

## Second-Party Opinion

# Longfor Group Holdings Limited Green Finance Framework



## Evaluation Summary

Sustainalytics is of the opinion that the Longfor Group Holdings Limited Green Finance Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2018 and the Green Loan Principles 2020. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds – Green Buildings, Energy Efficiency, Pollution Prevention and Control, Renewable Energy – are aligned with those recognized by the Green Bond Principles 2018 and the Green Loan Principles 2020. Sustainalytics considers that the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically Goals 7, 11 and 12.



**PROJECT EVALUATION / SELECTION** Longfor Group Holdings Limited's has established a Green Finance Working Group, comprised of senior representatives from its Research and Development Department, Property Management Department, and Finance Department, to convene at least once a year and oversee activities carried out under the Framework. Sustainalytics considers the project selection process in line with market practice.



**MANAGEMENT OF PROCEEDS** Longfor Group Holdings Limited will use an internal register to track the use of proceeds for each transaction associated with the Framework. Pending allocation, the Group will hold funds in accordance with its normal liquid management policy, with a commitment to not investing unallocated proceeds to any high pollution activities or projects that conflict with the eligibility criteria. The Group intends to allocate proceeds within three-years of issuance. This is in line with market practice.



**REPORTING** Longfor Group Holdings Limited intends to provide allocation and impact reporting on an annual basis, until full allocation. Allocation reporting will include information such as the aggregate amount allocated to eligible projects, while impact reporting will draw on several quantitative and qualitative environmental metrics, where feasible. Sustainalytics views Longfor Group Holdings Limited's allocation and impact reporting as aligned with market practice.

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<b>Evaluation date</b>	December 1, 2020
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<b>Issuer Location</b>	Beijing, China
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### Report Sections

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Introduction.....	2
Sustainalytics' Opinion.....	3
Appendices.....	9

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## Introduction

Founded in 1993, Longfor Group Holdings Limited (“Longfor Group”, the “Group”, or the “Company”) is an investment holding company that focuses on property development, commercial property, rental housing and smart services. Since the development of its first residential project, Longfor Group has acquired more than 900 development projects with a total development area of over 100 million square meters. As of June 30, 2020, the Group has a presence in over 50 cities, spanning five regions across China, and manages RMB 728.6 billion (EUR 92.3 billion) in total assets.

Longfor Group has developed the Longfor Group Holdings Limited Green Finance Framework (the “Framework”) under which it intends to issue green bonds, loans and other debt or financing structures (collectively referred to as “Green Financing Transactions” or “GFT”) and use the proceeds to finance and/or refinance existing and/or future projects (“Eligible Projects”) that will contribute to clean energy development and low carbon economy. The Framework defines eligibility criteria in four areas:

1. Green Buildings
2. Energy Efficiency
3. Pollution Prevention and Control
4. Renewable Energy

Longfor Group engaged Sustainalytics to review the Longfor Group Holdings Limited Green Finance Framework, dated December 2020, and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2018 (GBP)<sup>1</sup> and the Green Loan Principles 2020 (GLP).<sup>2</sup> This Framework has been published in a separate document.<sup>3</sup>

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics independent<sup>4</sup> opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2018, as administered by ICMA, and the Green Loan Principles 2020, as administered by LMA, APLMA and LSTA<sup>5</sup>;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.6, 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 Longfor Group’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. Longfor Group representatives have confirmed (1) they understand it is the sole responsibility of Longfor Group 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.

<sup>1</sup> The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

<sup>2</sup> The Green Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at <https://www.lsta.org/content/green-loan-principles/>.

<sup>3</sup> The Longfor Group Holdings Limited Green Finance Framework is available on Longfor Group Holdings Limited’s website at <https://www.longfor.com/en/>.

<sup>4</sup> 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.

<sup>5</sup> In addition to the Loan Markets Association, the GLP is also administered by the Asia Pacific Loan Market Association and the Loan Syndications & Trading Association

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Longfor Group.

