group ("SFWG"), comprised of members from the Property Management, Sustainability, Treasury, Investor Relations, and Legal departments. The SFWG will be responsible for final approval of eligible projects which will be reviewed annually. In case of projects that no longer meet the criteria, they will be replaced with new eligible projects as soon as practicable. Sustainalytics considers the project selection process to be in line with market practice.

Evaluation and selection

- | | |
|---|--|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives | <input type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |

- Summary criteria for project evaluation and selection publicly available Other (please specify):

Information on Responsibilities and Accountability

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

3. MANAGEMENT OF PROCEEDS

Overall comment on section *(if applicable)*:

Seazen's Finance Department will be responsible for the management of proceeds with oversight from the SFWG. The allocation of proceeds will be tracked using the Group's internal management system. Unallocated proceeds will be temporarily held in money market instruments or used to repay existing debt within the Group in line with the exclusion criteria. This is aligned with market practice.

Tracking of proceeds:

- Sustainability 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)*:

Seazen intends to report on allocation of proceeds on its website on an annual basis until full allocation. Allocation reporting will include information such as the allocation amount by eligible category, share of financing vs. refinancing, project examples, and amount of unallocated proceeds and its temporary treatment. In addition, Seazen is committed to reporting on relevant impact metrics. Sustainalytics views Seazen'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
 Sustainability Bond financed share of total investment
 Other (please specify): 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
 Number of beneficiaries
 Target populations
 Other ESG indicators (please specify):

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)

	<ul style="list-style-type: none"> Annual GHG emissions reduced/avoided (tonnes of CO2 equivalent)
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
Clean Transportation	<ul style="list-style-type: none"> Number of electric vehicles/charging stations built Annual GHG emissions reduced/avoided (tonnes of CO2 equivalent)
Indemnificatory Housing	<ul style="list-style-type: none"> Number of housing units constructed Number of individuals/households benefitted
Access to Essential Services	<ul style="list-style-type: none"> Number of healthcare devices/facilities deployed Number of individuals/households benefitted

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): 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.seazen.com.cn/responsibility/index.html>

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 REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP**

- i. **Second-Party Opinion:** An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability 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 Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social 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 sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially 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 Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
- iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability 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, Social and Sustainability Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability 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 and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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