

Green Transaction Evaluation

Minmetals Land's Proposed Green Bonds

Transaction Overview

In July 2021, Expand Lead Ltd., a subsidiary of Minmetals Land Ltd. (MML), will issue guaranteed notes, the first instrument under MML's Sustainable Finance Framework (SSF). The company will proportionally allocate the proceeds to the construction of three green building projects in China's Chengdu and Guangzhou. These are residential development projects with a minimum certification of two stars under the China Green Building Label standard.

In our opinion, this transaction aligns with the Green Bond Principles 2018 (GBP).

Entity: Minmetals Land Ltd.
Subsector: Real estate
Location (HQ): Hong Kong, China
Financing value: To be determined
Amount evaluated: 100%
Evaluation date: July 14, 2021
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Green Transaction Evaluation Overview

Transaction's transparency

- Use of proceeds reporting
- Reporting comprehensiveness

66

Transaction's governance

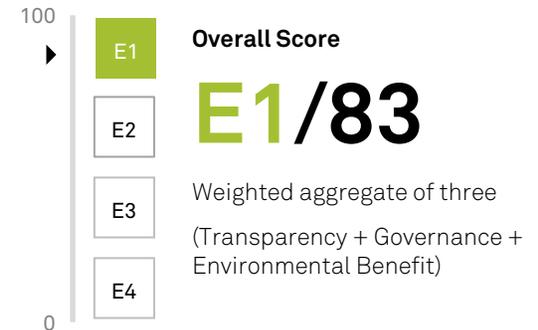
- Management of proceeds
- Impact assessment structure

81

Environmental Benefit

Environmental Sector	→ Environmental Project Type	→ Environmental Contribution Hierarchy	
Green Building	Residential: new build	Carbon	89

89



Project Description

MML will issue guaranteed senior unsecured notes. These will be the first green issuance under the company's newly established Sustainable Finance Framework (SFF). MML will proportionally allocate the full proceeds to fund the ongoing construction of three residential projects located in Guangzhou and Chengdu.

Two projects have received a certification of two stars under the Chinese Green Building Label standard. The issuer intends to obtain the certification for the third project in the second quarter of 2023, before its target completion date.

Green buildings require minimum certifications to be considered eligible projects under the issuer's SFF.

At this stage, S&P Global Ratings is unable to provide an opinion of the resilience of the projects/assets to extreme weather and climate change as part of this Green Transaction Evaluation.

Scoring summary

The transaction achieves an overall score of 83 out of 100, equivalent to an E1 on our scale for Green Transaction Evaluation of E1 (highest) to E4 (lowest).

The score is a weighted average of our view of the transaction's Transparency (66), Governance (81), and Environmental Benefit (89) scores. The excellent Environmental Benefit score reflects the meaningful environmental benefits of green buildings in China, due to the relatively high carbon intensity of the local building sector. The company's commitment to report annually the allocation of issuance proceeds and the environmental benefits of its projects drive the good Transparency and solid Governance scores.

In our opinion, this transaction aligns with the Green Bond Principles 2018 (GBP).

Rationale

- The excellent Environmental Benefit score (89) reflects the high environmental benefits brought by the financed green building projects, which contribute substantially to the systematic decarbonization of the economy. The projects' net environmental benefit ranking reflects the high impact from avoided carbon emissions, due to the extremely high carbon intensity of China's power grid, which in turn impacts the building sector.
- The good Transparency score (66) reflects MML's intention to publicly disclose the project selection criteria and regularly report the ongoing status and impact of the use of proceeds. The

framework identifies a limited number of potentially basic indicators with limited details on the methodology used in impact reporting. Final indicators will be determined based on what MML deems relevant and applicable. Independent third-party assurance may occur.

- The solid Governance score (81) rests on its comprehensive framework that includes selection criteria of eligible projects and the issuer's commitment to measure environmental impacts related to the green building projects.