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 intended 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 Longfor Group has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Longfor Group Holdings Limited Green Finance Framework

Sustainalytics is of the opinion that the Longfor Group Holdings Limited Green Finance Framework is credible and impactful and aligns with the four core components of the GBP and GLP. Sustainalytics highlights the following elements of Longfor Group's Green Bond Framework:

- Use of Proceeds:
  - The eligible categories – Green Buildings, Energy Efficiency, Pollution Prevention and Control, Renewable Energy – are aligned with those recognized by the GBP and GLP. Sustainalytics is of the opinion that such investments will promote energy and resource efficiency within the Company's portfolio, thereby having a positive effect on Longfor Group's overall carbon footprint and contribute to China's transition towards a low-carbon economy.
  - Within the Green Buildings category, Longfor may finance the construction or renovation of commercial and residential buildings that have received or are expected to receive a green building certification. In order to qualify, buildings must meet one of the following minimum certification levels: Chinese Green Building Evaluation Label (2 star or above), LEED (Gold or above), HK BEAM Plus (Gold or above), and BREEAM (Very Good or above) or other equivalent green building labels.
    - Sustainalytics views these certification schemes as credible, and the selected levels as impactful (see Appendix 1 for an overview of each certification scheme). Sustainalytics also notes that BREEAM Very Good is in line with market practice in some contexts, while in others BREEAM Excellent is preferred. In any case, Sustainalytics encourages the selection of BREEAM buildings that achieve a minimum score of 70% in the Energy category.
  - Under the Energy Efficiency category, the Group may finance and/or refinance investments into facilities and technologies that achieve at least a 10% improvement in energy efficiency compared to the baseline performance. Potential technologies include energy efficient air conditioners, variable speed drivers for air handling units, T5 lighting panels, LED lights, lighting with sensors as well as variable voltage variable frequency type lift power systems. Sustainalytics notes that fossil-fuel powered technologies are excluded from financing.
  - Within the Pollution Prevention Control category, Longfor Group intends to invest in the following: the installation of recycling facilities in commercial and residential buildings;

- expenditure for recycling of food waste; expenditure for recycling of construction waste during the construction stage as well as rainwater management.
- Longfor Group has confirmed to Sustainalytics that as part of these activities, the Group will ensure there are systems in place to maintain appropriate segregation of waste, such as, garbage sorting labels of recyclables, hazardous waste, kitchen waste and other waste, as well as sorting standards for domestic garbage bins and peel bins in the community. In addition, the Group has personnel in place to supervise sorting labels for each individual project. Sustainalytics views these measures to be in line with market practice.
  - The Renewable Energy category includes expenditures for rechargeable batteries and toner/cartridge as well as the development, deployment, and generation of energy from renewable sources (wind and solar) and the ancillary infrastructure for each project, including the development of land for each project (such as solar water heating systems, solar street lights and solar cells).
    - Longfor has confirmed that this category may also include transmission lines and sub-stations. The Company will use the following criteria to determine eligibility: (i) distributed assets that are used to reduce the curtailment of renewable energy into the grid; (ii) electrical grid development if it is a) dedicated to connecting renewables to the power grid or b) supporting/integrating at least 90% renewable electricity; or (iii) a pro-rata approach to determine green allocation.
  - Longfor Group has defined a three-year lookback period for its refinancing activities, which Sustainalytics considers to be in line with market practice.
  - Project Evaluation and Selection:
    - Longfor Group has established a Green Finance Working Group (“GFWG”) who will be responsible for overseeing activities carried out under the Framework. The GFWG, comprised of senior representatives from the Group’s Research and Development Department, Property Management Department, and Finance Department (the “Project Team”), will meet at least annually (subject to the construction plan of new projects) in order to implement activities under the Framework. The Project Team will be responsible for identifying and selecting Eligible Projects in line with the Framework’s eligibility criteria.
    - Based on the establishment of a GFWG and the clear delegation of duties, Sustainalytics considers this process to be in line with market practice.
  - Management of Proceeds:
    - Longfor Group will track the use of proceeds for each GFT using an internal register, which will include information on the type of funding transaction conducted as well as the allocation of use of proceeds, such as information on the amount of GFT proceeds allocated to each project and the remaining balance of unallocated proceeds yet to be earmarked.
    - Pending allocation, the Group will hold funds in accordance with its normal liquid management policy. The Group has committed to not investing unallocated proceeds to any high pollution activities or projects that are in conflict with the eligibility criteria under the Framework. In addition, Longfor Group intends to maintain a buffer of Eligible Projects to ensure that if a project is sold or becomes ineligible, a suitable replacement can be made in a timely manner. The Group intends to allocate proceeds within three-years of issuance.
    - Based on the presence of an internal tracking system and disclosure on temporary allocation of proceeds, Sustainalytics considers this process to be in line with market practice.
  - Reporting:
    - The Group intends to provide allocation and impact reporting on its website, as well as in its annual Environmental, Social and Governance Report. This information will be provided on an annual basis, until full allocation. In addition, Longfor Group is committed to reporting periodically on its website when new projects that meet the eligibility criteria under the Framework receive funding.
      - Allocation reporting will include the aggregate amount allocated to Eligible Projects, the remaining balance of unallocated funds and the type of temporary investment made as well as examples of Eligible Projects which are subject to confidentiality disclosures. Sustainalytics encourages the Bank to report on share of financing vs refinancing for additional transparency.

