

Greentown China Holdings Limited

Green Financing Framework



August 2021

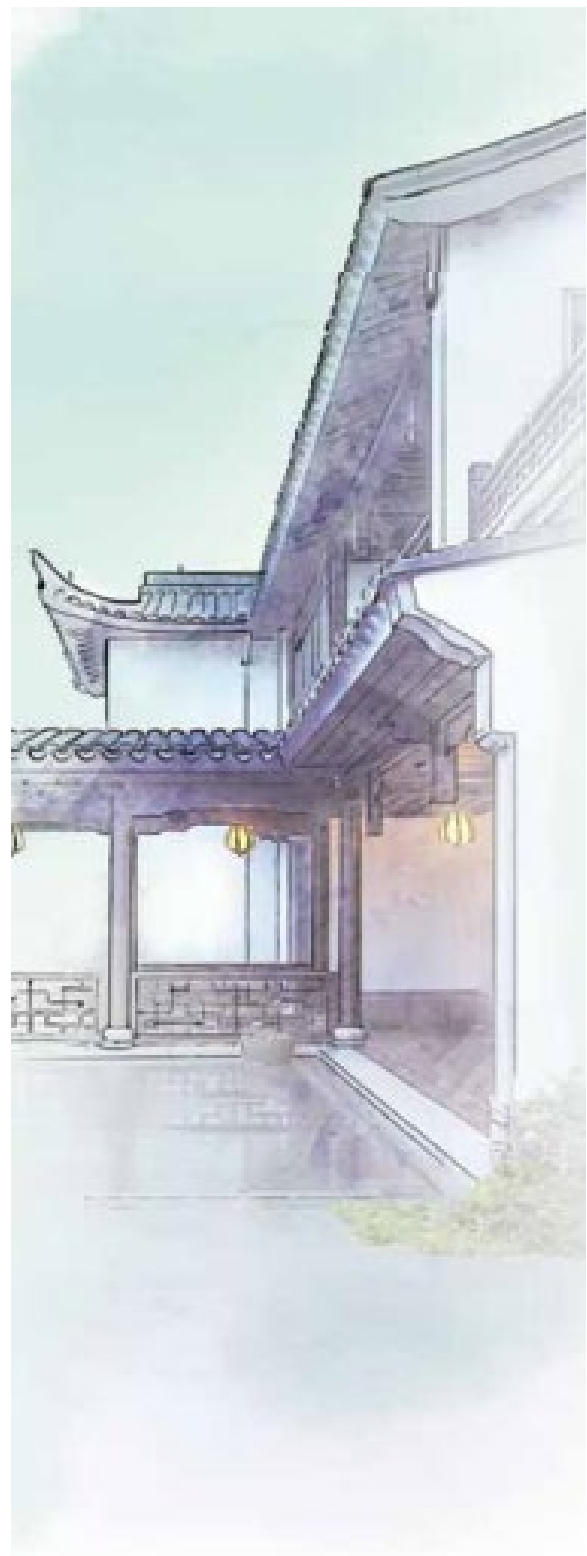


Table of Contents

1. Introduction	3
1.1 Business Overview	3
1.2 Sustainability Strategy and Vision	3
1.2.1 Environmental Practices within the Group.....	3
2. Greentown Green Financing Framework Overview	4
2.1 Use of Proceeds	5
2.1.1 Eligible Green Project Categories.....	5
2.1.2 Exclusions	7
2.2 Process for Project Evaluation and Selection.....	7
2.3 Management of Proceeds	8
2.3.1 Type of Funding Transaction.....	8
2.3.2 Allocation of Use of Proceeds	8
2.4 Reporting	9
2.4.1 Allocation Reporting	9
2.4.2 Impact Reporting	9
3. External Review	10

1. Introduction¹

1.1 Business Overview

Greentown China Holdings Limited is a leading quality property developer and integrated living service provider in China. It maintains a leadership position in the industry by virtue of the quality of its properties, and its unique architectural aesthetics and customer centric services.

Greentown China Holdings Limited was founded in Hangzhou, China in January 1995, and listed on the Hong Kong Stock Exchange in July 2006. In June 2012, Wharf was introduced as a strategic shareholder of Greentown. In December 2014, China Communications Construction Group became a strategic shareholder of Greentown China.

1.2 Sustainability Strategy and Vision

Greentown promotes the sustainable development of green buildings and the ecological environment, pays attention to social development and changes, adheres to compliance operations and actively devotes itself to public welfare undertakings such as education, medical care, and environmental protection, with an aim to develop and build the first brand of "integrated service provider for an ideal life " in China.

