

SHINSUN 祥生

祥生控股(集團)有限公司

SHINSUN HOLDINGS (GROUP) CO., LTD.

SUSTAINABLE FINANCE FRAMEWORK



Shinsun Holdings (Group) Co., Ltd.

Sustainable Finance Framework

INTRODUCTION

Shinsun Holdings (Group) Co., Ltd. (“Shinsun” or the “Company”) is a fast-growing, large-scale, comprehensive real estate developer in China that focuses on the development of high-quality residential properties in strategic locations across China. Shinsun, headquartered in Shanghai and deeply rooted in Zhejiang Province, has built a leading market position in Zhejiang Province over the course of more than 20 years of development, and has experienced rapid revenue and recognized GFA growth.

Through years of research and development, the Company has developed various series of residential properties to cater to the varying needs of its target customers, from first-time purchasers and first-time-upgraders to subsequent upgraders and high-net-worth customers. In terms of contracted sales, the Company ranked third among all residential property developers in Zhejiang Province in 2019. The Company expanded into the Pan-Yangtze River Delta Region in 2004 and has grown from a leading regional residential property developer to an established comprehensive real estate developer with national presence. Leveraging on its brand and experience in developing quality residential properties, Shinsun has also built a growing portfolio of diversified commercial properties, covering office buildings, shopping centers, community businesses and hotels.

Shinsun has adopted a “1+1+X” expansion strategy since 2016 pursuant to which it bases its development in Zhejiang Province, deeply penetrates into the Pan-Yangtze River Delta Region, and expands into other cities with high growth potential outside the Pan-Yangtze River Delta Region, such as Jingmen in Hubei Province, Hengyang and Changde in Hunan Province and Hohhot in Inner Mongolia Autonomous Region. Its “1+1+X” strategy also reflects its determination to accelerate the expansion of its property development business scale. Shinsun believes that after nearly two decades of growth, it has accumulated sufficient experience and expertise in project development from site selection to after-sales services, as well as large network with suppliers, contractors and business partners which are necessary to carry out the acceleration of its expansion plans. On November 18th, 2020, Shinsun was listed on the Hong Kong Stock Exchange (Stock Code: 2599), marking a significant milestone for the company.

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SHINSUN'S GREEN & SUSTAINABILITY STRATEGY

Shinsun is dedicated to uphold high environmental, social, and governance (ESG) standards and considers sustainable development as an indispensable part of its long-term strategy. In order to achieve long-term sustainable value for all stakeholders, Shinsun is committed to controlling and alleviating its impact on the environment and the social communities in which it operates. Shinsun ensures its compliant operations and sustainable development through high-level corporate and ESG governance. Shinsun's ESG policies are led and overseen by the board of directors, who work closely and diligently with company management to identify, review, and resolve ESG-related issues on a regular basis.

Shinsun has incorporated sustainable building designs and environmentally friendly materials and processes in project creations, as well as energy and water conservation initiatives, to reduce direct and indirect environmental impacts. Additionally, Shinsun targets to further facilitate local community development through Shinsun Charitable Foundation, Four-leaf Clover Plan, and Shinsun town projects.

ESG CATEGORY	EMISSIONS	RESOURCE USE
IDENTIFIED ISSUES	<ul style="list-style-type: none">• Air pollutants• Greenhouse gases• Waste management	<ul style="list-style-type: none">• Energy consumption• Water consumption• Use of construction materials
EXAMPLES OF SHINSUN'S RESPONSE	<ul style="list-style-type: none">• Developing projects that obtain environmental certifications from Chinese Green Building Evaluation Label• Classifying and recycling paper, rebar, glass and other recyclable wastes produced during construction	<ul style="list-style-type: none">• Installing smart meters at construction sites and office buildings• Incorporating natural ventilation, natural light and LED motion-activated lights in project design where possible• Implementing rainwater collection systems at construction sites• Standardising temporary construction facilities and processed materials to increase reuse

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CHINA'S REAL ESTATE INDUSTRY GREEN SUPPLY CHAIN ACTION

On World Environment Day, June 5th, 2016, China's Real Estate Industry Green Supply Chain Action was officially initiated. The Green Supply Chain Action, with the real estate companies as the main players, has started to work on green procurement. This marks the start of the low-carbon and emission reduction efforts by the Chinese real estate companies. As the companies work together to reduce supply chain footprint, they have made great contribution to reducing pollution and emissions. As an environmentally responsible real estate company, Shinsun has been actively engaging in protecting our planet. In order to safeguard our only ecosystem, Shinsun and many other companies have been involved in the Green Supply Chain Action and working towards improving the ecosystem and bringing back the blue sky and fresh air.

The Green Supply Chain Action calls for environmental-friendly concepts to be implemented in the procurement process, including environment protection, health and safety, recycling and low-carbon. Priorities should be put on saving energy, water and raw materials, as well as choosing the materials, products and services that are harmless to human health and protect the ecosystem.

SHINSUN CHARITABLE FOUNDATION AND FOUR-LEAF CLOVER PLAN

Shinsun Charitable Foundation of Zhejiang Province was founded on June 1st, 2019. The Four Leaf Clover Project, a scholarship program that promotes Shinsun's values of "Hope, Contribution, Empathy and Health" as a public welfare entity, was also launched at the same time.

Since its establishment, the Four Leaf Clover Scholarship Program aims to help dream-chasing students from financially challenged families to complete their studies, achieve their life goals and become a contributing force to the society as they grow up with the love and support from Shinsun. In 2020, the Scholarship Program, together with Shinsun Dream Fund of Zhuji Charity Foundation, provided 3,000 yuan of scholarship per student to over 600 students in the city, or 2 million yuan of aid in total.

