

Second-Party Opinion  
**Central China Real Estate Limited  
 Green Finance Framework**



**Evaluation Summary**

Sustainalytics is of the opinion that the Central China Real Estate Limited (CCRE) Green Finance Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2018 and the Green Loan Principles 2020. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds – Green Buildings, Environmentally Sustainable Management of Living Natural Resources and Land Use, Energy Efficiency, Pollution Prevention and Control, Sustainable Water and Wastewater Management, Climate Change Adaptation, and Renewable Energy – are aligned with those recognized by the Green Bond Principles 2018 and the Green Loan Principles 2020. Sustainalytics considers that the eligible categories will reduce the carbon footprint and improve the environmental performance of CCRE’s operations while advancing the UN Sustainable Development Goals, specifically SDGs 6, 7, 11, 12 and 15.



**PROJECT EVALUATION / SELECTION** CCRE’s ESG Working Group, composed of senior members and representatives from various departments, will be in charge of identifying and selecting Eligible Green Projects. The Board will ultimately review and approve shortlisted projects. Sustainalytics considers the project selection process in line with market practice.



**MANAGEMENT OF PROCEEDS** CCRE finance team will be responsible for managing net proceeds from each issuance using a register. Pending allocation, proceeds will be held in accordance with CCRE’s liquidity guidelines for short term deposits or investments. This is in line with market practice.



**REPORTING** CCRE commits to report allocation proceeds in its Annual Report, ESG Report or on its website. The reporting will be provided on an annual basis until full allocation and in the event of any material changes until the relevant maturity date. Allocation reporting will include information such as, but not limited to, the aggregate amount allocated to various Eligible Green Projects and the remaining balance of funds which have not yet been allocated and type of temporary investment. In addition, CCRE is committed to reporting on relevant impact indicators. Sustainalytics views CCRE’s allocation and impact reporting as aligned with market practice.

<b>Evaluation date</b>	December 17, 2020
<b>Issuer Location</b>	Zhengzhou, China

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## Introduction

Central China Real Estate Limited (“CCRE”, or the “Company” and together with its subsidiaries, the “Group”) is primarily engaged in real estate development in the People’s Republic of China. Founded in 1992, the Company operates mainly China’s Henan Province and has an established presence in 18 prefecture-level cities and 104 county-level cities as of December 2019.

CCRE has developed the Green Finance Framework (the “Framework”) under which it intends to issue Green Financing Transactions (“GFT”), which include bonds and loans, and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that are expected to reduce the carbon footprint and improve the environmental performance of CCRE’s operations while providing positive impact in mainland China. The Framework defines eligibility criteria in seven areas:

1. Green Buildings
2. Environmentally Sustainable Management of Living Natural Resources and Land Use
3. Energy Efficiency
4. Pollution Prevention and Control
5. Sustainable Water and Wastewater Management
6. Climate Change Adaptation
7. Renewable Energy

CCRE engaged Sustainalytics to review the Green Finance Framework, dated December 2020, and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2018 (GBP)<sup>1</sup> and the Green Loan Principles 2020 (GLP).<sup>2</sup> This Framework has been published in a separate document.<sup>3</sup>

### Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics independent<sup>4</sup> opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2018, as administered by ICMA, and the Green Loan Principles 2020, as administered by LMA, APLMA and LSTA<sup>5</sup>;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.6, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of CCRE’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. CCRE representatives have confirmed (1) they understand it is the sole responsibility of CCRE to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

<sup>1</sup> The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

<sup>2</sup> The Green Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at <https://www.lsta.org/content/green-loan-principles/>.

<sup>3</sup> The Green Finance Framework is available on CCRE’s website at: <http://jianye.com.cn/eng/>.

<sup>4</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

<sup>5</sup> In addition to the Loan Markets Association, the GLP is also administered by the Asia Pacific Loan Market Association and the Loan Syndications & Trading Association

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and CCRE.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the intended allocation of proceeds but does not guarantee the realised allocation of the bond and loan proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that CCRE has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Green Finance Framework

Sustainalytics is of the opinion that CCRE's Green Finance Framework is credible and impactful, and aligns with the four core components of the GBP and GLP. Sustainalytics highlights the following elements the Framework:

- Use of Proceeds:
  - The eligible categories – Green Buildings, Environmentally Sustainable Management of Living Natural Resources and Land Use, Energy Efficiency, Pollution Prevention and Control, Sustainable Water and Wastewater Management, Climate Change Adaptation, Renewable Energy – are aligned with those recognized by the GBP and GLP and CCRE's investment in these areas can be expected to reduce the carbon footprint and improve the environmental performance of CCRE's operations while providing positive impact in mainland China.
  - CCRE's look-back period for refinancing is 36 months prior to the issuance date of the bond and loans. Furthermore, CCRE commits to fully allocate net proceeds, on a best effort basis, within 24 months of issuance, which Sustainalytics considers to be in line with market practice.
  - For the "Green Buildings" category, CCRE intends to finance buildings that are expected to achieve or hold one of the following certifications or its equivalent: LEED "Gold" or above, BREEAM "Excellent" or above, BEAM Plus, "Gold" or above, Chinese Green Building Evaluation Label "2 Star" or above, or any other equivalent standard. Sustainalytics notes positively the use of credible third-party certification systems for the Green Building eligibility criteria. Sustainalytics has conducted an evaluation of the certifications and considers such certification standards and levels as having a positive impact (see Appendix 1 for additional details on the real estate certification schemes).
  - Under the "Environmentally Sustainable Management of Living Natural Resources and Land Use" category, CCRE intends to invest in protected agriculture and forestry through its Green House projects.
    - Forestry activities include sustainable forest management, reforestation and afforestation projects that have obtained third-party certification schemes, namely FSC, PEFC and CFCS.<sup>6</sup> Regarding reforestation activities, CCRE confirmed the usage of tree species that are well adapted to the site conditions (see Appendix 2 for additional details on the forestry certifications schemes).