1.2.1 Environmental Practices within the Group

The Group has been committed to reducing pollutant and carbon emissions to mitigate their impact on the environment. The Group abides by the Environmental Protection Law of the People's Republic of China, the Environmental Noise Pollution Prevention and Control Law of the People's Republic of China, the Water Pollution Prevention and Control Law of the People's Republic of China, the Law of the People's Republic of China on Environmental Impact Assessment, the Decision of the State Council on Implementing the Scientific Outlook on Development and Strengthening Environmental Protection, Regulations on the Administration of Construction Project Environmental Protection, the Administrative Measures for the Environmental Protection Acceptance of Completed Construction Projects and the Administrative Measures for the Collection and Utilization of Funds for the Disposal of Discarded Electrical and Electronic Products. Besides, the Group formulated a series of internal environment management policies such as the Notice on the Standardized Management of the Company, so as to operate and manage itself and its subsidiaries in a green fashion.

The Group has compiled green office policies to integrate environmental consciousness into staff's routine, thereby saving energy and reducing emission for further standardization of the environmental efforts. This is how the Group fulfills its commitment to sustainable environment. In 2020, there was no breach of laws and regulations by the Group on air and greenhouse gas emissions, discharges into water and land, waste emission and noise pollution.


¹ Sources: Greentown Website and Annual Report

Owing to the construction works mostly undertaken by professional contractors, the Group’s greenhouse gas and air pollutant derive mainly from the utilization of electricity in workplace, and the use of vehicles in business operation. Therefore, the Group made a strong case for green transport which significantly cut the use of vehicles, reducing air pollutant emission from vehicles.

To put the ideas of “green” and “health” into architectural practice, Greentown China has made innovation in further exploring multi-dimensional development of green buildings. Among others, the Group released the “Green Building Implementation Manual”, “Guidelines on Green Real Estate and Green and Healthy Building Design”, “Working Guidelines of Greentown China on Green and Healthy Residential Technology Standards “, and vigorously promoted multidimensional trials and researches such as solar photovoltaic application, aiming to reduce the adverse impact of real estate projects on the environment and natural resources throughout their lifecycle. As at the end of 2020, Greentown China boasted roughly 100 green buildings.

Green certifications for projects under construction as at the end of 2020

Green certifications		Total numbers	Cumulative area (0'000 sqm)
China Green Building Design Label	Three Star	10	2,582
	Two Star	78	
	One Star	9	
LEED	4		
WELL	1		



*Source: Greentown China Holdings Limited 2020 Annual Report

2. Greentown Green Financing Framework Overview

Green Financing Transactions (“GFT”s) will include bonds, loans and other forms of debt financing with structures tailored to contribute to sustainable development by application of the proceeds to Eligible Projects Categories as defined in this Framework.

- With respect to bonds, bonds issued under this Framework will be aligned with 2021 Green Bond Principles (“GBP”) by ICMA², or as they may subsequently be updated.
- With respect to loans, loans issued under this Framework will be aligned with the 2021 Green Loan Principles including Guidance Notes³ (“GLP”), or as they may subsequently be updated.

² <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks>

³ <https://www.aplma.com/en/gsl>

- Other GFT may conform to other sustainable finance principles as may have been established at the time of such a financing transaction being undertaken.

GFTs do not place restriction on the tenor and currency; and can include other terms and conditions including covenants, to reflect the financing strategy and plans of Greentown as well as the outcome of the commercial discussions between the Issuer/Borrower and Manager/Arranger/Lender.

GFTs may be done in any jurisdiction and market reflecting Greentown's current and future business needs

For each GFT, Greentown management asserts that it will adopt the following core components of the GBP and GLP:

1. Use of proceeds;
2. Process for project evaluation and selection;
3. Management of proceeds; and
4. Reporting

The Framework also covers External Review.





The Framework will be in force as long as there is live GFTs. Greentown may update this Framework and commits that any new version will keep or improve the current level of transparency and reporting. Greentown commits to communicate changes with investors via Greentown's official website.

2.1 Use of Proceeds

The net proceeds of the Green Bonds and Loans will be used to fund or refinance, in whole or in part, new or existing eligible green projects that meet one or more of the below categories of eligibility as recognized in the 2021 GBP ("**Eligible Green Projects**"):

2.1.1 Eligible Green Project Categories



Eligible Green Project Categories may include the projects Greentown made during the 2 years prior to the issuance or signing date of the respective GFTs and during the life of the GFTs.

