

## Green Evaluation

# Landsea Green Group Co., Ltd. US\$150 Million Green Bond

### Transaction Overview

On April 20, 2018, Landsea Green Group Co., Ltd. issued US\$150 million in green bonds. In line with its Green Bond Framework, the company will use the proceeds to finance debt related to the construction of new and the refurbishment of existing environmentally certified green residential buildings in China. Of the proceeds, an assumed maximum of 10% may be used for R&D related to energy-efficient designs and technologies for green buildings, while the remaining 90% will be directly applied to these projects. Our evaluation only applies to the proceeds used directly for green projects and therefore excludes the financing of R&D activities.

**Entity:** Landsea Green Group Co., Ltd.  
**Subsector:** Real Estate  
**Location (HQ):** Hong Kong  
**Financing value:** US\$150 million  
**Amount evaluated:** 90%  
**Evaluation date:** Jan. 9, 2018  
**Contact:** Brian Huang  
 +852 2533 3575  
 brian.huang@spglobal.com

### Green Evaluation Overview

#### Transaction's Transparency

- Use of proceeds reporting
- Reporting comprehensiveness

79

#### Transaction's Governance

- Management of proceeds
- Impact assessment structure

76

### Mitigation

#### Sector

Green Building

#### → Net Benefit Ranking

New build – Residential  
 Refurbishment – Residential

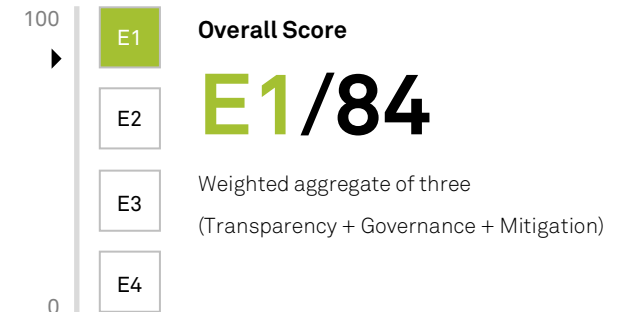
#### → Hierarchy Adjustments

Carbon

88

### Adaptation

NA



## Project Description

Landsea is engaged in the green residential property development business, primarily in China. It intends to use the bond proceeds to finance new and refinance existing green building projects in China.

The company's Green Bond Framework defines its criteria for "eligible projects" that will be financed using the proceeds of green bonds.

As per the framework, these eligible projects should fulfill either Criteria 1 and 2, or Criterion 3:

1. Residential buildings environmentally certified in accordance with one of the following selected certification systems:
  - i. Minimum "2 Star" Chinese Green Building Label for Green Building Design or Green Building Operation; or
  - ii. Any other Green Building label of an equivalent standard.
2. Additional energy-saving/performance data collected, which is anticipated by the management team before project completion and evidenced through third-party energy reports as soon as practicable following the completion of the relevant project. Such data shall provide at least:
  - i. **New construction of buildings:** At least 15%-30% energy performance improvement;
  - ii. **Renovation of existing of buildings:** At least 40%-60% energy performance improvement, depending on location, and other justifiable building benefits.
3. R&D covering energy-efficiency design and technologies for housing and construction (maximum of 10% of issuance).

Of the proceeds, 10% will be used for R&D purposes, while the rest will be used for the green buildings. Landsea's Treasury and Green R&D departments select eligible projects.

## Scoring Summary

In our Green Evaluation, we scored the project E1/84, the highest Green Evaluation rank on our scale of E1 (highest) to E4 (lowest). We determine the score by taking a weighted average of the transaction's Transparency (79), Governance (76), and Mitigation (88) scores. The very strong Mitigation score reflects the meaningful environmental benefits from Landsea's green property projects in China.

## Rationale

- The proceeds will be allocated to finance a variety of green property projects or refinance existing debts related to these projects.
- The robust Transparency score (79) indicates regular reporting with meaningful disclosure on the green projects and their environmental benefits.
- The strong Governance score (76) reflects the strong framework that governs the allocation and management of proceeds, though some information is not subject to third-party verification.
- The excellent Mitigation score (88) reflects these projects' environmental contribution to systemic decarbonization.

## Key Strengths And Weaknesses

The bond proceeds will be applied to residential green building projects that are expected to be certified at least "2 Star" as per the Chinese Green Building Label or equivalent standard. Our evaluation of green building projects considers two primary environmental key performance indicators for new buildings built within the specifications of globally accepted green building certifications: avoiding carbon emissions due to higher energy efficiency and--to a lesser extent--reducing water usage.

Clearly documented green objectives and intentions to comply with Landsea's written environmental regulations boost the Mitigation score. The score also benefits from the high carbon intensity of the Chinese grid mix, which results in a high level of avoided carbon emissions compared with the baseline scenario.