<sup>6</sup> CFCS is a PEFC endorsed third party certification scheme, at: <https://cdn.pefc.org/pefc.org/media/2019-04/fe7c21b8-7c02-479e-a02d-c452f045c6ae/7a7a40ae-8bf4-5640-8406-412745136167.pdf>

- Protected agriculture projects are limited to those which use electricity or renewable energy sources only. CCRE has clarified to Sustainalytics that the Company commits to implement measures to improve energy and water efficiency of its protected agriculture projects. Among these measures, the Company set a goal of saving 18 tons of water per 5,000 sqm per day for its existing projects.
  - Sustainalytics notes that, while CCRE's Greenhouse projects include wide range of activities, the investments under the Framework will be limited to protected agriculture and forestry projects following the criteria above.
- For the "Energy Efficiency" category, CCRE intends to finance upgrades of residential and commercial buildings and energy efficient systems that are not primarily powered by fossil fuels, such as lighting systems, air supply and air conditioning systems, and for the adoption of smart technologies used for tracking, monitoring and managing energy usage that result in at least 20% of energy savings. Sustainalytics views positively the Framework's inclusion of a defined energy efficiency threshold for the installation of energy-efficient systems and technologies.
- For the "Pollution Prevention and Control" category, the Framework includes financing for recycling facilities for commercial and residential buildings, and for the installation of systems and/or equipment that aim to mitigate pollution such as dust, noise, and water during the construction and/or operation of buildings. CCRE confirmed that noise control measures are aimed at achieving green building certification standards mentioned above.
- For the "Sustainable Water and Wastewater Management" category, the Company intends to finance projects for rainwater collection, water conservation, water recycling and treatment systems. CCRE has confirmed to Sustainalytics the exclusion of wastewater treatment from fossil fuel operations, and Sustainalytics notes this category as aligned with market practice.
- For the "Climate Change Adaptation" category, the Framework includes the financing of the construction, design, maintenance and upgrades to sustain or enhance the resilience of buildings or assets from climate related risks. Intended activities mainly include the development of rainwater recycling systems under "sponge cities".<sup>7</sup> Such systems aim to improve rainwater utilization through the recycling and treatment of the rainwater to be used for irrigation, aquascape water replenishment and road washing. Sustainalytics welcomes the objectives of the category and encourages CCRE to provide further disclosure on the impact achieved in its annual reporting.
- For the "Renewable Energy" category, CCRE intends to invest in solar and wind energy, air-source energy heat pumps and geothermal heating pump projects. Sustainalytics notes that heat pumps offer an energy-efficient heat transfer alternative to conventional systems. Nevertheless, Sustainalytics recommends CCRE to exclude financing of heat pumps with high-GWP refrigerant(s), and promoting robust refrigerant leak control, detection and monitoring, while ensuring recovery, reclamation/recycling, or destruction of refrigerants at end of life.
- CCRE has communicated to Sustainalytics that projects, activities, assets or technologies associated with fossil fuels are excluded from financing under the Framework.
- Project Evaluation and Selection:
  - CCRE has created an ESG Working Group ("EWG"), composed of senior members including the Chief Financial Officer, and representatives from various departments to identify and select Eligible Green Projects. The EWG will meet at least once every 12 months. Selected projects will then be presented to the Board for ultimate approval.
  - Beyond compliance with the criteria established in the Framework, the EWG will ensure that projects meet the environmental guidelines that are applicable to CCRE.
  - Based on the establishment of the ESG Working Group to oversee project evaluation and selection and the commitment to ongoing project review, Sustainalytics considers this evaluation and selection process to be in line with market practice.
- Management of Proceeds:
  - CCRE's will deposit net proceeds from each GFT in general funding accounts, while an equivalent amount will be earmarked to be allocated to Eligible Green Projects and managed by the Company's finance team. CCRE will maintain a register to keep track of net proceeds from each GFT and the register will contain (i) the type of funding transaction, including: issuer/borrower

<sup>7</sup> The Sponge Cities concept is designed to absorb and capture rainwater, and includes green rooftops, low elevation greenbelt, bioretention, rainwater based irrigation, and rainwater cisterns for flood prevention.

- entity, transaction date, tranche(s) information, principal amount of proceeds, repayment or amortization profile, maturity date, and interest or coupon; and (ii) the allocation of net proceeds, including: name, description and green certification of Eligible Green Projects to which the proceeds of the GFT have been, amount and date of GFT proceeds allocated to each project, remaining balance of unallocated proceeds yet to be earmarked, and other relevant information such as temporary investment for unallocated proceeds.
- Any balance yet to be allocated will be held in accordance with CCRE's liquidity guidelines for short term deposits or investments. The Company commits to not invest unallocated proceeds to high pollution activities or any other projects that conflicts with the eligibility criteria under the Framework.
  - CCRE will aim to maintain an amount of Eligible Green Projects that equals the total net proceeds of all GFTs. If a designated Eligible Green Projects ceases to fulfill the eligibility criteria, during the life of the GFT issued, CCRE will replace and re-allocate with a complaint Eligible Green Projects as soon as reasonably practicable.
  - Based on the establishment of a register and the handling of temporary use of proceeds Sustainalytics considers this process to be in line with market practice.
- Reporting:
    - CCRE commits to provide information on the allocation of net proceeds from each GFT in its Annual Report, ESG Report or on its website, on an annual basis until full allocation and in the event of any material changes until the relevant maturity date.
    - Allocation reporting will include the details of each GFT that is outstanding; an aggregate amount of proceeds from each GFT that has been allocated to Eligible Green Projects; the share of financing vs refinancing; the balance of unallocated proceeds from each GFT; examples of Eligible Green Projects (subject to confidentiality disclosures) including the aggregate amount allocated to various Eligible Green Projects and the remaining balance of funds which have not yet been allocated and type of temporary investment.
    - In addition, CCRE will report on the environmental impacts, where feasible, through Impact Indicators such as: the number and type of certification of green buildings; annual greenhouse gas ("GHG") emissions reduced/avoided (tCO<sub>2e</sub> p.a.), percentage of total waste and/or in absolute amount (in tonnes p.a.) that is prevented, minimized, reused or recycled before and annual absolute (gross) amount of wastewater treated, reused or avoided before and after the project (in m<sup>3</sup> p.a. and as a percentage).
    - Based on the commitment to both allocation and impact reporting, Sustainalytics considers the reporting process to be in line with market practice.