Key Strengths And Weaknesses

The excellent Environmental Benefit score is primarily driven by the benefit ranking of the eligible projects. MML intends to proportionally allocate all the proceeds to three residential buildings in China, currently under construction. In our view, the building sector in China has an extremely high carbon intensity. This is mainly because coal is a dominant part of China's power supply and hence it is vital to the building sector. Therefore, any energy saving solutions in green buildings (such as roof insulation, LED lighting system, high efficiency water heating) contribute significantly to reducing carbon emissions, providing significant incremental benefits to the environment. This is reflected in the benefit ranking of 86.

According to MML's SFF, eligible green building projects need to obtain a minimum of Two Stars Chinese Green Building Label or equivalent. The Chinese Green Building Label is a certification program administered by China's Ministry of Housing and Urban-Rural Development (MOHURD). The grade ranges from one (lowest) to three (highest) stars. In addition, when local governments sell land, they require the future buildings to receive such Green Building certificates. Two of the financed projects have already obtained a two-star certification, while the issuer intends to obtain a similar two-star label in the second quarter of 2023 for the Yiyuntai Project in Guangzhou.

We believe MML has generally good commitments to ensure transparency for this transaction. It plans to prepare a progress report to disclose the allocation of proceeds on its website or in its annual reports until the proceeds are fully allocated. It will also report the environmental impact, although indicators will be determined based on what MML deems relevant and applicable. The SFF specifies potential metrics but does not include methodologies to calculate the environmental impacts.

The excellent governance score is supported by comprehensive procedures to identify, approve, and monitor the allocation of proceeds. The issuer's Executive Committee and Sustainable Development Working Group are the key bodies governing the structure, application, and oversight of the green projects. The two

bodies endorse and approve eligible projects, respectively, and will review and approve allocation and impact reports. The target is to ensure projects are aligned with eligible criteria contained in the SFF.

MML may engage third-party independent auditors to review the processes to allocate and track the use of proceeds, and/or conduct post-issuance assurance on the allocation and impact reports.

MML will set up registers to track the net proceeds of individual funding transactions, rather than pool funds to allocate to eligible projects.

Second Opinion On Green Bond Alignment

Based on our Transparency score of 66 and Governance score of 81, and that 100% of proceeds will be allocated to green projects, we

expect this bond to meet the four pillars of the voluntary GBP. That is because the issuer has committed to:

- Proportionally allocating the full amount of the net proceeds of bonds to eligible green projects as defined by the issuer,
- Using limited but clear “green” criteria (as defined by the issuer) to select projects for funding,
- Managing and tracking proceeds, and
- Committing to regular reporting of environmental impact and use of proceeds.

A Green Transaction Evaluation is a point in time assessment and is not monitored.

Project-Level Scores

Sector	Location	Project	Use of proceeds (US\$ mil.)	Use of proceeds treatment	Benefit ranking
Green Building	China	New Building: Residential	To be determined	Estimated	86

Carbon

Green Transaction Evaluation Process

66

Transparency

81

Governance

89

Environmental Benefit

Weighted aggregate of three:
(Transparency + Governance + Environmental Benefit)

E1/83

Overall Score

Project	Baseline carbon intensity	Benefit ranking	→ Carbon hierarchy tier	Environmental benefit score	Proceeds (US\$ mil.)
	<p>Low/Medium/Medium-high/High/Extremely high</p> <p>China</p>				
Wind power					
Solar power					
Small hydro					
Large hydro (excluding tropical areas)					
Energy management and control					
Unspecified					
Green transport without fossil fuel combustion					
Green buildings – new build		86			
Unspecified					
Energy-efficient projects (industrial and appliance efficiencies)					
Green transport with fossil fuel combustion					
Green buildings refurbishment					
Unspecified					
Nuclear					
Large hydro in tropical areas					
Unspecified					
Coal to natural gas					
Cleaner fuel production					
Cleaner use of coal					
Fossil fuel-based cogeneration					
Unspecified					
			Systemic decarbonization		
			Significant decarbonization in sectors already aligned with a green economy	89	To be determined
			Alleviating emissions of existing carbon-intense industries		
			Decarbonization technologies with significant environmental hazards		
			Improvement of fossil-fueled activities' environmental efficiency		

Increasing decarbonization impact

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