- For impact reporting, the Group has committed to reporting on several quantitative and qualitative environmental metrics, where feasible. These impact indicators include, but not are limited to the following: amount of energy saved (kWh), CO<sub>2</sub> (or other GHG) emissions avoided (tons of CO<sub>2</sub>e), number and type of certification of green buildings, amount of waste recycled (kg), number of recycling facilities provided, and renewable energy generation (MWh)/capacity (MW).
- Based on these reporting commitments, Sustainalytics considers this process to be in line with market practice.

### **Alignment with Green Bond Principles 2018 and Green Loan Principles 2020**

Sustainalytics has determined that the Longfor Group Holdings Limited Green Finance Framework aligns to the four core components of the GBP and GLP. For detailed information please refer to Appendix 2: Green Bond/Green Bond Programme External Review Form.

## **Section 2: Sustainability Performance of Longfor Group**

### **Contribution of framework to Longfor Group Holdings Limited's sustainability strategy**

With the goal of managing the environmental and ecological impacts of its own business, Longfor Group has taken steps towards integrating sustainability considerations throughout its operations, with a specific focus on the following environmental areas: (i) climate change; (ii) green construction and operation (iii) sustainable procurement; (iv) biodiversity and (v) ecological protection in the community. In order to monitor its performance, the Group has formulated an enterprise-wide Environmental Management Policy (the "Policy").<sup>6</sup> The Policy outlines Longfor Group's environmental commitments, objectives and pathways to improving its performance in each of the aforementioned areas. Most notably, the Group has committed to setting short-term, medium and long-term targets for energy, water resources consumption and greenhouse gas emissions. The Group has also stated its ongoing commitment of carrying out green construction as well as expanding its use of clean energy and investments in energy-saving technology innovation and energy efficiency assessment.

