

Sustainability Framework Alignment Opinion

Minmetals Land Limited's Sustainable Finance Framework

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Sustainability Financing Framework Overview

In our view, Minmetals Land Ltd.'s (MML) sustainable finance framework, published on July 14, 2021, is aligned with the four components of the Green Bond Principles 2018 (GBP) and the four components of the Social Bond Principles 2020 (SBP), collectively referred to as the Sustainability Bond Guidelines. It is also aligned with the four components of the Green Loan Principles 2021 (GLP) and Social Loan Principles 2021 (SLP), collectively referred to as the Principles.

MML is a Chinese property developer and a listed subsidiary of China Minmetals Corp., a state-owned enterprise. It engages in property management services and property investment. This financing framework reflects the company's commitment to develop sustainable real estate that supports communities.

Framework Alignment Overview



1. Use of proceeds

MML's sustainable finance framework is aligned with this component of the Principles. The company commits to using the net proceeds of financing raised under the framework to fund eligible green and social projects, which all belong to categories defined by the principles.



2. Process for project evaluation and selection

MML's sustainable finance framework is aligned with this component of the Principles. This is because the company discloses how business lines nominate, the Sustainable Development Working Group (SDWG) endorses, and the executive committee approves eligible projects for the use of proceeds. The SDWG consists of senior members of different departments, and the executive committee of all executive directors.



3. Management of proceeds

MML's sustainable finance framework is aligned with this component of the Principles. MML's Finance teams will maintain a register of each green and/or social financing transaction (bonds, loans or other debt instrument) that contains information on the use of its proceeds. Unallocated proceeds will be held according to company's treasury and liquidity guidelines. Funds assigned to projects that cease to be eligible will be redirected to eligible assets.



4. Reporting

MML's sustainable finance framework is aligned with this component of the Principles because the company will publicly disclose the allocation and environmental or social impact of transactions annually. Reporting will be on an aggregate basis and cover all eligible green or social projects. The company has a list of potential impact indicators for each category of project.

Issuer Sustainability Objectives

MML is committed to building and operating sustainable real estate that supports communities. The company's building designs incorporate technology to improve environmental and social activities, including gardens and exercise equipment. MML obtains local and internationally recognized certifications for its green buildings to reflect the high standards of energy efficiency and other environmentally friendly outcomes. The commitment is also demonstrated across the value chain from the supply of environmentally friendly construction materials to designs that propagate the health and well-being of tenants. MML evaluates suppliers' environmental protection measures and has verified 12 suppliers that source environmentally friendly materials and equipment. Stakeholder engagement resulted in the company identifying 15 material ESG issues including energy savings, green construction, health and safety, and customer satisfaction.

Framework Description

1. Use of proceeds

The Principles stipulate that a seeker of finance should commit the net proceeds of an issuance exclusively to eligible green and social projects. According to the GBP and GLP, eligible projects will seek to achieve at least one of five environmental objectives, including: (1) climate change mitigation, (2) climate change adaptation, (3) natural resource conservation, (4) biodiversity conservation, and (5) pollution prevention and control. According to the SBP and SLP, following eligible project categories capture the most common social issues: (1) affordable basic infrastructure; (2) access to essential services; (3) affordable housing; (4) employment generation, and programs designed to prevent or alleviate unemployment; (5) food security and sustainable food systems; and (6) socioeconomic advancement and empowerment.



We regard MML's sustainable finance framework to be aligned with the use of proceeds component of the Principles.

MML is committed to allocate the net proceeds of each transaction issued under its framework to exclusively (re)finance eligible green and social projects. Eligible projects can be located anywhere, although the company's business is concentrated in mainland China and Hong Kong. If a project meets the definition of more than one category (e.g. green buildings and energy efficiency), MML will only attribute it to the category with the largest impact.

Green eligible categories cover green buildings, renewable energy, energy efficiency, pollution prevention and control, sustainable water and wastewater management, climate change adaptation, and clean transportation. These categories address the objectives of the GBP and GLP. For example, financing certified green buildings helps to mitigate climate change through reduced energy consumption, and clean transportation supports pollution prevention and control.

Social projects focus on equitable access to essential services. Equitable access focuses on communities such as people with disabilities and senior citizens.

2. Process for project evaluation and selection

To align with the second component of the Principles, a seeker of finance must explain the process by which eligible projects are selected, the related eligibility criteria applied to select those projects, including exclusionary criteria, if applicable, and the overall sustainability objectives that underpin the selection process.



MML's framework is aligned with the Principles' requirements for project evaluation and selection process.

MML's business units are responsible for nominating eligible projects to receive funding, the SDWG for reviewing and endorsing projects, and the executive committee for final approval. The SDWG consists of senior members of different

departments (e.g. design and investor relations), and the executive committee of all executive directors. In addition, these two decision-making bodies are responsible for reviewing and updating the framework's financing instruments, eligible projects, and process for project evaluation and selection.