### **Alignment with Green Bond Principles 2018 and Green Loan Principles 2020**

Sustainalytics has determined that the Green Finance Framework aligns to the four core components of the GBP and GLP. For detailed information please refer to Appendix 3: Green Bond/Green Bond Programme External Review Form.

## **Section 2: Sustainability Strategy of CCRE**

### **Contribution of framework to Central China Real Estate Limited's sustainability strategy**

CCRE is committed to integrate sustainability throughout its operations and has developed a sustainable strategy around four principles:<sup>8</sup> (i) The principle of ecology – Green buildings must follow the ecological principles of energy conservation, resource efficiency, reduced pollution and increase recycling, (ii) The principle of people-centered – With people at the center of its strategy, this principle seeks to elevate the quality of life from design to operation, (iii) The principle of local conditions – Green building should be designed based on the local environment by taking into account land properties, local resources, and urban development, and (iv) The overall design principle – Integrating climate, culture, the economy and other factors for a comprehensive analysis in the overall design of green buildings as they have a direct impact on the performance and cost of green buildings.

To achieve its sustainability commitments CCRE has implemented a series of measures tailored to its projects. These include the implementation of energy saving technology (such as individual roof-top solar

<sup>8</sup> CCRE, "Green House", at: [www.jianye.com.cn/cxfz21/](http://www.jianye.com.cn/cxfz21/).

water heating systems) in the Hainan Junlin Gran Courtyard project, the integration of a sponge city<sup>9</sup> design into multiple communities, high insulating materials where appropriate, and the establishment of waste management systems for property owners.

CCRE has also sought to develop sustainable initiatives that support the agricultural sector, and the Company has developed “Green House” projects where it combines large-scale agricultural parks and forest conservation areas to protect wildlife in the surrounding areas. CCRE’s Green Houses are built around the Company’s environmental protection policy of “energy savings, consumption reduction, environmental risk elimination, low carbon and sustainable development.”<sup>10</sup> In its Hebi Jianye Green House, CCRE has implemented technologies for the application of soilless plants with automated fertigation, recycling, and disinfection systems that has automatic water-saving irrigation systems.

Sustainalytics is of the opinion that CCRE’s Green Finance Framework is aligned with the Company’s overall sustainability strategy and initiatives and that it will further CCRE’s action on its key environmental priorities. Sustainalytics recognizes the importance of the above-mentioned commitments by CCRE as important contributors to the Group’s sustainability performance and encourages the Company to define timebound and quantifiable sustainability targets.

### **Well-positioned to address common environmental and social risks associated with the projects**

While Sustainalytics recognizes that the net proceeds from the bonds and/or loans issued under the Framework will be directed towards eligible projects that are recognized by the GBP and GLP to have positive environmental impact, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes such as occupational health and safety, land use-change, biodiversity loss, community relations/stakeholder participation, and emissions and waste generated in construction. Sustainalytics is of the opinion that CCRE is well positioned to manage and/or mitigate potential risks through implementation of the following:<sup>11</sup>

- The Company has risk mitigation policies and systems such as the “Environmental Protection Management System”, the “Environmental Protection Management Responsibility”, the “Clean Production Management System” and the “Emergency Plan for Sudden Environmental Pollution Events (Accidents)”. These policies include procedures and standards for water, noise and light pollution control, and they delineate how each project’s management should identify relevant environmental related risks, sources of pollution, and steps to mitigate and resolve these issues accordingly.
- CCRE has established an environmental impact assessment mechanism in accordance with state regulations to assess the environmental impacts throughout different construction phases. The assessment includes measures for waste reduction, including dust mitigation to reduce particulate emissions and reduce air pollution. Additionally, the Company has devised Emergency Response Measures to minimize the negative impact of construction projects on the surrounding environment.
- CCRE has established a management system that covers occupational health and safety management of employees, fire safety management, and other measures aimed at minimizing the health and safety risks of employees. Additionally, all employees receive training on environmental protection which is guided by promoting environmental laws and regulations, environmental behavior codes, emission standards, and pollution control and management.
- The Company has established a communications mechanism to engage with different stakeholder groups among which it has identified government, shareholders, employees, customers, partners, society and the general public. In regard to stakeholders directly affected by construction, CCRE holds public information conferences, and the Company has established a compensation and resolution mechanism.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that CCRE has implemented adequate measures and is well-positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

### **Section 3: Impact of Use of Proceeds**

All seven use of proceeds categories are aligned with those recognized by the GBP and GLP. Sustainalytics has focused below on where the impact is specifically relevant in the local context.

<sup>9</sup> Sponge city refers to infrastructure that collects rainwater in order to be treated and reused for irrigation, aquascape water replenishment and road washing. At: <https://www.scirp.org/journal/paperinformation.aspx?paperid=98975>.

<sup>10</sup> CCRE, “Annual Report”, at: <http://file.jianye.com.cn/application/pdf/20200428/1588042394991482.pdf>.

<sup>11</sup> CCRE, “Annual Report”, at: <http://file.jianye.com.cn/application/pdf/20200428/1588042394991482.pdf>.