The Group has showcased its environmental performance to date through its annual Environmental, Social and Governance Report (the "Report"),<sup>7</sup> which is governed by the Group's Board of Directors and, as of August 2020, overseen by the Group's Environmental, Social and Governance (ESG), Committee. In 2019, the Group invested RMB 22.14 million (EUR 2.83 million) in green buildings, with 7.3 million square meters of green buildings under construction. In the same year, the average power consumption per square meter of the Group's shopping malls decreased for the third consecutive year, with a 5.7% decrease in 2019 as compared to 2018. Regarding its progress in the area of green buildings, in 2019, the Group's portfolio included 2.59 million square meters of buildings under construction following the Chinese Green Building Evaluation Label two-star standard, and 170 thousand square meters worth of buildings meeting the three-star level. The Group recognizes that majority of its greenhouse gas emissions are generated as a result of indirect emissions from electricity consumption as well as direct emissions from the use of business vehicles, with a recorded total of 771,826 tons of carbon dioxide equivalent emitted in 2019. As such, throughout the year, the Group implemented low-carbon environmental protection and carbon reduction measures across its properties and internal departments, including in the hotels that it operates. As a result, the Group achieved a year-on-year emissions reduction (from 2018) in the average carbon emissions per occupied room in all of its hotels, with the Holiday Inn Express achieving a 17% reduction, the Crowne Plaza Hangzhou Head achieving a 22% reduction and Hotel Indigo Shanghai achieving a 46% reduction.

Based on the above, Sustainalytics is of the opinion that the Longfor Group Holdings Limited Green Finance Framework is directly aligned with the Group's ongoing sustainability objectives and initiatives and will further the Group's ability to fulfill its environmental priorities. Sustainalytics acknowledges that the Group is in the process of setting environmental targets, and encourages the development of quantitative, time-bound targets, where feasible.

<sup>6</sup> Longfor Group, Corporate Citizenship: <https://www.longfor.com/about/7/f1/97645/>. An English translation of this document was shared with Sustainalytics confidentially.

<sup>7</sup> Longfor Group shared this document with Sustainalytics, and it was assessed on a confidential basis.

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

While Sustainalytics recognizes the positive impact of the eligible projects, it is acknowledged that large-scale development projects can pose environmental and social risks. The most pertinent risks include land use change at the site of construction and related biodiversity loss, occupational health and safety, and emissions, effluents and waste generated during the construction phase. Sustainalytics is of the opinion that Longfor is able to manage and/or mitigate potential risks through the regulatory context in which it operates, and the following:

- Longfor Group applies a Supplier Code of Conduct<sup>8</sup> that is used when screening potential suppliers. As part of this process, the Group prioritizes suppliers certified under ISO 14001, OASHS 18000 and/or SA 8000. In addition, all suppliers are required to participate in the reporting of Carbon Disclosure Project and must have appropriate systems in place to assess, measure, and reduce the impact of its business operations on the environment. As of December, 31 2019, Longfor works with 223 suppliers that have passed these certifications, which represents more than 90% of its total materials and equipment suppliers.
- Longfor's internal policies ensure strict management of suppliers and procurement tenders. These include 'Principle and System for Tender Management of Longfor Group', 'Management System for suppliers of Longfor Group' and 'Measures for Materials and Equipment Suppliers Management of Longfor Group'.<sup>7</sup> As outlined in these policies, the Group conducts a pre-qualification to inspect the supplier's business scope and evidence of sound environmental management and also conducts onsite factory inspections on a regular basis. These assessment results are rated as either 'excellent', 'good', 'fair' and 'poor', whereby suppliers who receive a fair or poor rating are disqualified. The Group also conducts third party quality spot checks on contractors three times a year.
- In order to mitigate occupational health and safety hazards, the Group has established a 'Safety Management System' and 'Measures for Safety Management of Projects under Construction of Longfor Group'.<sup>7</sup> These policies are used to monitor the management of construction safety and to prevent the occurrence of safety-related incidents. Suppliers must also develop additional health and safety policies so as to reduce the risk of injury and illness. In addition, the Group provides safety training to all staff on an ongoing basis.
- Given that all property development projects are outsourced to third-party contractors, the Group has implemented a 'Measures for Management of Project of Longfor Group' policy in order to evaluate contractors' construction practices.<sup>7</sup> This includes requirements for qualified recyclers, mandatory grit chambers to drain waste from project construction and oil traps and septic tanks equipped for the drainage of water from offices and living areas. All wastewater produced by the Group is domestic sewage and is therefore discharged appropriately into the municipal sewage pipe network and processed centrally as urban sewage.
- The Group's Human Rights policy<sup>7</sup> focuses on several areas, including building a safe and healthy work environment and requiring all suppliers and contractors to supply with its safety management measures. Longfor Group also applies a Code of Business Conduct which requires all employees to adhere to the Group's policies and processes.<sup>8</sup>