In addition to give back to the society, Shinsun has been actively participating in numerous public welfare activities including urban constructions, granting scholarship to students in impoverished regions, helping disabled population and orphans and offering disaster reliefs. Along with CCTV's New Year Poverty Relief Project, Shinsun assisted the key impoverished counties such as Fengjie of Chongqing to alleviate poverty through public welfare procurement. In Wenshanzhou of Yunnan, Shinsun helped with financing the local road and bridge constructions.

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SHINSUN TOWN

Shinsun Town is a new type of rural satellite town that incorporates sightseeing area, shopping area and residence area. By bringing the service system and modernized agriculture to the rural area, Shinsun Town aims to integrate the first, second and third industries and build a “1+3+2” model featuring resort experience, education and sports businesses, as well as cultural and agricultural tourism as supplement.

As a model zone of National Revitalized Rural Areas in Zhejiang, Jinxiu Fengqiao of East Zhuji, one of the Shinsun Towns, covers 41.67 square kilometers and spans Springwind Resort Town, Yunxi Jiuli Forest Resort Town, Baimiwan Xianghe Town and Yongning Lake Sports & Recreation Resort. Upon the completion of the project, 10,000 jobs are expected to be created in the region, contributing over RMB2 billion in annual tax revenue.

SHINSUN HOLDINGS (GROUP) CO., LTD. SUSTAINABLE FINANCE FRAMEWORK

The Shinsun Holdings (Group) Co., Ltd. Sustainable Finance Framework (“Framework”) sets out the governance and processes under which Shinsun intends 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

Shinsun Holdings (Group) Co., Ltd. Sustainable Finance Framework

(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 Shinsun’s policies and that meet the eligibility criteria set out below.

ELIGIBLE GREEN PROJECTS

ELIGIBLE PROJECT CATEGORIES	ELIGIBILITY CRITERIA & EXAMPLES	UN SDG MAPPING
GREEN PROJECT CATEGORIES		
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 	 
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 15%, such as but not limited to: <ul style="list-style-type: none"> Installation/replacement of equipment in buildings such as LED lighting, smart metering, heating ventilation and air conditioning systems 	 
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 Implementing waste sorting and recycling 	   

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ELIGIBLE PROJECT CATEGORIES	ELIGIBILITY CRITERIA & EXAMPLES	UN SDG MAPPING
GREEN PROJECT CATEGORIES		
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 	  
ENVIRONMENTALLY SUSTAINABLE MANAGEMENT OF LIVING NATURAL RESOURCES AND LAND USE	<ul style="list-style-type: none"> Investments and expenditures in greening of landscapes and preservation or restoration of natural landscapes, such as but not limited to: <ul style="list-style-type: none"> ▶ Creating and enhancing urban green space 	 
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 	

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ELIGIBLE PROJECT CATEGORIES	ELIGIBILITY CRITERIA & EXAMPLES	UN SDG MAPPING
SOCIAL PROJECT CATEGORIES		
INDEMNIFICATORY HOUSING	<ul style="list-style-type: none"> Investments and expenditures in projects that provide indemnificatory housing for the general public and vulnerable groups in accordance with local government and regulatory definitions such as public rental housing 	 
ACCESS TO ESSENTIAL SERVICES	<ul style="list-style-type: none"> 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%

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

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- Drift net fishing in the marine environment using nets in excess of 2.5 km. in length
- Production or trade in fossil fuel

(2) PROJECT EVALUATION AND SELECTION

Representatives from Shinsun's 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. Shinsun 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, Shinsun will provide an estimate of the share of financing versus refinancing. Shinsun will allow a look-back period of two years for refinanced projects.

Any balance of issuance proceeds which are not yet allocated to eligible green projects and eligible social projects will be held in accordance with Shinsun's liquidity guidelines for short term time deposits or investments. Shinsun commits not to invest unallocated proceeds to any high pollution activities or any projects that are in conflict with the eligibility criteria under the Framework.

REPORTING

Shinsun will publish post-issuance annual report on its official company website, 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:

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- 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

- Type/Number of green building certifications obtained
- Total floor area of certified green buildings

ENERGY EFFICIENCY

- Annual energy savings in (MWh for electricity) (GJ for other energy)
- Annual GHG emissions reduced/avoided (tonnes of CO₂ equivalent)

POLLUTION PREVENTION AND CONTROL

- Waste reduced/avoided (tonnes)
- Annual GHG emissions reduced/avoided (tonnes of CO₂ equivalent)

SUSTAINABLE WATER AND WASTEWATER MANAGEMENT

- 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 %

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ELIGIBLE PROJECT CATEGORIES

POTENTIAL KPI AND REPORTING METRICS

GREEN PROJECT CATEGORIES

CLIMATE CHANGE ADAPTATION

- 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

- Annual renewable energy generation (MWh for electricity) (GJ for other energy)
- Annual GHG emissions reduced/avoided (tonnes of CO₂ equivalent)

ENVIRONMENTALLY SUSTAINABLE MANAGEMENT OF LIVING NATURAL RESOURCES AND LAND USE

- Area of green landscape conserved/enhanced/created in km²

CLEAN TRANSPORTATION

- Number of electric vehicles/charging stations built
- Annual GHG emissions reduced/avoided (tonnes of CO₂ equivalent)

SOCIAL PROJECT CATEGORIES

INDEMNIFICATORY HOUSING

- Number of housing units constructed
- Number of individuals/households benefitted

ACCESS TO ESSENTIAL SERVICES

- Number of education and training devices/facilities deployed
- Number of individuals/households benefitted

EXTERNAL REVIEW

Shinsun has 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. The External Review has been made public on Shinsun's website at http://www.shinsunholdings.com/inv_jbzl.html