

# CIFI Holdings (Group) Co. Ltd. Green Finance Framework



April 2020

## 1. Introduction

### **Business Overview**

Headquartered and established in Shanghai in 2000, CIFI Holdings (Group) Co. Ltd. ("CIFI" or the "Company" and together with its subsidiaries, the "Group") is principally engaged in the property development and property investment business in the People's Republic of China. CIFI Holdings (Group) was listed on the Main Board of the Hong Kong Stock Exchange in 2012 (00884.HK).

*The Group currently operates in nearly 80 cities in Mainland China, Hong Kong, Japan and Australia, with a total of nearly 450 development projects, servicing nearly 300,000 owners. In 2019, the Group's contracted sales exceeded 200bn yuan, ranking 14<sup>th</sup> among the top 500 Chinese property developers.*

CIFI has achieved a nationwide operating coverage and a strong presence in major first-, second- and third-tier cities in China<sup>1</sup>. Its development projects cover various properties types like residential, office and commercial complexes. Currently, CIFI has property projects in 53 cities in 4 regions: the Yangtze River Delta, the Pan Bohai Rim, the Central Western Region and the South China Region. As at 30 June 2019, CIFI had a land bank with total and attributable GFA of approximately 46.8 million sq.m. and 23.4 million sq.m. respectively.

Looking forward, driven by its missions of "creating value for our customers" and "building for a better life with heart" and leveraging its effective business model and strong execution capabilities, CIFI strives to become a leading and well-respected real estate enterprise in China.

### **Sustainability Strategy and Vision**

CIFI aims at providing customers with a better life, promoting the construction of a real estate ecosystem, and making constant development and innovations. The Group is also engaged in community life services, education, elderly care and so on.

CIFI is committed to "repay society with a grateful heart". Since its establishment, CIFI's development has also been investing in public welfare and charity. Adhering to the concept of "Great Altruism", CIFI each year commits a portion of its funds to charitable donations, which are used to give back to the society in public welfare fields such as education, earthquake relief and environmental protection. So far, CIFI has donated nearly CNY 200m, of which more than CNY 150m were dedicated to education.

Furthermore, CIFI has always been promoting sustainable environment development, aiming at leaving a blue sky and a clean planet for future generations. CIFI is aware of the environmental and social impacts of all the projects under construction each year. As a result, CIFI is involved in the green supply chain in real estate, research on green housing, and constant innovation in green real estate.

The Board of CIFI is responsible for oversight of environmental, social and governance affairs, and outlines the long-term sustainable development objectives for the Group.

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<sup>1</sup> See Appendix 1

In its journey to enhance its overall ESG performance, CIFI's organisational focus on the following are noteworthy:

### Environmental

- Promote space saving
- Reduce the use of non-recyclable materials
- Minimise the construction period to save water and electricity
- Adapt green construction
- Enhance workforce efficiency

### Social

- Awarded "China's Best Employer" by Aon Hewitt for 2 consecutive years
- Supported educational development by cumulative charitable donations
- Established "Cifi College" to cultivate all-round talents
- Organized regular medical check-ups and arrange sharing activities and cultural sports for employees

### Governance

- Ranked Top 50 Board of Directors at Fortune China
- Ensure comprehensive and timely communication with stakeholders
- Maintain high transparency in corporate governance
- Organize regular director compliance training
- Conduct internal control assessments in a timely manner
- Conduct regular audit monitoring and annual risk assessment

CIFI's product standard is that all buildings must reach at least *one-star certification* [绿建一星及以上]. In 2019, 17 of the group's buildings have received green building related certifications<sup>2</sup>.

## 2. Framework Overview

This bespoke Green Finance Framework ("GFF") has been developed to demonstrate how CIFI could fund projects that deliver positive environmental impacts and foster sustainable practices with Green Financing Transactions ("GFT").

GFTs include bonds, loans or other financing structures tailored to contribute to sustainable development by application of the proceeds to Eligible Green Projects as defined in this Framework.

- With respect to bonds, bonds issued under this GFF will be in alignment with the International Capital Market Association ("ICMA") 2018 Green Bond Principles (GBP)<sup>3</sup> or as they may be subsequently amended.

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<sup>2</sup> See Appendix 2

<sup>3</sup> <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2018/Green-Bond-Principles---June-2018-140618-WEB.pdf>

- With respect to loans, loans issued under this GFF will be in alignment with the Loan Market Association (“LMA”) 2018 Green Loan Principles (GLP)<sup>4</sup> or as they may be subsequently amended.
- Other forms of financing may conform to other sustainable or green finance principles as may have been established at the time of such financing transaction being undertaken.

Each Funding Transaction will adopt (1) Use of Proceeds (2) Project Evaluation and Selection (3) Management of Proceeds and (4) Reporting, as set out in this Framework.

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 CIFI 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 CIFI’s current and future business needs.