In addition to the internal safeguards outlined above, the Group adheres to the Environmental Impact Assessment Law of the People's Republic of China<sup>9</sup> which requires companies to perform an environmental risk assessment for all projects (construction, reconstruction, expansion or refurbishment) during the initial phase of project design and feasibility analysis, as well as the Production Safety Law of the People's Republic of China<sup>10</sup> which requires enterprises to report potential occupational hazards to the work safety administrative department for supervision of occupational health and safety.

Based on the policies, standards and systems outlined above, Sustainalytics is of the opinion that Longfor Group has implemented adequate measures and is well-positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

<sup>8</sup> Longfor Group, Corporate Citizenship: <https://www.longfor.com/about/7/f1/97643/>. An English translation of this document was shared with Sustainalytics confidentially.

<sup>9</sup> 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>.

<sup>10</sup> NCBI, "Regulatory system reform of occupational health and safety in China", (2015), at:

<https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4466881/#:~:text=In%20China%2C%20occupational%20Disease%20Prevention,and%20work%20safety%20administrative%20department>

### Section 3: Impact of Use of Proceeds

All four use of proceeds categories are aligned with those recognized by the GBP and GLP. Sustainalytics has focused below where the impact is specifically relevant in the local context.

#### The impact of investing in green buildings and energy efficiency projects in China

The United Nations Environment Program (UNEP) predicts that the global building sector has the potential to help avoid 50% of the projected growth in energy consumption through highly energy efficient or net-zero energy buildings in new construction, along with building retrofitting of the existing building stock by 2030.<sup>11</sup> Energy efficiency also has the potential to save an estimated EUR 280 to EUR 410 billion in energy spending across the world.<sup>12</sup> Similarly, the Intergovernmental Panel on Climate Change (IPCC) claims that the building sector offers the largest cost-effective GHG mitigation potential, delivering savings and economic gains through the implementation of existing technologies, building design, and sound policy development.<sup>13</sup> With expectations for the urban population to reach 1 billion people by 2030 in China,<sup>14</sup> the urban real estate sector will continue to grow, making the nation an important player in controlling global carbon emissions and energy consumption.

According to the China Construction Energy Saving Committee, energy consumption from the building sector accounted for 21% of China's aggregate energy use, with around 19.5% of energy-related CO<sub>2</sub> emissions in 2017.<sup>15</sup> Under the 13<sup>th</sup> Five Year Plan for Construction Development released by the State Council of China, the Chinese Government has set a target of increasing the share of urban green buildings to 50% of newly built green buildings, and increase the share of green building materials to be used for construction by 40%.<sup>16,17</sup> In order to achieve this goal, energy-saving and emission-reduction technologies are being promoted by the Government.<sup>18</sup> Further, the National Development and Reform Commission published the 13<sup>th</sup> Five Year Plan for Energy Development (2016-2020) to advance energy efficiency and energy consumption management, which aims to achieve a reduction in energy consumption per unit of GDP by 15% in 2020 compared to 2015.<sup>19</sup>

Sustainalytics recognizes the importance of green building development in China and its impacts on reducing energy consumption and carbon emissions in the country, and globally. Sustainalytics expects that Longfor Group's financing for green buildings and energy efficiency projects will positively contribute to China's broader environmental goals by helping GHG emissions from the built environment.

#### Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This green bond advances the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Green Buildings	11. Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management

<sup>11</sup> Global Alliance for Buildings and Construction, "Towards zero-emission efficient and resilient buildings: Global Status Report" (2016), available at: [https://www.worldgbc.org/sites/default/files/GABC\\_Global\\_Status\\_Report\\_V09\\_november\\_FINAL.pdf](https://www.worldgbc.org/sites/default/files/GABC_Global_Status_Report_V09_november_FINAL.pdf).