The Transparency score is supported by Landsea's ongoing disclosure of the economic life cycle of environmental benefits of green projects. Its annual Corporate Social Responsibility Report discloses project-level environmental benefits, including avoided carbon emissions. However, it is partly dragged by some of the information lacking third-party verification.

The Governance score is also supported by the company's commitment to maintain a defined process of managing the proceeds, especially under segregated registers. However, part of the proceeds will be used to refinance existing green project debts, where it might be difficult to isolate the environmental benefits. Moreover, the allocation of proceeds is not verified by a third party.

## Sector-Level Scores

Sector	Location	Technology	Use of Proceeds (mil. \$)	Use of Proceeds Treatment	Net Benefit Ranking
Green buildings	China	New build – Residential	100	Estimated	86
	China	Refurbishment – Residential	50	Estimated	100
			<b>150</b>		

# Carbon

## Green Evaluation Process

**79**  
Transparency

**76**  
Governance

**88**  
Mitigation

Weighted aggregate of three  
(Transparency + Governance + Mitigation)

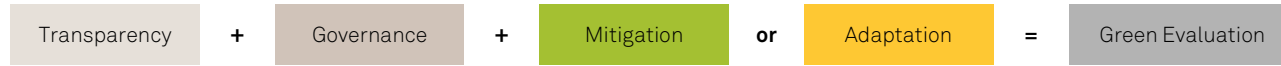
**E1/84**  
Overall Score

Technology	Baseline Carbon Intensity	Net Benefit Ranking	Carbon Hierarchy Adjustment	Environmental Impact Score	Proceeds (mil. \$)
	<p>High <span style="display: inline-block; width: 100px; height: 10px; background: linear-gradient(to right, #90EE90, #90EE90); border: 1px solid #000; border-radius: 5px;"></span> 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					
<b>Green buildings – new build</b>		<b>86</b>			
Unspecified					
Energy efficient projects (industrial and appliance efficiencies)					
Green transport with fossil fuel combustion					
<b>Green buildings refurbishment</b>		<b>100</b>			
Unspecified					
Nuclear					
Large hydro in tropical areas					
Unspecified					
Coal to natural gas					
Cleaner fuel production					
Cleaner use of coal					
Unspecified					
			Systemic decarbonization		
			<b>Significant decarbonization in sectors already aligned with a green economy</b>	<b>89</b>	<b>100</b>
			<b>Alleviating emissions of existing carbon-intensive industries</b>	<b>87</b>	<b>50</b>
			Decarbonization technologies with significant environmental hazards		
			Improvement of fossil-fueled activities' environmental efficiency		