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<sup>4</sup>[https://www.lma.eu.com/application/files/9115/4452/5458/741\\_LM\\_Green\\_Loan\\_Principles\\_Booklet\\_V8.pdf](https://www.lma.eu.com/application/files/9115/4452/5458/741_LM_Green_Loan_Principles_Booklet_V8.pdf)

## 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 following categories of eligibility as recognized in the 2018 GBP (“**Eligible Green Projects**”):

Project Category	UN SDG	Eligible Green Assets and Projects for CIFI	Sample Projects
Green Buildings	 	<ul style="list-style-type: none"> <li>New construction and/or renovation of existing buildings that have or will receive, or Refurbishment and/or tenant engagement initiatives that will reduce building environmental impact in accordance with, any one of the following certification systems<sup>5</sup>:               <ul style="list-style-type: none"> <li>U.S. Leadership in Energy and Environmental Design (LEED) – minimum certification of Gold; or</li> <li>BEAM Plus – minimum certification level of Gold; or</li> <li>BREEAM – minimum certification level of Excellent; or</li> <li>BCA Green Mark – minimum certification level of Gold; or</li> <li>Chinese Green Building Evaluation Label (GBL) – minimum certification level of 2 stars; or</li> </ul> </li> <li>Any other green building label, that is an equivalent standard of the above</li> </ul>	Sample of CIFI’s existing green properties <sup>6</sup> : <ul style="list-style-type: none"> <li>旭辉和昌·都会山 (BREEAM, Excellent)</li> <li>首创旭辉城 (China Green Building Label, 3 stars)</li> <li>铂悦凤犀台 (China Green Building Label, 3 stars)</li> <li>常州铂悦天宁 (China Green Building Label, 2 stars)</li> <li>江阴澄江府 (China Green Building Label, 2 stars)</li> </ul>
Clean Transportation		<ul style="list-style-type: none"> <li>Construction and maintenance of infrastructure for electric vehicles and electric vehicle charges</li> </ul>	<ul style="list-style-type: none"> <li>Provision of Electric Vehicle charging facilities</li> <li>Dedicated parking space for electric vehicles</li> </ul>
Energy Efficiency		<ul style="list-style-type: none"> <li>Projects relating to adoption of smart technologies and/or systems for tracking, monitoring and managing energy usage in new and existing buildings to ensure achieving certain energy saving</li> </ul>	Investment in raising performance of building fittings and

<sup>5</sup> See Appendix 3

<sup>6</sup> See Appendix 2 for the full list of CIFI’s green buildings

		<p>targets. Such projects shall result in, based on third-party assessment, 10% improvement in energy efficiency when compared to relevant baseline;</p> <ul style="list-style-type: none"> <li>Projects involving the upgrades of facilities/equipment (e.g. cooling system, lift system, lighting system, fresh air supply system of existing development that shall result in, based on third-party assessment, 10% improvement against the development's original energy consumption</li> </ul>	<p>equipment such as air-condition chillers, lift systems, light fittings, glass curtain walls, ventilation and greening technologies that reduce interior heat and contribute to higher energy efficiency</p>
<p>Pollution Prevention and Control</p>	 	<ul style="list-style-type: none"> <li>Reduction of the use of non-recyclable materials</li> <li>Enforcement of dust control, noise reduction, construction waste and gas pollution minimization</li> <li>Facilities, system and equipment that are used to mitigate environmental pollution (e.g. air, noise, water) during the construction and/or operation of buildings</li> <li>Waste prevention, treatment, management and recycling projects examples include but not limited to municipal waste treatment following the waste hierarchy (e.g. waste to energy, facilities to promote proper waste management)</li> </ul>	<p>Building material derived from recycled content, low-carbon emissions, or certified by approved local certification body</p> <p>Management of waste for tenants and occupants</p>
<p>Sustainable Water Management</p>	 	<ul style="list-style-type: none"> <li>Projects that have water saving features to reduce domestic and commercial water consumption (e.g. rainwater harvester, cooling water recycler, irrigation system with water-saving features)</li> </ul>	<p>Water recycling system such as rainwater harvesting</p> <p>Wastewater treatment systems to improve quality of treated wastewater</p>
<p>Climate Change Adaptation</p>		<ul style="list-style-type: none"> <li>Design, construction, maintenance and upgrades of buildings/assets for adapting to more frequent and extreme weather events</li> </ul>	<p>Upgrade of flood defense systems or storm water management systems</p>
<p>Renewable Energy</p>	 	<ul style="list-style-type: none"> <li>Generation of energy from renewable sources such as solar energy;</li> </ul>	<p>Any form of clean or renewable energy installation e.g. Electricity generation from solar photovoltaic panel</p>

## 2.2 Process for Project Evaluation and Selection

CIFI 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, with senior representatives from the below departments:

- Finance;
- Design and architecture;
- Building engineering; and
- Internal audit and risk management;

EWG will meet at least every 12 months to discuss and select eligible green projects according to the Eligible Green Projects definition in Section 2.1 of this Framework. The shortlisted projects will be presented to ESG Committee of CIFI for approval.

EWG will ensure that the selected Eligible Green Project to comply not only with the section of Use of Proceeds but also the environmental guidelines under Green Bond Principles which are applicable within CIFI.

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

## **2.3 Management of Proceeds**

The net proceeds from each GFT issued will be managed by CIFI's finance team and the proceeds of each GFT will be deposited in the general funding accounts.