<sup>12</sup> European Commission, "Global energy efficiency measures could save up to €410 billion by 2030", (2015), at: [https://ec.europa.eu/energy/news/global-energy-efficiency-measures-could-save-€410-billion-2030\\_en](https://ec.europa.eu/energy/news/global-energy-efficiency-measures-could-save-€410-billion-2030_en).

<sup>13</sup> IPCC, "Climate Change 2014: Mitigation of Climate Change: 5<sup>th</sup> Assessment Report", (2014), at: [https://www.ipcc.ch/site/assets/uploads/2018/02/ipcc\\_wg3\\_ar5\\_frontmatter.pdf](https://www.ipcc.ch/site/assets/uploads/2018/02/ipcc_wg3_ar5_frontmatter.pdf).

<sup>14</sup> IFC, "Climate Investment Opportunities in Emerging Markets", (2016), at: [https://www.ifc.org/wps/wcm/connect/59260145-ec2e-40de-97e6-3aa78b82b3c9/3503-IFC-Climate\\_Investment\\_Opportunity-Report-Dec-FINAL.pdf?MOD=AJPERES&CVID=IBLd6Xq](https://www.ifc.org/wps/wcm/connect/59260145-ec2e-40de-97e6-3aa78b82b3c9/3503-IFC-Climate_Investment_Opportunity-Report-Dec-FINAL.pdf?MOD=AJPERES&CVID=IBLd6Xq).

<sup>15</sup> CABEE, "China Construction Energy Consumption Report 2019", at: <http://www.cabee.org/site/content/23565.html>.

<sup>16</sup> WRI, "How Can China's Green Building Sector Grow Fivefold by 2030? 3 Cities Show Us the Way", (2017), at: <https://www.wri.org/blog/2017/05/how-can-china-s-green-building-sector-grow-fivefold-2030-3-cities-show-us-way>.

<sup>17</sup> Global Alliance for Buildings and Construction, "Towards zero-emission efficient and resilient buildings: Global Status Report" (2016), available at: [https://www.worldgbc.org/sites/default/files/GABC\\_Global\\_Status\\_Report\\_V09\\_november\\_FINAL.pdf](https://www.worldgbc.org/sites/default/files/GABC_Global_Status_Report_V09_november_FINAL.pdf).

<sup>18</sup> The State Council of China, "13<sup>th</sup> Five Year Plan for Construction Development" (2017), at: <http://www.mohurd.gov.cn/wjfb/201705/W020170504041246.pdf>.

<sup>19</sup> Grantham Research Institute on Climate Change and the Environment, "13<sup>th</sup> Five Year Plan", (2016), at: <https://climate-laws.org/geographies/china/policies/13th-five-year-plan>

Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Pollution Prevention and Control	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix

## Conclusion

Longfor Group has developed the Longfor Group Holdings Limited Green Finance Framework under which it intends to issue green bonds and the use of proceeds to finance projects that promote energy and resource efficiency. Sustainalytics expects that the projects funded by the green bond proceeds will improve Longfor Group's overall carbon footprint and contribute to China's transition towards a low-carbon economy.

The Longfor Group Holdings Limited Green Finance Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Longfor Group Holdings Limited Green Finance Framework is aligned with the overall sustainability strategy of the company and that the green use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 7, 11 and 12. Additionally, Sustainalytics is of the opinion that Longfor Group 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 Longfor Group Holdings Limited is well-positioned to issue green bonds and that the Longfor Group Holdings Limited Green Finance Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2018 and Green Loan Principles 2020.

