

Green Evaluation

Modern Land (China) Co. Ltd.
US\$350 Million Green Bond

Transaction Overview

On February. 27, 2018, Modern Land (China) Co. Ltd. issued US\$350 million in green bonds. In line with its Green Bond Framework, the company will use the entire proceeds exclusively for the financing or the refinancing of the construction of new and the refurbishment of existing environmentally certified green buildings in China, including without limitation the refinancing of existing debt in relation to such projects. The bonds mature in 2021.

Entity: Modern Land (China) Co. Ltd.
Subsector: Real Estate
Location (HQ): Beijing
Financing value: US\$350 million
Amount evaluated: 100%
Evaluation date: Feb. 26, 2018
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Green Evaluation Overview

Transaction's Transparency

- Use of proceeds reporting
- Reporting comprehensiveness

64

Transaction's Governance

- Management of proceeds
- Impact assessment structure

76

Mitigation

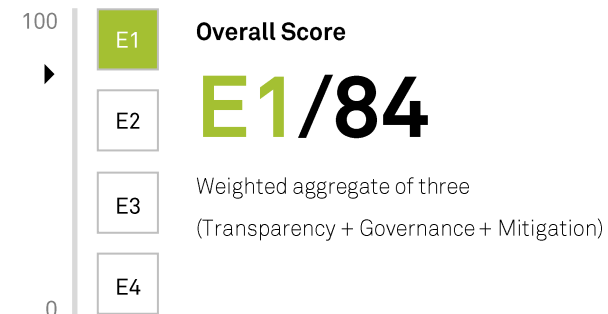
Sector → **Net Benefit Ranking** → **Hierarchy Adjustments**

Green Building → New build – General → Carbon

92

Adaptation

NA



Project Description

Modern Land is engaged in the green property development business, primarily in China. Bond proceeds will be used for financing or the refinancing of green building projects in China according to the company's Green Bond Framework. Eligible projects financed with the proceeds of the green bonds involve new construction of commercial and residential buildings that have achieved either the Chinese Green Building Label (minimum certification "2 Star" for Green Building Design Label or Green Building Operation Label) or LEED (minimum certification "Gold"). Projects must also evidence additional energy-saving and performance data, including at least 15% energy performance improvement for new building construction and 30% energy performance improvement for renovation of existing buildings, depending on location and other justifiable building benefits.

Modern Land will use all proceeds for green buildings as stated in their Green Bond Framework. Modern Land's treasury and green building R&D departments select eligible projects.

Scoring Summary

In our Green Evaluation, the bond achieved an E1/84, the highest rank on our scale of E1 (highest) to E4 (lowest). We determine the score by taking a weighted average of the transaction's Transparency (64), Governance (76), and an excellent Mitigation score of 92. The excellent Mitigation score reflects the meaningful environmental benefits and significant amount of carbon dioxide emissions saved over the lifetime of Modern Land's green property projects from China's carbon intense grid.

Rationale

- All funds raised were allocated to finance or refinance the debt in relation to the eligible new building green projects that achieve defined environmental certification standards and meet energy saving targets.
- The solid Governance score reflects the strong framework governing the allocation and management of proceeds, as well as the detailed measurement of actual or expected environmental

impacts for each eligible project, though some information is not subject to third-party verification.

- The strong Transparency score reflects regular reporting with disclosure of eligible projects and their environmental benefits. However, the score is constrained by our anticipation that Modern Land will only disclose a basic set of information about some of its eligible projects.

Key Strengths And Weaknesses

Bond proceeds will be applied to commercial and residential green building projects that achieve specified certification standards and meet verified energy saving targets. Our evaluation of green building projects considers primarily the energy performance improvement compared to a particular industry benchmark. The excellent Mitigation score is a function of the high level of expected avoided carbon emissions compared with the baseline scenario due to the high carbon intensity of the coal-dominated Chinese grid mix. These factors contribute to a Net Benefit score of 96.

Green buildings achieve the second-highest category in S&P Global Ratings' carbon hierarchy based on their role in the significant decarbonization of key sectors through low-carbon solutions. The final Environmental Impact score is revised down to 92 following the hierarchy application.