CIFI 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 Allocation of Use of Proceeds:**

- Name and description of Eligible Green Projects to which the proceeds of the GFTs have been allocated in accordance with the GFF
- Amount of GFT proceeds allocated to each Eligible Green Project
- The balance of unallocated proceeds
- Information of temporary investment for unallocated proceeds

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

Pending allocation, the net proceeds from the GFT issued will be held in accordance with CIFI's liquidity guidelines for short term time deposits or investments, or used to repay existing borrowings within the group.

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

CIFI will provide information on the allocation of the net proceeds of its GFTs in CIFI's Sustainability Reports, Annual Report and/or website. Such information will be provided on an annual basis until all the net proceeds have been allocated. The information will contain at least the following details:

### 2.4.1 Allocation Reporting

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

- 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
- Examples of Eligible Green Projects (subject to confidentiality disclosures)

### 2.4.2 Impact Reporting

Where possible, CIFI 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, CIFI aims to include, but not limited to, the following Impact Indicators:

Eligible Categories	Impact Indicators
Green Buildings	<ul style="list-style-type: none"> <li>• Level of certification by property</li> <li>• Energy efficiency gains in MWh or % vs. baseline</li> <li>• Estimated avoided GHG emissions (tCO<sub>2</sub>eq)</li> <li>• Annual energy savings (MWh pa)</li> <li>• Annual reduction in water consumption</li> </ul>
Energy Efficiency	<ul style="list-style-type: none"> <li>• Annual energy savings in MWh/GWh (electricity) and GJ/TJ (other energy savings)</li> <li>• Annual GHG emissions reduced/avoided in tonnes of CO<sub>2</sub> equivalent</li> </ul>
Pollution Prevention and Control	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Amount of waste reused or recycled (tons or in % of total waste)</li> </ul>
Sustainable Water Management	<ul style="list-style-type: none"> <li>• Amount of water recycled (litres)</li> <li>• Amount of water reused (litres)</li> </ul>
Climate Change Adaptation	<ul style="list-style-type: none"> <li>• GHG emissions avoided / reduced (tCO<sub>2</sub>e)</li> </ul>
Renewable Energy	<ul style="list-style-type: none"> <li>• Renewable energy produced (MWh)</li> <li>• Renewable energy capacity (MW)</li> <li>• GHG emissions avoided / reduced (tCO<sub>2</sub>e)</li> <li>• Annual energy savings (MWh)</li> </ul>

### **3. External Review**

CIFI will engage Sustainalytics to provide an external review on this Framework. External review will cover pre-issuance assurance, post-issuance assurance and assurance report of independent accountants on use of proceeds annually. Opinion from the external reviewer will be available on CIFI's website <https://www.cifi.com.cn/>.

Appendix 1 (CIFI's Nationwide Coverage in China)  
Source: CIFI Interim Report 2019



Appendix 2 (CIFI's Buildings with Green Building Related Certifications – 2019)

No	Property / Project Name	Green Building Certification
1	旭辉和昌·都会山	BREEAM – 4 Stars
2	首创旭辉城	China Green Building Label – 3 Stars
3	铂悦凤犀台	China Green Building Label – 3 Stars
4	常州铂悦天宁	China Green Building Label – 2 Stars
5	江阴澄江府	China Green Building Label – 2 Stars
6	苏州铂悦犀湖	China Green Building Label – 2 Stars
7	常宁府	China Green Building Label – 2 Stars
8	国悦府	China Green Building Label – 2 Stars
9	徐州天阙	China Green Building Label – 2 Stars
10	南京江山御	China Green Building Label – 2 Stars
11	无锡时代城	China Green Building Label – 2 Stars
12	无锡藏珑府	China Green Building Label – 2 Stars
13	旭辉力高静海府	China Green Building Label – 2 Stars
14	公园大道项目	China Green Building Label – 2 Stars
15	御璟湖山 2#、4#地块项目	China Green Building Label – 2 Stars
16	铂悦凤犀台	China Health Building Label – 3 Stars
17	旭辉银城·江山御	China Health Building Label – 2 Stars

### Appendix 3 (Green Buildings External Certifications)

#### **Building Research Establishment Environmental Assessment Method (“BREEAM”)**

BREEAM, first published by the Building Research Establishment (BRE) in 1990, is the world’s longest established method of assessing, rating and certifying the sustainability of buildings, from new construction to in-use and refurbishment. BREEAM does this through third party certification of the assessment of an asset’s environmental, social and economic sustainability performance, using scientifically robust standards developed by BRE. For more information, please visit <https://www.breeam.com/>.

#### **China Green Building Evaluation Standard (“Three Star System”)**

Introduced by the Ministry of Housing and Urban-Rural Development of the People’s Republic of China, the Three Star System is a voluntary green building rating standard used in the Mainland for residential and public buildings (including commercial, hotel and government-owned). The areas of assessment cover land savings and outdoor environmental management, the saving and utilisation of energy, water and materials, indoor environmental quality, construction and operational management. The Three Star System grants three levels of ratings: one-star, two-star and three-star. For more information, please visit <http://www.cnqb.org.cn/>.