



建業地產股份有限公司
Central China Real Estate Limited



Central China Real Estate Limited

Green Finance Framework

December 2020

Overview of CCRE

Central China Real Estate Limited (“CCRE”, or the “Company” and together with its subsidiaries, the “Group”) is a leading property developer in China that has been listed on the Main Board of the Hong Kong Stock Exchange since 2008 (0832.HK).

Since its founding in 1992, the Group has diversified its business beyond the principal activity of real estate and branded properties development and is now involved in cultural and tourism projects, green houses as well as property management services - Central China New Life (9983.HK) that was spun out of the Company in May 2020. Furthermore, CCRE has also embraced a light-asset model that allows for synergies with its heavy-asset model in property development segment, making headways to the urbanization process. These effectively allowed the Company to strategically transform itself from a real estate developer into a new lifestyle service provider.

CCRE covers 122 cities in 2019 and has a strong geographical presence in Henan Province. As of 30th June 2020, it owns 172 projects under development with total GFA under management of 32.48mm sq.m. and land bank area of 52.65mm sq.m. Amongst all the projects under development, 13.37% of them are in Zhengzhou while 84.88% are located elsewhere in Henan province. In the same period, it achieved contracted sales of RMB42.951bn (including light assets business) with contracted GFA of 5.88mm sq.m. and has 12.0% of market share in Henan province.

Given its track record and rapid growth performance, CCRE was presented the award of “First Class Honor of Real Estate Developer” in China and is included in the Fortune China 500 list. It is also a constituent of the Hang Seng Composite Index.

CCRE’s Sustainability Vision

Adhering to the core value of “basing itself in Central China and promoting the welfare of its people (植根中原，造福百姓)”, CCRE has been living with “building quality houses for the people of Henan” as an effort to pay tribute to this holy land of Central China with a new lifestyle. It has been pondering about the way of life and living environment of the modern people, wishing to build “a home” with its heart and soul. It has taken nearly everything into consideration, from a patch of land and a building to a drop of water and a ray of sunshine, when crafting its work.

As a new lifestyle service provider, CCRE insists on building green architectures and environments that exist in harmony with nature. CCRE has made itself a good example in vigorously promoting low-cost, replicable green buildings, and building comfortable, high-quality, and eco-friendly residential properties with full respect to the nature and this holy land.

Back in 2005, the Group proposed a residential value featuring “harmony and health”. At the beginning of 2010, Chairman Wu Po Sum further proposed to make the product concept known as “high-tech home, green home and low-carbon community” part of CCRE’s corporate culture, and put it in the “Green Manifesto of CCRE”.

In 2019, CCRE released the “5M Smart Technology Residential Product White Paper”, including green, health, comfort, safety and convenience as the requirements for the new-generation high-tech residences in the product catalog. To respond to the call of the nation, CCRE has also explored green heating and the utilisation of renewable energy (deep geothermal heating) to provide technical support for its further development of green heating.

The Board of Directors is the supervision organization for CCRE’s sustainable development and undertakes full responsibilities of ESG strategy and reporting. The Board of Directors develops the high-level strategy for sustainable development, assesses and defines the sustainability-related risks faced by the Group, and ensures

the effective implementation of risk management and internal control. The management regularly reports to the Board on the progress of sustainable development.

CCRE's Green Houses (绿色基地)

CCRE's Green Houses are rural complexes which are the main body of the establishment and operation of CCRE's modern agricultural projects. By the end of 2019, CCRE has established its Green Houses successively in Yanling, Hebi, Zhoukou, Yichuan and Wuzhi. Based on the model of "modern agricultural industrial parks + traditional residences and folk customs + nature education + unique cuisine", the Group has built new types of agriculture highlighting "efficient agriculture, agri-tourism, cultural creative agriculture, experience centre agriculture, science popularisation agriculture and health and old-age care agriculture". The Group has explored new ways to upgrade the agricultural industry and help farmers to find jobs and increase income so as to revitalise the rural area.