Project Category	Eligible Green Projects for Greentown	UN SDGs
Green Buildings  	<ul style="list-style-type: none"> • New construction and/or renovation/refurbishment of existing buildings that have or will receive, any one of the following certification systems: <ul style="list-style-type: none"> ○ U.S. Leadership in Energy and Environmental Design (LEED) – minimum certification of Gold; or ○ BEAM Plus – minimum certification level of Gold; or ○ BREEAM – minimum certification level of Excellent; or ○ Chinese Green Building Evaluation Label (GBL)⁴ – minimum certification level of 2 stars <p>Any other green building label, that is an equivalent standard of the above.</p>	<p>SDG 9.4: By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities</p> <p>SDG 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</p>
Sustainable Water Management 	<ul style="list-style-type: none"> • Water saving features projects to reduce domestic and commercial water consumption (e.g. rainwater harvester, irrigation system with water-saving features), that shall result in certain improvement against the development's original water consumption.⁵ 	<p>SDG 6.4: By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity</p>
Renewable Energy 	<ul style="list-style-type: none"> • Design, construction, installation and operation of renewable energy systems: <ul style="list-style-type: none"> ○ Solar (photovoltaic) for rooftop⁶. 	<p>SDG 7.2: By 2030, increase substantially the share of renewable energy in the global energy mix</p>

⁴ Official Full Name: Assessment Standard for Green Building GB/T 50378-2019

⁵ Greentown may integrate Greenhouse Gas emissions/reduction of energy consumption thresholds into the eligibility criteria where applicable.

⁶ Exclude heat pumps

<p>Clean Transportation</p> 	<ul style="list-style-type: none"> • Infrastructure for clean energy vehicles⁷ such as electric vehicles and hydrogen vehicles. Projects include charging stations for electric vehicles and will be dedicated to clean energy vehicles. 	<p>SDG 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</p>
<p>Climate Change Adaptation</p> 	<ul style="list-style-type: none"> • Projects that support climate change adaptation through building/landscape design and asset-level enhancements (“Sponge City” water management design concept, hardware installation and upgrades of enhanced flood protection systems, and additional insulation⁸).⁹ 	<p>SDG 13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.</p>

2.1.2 Exclusions

The following industries are excluded from consideration for eligibility (“Exclusions”):

- Luxury sectors (precious metals wholesale or brokerage, precious minerals wholesale or brokerage, artworks and antiques wholesale or brokerage);
- Weapon;
- Alcohol;
- Tobacco;
- Fossil fuel;
- Nuclear;

2.2 Process for Project Evaluation and Selection

The Eligible Green Projects are identified and selected via a process that involves participants from various functional areas, including the project teams.

Greentown has set up an ESG Working Group (“ESGWG”) to oversee its ESG and Sustainability reporting. The ESGWG will also resume the responsibility of GFTs. The ESGWG will be composed of representatives from the below departments with the required level of expertise and seniority:

- Board of Directors Office
- Human Resources Center
- Marketing and Services Center

⁷ For clean energy vehicles, we based our criteria on international standards i.e. low-carbon land transport such as passenger cars and commercial vehicles - zero tailpipe emission vehicles (e.g., hydrogen, fuel cell and electric vehicles) and hybrid vehicles with tailpipe CO₂ emissions below 50 gCO₂ per passenger-kilometre (pkm). (https://ec.europa.eu/info/publications/210421-sustainable-finance-communication_en#taxonomy)

⁸ The measures/materials will have to meet the minimum requirements set out in applicable national standards.

⁹ The project selection will refer to relevant international/national standards (e.g. GB/T 51345-2018 for sponge city construction projects in China).

- Product Management Center
- R&D and Design Center
- Operation Management Center
- Finance & Treasury Center

The ESGWG will meet at least every 12 months to review and select eligible projects according to the criteria outlined in Sections 2.1.1 mentioned above. The shortlisted projects will be presented to the secretary of Board of Directors or Head of Finance & Treasury Center for approval.

The ESGWG will ensure that the selected Eligible Projects comply with the section of Use of Proceeds in this framework, with the environmental guidelines under the GBP and GLP, as well as with Greentown's Environmental, Social and Governance Policies which offers risk management tools to mitigate related ESG risks.

In addition, the ESGWG will be responsible for managing any future updates of the Framework, including any expansion of requirements of use of proceeds.

Eligible Projects may include new projects, projects under construction or in Greentown's portfolio, with a disbursement date no older than 2 years.

2.3 Management of Proceeds

The net proceeds from each GFT issued will be managed by Greentown's finance team and the proceeds of each GFT will be deposited in the general funding accounts. An amount equals the all net proceeds from each GFT will be earmarked for allocation to Eligible Green Projects, in accordance with Greentown Green Financing Framework.