Only projects that meet the established green and social criteria, which is reviewed annually, are eligible for selection. The framework does not identify ineligible projects (i.e. exclusions list).

3. Management of proceeds



The Principles require a seeker of finance to monitor the net proceeds of all outstanding green and social financing transactions. This includes appropriately tracking the proceeds and adjusting the balance of net proceeds to match allocations to eligible green and social projects. The Principles also require a seeker of finance to disclose to investors the intended types of temporary placement they intend to use for unallocated proceeds.

MML's sustainable financing framework is aligned with the management of proceeds contained in the Principles.

The real estate developer will track proceeds of each transaction under a register. This register will identify key information on the funding transaction, the allocation of these proceeds, and confirmation that allocated projects remain eligible under this framework. Finance teams are responsible for the management of proceeds and maintaining the register. If a project ceases to fulfill the eligibility criteria, MML will allocate the funding to other eligible assets as soon as practicable.

Unallocated net proceeds will be held in accordance with MML's internal policies for treasury and liquidity management.

4. Reporting



The Principles stipulate that a seeker of finance should report on the use of proceeds annually until full allocation. Information presented in the annual report must include a list of the projects that receive financing, a description of each project, including the amount allocated to each project, and their expected environmental and social impacts.

MML's sustainable financing framework is aligned with the Principles' recommendations for reporting because it commits to proceeds allocation and impact reporting on environmental and social considerations.

Allocation reporting will provide indicators such as the amount allocated to each eligible category (e.g. green buildings and clean transportation), the split between new- and re-financing (including lookback period), the balance of unallocated proceeds, and descriptions of financed projects.

MML will report on the environmental and social impact of projects funded with the proceeds raised under this framework. For each category of eligible projects, the company has identified example indicators to measure the impact. For example, it will disclose the certificates and total floor space of green buildings, and reductions in energy or water intensity for projects that target these respective efficiencies. Social indicators focus on the number of facilities built to support the under privileged and other focus groups.

The company will publicly disclose such reports annually until the proceeds of financing are fully allocated. The SDWG will review and approve the allocation and impact reports.

Additional Features Of The Framework

This section of the report provides additional information on whether the framework incorporates recommended aspects of the Principles and goes beyond minimum requirements. This section does not impact on our alignment opinion with the stated principles.

MML's sustainable finance framework has a good level of transparency and disclosure, providing sufficient details for investors to understand the company's approach to financing green and social projects. The framework has the following strengths:

- Eligibility criteria for green buildings reference environmental standards and certifications such as Leadership in Energy and Environmental Design (LEED), BREEAM, and Chinese Green Building Label.

MML's framework has the following limitations:

- There is no exclusions list of projects.
- There is an intent but no commitment to engage an independent third party to assure the contents of allocation or impact reports, or the processes to allocate and track proceeds.

Conclusion

Based on our assessment of the contents of MML's sustainable finance framework, we regard this framework as being aligned with the Principles, given that the seeker of finance has committed to:

- Allocate the full amount of the net proceeds of financing to eligible green and social projects, as defined by the seeker of finance;
- Use clear "green" and "social" criteria (as defined by the seeker of finance) to select projects for funding;
- Manages and tracks proceeds; and
- Regular reporting of the allocation of proceeds and related environmental and social impact.

Mapping To The UN Sustainable Development Goals

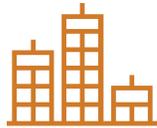
The Sustainable Development Goals (SDGs) were set up by the United Nations in 2015 and form an agenda for achieving sustainable development by the year 2030. We use the International Capital Market Association (ICMA) SDG mapping for this part of the report. We acknowledge that the ICMA mapping does not provide an exhaustive list of SDGs and that ICMA recommends each project category be reviewed individually to map it to the relevant SDGs.

The Sustainable Finance Framework intends to contribute to the following SDGs:

Use of proceeds

SDGs

Green buildings



11. Sustainable cities and communities*

Renewable energy



7. Affordable and clean energy*



13. Climate action

Energy efficiency



7. Affordable and clean energy*



9. Industry, innovation, and infrastructure*

Pollution prevention and control



3. Good health and well-being*



11. Sustainable cities and communities*



12. Responsible consumption and production*

Sustainable water and wastewater management



6. Clean water and sanitation*

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Climate change adaptation



13. Climate action*

15. Life on land

Clean transportation



11. Sustainable cities and communities*

Access to essential services



3. Good health and well-being*

4. Quality education*

*We could link the eligible project categories to those SDGs based on the ICMA mapping.

Sustainability Framework Alignment Opinion

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