CCRE's Green Finance Framework

This Green Finance Framework ("GFF" or the "Framework") has been developed to detail how the Group and its entities intend to issue Green financing transactions ("GFT") to fund projects and developments that will deliver environmental benefits to support CCRE's business strategy and green and sustainability vision, particularly those related to improving the environmental performance of buildings, landscapes and the communities in which they are located, as well as the health of their respective users.

GFTs may issue bonds or loans where an equivalent amount to the net proceeds are applied to eligible green projects ("Eligible Green Projects") as defined in this Framework.

- Bonds issued under the Framework will be aligned with the ICMA Green Bond Principles 2018 ("GBP") or as they may be subsequently amended.
- Loans issued under the Framework will be aligned to the LMA / APLMA / LSTA Green Loan Principles 2020 ("GLP") or as they may be subsequently amended.

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

GFTs may be issued in any jurisdiction and market reflecting CCRE's current and future business needs.

Each GFT will adopt procedures for managing (1) Use of Proceeds (2) Project Evaluation and Selection (3) Management of Proceeds and (4) Reporting, as set out in the Framework. This Framework may be updated to ensure continual alignment with market practices, emerging standards and classification systems.

I. Use of Proceeds

An equivalent amount to the net proceeds from each GFT will be used exclusively to finance or refinance, in whole or in part, the acquisition, construction, development or re-development of new or existing Eligible Green Projects that meet one or more of the following categories of eligibility as recognised in the GBP/GLP. Refinancing of Eligible Green Projects will have a look-back period of no longer than 36 months from the time of issuance. CCRE is committed to fully allocate the net proceeds of each GFT on a best effort basis within 24 months of issuance.

The Eligible Green Project categories that may be utilised under the Framework, together with associated selection criteria ("**Eligibility Criteria**") are set out below.

Eligible Green Project Categories

Eligibility Criteria & Examples

UN SDG Mapping

Green Buildings	<ul style="list-style-type: none"> Acquisition, construction or refurbishment of buildings which meet or are expected to meet one or more recognised standards, such as: <ul style="list-style-type: none"> U.S. Leadership in Energy and Environmental Design (LEED): minimum 'Gold'; or Building Research Establishment Environmental Assessment Method (BREEAM): minimum 'Excellent'; or Building Environmental Assessment Method (BEAM Plus): minimum 'Gold'; or Chinese Green Building Evaluation Label: minimum '2-Star'; or Any other appropriate green building label, that is an equivalent standard as the above 	 
Environmentally Sustainable Management of Living Natural Resources and Land Use	<ul style="list-style-type: none"> Developments and investments on environmentally sustainable agriculture and forestry through Green House (綠色基地) projects, including: <ul style="list-style-type: none"> Forestry activities which obtain third party certification schemes, such as FSC, PEFC and CFCS. In case of reforestation or afforestation, such projects should use tree species that are well adapted to the site conditions Protected agriculture, limited to projects which use electricity or renewable energy sources only 	
Energy Efficiency	<ul style="list-style-type: none"> Upgrades of facilities/equipment (e.g. lighting system, air supply and air conditioning system) or adoption of smart technologies and/or systems for tracking, monitoring and managing energy usage in new and existing buildings to achieve certain energy saving targets. Efficiency projects shall result in at least 20% improvement in energy efficiency when compared to relevant baseline 	
Pollution Prevention and Control	<ul style="list-style-type: none"> Recycling facilities installed in commercial and residential buildings Installation of system and/or equipment that are used to mitigate environmental pollution (e.g. dust, noise, water) during the construction and/or operation of buildings 	 
Sustainable Water and Wastewater Management	<ul style="list-style-type: none"> Investments on rainwater collection systems, water conservation systems, water recycling and treatment systems 	
Climate Change Adaptation	<ul style="list-style-type: none"> Design, construction, maintenance and upgrades to maintain or enhance the resilience of buildings/assets to all material physical climate risks such as sponge city design 	
Renewable Energy	<ul style="list-style-type: none"> New or existing investments in or expenditures on renewable energy production units. Renewable energy and energy storage projects can include solar, wind, air-source energy heat pump and geothermal heating pump projects 	

II. Project Evaluation and Selection

CCRE imposes strict environmental and risk management policy during its normal course of business.