### The role of green buildings and energy efficiency to achieve carbon neutrality in China

In September 2020, the Chinese Government announced at the UN General Assembly, the intention to scale up China's Nationally Determined Contribution (NDC) to address climate change by introducing more vigorous policies and measures in an effort to have CO<sub>2</sub> emissions peak before 2030 and reach carbon neutrality before 2060.<sup>12</sup> Accounting for about a quarter of carbon emissions worldwide,<sup>13</sup> green buildings are likely to make a significant contribution in reaching China's targets. China has experienced average annual electricity consumption growth of 10% in the period 2000-2018,<sup>14</sup> with buildings accounting for around 17-20% of the country's energy consumption,<sup>15</sup> contributing to the steady rise of CO<sub>2</sub> emissions over the past decade.<sup>16</sup>

Estimates predict urban population to reach 1 billion people by 2030 in China,<sup>17</sup> the urban real estate sector is expected to grow, making the sector an important player in controlling carbon emissions and energy consumption. Following the introduction of after several national policies by the Ministry of Housing, Urban-Rural Development (MOHURD) over the last decade, there has been an increase in the number of green building initiatives. These include the 12th Five-Year-Plan ("FYP") for green buildings, the Eco-City Development (2011-2015) and the 13th FYP for Building Energy Conservation and GB Development (2016-2020), which set target standards for building energy efficiency. As such, the law required that government agencies implement standards and regulations for residential and commercial buildings.<sup>18</sup>

In regards to energy efficiency, the China Construction Energy Saving Committee reported that energy consumption from the building sector accounted for 21% of China's aggregate energy use, and around 19.5% of energy-related CO<sub>2</sub> emissions in 2017.<sup>19</sup> Under the 13th FFYP (2016-2020) for Housing and Urban-Rural Development, the Chinese Government has set a target of increasing the share of urban green buildings to 50% of newly built green buildings, and increase the share of green building materials to be used for construction by 40% by the end of 2020.<sup>20,21</sup> To achieve this goal, energy-saving and emission-reduction technologies are being promoted by the Government.<sup>22</sup> Furthermore, the National Development and Reform Commission published the 13th FYP for Energy Development (2016-2020) to advance energy efficiency and energy consumption management, which aims to achieve a reduction in energy consumption per unit of GDP by 15% in 2020 compared to 2015.<sup>23</sup>

The opportunities for the Chinese green building industry are significant, with an estimated USD 12.9 trillion in potential low carbon building investments by 2030.<sup>24</sup> According to the International Energy Agency, China has made significant energy efficiency improvements across its economy, without which, China would have used 12% more energy in 2017.<sup>25</sup> Energy efficiency in residential buildings in particular have resulted in savings of 2.1 EJ in the period 2000-2017, and China is expected to be able to avoid 4.5 EJ of energy use by 2040 if it maximizes available cost-effective efficiency potential.<sup>26</sup> Sustainalytics considers that CCRE's financing for green buildings and energy efficiency projects will have a positive environmental impact by reducing GHG emissions from the built environment and contribute to China's carbon neutrality goal by 2060.

<sup>12</sup> WRI, "4 Questions About China's New Climate Commitments", (2020), at: <https://www.wri.org/blog/2020/09/4-questions-about-chinas-new-climate-commitments>.

<sup>13</sup> WRI, "4 Charts Explain Greenhouse Gas Emissions by Countries and Sectors", (2020), at: <https://www.wri.org/blog/2020/02/greenhouse-gas-emissions-by-country-sector>.

<sup>14</sup> IEA, "Southeast Asia Energy Outlook Report 2019", (2019), at: [https://webstore.iea.org/download/direct/2887?filename=southeast\\_asia\\_energy\\_outlook\\_2019.pdf](https://webstore.iea.org/download/direct/2887?filename=southeast_asia_energy_outlook_2019.pdf).

<sup>15</sup> Huo, Tengfei et al. (2018), "China's Energy Consumption in the Building Sector: A Statistical Yearbook-Energy Balance Sheet based splitting method", at: <https://www.sciencedirect.com/science/article/pii/S0959652618306152>.

<sup>16</sup> Carbon Brief, "Analysis: Global fossil-fuel emissions up 0.6% in 2019 due to China", (2019), at: <https://www.carbonbrief.org/analysis-global-fossil-fuel-emissions-up-zero-point-six-per-cent-in-2019-due-to-china>

<sup>17</sup> IFC, "Climate Investment Opportunities in Emerging Markets", (2016), at: [https://www.ifc.org/wps/wcm/connect/59260145-ec2e-40de-97e6-3aa78b82b3c9/3503-IFC-Climate\\_Investment\\_Opportunity-Report-Dec-FINAL.pdf?MOD=AJPERES&CVID=IBLd6Xq](https://www.ifc.org/wps/wcm/connect/59260145-ec2e-40de-97e6-3aa78b82b3c9/3503-IFC-Climate_Investment_Opportunity-Report-Dec-FINAL.pdf?MOD=AJPERES&CVID=IBLd6Xq).

<sup>18</sup> Shen, Y, and Faure, M, (2020), "Green building in China", International Environmental Agreements: Politics, Law and Economics, at: <https://link.springer.com/article/10.1007/s10784-020-09495-3>.

<sup>19</sup> CABEE, "China Construction Energy Consumption Report 2019", at: <http://www.cabee.org/site/content/23565.html>.

<sup>20</sup> WRI, "How Can China's Green Building Sector Grow Fivefold by 2030? 3 Cities Show Us the Way", (2017), at: <https://www.wri.org/blog/2017/05/how-can-china-s-green-building-sector-grow-fivefold-2030-3-cities-show-us-way>.

<sup>21</sup> Global Alliance for Buildings and Construction, "Towards zero-emission efficient and resilient buildings: Global Status Report" (2016), available at: [https://www.worldgbc.org/sites/default/files/GABC\\_Global\\_Status\\_Report\\_V09\\_november\\_FINAL.pdf](https://www.worldgbc.org/sites/default/files/GABC_Global_Status_Report_V09_november_FINAL.pdf).

<sup>22</sup> The State Council of China, "13th Five Year Plan for Construction Development" (2017), at: <http://www.mohurd.gov.cn/wjfb/201705/W020170504041246.pdf>.

<sup>23</sup> Grantham Research Institute on Climate Change and the Environment, "13th Five Year Plan", (2016), at: <https://climate-laws.org/geographies/china/policies/13th-five-year-plan>

<sup>24</sup> The International Finance Corporation, Climate Investment Opportunities in Emerging Markets Report (2016), available at: [https://www.ifc.org/wps/wcm/connect/59260145-ec2e-40de-97e6-3aa78b82b3c9/3503-IFC-Climate\\_Investment\\_Opportunity-Report-Dec-](https://www.ifc.org/wps/wcm/connect/59260145-ec2e-40de-97e6-3aa78b82b3c9/3503-IFC-Climate_Investment_Opportunity-Report-Dec-)

<sup>25</sup> IEA, "Energy efficiency in China", (2018), at: <https://www.iea.org/articles/energy-efficiency-in-china>.