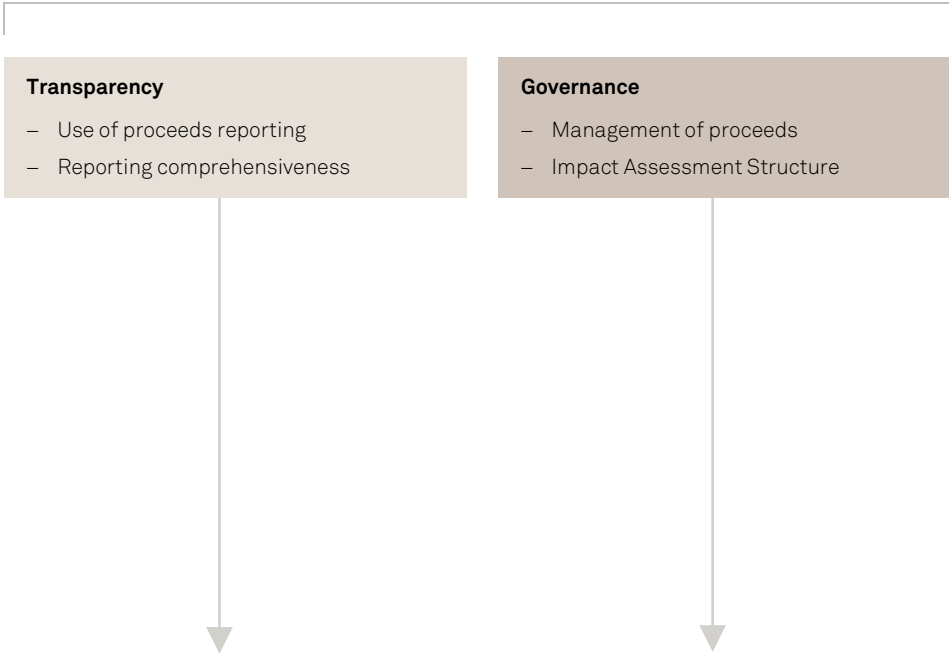
Increasing Decarbonization Impact

## Our Green Evaluation Approach

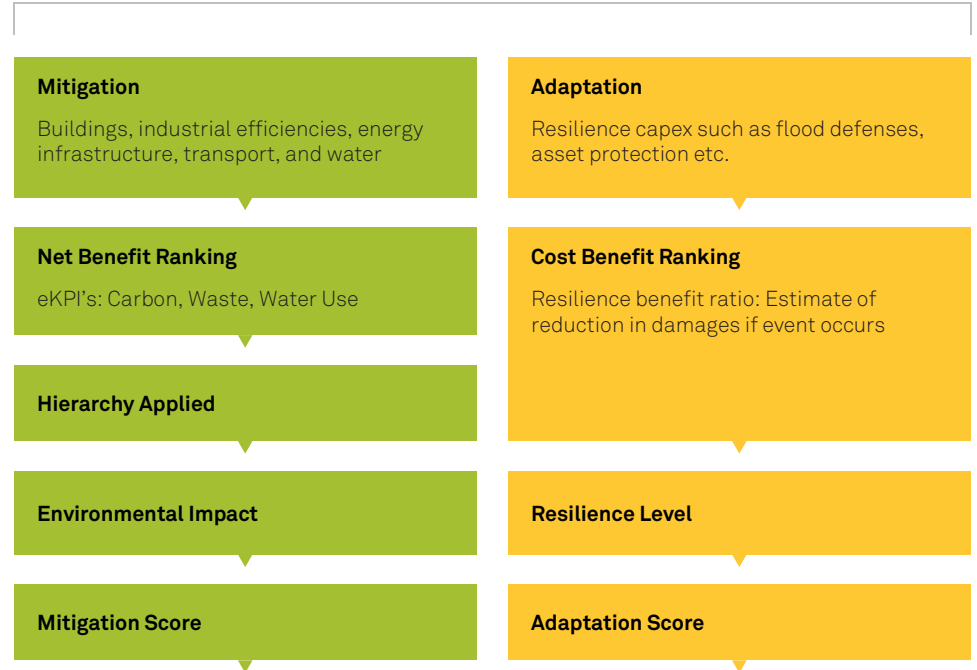
Weighted aggregate of three:



Common approach used amongst opinion providers



Unique to S&P Global Ratings



eKPI – Environmental Key Performance Indicator

Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P) receives compensation for the provision of the Green Evaluation product (Product). S&P may also receive compensation for rating the transactions covered by the Product or for rating the issuer of the transactions covered by the Product. The purchaser of the Product may be the issuer or a third party.

The Product is not a credit rating. The Product does not consider state or imply the likelihood of completion of any projects covered by a given financing, or the completion of a proposed financing. The Product provides a relative ranking evaluation of the estimated environmental benefit of a given financing. The Product is a point in time assessment reflecting the information available at the time that the Product was created and published. The Product is not a research report and is not intended as such.

S&P's credit ratings, opinions, analyses, rating acknowledgment decisions, any views reflected in the Product and the output of the Product are not investment advice, recommendations regarding credit decisions, recommendations to purchase, hold, or sell any securities or to make any investment decisions, an offer to buy or sell or the solicitation of an offer to buy or sell any security, endorsements of the suitability of any security, endorsements of the accuracy of any data or conclusions provided in the Product, or independent verification of any information relied upon in the credit rating process. The Product and any associated presentations do not take into account any user's financial objectives, financial situation, needs or means, and should not be relied upon by users for making any investment decisions. The output of the Product is not a substitute for a user's independent judgment and expertise. The output of the Product is not professional financial, tax or legal advice, and users should obtain independent, professional advice as it is determined necessary by users.

While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Product. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for reliance of use of information in the Product, or for the security or maintenance of any information transmitted via the Internet, or for the accuracy of the information in the Product. The Product is provided on an "AS IS" basis. S&P PARTIES MAKE NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, INCLUDED BUT NOT LIMITED TO, THE ACCURACY, RESULTS, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE WITH RESPECT TO THE PRODUCT, OR FOR THE SECURITY OF THE WEBSITE FROM WHICH THE PRODUCT IS ACCESSED. S&P Parties have no responsibility to maintain or update the Product or to supply any corrections, updates or releases in connection therewith. S&P Parties have no liability for the accuracy, timeliness, reliability, performance, continued availability, completeness or delays, omissions, or interruptions in the delivery of the Product.

To the extent permitted by law, in no event shall the S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence, loss of data, cost of substitute materials, cost of capital, or claims of any third party) in connection with any use of the Product even if advised of the possibility of such damages.

S&P maintains a separation between commercial and analytic activities. S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

Copyright 2018 © by Standard & Poor's Financial Services LLC. All rights reserved.

**[spglobal.com/ratings](https://www.spglobal.com/ratings)**