The Governance score reflects the company's commitment to maintain a defined process regarding project evaluation and selection, management of proceeds, and reporting. Modern Land's project selection criteria are comparable with those of peers in China that have set up a similar green bond framework. The company also established a mechanism for the management of proceeds, such as earmarking proceeds to eligible projects and with policy guiding the management of unused proceeds. However, proceeds raised in this green bond will mainly be used for refinancing, and it is not entirely clear which existing green project debt is going to be refinanced. Modern Land has nevertheless confirmed that only eligible new build projects (with two or three stars on the China three-star green building standard) will be refinanced. The allocation of proceeds is not verified by an independent third party.

The Transparency score reflects the qualitative assessment and the green technology implemented in the eligible projects disclosed in the Environmental, Social, and Governance section of the company's annual report. Additionally, we have also factored in our expectations for improved transparency as Modern Land is planning to expand its

existing disclosures to include the energy saving rate and the total and actual investment of some of its green projects. However, the score is constrained by the level of detail of its disclosure compared with peers and because the company's disclosure and estimated/actual environmental impacts do not receive independent assurance.

Clearly documented green objectives and intentions to comply with Modern Land's written environmental guidelines boost the Governance score.

All of these factors combined result in the final Green Evaluation of E1/84.

Sector-Level Scores

Sector	Location	Technology	Use of Proceeds (USD mil.)	Use of Proceeds Treatment	Net Benefit Ranking
Green buildings	China	New build – General	350	Estimated	96
			350		

Carbon

Green Evaluation Process

64
Transparency

76
Governance

92
Mitigation

Weighted aggregate of three
(Transparency + Governance + Mitigation)

E1/84
Overall Score

Technology	Baseline Carbon Intensity	Net Benefit Ranking	Carbon Hierarchy Adjustment	Environmental Impact Score	Proceeds (USD mil.)
	<p>High ● Low 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		96	Significant decarbonization in sectors already aligned with a green economy	92	\$350
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					
Unspecified					

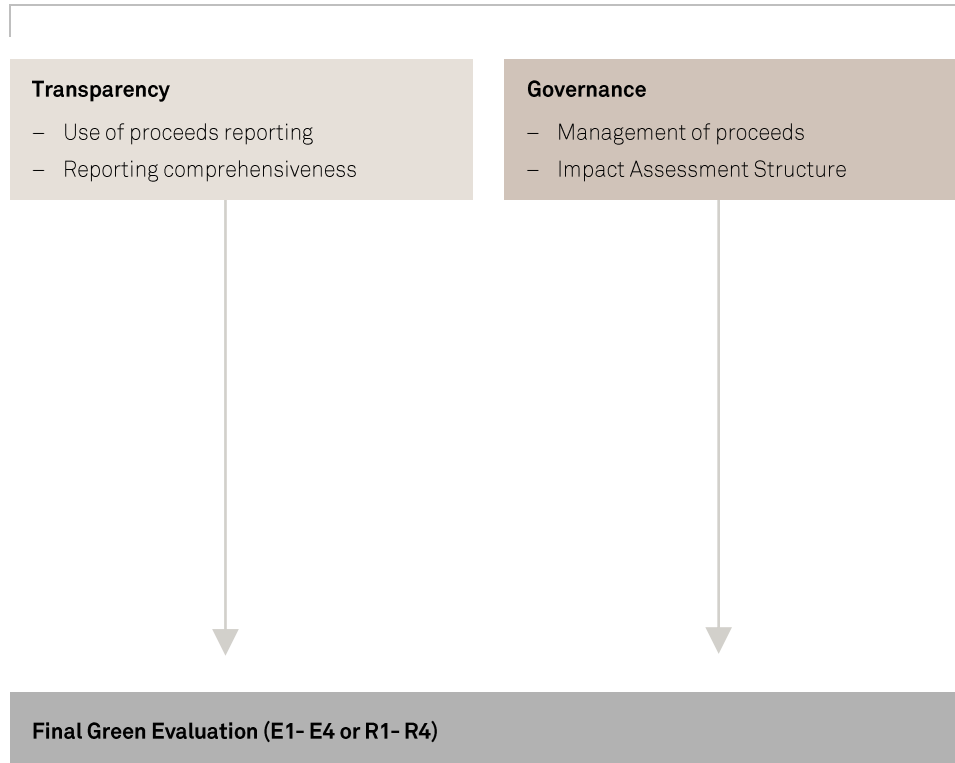
Increasing Decarbonization Impact ↑

Our Green Evaluation Approach

Weighted aggregate of three:



Common approach used amongst opinion providers



Unique to S&P Global Ratings



eKPI – Environmental Key Performance Indicator

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