<sup>26</sup> IEA, "Energy efficiency in China", (2018), at: <https://www.iea.org/articles/energy-efficiency-in-china>.

### Importance of promoting sustainable water management and flood prevention in China

The World Bank has identified that for the continuation of China's economic prosperity, there is a need for the "effective management of water resources".<sup>27</sup> This will be a paramount consideration as the country seeks to continue its economic growth while addressing water scarcity and flooding that affect different parts of the country due to uneven distribution of water resources and infrastructure.<sup>28</sup> With continued population growth, urbanization and socioeconomic advancements, stress on water resources has the potential to exacerbate well into the future.<sup>29</sup> China has recently placed more emphasis on building "sponge cities" which refers to the construction and development of infrastructure for cities to be able to cope with urban water accumulation, waterlogging, and precipitation.<sup>30</sup> These actions have the potential to minimize the impact of city development and the built environment on the natural environment and to manage water sustainably for the future, ultimately rendering Chinese cities more resilient to major pluvial floods.

Similarly, China's socioeconomic development over the past decades has resulted in adverse side-effects associated with water quality and availability.<sup>31</sup> Rising urbanization and increasing domestic wastewater discharge is adding pressure on water quality and availability due to increased concentrated water demand and wastewater effluents.<sup>32,33</sup> The 13th FYP (2016/2020) outlines water-related targets related to surface water quality, water consumption and sewage processing rates in cities.<sup>34</sup> In 2020, the government allocated RMB 3.5 billion (USD 493 million) from the central budget to invest in the construction of water treatment projects,<sup>35</sup> and announced a plan to invest further RMB 1 trillion (USD 140 billion) in a series of additional water conservancy projects.

Sustainalytics is of the opinion that CCRE's financing of sponge cities, rainwater collection systems, water conservation, water recycling and treatment systems to positively contribute to the China's water safeguarding ambitions.

### Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This green bond advances the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Green Buildings	11. Sustainable Cities and Communities	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
Environmentally Sustainable Management of Living Natural Resources and Land Use	15. Life on Land	15.1 By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Pollution Prevention and Control	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

<sup>27</sup> The World Bank, "China: A Watershed Moment for Water Governance", (2018), at: <https://www.worldbank.org/en/news/press-release/2018/11/07/china-a-watershed-moment-for-water-governance>.

<sup>28</sup> *Ibid.*

<sup>29</sup> WRI, "17 Countries, Home to One-Quarter of the World's Population, Face Extremely High Water Stress" (2019), at: <https://www.wri.org/blog/2019/08/17-countries-home-one-quarter-world-population-face-extremely-high-water-stress>.

<sup>30</sup> Wang, Z, et al., (2020), "Thoughts and Strategies of Sponge City Construction Planning: A Case Study of Pingxiang, Jiangxi Province", Open Journal of Civil Engineering, at: <https://www.scirp.org/journal/paperinformation.aspx?paperid=98975>.

<sup>31</sup> Ma, Ting et al. (2020), "China's improving inland surface water quality since 2003", at: <https://advances.sciencemag.org/content/6/1/eaau3798>.

<sup>32</sup> Bao, Chao et al. (2019), "Scenario Modeling of Urbanization Development and Water Scarcity Based on System Dynamics: A Case Study of Beijing-Tianjin-Hebei Urban Agglomeration, China", at: <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC6843306/>

<sup>33</sup> Ma, Ting et al. (2020), "China's improving inland surface water quality since 2003", at: <https://advances.sciencemag.org/content/6/1/eaau3798>.

<sup>34</sup> The State Council of The People's Republic of China, "China's environment targets in 13th Five-Year Plan" (2016), at: [http://english.www.gov.cn/policies/infographics/2016/03/09/content\\_281475304125348.htm](http://english.www.gov.cn/policies/infographics/2016/03/09/content_281475304125348.htm).

<sup>35</sup> The State Council of The People's Republic of China, "China ramps up efforts to improve water environment", (2020), at: [http://english.www.gov.cn/statecouncil/ministries/202003/24/content\\_WS5e7a02a5c6d0c201c2cbf599.html](http://english.www.gov.cn/statecouncil/ministries/202003/24/content_WS5e7a02a5c6d0c201c2cbf599.html).

Sustainable Water and Wastewater Management	6. Clean Water and Sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally
Climate Change Adaptation	11. Sustainable cities and communities	11.b By 2020, substantially increase the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, resilience to disasters, and develop and implement, in line with the Sendai Framework for Disaster Risk Reduction 2015-2030, holistic disaster risk management at all levels
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix

## Conclusion

CCRE has developed the Green Finance Framework under which it intends to issue green bonds and the use of proceeds to finance projects that are expected to reduce the carbon footprint and improve the environmental performance of CCRE's operations while providing positive impact in mainland China. Sustainalytics considers that the projects funded by the Green financing transaction proceeds are expected to provide positive environmental impact.

The Green Finance Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Green Finance Framework is aligned with the overall sustainability strategy of the company and that the green use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 6, 7, 11, 12 and 15. Additionally, Sustainalytics is of the opinion that CCRE has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that Central China Real Estate Limited is well-positioned to issue green bonds and loans and that the Green Finance Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2018 and Green Loan Principles 2020.