Greentown will maintain a register to keep track of the use of proceeds for each GFT. The register will contain the following information including:

2.3.1 Type of Funding Transaction

Key information includes issuer/borrower entity, transaction date, number of transactions, principal amount of proceeds, repayment or amortization profile, maturity date, interest or coupon, and the ISIN number in case of bond transaction.

2.3.2 Allocation¹⁰ of Use of Proceeds

- Name and description of Eligible Projects to which the proceeds of the GFTs have been allocated in accordance with the Framework
- Allocation of the proceeds of GFTs to Eligible Projects
- The balance of unallocated proceeds
- Information of temporary investment for unallocated proceeds

¹⁰ The proceeds of a green bond can be managed per bond (bond-by-bond approach) or on an aggregated basis for multiple green bonds (portfolio approach).

Greentown is committed to allocating all proceeds from the GFT to Eligible Project exclusively on a best effort basis within one year of the GFT issuance in accordance with the evaluation and selection process set out above.

Greentown will monitor the allocation to Eligible Project and track the net proceeds through its internal accounting system.

Pending allocation, the net proceeds from the GFT(s) issued may be invested in cash or cash equivalents, or used to repay existing borrowings under general credit facilities of Greentown.

During the life of the GFT issued, if the designated Projects cease to fulfil the Eligibility Criteria, the net proceeds will be re-allocated to replacement Projects that comply with the Eligibility Criteria, as soon as reasonably practicable.

2.4 Reporting

Greentown will provide information on the allocation of the net proceeds of its GFTs in Greentown's Sustainability/ESG Reports and/or website. Such information will be provided on an annual basis until full allocation.

Post issuance, as recommended by the 2021 GBP, Greentown may engage an external auditor, or other third party, to verify the internal tracking and the allocation of funds from the Green Bond proceeds to eligible Green Projects.

The information in the reporting will contain at least the following details:

2.4.1 Allocation Reporting

Greentown will provide the following information for the net proceeds of all the GFTs during the period:

- The aggregate amount allocated to various Eligible Projects
- The remaining balance of funds which have not yet been allocated and type of temporary investment
- Share of financing vs. refinancing
- Examples of Eligible Projects (subject to confidentiality disclosures)

2.4.2 Impact Reporting

Where possible, Greentown will report on the environmental impacts associated with the Eligible Projects funded with the net proceeds of the GFT(s).

Subject to the nature of Eligible Projects and availability of information, Greentown will include, but not limited to, the following Impact Indicators:

Eligible Categories	Impact Indicators ¹¹
Green Buildings	<ul style="list-style-type: none"> • Level of certification by property • Energy efficiency gains in MWh or % vs. baseline • Estimated avoided GHG emissions (tCO₂eq) • Annual energy savings (MWh pa) • Annual reduction in water consumption (litres)
Sustainable Water Management	<ul style="list-style-type: none"> • Amount of water recycled (litres) • Amount of water reused (litres)
Renewable energy	<ul style="list-style-type: none"> • Renewable energy produced (MWh) • Renewable energy capacity (MW) • Estimated avoided GHG emissions (tCO₂eq) • Annual energy savings (MWh pa)
Clean Transportation	<ul style="list-style-type: none"> • Number of charging points for electric vehicles
Climate Change Adaptation	<ul style="list-style-type: none"> • Number and type of adaptation and resilience measures installed • Number of adaptation facilities adopted, e.g. flood prevention facilities built.

Transparency is of particular value in communicating the expected and/or achieved impact of projects. Greentown will follow the recommendation of the 2021 GBP and use qualitative performance indicators and, where feasible, quantitative performance measures and disclosure of the key underlying methodology and/or assumptions used in the quantitative determination.

3. External Review

Pre-issuance:

Greentown has engaged Vigeo Eiris to provide a Second Party Opinion (“SPO”) on its Green Financing Framework. The SPO, together with the Framework will be available on the company’s website:

<https://www.chinagreentown.com/>

Post-issuance:

An independent third party may be engaged to review and verify the internal tracking and allocation of funds from the GFT(s) to Eligible Projects, as well as the Eligible Projects’ estimated/actual impact, that is disclosed in the GFT Annual Reporting.

¹¹ Appropriate environmental and social impact indicators will be determined in reference to frameworks and resources published by ICMA, such as the Harmonized Framework for Impact Reporting June 2021. Visit <https://www.icmagroup.org/green-social-and-sustainability-bonds/impact-reporting/> for more.