## Appendices

### Appendix 1: Green Building Certifications

	<b>Chinese Green Building Evaluation Label (China Three Star)</b>	<b>LEED</b>	<b>HK BEAM Plus</b>	<b>BREEAM</b>
<b>Background</b>	The Chinese Green Building Evaluation Label is a Certification System used in China for residential and public buildings (including commercial, hotel and government-owned) that was introduced in 2006 by MOHURD (Ministry of Housing and Urban-Rural Development).	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.	BEAM Society Limited (BSL), owner of the Building Environmental Assessment Method (BEAM), is a public body established in 2010. It owns BEAM Plus - a green building assessment tool tailor-made for the high-rise, high density-built environment of sub-tropical climate in Hong Kong.	BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK. Used for new, refurbished and extension of existing buildings.
<b>Certification levels</b>	1-Star 2-Star 3-Star	Certified Silver Gold Platinum	Bronze Silver Gold Platinum	Pass Good Very Good Excellent Outstanding
<b>Areas of Assessment: Environmental Performance of the Building</b>	<ul style="list-style-type: none"> <li>• Land savings and outdoor environment;</li> <li>• Energy savings and utilisation;</li> <li>• Water savings and utilisation;</li> <li>• Material savings and utilisation;</li> <li>• Indoor environment;</li> <li>• Operations and management.</li> </ul>	<ul style="list-style-type: none"> <li>• Energy and atmosphere</li> <li>• Sustainable Sites</li> <li>• Location and Transportation</li> <li>• Materials and resources</li> <li>• Water efficiency</li> <li>• Indoor environmental quality</li> <li>• Innovation in Design</li> <li>• Regional Priority</li> </ul>	<ul style="list-style-type: none"> <li>• Site Aspects (location and design of building, emissions from the site, site management)</li> <li>• Materials Aspects (selection of materials, efficient use of materials, waste disposal and recycling)</li> <li>• Energy Use (annual CO2 emissions or energy use, energy efficient systems and equipment, energy management)</li> <li>• Water Use (water</li> </ul>	<ul style="list-style-type: none"> <li>• Energy</li> <li>• Land Use and Ecology</li> <li>• Pollution</li> <li>• Transport</li> <li>• Materials</li> <li>• Water</li> <li>• Waste</li> <li>• Health and Wellbeing</li> <li>• Innovation</li> </ul>

			<p>quality, water conservation, effluent discharges)</p> <ul style="list-style-type: none"> <li>Indoor Environmental Quality (IEQ)</li> </ul>	
<b>Requirements</b>	<p>Prerequisites:</p> <p>The system functions on a checklist basis, with 1-Star buildings meeting 26 criteria, 2-Star an additional 43 items, and 3-Star on a further 14 items. Criteria and weighting differ for public and residential buildings. In public buildings, more weight is given to energy and material savings, while the standard for residential buildings places greater importance on urban land saving and outdoor environments.</p>	<p>Prerequisites (independent of level of certification) + Credits with associated points</p> <p>These points are then added together to obtain the LEED level of certification</p> <p>There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).</p>	<p>Prerequisites for each performance area + Credits with associated points</p> <p>Detailed compliance with legal requirements is a prerequisite for the award of credits.</p> <p>For every performance area BEAM prescribes different prerequisites. Every applicable prerequisite in every BEAM category must be achieved for the project to be assessed.</p> <p>Credits are allocated for each performance area, and every area is weighted as per international consensus.<sup>20</sup> The Overall Assessment Grade is determined by the percentage (%) of the applicable credits gained under each performance category and its weighting factor.</p> <p>Verification of compliance with BEAM criteria is done by an independent BEAM Assessor.</p>	<p>Prerequisites depending on the levels of certification + Credits with associated points</p> <p>This number of points is then weighted by item<sup>21</sup> and gives a BREEAM level of certification, which is based on the overall score obtained (expressed as a percentage). Majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their BREEAM performance score.</p> <p>BREEAM has two stages/ audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.</p>
<b>Performance display</b>				

<sup>20</sup> BEAM Plus New Buildings, at: <https://www.beamsociety.org.hk/files/download/download-20130724174420.pdf>.