## Appendices

### Appendix 1: Green Building Certification Schemes

	LEED	BEAM Plus	BREEAM	Chinese Green Building Evaluation Label (CHINA 3-STAR)
<b>Background</b>	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.	BEAM Society Limited (BSL), owner of the Building Environmental Assessment Method (BEAM), is a public body established in 2010. It owns BEAM Plus - a green building assessment tool tailor-made for the high-rise, high density built environment of sub-tropical climate in Hong Kong.	BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK. Used for new, refurbished and extension of existing buildings.	The Chinese 3-Star Green Building Standard is a Certification System used in China for residential and public buildings (including commercial, hotel and government-owned) that was introduced in 2006 by MOHURD (Ministry of Housing and Urban-Rural Development).
<b>Certification levels</b>	Certified Silver Gold Platinum	Bronze Silver Gold Platinum	Pass Good Very Good Excellent Outstanding	1-Star 2-Star 3-Star
<b>Areas of Assessment: Environmental Performance of the Building</b>	<ul style="list-style-type: none"> <li>• Energy and atmosphere</li> <li>• Sustainable Sites</li> <li>• Location and Transportation</li> <li>• Materials and resources</li> <li>• Water efficiency</li> <li>• Indoor environmental quality</li> <li>• Innovation in Design</li> <li>• Regional Priority</li> </ul>	<ul style="list-style-type: none"> <li>• Site Aspects (location and design of building, emissions from the site, site management)</li> <li>• Materials Aspects (selection of materials, efficient use of materials, waste disposal and recycling)</li> <li>• Energy Use (annual CO2 emissions or energy use, energy efficient systems and equipment, energy management)</li> <li>• Water Use (water quality, water conservation, effluent discharges)</li> <li>• Indoor Environmental Quality (IEQ)</li> </ul>	<ul style="list-style-type: none"> <li>• Energy</li> <li>• Land Use and Ecology</li> <li>• Pollution</li> <li>• Transport</li> <li>• Materials</li> <li>• Water</li> <li>• Waste</li> <li>• Health and Wellbeing</li> <li>• Innovation</li> </ul>	<ul style="list-style-type: none"> <li>• Land savings and outdoor environment;</li> <li>• Energy savings and utilisation;</li> <li>• Water savings and utilisation;</li> <li>• Material savings and utilisation;</li> <li>• Indoor environment;</li> <li>• Operations and management.</li> </ul>
<b>Requirements</b>	Prerequisites (independent of level of certification) + Credits with associated points  These points are then added together to obtain	Prerequisites for each performance area + Credits with associated points  Detailed compliance with legal requirements is a	Prerequisites depending on the levels of certification + Credits with associated points  This number of points is then weighted by item <sup>37</sup>	Prerequisites:  The system functions on a checklist basis, with 1-Star buildings meeting 26 criteria, 2-Star an additional 43 items, and

<sup>37</sup> BREEAM weighting: Management 12%, Health and wellbeing 15%, Energy 19%, Transport 8%, Water 6%, Materials 12.5%, Waste 7.5%, Land Use and ecology 10%, Pollution 10% and Innovation 10%. One point scored in the Energy item is therefore worth twice as much in the overall score as one point scored in the Pollution item.

	<p>the LEED level of certification</p> <p>There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).</p>	<p>prerequisite for the award of credits.</p> <p>For every performance area BEAM prescribes different prerequisites. Every applicable prerequisite in every BEAM category must be achieved for the project to be assessed.</p> <p>Credits are allocated for each performance area, and every area is weighted as per international consensus.<sup>36</sup> The Overall Assessment Grade is determined by the percentage (%) of the applicable credits gained under each performance category and its weighting factor.</p> <p>Verification of compliance with BEAM criteria is done by an independent BEAM Assessor.</p>	<p>and gives a BREEAM level of certification, which is based on the overall score obtained (expressed as a percentage). Majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their BREEAM performance score.</p> <p>BREEAM has two stages/ audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.</p>	<p>3-Star on a further 14 items. Criteria and weighting differ for public and residential buildings. In public buildings, more weight is given to energy and material savings, while the standard for residential buildings places greater importance on urban land saving and outdoor environments.</p>
<p><b>Performance display</b></p>				

<sup>36</sup> BEAM Plus New Buildings, at: <https://www.beamsociety.org.hk/files/download/download-20130724174420.pdf>.

## Appendix 2: Certification Schemes for Forestry

	FSC <sup>38</sup>	PEFC <sup>39</sup>
<b>Background</b>	Founded in 1993 after the 1992 Earth Summit in Rio failed to produce any international agreements to fight against deforestation, FSC aims to promote sustainable forest management practice.	PEFC was founded in 1999 in response to the specific requirements of small and family forest owners as an international umbrella organisation providing independent assessment, endorsement and recognition of national forest certification systems.
<b>Basic Principles</b>	<ul style="list-style-type: none"> <li>• Compliance with laws and FSC principles</li> <li>• Tenure and use rights and responsibilities</li> <li>• Indigenous peoples' rights</li> <li>• Community relations and workers' rights</li> <li>• Benefits from the forests</li> <li>• Environmental impact</li> <li>• Management plans</li> <li>• Monitoring and assessment</li> <li>• Special sites – high conservation value forests (HCVF)</li> <li>• Plantations</li> </ul>	<ul style="list-style-type: none"> <li>• Maintenance and appropriate enhancement of forest resources and their contribution to the global carbon cycle</li> <li>• Maintenance and enhancement of forest ecosystem health and vitality</li> <li>• Maintenance and encouragement of productive functions of forests (wood and non-wood)</li> <li>• Maintenance, conservation and appropriate enhancement of biological diversity in forest ecosystems</li> <li>• Maintenance and appropriate enhancement of protective functions in forest management (notably soil and water)</li> <li>• Maintenance of socioeconomic functions and conditions</li> <li>• Compliance with legal requirements</li> </ul>
<b>Governance</b>	<p>The General Assembly, consisting of all FSC members, constitutes the highest decision-making body.</p> <p>At the General Assembly, motions are proposed by one member, seconded by two more and deliberated and voted on by all members. Members are entitled to vote to amend the bylaws, initiate new policies and clarify, amend or overturn a policy decision by the board.</p> <p>Members apply to join one of three chambers – environmental, social or economic – that are further divided into northern and southern sub-chambers.</p> <p>Each chamber holds 33.3% of the weight in votes and within each chamber the votes are weighted so that the North and South hold an equal portion of authority, to ensure influence is shared equitably between interest groups and countries with different levels of economic development.</p> <p>The votes of all individual members in each sub-chamber represent 10% of the total vote of the sub-chamber, while the votes of organizational members make up the other 90%.</p> <p>The members vote for the board of directors, which is accountable to the members. There is an international board elected by all members and a US board elected by the US-based members.</p>	<p>PEFC's governance structure is formed by the General Assembly (GA) which is the highest authority and decision-making body. It is made up of all PEFC members, including national and international stakeholders.</p> <p>Members vote on key decisions including endorsements, international standards, new members, statutes and budgets. All national members have between one and seven votes, depending on membership fees, while international stakeholder members have one vote each.</p> <p>The Board of Directors supports the work of the GA and together the GA and the Board make the formal approval of final draft standards. Standards are developed by working groups.</p> <p>In general, PEFC's governance structure is more representative of industry and government stakeholders than of social or environmental groups, which gives industry and governments more influence in the decision-making process. However, the organisation does include stakeholders from all sectors.</p>

<sup>38</sup> Forest Stewardship Council, at: <https://www.fsc.org/en>.