The Eligible Green Projects are identified and selected via a process that involves participants from various functional areas. An ESG Working Group (“EWG”) has been set up, composed of the senior members including Chief Financial Officer and representatives from various departments.

EWG will meet at least every 12 months to discuss and select eligible green projects according to the Eligible Green Projects defined in this Framework. The shortlisted projects will be presented to the board for approval.

EWG will ensure that the selected Eligible Green Project to comply not only with the section Use of Proceeds section of this Framework but also the environmental guidelines which are applicable for CCRE.

In addition, EWG will be responsible for managing any future updates of the Framework, including any expansion of requirements of use of proceeds. In case of divestments or if an Eligible Green Project no longer meets the eligibility criteria, the funds will be reallocated to other Eligible Green Projects.

III. Management of Proceeds

CCRE intends to allocate, over time, an amount equal the net proceeds to finance or refinance Eligible Green Projects, selected in accordance with the eligibility criteria, and using the evaluation and selection process outlined above.

The net proceeds from each GFT will be managed by CCRE’s finance team and the proceeds from each GFT will be deposited in general funding accounts and be earmarked to Eligible Green Projects. CCRE will maintain a register to keep track of the use of proceeds for each GFT.

The register will contain the following information:

- (1) Type of Funding Transaction:
 - Key information including, issuer/borrower entity, transaction date, tranche(s) information, principal amount of proceeds, repayment or amortization profile, maturity date, and interest or coupon (and in the case of bonds, the ISIN number)
- (2) Allocation of Use of Proceeds:
 - Name, description and green certification of Eligible Green Projects to which the proceeds of the GFT have been allocated in accordance with this Framework
 - Amount and date of GFT proceeds allocated to each project
 - The remaining balance of unallocated proceeds yet to be earmarked
 - Other relevant information such as information of temporary investment for unallocated proceeds

Any balance of issuance proceeds which are not yet allocated to Eligible Green Projects will be held in accordance with CCRE’ liquidity guidelines for short term time deposits or investments. CCRE commits not to invest unallocated proceeds to any high pollution activities or any projects that are in conflict with the eligibility criteria under the GFF.

During the life of the GFT issued, if the designated Eligible Green Projects cease to fulfil the eligibility criteria, the net proceeds will be re-allocated to replacement Eligible Green Projects that comply with the eligibility criteria, as soon as reasonably practicable. CCRE strives to maintain an amount of Eligible Green Projects at least equal of the total net proceeds of all GFT outstandings.

Additionally, if any material and critical controversies emerge in relation to a specific project, CCRE commits to substitute that project with an alternative Eligible Green Project.

IV. Reporting

CCRE will provide information on the allocation of the net proceeds from each GFT in the CCRE's Annual Report, ESG Report or website. Such information will be provided on an annual basis until all the net proceeds have been allocated and in the event of any material changes until the relevant maturity date.

The information disclosed will contain the following details:

Allocation Reporting

- Details of each GFT that is outstanding
- Aggregate amount of proceeds from each GFT that has been allocated to Eligible Green Projects
- Share of financing vs refinancing
- Balance of unallocated proceeds from each GFT
- Examples of Eligible Green Projects (subject to confidentiality disclosures):
 - The aggregate amount allocated to various Eligible Green Projects
 - The remaining balance of funds which have not yet been allocated and type of temporary investment

Impact Reporting

Where possible, CCRE will report on the environmental and social impacts of the Eligible Green Projects. Subject to the nature of Eligible Green Projects and availability of information, CCRE aims to include, but not limited to, the following Impact Indicators:

Eligible Green Project Categories	Impact Indicators
Green Buildings	<ul style="list-style-type: none"> • Number and type of certification of green buildings • Annual energy savings (MWh p.a.)
Environmentally Sustainable Management of Living Natural Resources and Land Use	<ul style="list-style-type: none"> • Maintenance or increase of natural landscape area (including forest) in km² and/or in % for increase • Annual GHG emissions reduced/avoided (t CO₂ eq p.a.)
Energy Efficiency	<ul style="list-style-type: none"> • Annual GHG emissions reduced/avoided (t CO₂ eq p.a.) • Annual energy savings (MWh p.a.)
Pollution Prevention and Control	<ul style="list-style-type: none"> • Waste that is prevented, minimised, reused or recycled before and after the project in % of total waste and/or in absolute amount in tonnes p.a. • Waste that is separated and/or collected, and treated (including composted) or disposed of in an environmentally sound manner before and after the project
Sustainable Water and Wastewater Management	<ul style="list-style-type: none"> • Annual absolute (gross) water use before and after the project in m³ p.a., reduction in water use in % • Annual absolute (gross) amount of wastewater treated, reused or avoided before and after the project in m³ p.a. and as %
Climate Change Adaptation	<ul style="list-style-type: none"> • Area covered by projects in km² • Number of people benefitted from reduced material physical climate risk and associated benefits

Eligible Green Project Categories

Impact Indicators

Renewable Energy

- Annual GHG emissions reduced/avoided (t CO₂ eq p.a.)
 - Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy)
 - Capacity of renewable energy plant(s) constructed or rehabilitated in MW
-

External Review

CCRE has engaged Sustainalytics to provide an External Review in the form of a Second Party Opinion on the Framework and to confirm the alignment with the GBP/ GLP. The External Review has been made public on CCRE's website at <http://jianye.com.cn/eng/>



建業地產股份有限公司
Central China Real Estate Limited



Appendix

Relevant Certifications

Building Certifications

Leadership in Energy and Environmental Design (“LEED”)

Administered by the U.S. Green Building Council (USGBC), LEED is one of the most widely used green building rating systems in the world. Areas of assessment include energy and atmosphere, sustainable sites, location and transportation, materials and resources, water efficiency and indoor environmental quality. There are four levels of certification – Certified, Silver, Gold and Platinum. For more information, visit <https://new.usgbc.org/leed>

Building Research Establishment Environmental Assessment Method (BREEAM)

Administered by BRE Global, BREEAM is an international scheme that provides independent third party certification of the assessment of the sustainability performance of individual buildings, communities and infrastructure projects. There are five levels of certification – Pass, Good, Very Good, Excellent, Outstanding. For more information, visit <https://www.breeam.com/>

Building Environmental Assessment Method (BEAM Plus)

Administered by BEAM Society Limited (BSL), BEAM Plus is a widely used voluntary green building labelling schemes in Hong Kong and other parts of Greater China. There are four levels of certification – Bronze, Silver, Gold and Platinum. For more information, visit <https://www.beamsociety.org.hk/>

Chinese Green Building Evaluation Label (“China Three Star”)

Administered by the Chinese Ministry of Housing and Urban-Rural Development (MOHURD), the Chinese Green Building Evaluation Label is a voluntary national green building rating system. Areas of assessment include land savings and outdoor environment, energy savings and utilisation, water savings and utilisation, material savings and utilisation, indoor environment and operations and management. There are three levels of certification – One, Two and Three Star. For more information, visit <http://www.cngb.org.cn/>

Forestry Certifications

Forest Stewardship Counsel (“FSC”)

FSC is a non-profit organization established in 1993 that aims to promote sustainable forest management practice by evaluating forest management planning and practices independently against FSC's standards. For more information on Forest Stewardship Council, FSC Principles and Criteria for Forest Stewardship, visit <https://ca.fsc.org/preview.principles-criteria-v5.a-1112.pdf>

Programme for the Endorsement of Forest Certification (“PEFC”)

Founded in 1999, PEFC is a non-profit organization that promotes sustainable forest management through independent third-party certification, this includes assessments, endorsements and recognition of national forest certification systems. PEFC was created in response to the specific requirements of small- and family forest owners as an international umbrella organization. For more information on PEFC, Standards and Implementation, visit <https://www.pefc.org/standards-implementation>

China Forest Certification Scheme (“CFCS”)

Administered by China Forest Certification Counsel (“CFCC”), CFCS was launched in 2010 and endorsed by PEFC in February 2014 as third party certification scheme. For more information, visit <https://cdn.pefc.org/pefc.org/media/2019-04/fe7c21b8-7c02-479e-a02d-c452f045c6ae/7a7a40ae-8bf4-5640-8406-412745136167.pdf>