<sup>21</sup> BREEAM weighting: Management 12%, Health and wellbeing 15%, Energy 19%, Transport 8%, Water 6%, Materials 12.5%, Waste 7.5%, Land Use and ecology 10%, Pollution 10% and Innovation 10%. One point scored in the Energy item is therefore worth twice as much in the overall score as one point scored in the Pollution item.

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

### Section 1. Basic Information

<b>Issuer name:</b>	Longfor Group Holdings Limited
<b>Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:</b>	Longfor Group Holdings Limited Green Finance Framework
<b>Review provider's name:</b>	Sustainalytics
<b>Completion date of this form:</b>	December 1, 2020
<b>Publication date of review publication:</b>	

### 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:

- |  |  |
|--|--|
| <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 <sup>nd</sup> 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, Renewable Energy, are aligned with those recognized by the Green Bond Principles 2018 and the Green Loan Principles 2020. Sustainalytics considers that the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically Goals 7, 11 and 12.

**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 type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation  | <input type="checkbox"/> Clean transportation  |
| <input type="checkbox"/> Sustainable water and wastewater management  | <input type="checkbox"/> Climate change adaptation   |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes                            | <input checked="" type="checkbox"/> Green buildings  |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP | <input type="checkbox"/> Other <i>(please specify)</i> :   |

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

**2. PROCESS FOR PROJECT EVALUATION AND SELECTION**

Overall comment on section *(if applicable)*:

Longfor Group Holdings Limited's has established a Green Finance Working Group, comprised of senior representatives from its Research and Development Department, Property Management Department, and Finance Department, to convene at least once a year and oversee activities carried out under the Framework. Sustainalytics considers the project selection process in line with market practice.

**Evaluation and selection**

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives            | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories               |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available       | <input type="checkbox"/> Other <i>(please specify)</i> :  |

### 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):

**PROCEEDS** Longfor Group Holdings Limited will use an internal register to track the use of proceeds for each transaction associated with the Framework. Pending allocation, the Group will hold funds in accordance with its normal liquid management policy, with a commitment to not investing unallocated proceeds to any high pollution activities or projects that are in conflict with the eligibility criteria. The group intends to allocate proceeds within three-years of issuance. This is in line with market practice.

#### Tracking of proceeds:

- Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (please specify):

#### Additional disclosure:

- Allocations to future investments only
- Allocations to both existing and future investments
- Allocation to individual disbursements
- Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds
- Other (please specify):

### 4. REPORTING

Overall comment on section (if applicable):

Longfor Group Holdings Limited intends to provide allocation and impact reporting on an annual basis, until full allocation. Allocation reporting will include information such as the aggregate amount allocated to eligible projects, while impact reporting will draw on several quantitative and qualitative environmental metrics, where feasible. Sustainalytics views Longfor Group Holdings Limited's allocation and impact reporting as aligned with market practice.

#### Use of proceeds reporting:

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

**Information reported:**

- Allocated amounts  Green Bond financed share of total investment

Other (please specify):

**Frequency:**

- Annual  Semi-annual

Other (please specify):

**Impact reporting:**

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

**Information reported (expected or ex-post):**

- GHG Emissions / Savings  Energy Savings
- Decrease in water use  Other ESG indicators (please specify): number and type of certification of green buildings, amount of waste recycled (kg), number of recycling facilities provided, renewable energy generation (MWh)/ capacity (MW).

**Frequency**

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

**Means of Disclosure**

- Information published in financial report  Information published in sustainability report
- Information published in ad hoc documents  Other (please specify): Company's 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.longfor.com/en/>

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

- |  |  |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit                        | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other ( <i>please specify</i> ):            |  |

**Review provider(s):**
**Date of publication:**
**ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP**

- i. Second-Party Opinion: An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. Green Bond Scoring/Rating: An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

## Disclaimer

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## About Sustainalytics, a Morningstar Company

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

**5th Green Bond Pioneer Awards**  
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**GlobalCapital**  
**SRI Awards**

**Named**

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



**The Green Bond Principles**