<sup>39</sup> Programme for the Endorsement of Forest Certification, at: <https://www.pefc.org/>.

<b>Scope</b>	FSC is a global, multi-stakeholder owned system. All FSC standards and policies are set by a consultative process. There is an FSC Global standard and for certain countries FSC National standards. Economic, social and environmental interests have equal weight in the standard setting process. FSC follows the ISEAL Code of Good Practice for Setting Social and Environmental Standards.	Multi-stakeholder participation is required in the governance of national schemes as well as in the standard-setting process. Standards and normative documents are reviewed periodically at intervals that do not exceed five years. The PEFC Standard Setting standard is based on ISO/IEC Code for good practice for standardization (Guide 59) <sup>40</sup> and the ISEAL Code of Good Practice for Setting Social and Environmental Standards.
<b>Chain-of-Custody</b>	<ul style="list-style-type: none"> <li>• The Chain-of-Custody (CoC) standard is evaluated by a third-party body that is accredited by FSC and compliant with international standards.</li> <li>• CoC standard includes procedures for tracking wood origin.</li> <li>• CoC standard includes specifications for the physical separation of certified and non-certified wood, and for the percentage of mixed content (certified and non-certified) of products.</li> <li>• CoC certificates state the geographical location of the producer and the standards against which the process was evaluated. Certificates also state the starting and finishing point of the CoC.</li> </ul>	<ul style="list-style-type: none"> <li>• Quality or environmental management systems (ISO 9001:2008 or ISO 14001:2004, respectively) may be used to implement the minimum requirements for chain-of-custody management systems required by PEFC.</li> <li>• Only accredited certification bodies can undertake certification.</li> <li>• CoC requirements include specifications for physical separation of wood and percentage-based methods for products with mixed content.</li> <li>• The CoC standard includes specifications for tracking and collecting and maintaining documentation about the origin of the materials.</li> <li>• The CoC standard includes specifications for the physical separation of certified and non-certified wood.</li> <li>• The CoC standard includes specifications about procedures for dealing with complains related to participant's chain of custody.</li> </ul>
<b>Non-Certified Wood Sources</b>	<p>FSC's Controlled Wood Standard establishes requirements to participants to establish supply-chain control systems and documentation to avoid sourcing materials from controversial sources, including:</p> <ol style="list-style-type: none"> <li>a. Illegally harvested wood, including wood that is harvested without legal authorisation; from protected areas; without payment of appropriate taxes and fees; using fraudulent papers and mechanisms; in violation of CITES requirements; and others,</li> <li>b. wood harvested in violation of traditional and civil rights,</li> <li>c. wood harvested in forests where high conservation values are threatened by management activities,</li> <li>d. wood harvested in forests being converted from forests and other wooded ecosystems to plantations or non-forest uses,</li> <li>e. wood from management units in which genetically modified trees are planted.</li> </ol>	<p>The PEFC's Due Diligence System requires participants to establish systems to minimise the risk of sourcing raw materials from:</p> <ol style="list-style-type: none"> <li>a. forest management activities that do not comply with local, national or international laws related to workers' health and labor and indigenous peoples' property, tenure and use rights.</li> <li>b. operations and harvesting, including land use conversion, <ul style="list-style-type: none"> <li>- management of areas with designated high environmental and cultural values,</li> <li>- protected and endangered species, including CITES species,</li> <li>- health and labour issues,</li> <li>- indigenous peoples' property, tenure and use rights,</li> <li>- payment of royalties and taxes.</li> </ul> </li> <li>c. genetically modified organisms,</li> <li>d. forest conversion, including conversion of primary forests to forest plantations.</li> </ol>
<b>Accreditation/ Verification</b>	FSC-accredited Certification Bodies (CB) conduct an initial assessment and upon successful completion companies are granted a 5-year certificate. Companies must undergo an annual audit and a reassessment audit every 5 years. Certification Bodies undergo annual audits from	Accreditation is carried out by an accreditation body (AB). A certification body checks that a company meets the PEFC standard, the accreditation body checks that a certification body meets specific PEFC and ISO requirements. Through the accreditation process, PEFC has assurance that certification bodies are independent

<sup>40</sup> ISO, "ISO/IEC Guide 59:2019", (2019), at: <https://www.iso.org/standard/23390.html>.

	<p>Accreditation Services International (ASI) to ensure conformance with ISO standard requirements.</p>	<p>and impartial and that they follow PEFC certification procedures.</p> <p>PEFC does not have their own accreditation body. Like with the majority of ISO based certifications, PEFC relies on national ABs under the umbrella of the International Accreditation Forum (IAF). National ABs need to be a member of the IAF, which means they must follow IAF's rules and regulations.</p>
<p><b>Conclusion</b></p>	<p>Sustainalytics views both FSC and PEFC as well as the PEFC-affiliated scheme SFI as being credible standards that are based on comprehensive principles and criteria that are aligned with ISO. Both schemes have received praise for their contribution to sustainable forest management practices<sup>41</sup> and both have also faced criticism from civil society actors.<sup>42,43</sup> In certain instances, these standards go above and beyond national regulation and are capable of providing a high level of assurance that sustainable forest management practices are in place. However, in other cases, the standards are equal or similar to national legislation and provide little additional assurance. Ultimately, the level of assurance that can be provided by either scheme is contingent upon several factors including the certification bodies conducting audits, national regulations and local context.</p>	

<sup>41</sup> FESPA, "FSC, PEFC and ISO 38200" (2018), at: <https://www.fespa.com/en/news-media/blog/fsc-pefc-and-iso-38200>.

<sup>42</sup> Yale Environment 360, "Greenwashed Timber: How Sustainable Forest Certification Has Failed" (2018), at: <https://e360.yale.edu/features/greenwashed-timber-how-sustainable-forest-certification-has-failed>.

<sup>43</sup> EIA, "PEFC: A Fig Leaf for Stolen Timber" (2017), at: <https://eia-global.org/blog-posts/PEFC-fig-leaf-for-stolen-timber>.

## Appendix 3: Green Bond / Green Bond Programme - External Review Form

### Section 1. Basic Information

<b>Issuer name:</b>	Central China Real Estate Limited
<b>Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:</b>	Central China Real Estate Limited Green Finance Framework
<b>Review provider's name:</b>	Sustainalytics
<b>Completion date of this form:</b>	December 17, 2020
<b>Publication date of review publication:</b>	

### Section 2. Review overview

#### SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds        | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting                                    |

#### ROLE(S) OF REVIEW PROVIDER

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification   | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other ( <i>please specify</i> ):                       |  |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

#### EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

### Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

#### 1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eligible categories for the use of proceeds – Green Buildings, Environmentally Sustainable Management of Living Natural Resources and Land Use, Energy Efficiency, Pollution Prevention and Control, Sustainable Water and Wastewater Management, Climate Change Adaptation, and Renewable Energy – are aligned with those recognized by the Green Bond Principles 2018 and the Green Loan Principles 2020. Sustainalytics considers that the eligible categories will reduce the carbon footprint and improve the environmental performance of CCRE’s operations while advancing the UN Sustainable Development Goals, specifically SDGs 6, 7, 11, 12 and 15.

**Use of proceeds categories as per GBP:**

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Renewable energy  | <input checked="" type="checkbox"/> Energy efficiency   |
| <input checked="" type="checkbox"/> Pollution prevention and control  | <input checked="" type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation  | <input type="checkbox"/> Clean transportation   |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management   | <input checked="" type="checkbox"/> Climate change adaptation   |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes                            | <input checked="" type="checkbox"/> Green buildings   |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP | <input type="checkbox"/> Other ( <i>please specify</i> ):   |

If applicable please specify the environmental taxonomy, if other than GBP:

**2. PROCESS FOR PROJECT EVALUATION AND SELECTION**

Overall comment on section (if applicable):

CCRE’s ESG Working Group, composed of senior members and representatives from various departments, will be in charge of identifying and selecting Eligible Green Projects. The Board will ultimately review and approve shortlisted projects. Sustainalytics considers the project selection process in line with market practice.

**Evaluation and selection**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Credentials on the issuer’s environmental sustainability objectives            | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories    |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available       | <input type="checkbox"/> Other ( <i>please specify</i> ):  |

**Information on Responsibilities and Accountability**

- Evaluation / Selection criteria subject to external advice or verification       In-house assessment
- Other (please specify):

**3. MANAGEMENT OF PROCEEDS**

Overall comment on section (if applicable):

CCRE finance team will be responsible for managing net proceeds from each issuance using a register. Pending allocation, proceeds will be held in accordance with CCRE's liquidity guidelines for short term deposits or investments. This is in line with market practice.

**Tracking of proceeds:**

- Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (please specify):

**Additional disclosure:**

- Allocations to future investments only       Allocations to both existing and future investments
- Allocation to individual disbursements       Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds       Other (please specify):

**4. REPORTING**

Overall comment on section (if applicable):

CCRE commits to report allocation proceeds in its Annual Report, ESG Report or on its website. The reporting will be provided on an annual basis until full allocation and in the event of any material changes until the relevant maturity date. Allocation reporting will include information such as, but not limited to, the aggregate amount allocated to various Eligible Green Projects and the remaining balance of funds which have not yet been allocated and type of temporary investment. In addition, CCRE is committed to reporting on relevant impact indicators. Sustainalytics views CCRE's allocation and impact reporting as aligned with market practice.

**Use of proceeds reporting:**

- Project-by-project       On a project portfolio basis

- Linkage to individual bond(s)  Other (please specify):

**Information reported:**

- Allocated amounts  Green Bond financed share of total investment
- Other (please specify): 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; examples of Eligible Green Projects (subject to confidentiality disclosures).

**Frequency:**

- Annual  Semi-annual
- Other (please specify):

**Impact reporting:**

- Project-by-project  On a project portfolio basis
- Linkage to individual bond(s)  Other (please specify):

**Information reported (expected or ex-post):**

- GHG Emissions / Savings  Energy Savings
- Decrease in water use  Other ESG indicators (please specify): Number and type of certification of green buildings; Maintenance or increase of natural landscape area (including forest) in km<sup>2</sup> and/or in % for increase; 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.; Annual absolute (gross) water use before and after the project in m<sup>3</sup> p.a., reduction in water use in %; Area covered by projects in km<sup>2</sup>.

**Frequency**

- Annual  Semi-annual
- Other (please specify):

**Means of Disclosure**

- |   |  |
|---|--|
| <input type="checkbox"/> Information published in financial report  | <input checked="" type="checkbox"/> Information published in sustainability report             |
| <input type="checkbox"/> Information published in ad hoc documents  | <input checked="" type="checkbox"/> Other (please specify): Annual Report or Company's website |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): |  |

Where appropriate, please specify name and date of publication in the useful links section.

**USEFUL LINKS** (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

<http://www.jianye.com.cn/eng/>

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE****Type(s) of Review provided:**

- |  |  |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit                        | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other (please specify):                     |  |

**Review provider(s):****Date of publication:****ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP**

- i. **Second-Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.



## Disclaimer

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In case of discrepancies between the English language and translated versions, the English language version shall prevail.

## About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world’s leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world’s foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2020, Climate Bonds Initiative named Sustainalytics the “Largest Approved Verifier for Certified Climate Bonds” for the third consecutive year. The firm was also recognized by Environmental Finance as the “Largest External Reviewer” in 2020 for the second consecutive year. For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com).



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