

zhenro 正荣地产

Green Bond Framework



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Introduction

Zhenro Properties is a large comprehensive property developer in the PRC, focusing on the development of residential properties, and the development, operation and management of commercial and mixed-used properties. We are committed to building Zhenro Properties into an all-round prime-quality property developer in the PRC. Headquartered in Shanghai, we have an active presence in the Yangtze River Delta Economic Region, the Midwest China Economic Region, the Bohai Economic Rim and the Western Taiwan Straits Economic Zone. Zhenro Properties has been listed on the Main Board of Hong Kong Stock Exchange since 2018.

We strive to develop high-quality residential properties primarily for mid- to high-end customers with home upgrade demand. We are also engaged in the development of commercial and mixed-use properties to maintain a balanced development portfolio. In addition, we currently hold as investment properties the commercial spaces of our shopping malls at the mixed-use properties we developed. We believe such commercial and mixed-use properties will help reduce volatility of our revenue, diversify our risk exposure, and deliver stable cash flow for our business operations. Moreover, we provide commercial property management services to certain commercial properties we developed through our commercial property management subsidiaries. Leveraging our comprehensive and high quality development, operation and management capabilities, we have established a track record of bringing to market large-scale, mixed-use property projects that encompass residential, SOHO and office, retail and/or leisure use spaces.

Sustainability focus with business impact

Zhenro is focused on long-term value creation. The company's sustainability policy provides a framework for how the company operates in regards to sustainability issues. Our efforts relating to sustainability, including the sustainability policy, are based on applicable laws, regulations and internal policies.

We have established an environmental management system, actively facilitated the design, development and construction of green buildings, and set up a management mode and philosophy for green building life cycle. We have also put efforts in reducing the impacts from business operation on the environment and natural resources, through purchasing and investing in innovative green building technologies and products, as well as using green materials and equipment. Besides, we strive to improve its environmental monitoring capability, and is gradually establishing the environmental performance indicator management system, in an attempt to effectively monitor and control the emission of pollutants. We also manage to create an eco-friendly corporate culture by actively implementing measures for energy conservation and emission reduction, and launching relevant promotion and training.

We are aware that, the climate, on the natural environment and on society is through our main business activities as a real estate developer. We have long and successful history in putting the construction of environmentally-friendly and modern green buildings as the core of our internal environmental policies, leading Zhenro and the communities under every project to a green future. We have invested a vast amount of funds to support the innovation of product design, aiming at the effective utilization of materials, energy and space, and to protect the environment at source.

Issuance of Green Bonds will allow our investors to participate in such efforts and share in the pursuit of our clients and ourselves of the transition to an environmentally sustainable future.

Green Bond Framework

As part of the broader sustainability strategy, Zhenro has established this Green Bond Framework (the Framework). The purpose of this framework is to have a single robust methodology in place for all future Green Bond issuances, ensuring that for each instrument issued the principles of this Framework apply.



Generally, the Framework is aligned with the ICMA Green Bond Principles¹ (GBP), which are a set of voluntary guidelines that recommend transparency and disclosure and promote integrity in the development of the green bond market.

The Framework consists of the following core components, which will be described in more detail below:




- Use of Proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting
- External Review

Use of Proceeds

Zhenro will finance Eligible Green Projects, in whole or in part, that support the transition towards low-carbon climate resilient growth with lower environmental impact. The cornerstone of the Green Bond is the utilization of the net proceeds for Eligible Green Projects. All proceeds will be allocated to the financing and refinancing of Eligible Green Projects as defined in this Framework. Refinancing of Eligible Projects will have a look-back period of no longer than 36 months from the time of issuance. In order to be eligible, the project must fall in at least one of the categories described in the table below:

GBP category	Eligible Projects	UN SDG mapping
Green Buildings	<ul style="list-style-type: none"> – Development, renovation, maintenance, operations or acquisitions of buildings, that have received or are expected to receive: <ul style="list-style-type: none"> ▪ Chinese Green Building Evaluation Label with a minimum certification level of 2 stars; ▪ LEED with a minimum certification of Gold ▪ BREEAM with a minimum certification of Excellent ▪ Any other green building certification that is an equivalent standard of the above – Building renovation are also eligible if energy savings of at least 30% in comparison to the baseline performance of the building prior the renovation will be achieved 	
Renewable Energy	<ul style="list-style-type: none"> – Investments and expenditures in solar and energy storage technologies for its project development, including but not limited to solar photovoltaic energy systems, solar sensor water system and solar water heating system. 	

¹ <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

Energy Efficiency	<ul style="list-style-type: none"> – Energy efficient building upgrades or improvements, including smart meters, heating ventilation and air conditioning systems, auto or LED lighting, lift system, and building controls to increase energy efficiency. Efficiency projects will improve building system performance by at least 15% 	
Pollution Prevention and Control	<ul style="list-style-type: none"> – Expenditures and investments in waste management that aim to prevent, minimize and/or recycle waste – Enforcement of dust control and noise reduction, during construction and/ or operation of buildings 	
Sustainable Water Management	<ul style="list-style-type: none"> – Construction, development, installation, operation and maintenance of infrastructure or equipment for collection, treatment, recycling or reuse water, rainwater or wastewater. 	

Process for Project Evaluation and Selection

Projects financed through the net proceeds of the Green Bond issued under this Framework are evaluated and selected based on compliance with the Green Bond eligibility criteria outlined above. Zhenro has established an inter-departmental Green Bond Committee (the “Committee”) which is responsible to oversee the selection process and is responsible for:

- Approving the inclusion of pre-selected Eligible Green Projects
- Monitoring and managing the Green Project Portfolio and corresponding Green Bond on an annual basis and taking measures to remedy and shortfall
- Observing developments in the Green Bond Principles and other markets standards relating to Green Bond instruments as well as developing market conventions and approve updates to this Framework accordingly

The Committee consists representatives from Treasury (chair), Controlling, Legal, Engineering, Design, Operations and Investor Relations and relevant business units.

The Committee will be responsible to ensure compliance of project eligibility and will manage the allocation of proceeds to Eligible Green Projects. The Committee will monitor the Eligible Green Project Portfolio on an ongoing basis and will exclude projects that no longer comply with the eligibility criteria or have been disposed of and will replace them on a best effort basis. An independent auditor or accredited verifier will review the alignment of financed projects with the eligibility criteria of this Framework.

Management of Proceeds

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

Zhenro will set up a virtual Green Bond Register and an internal process to earmark and track the allocation of outstanding Green Bond net proceeds to Eligible Green Projects. Zhenro will manage the Green Bond proceeds on a portfolio basis. The net proceeds of the Green Bonds will be deposited in the general account and an amount equal to the net proceeds will be earmarked for allocation to the Green Project Portfolio without legal segregation.

The Green Project Portfolio will be reviewed by the Green Bond Committee and will be updated at least annually. On a best efforts basis, Zhenro intends to replace projects that no longer comply with the Eligibility Criteria or otherwise exits Zhenro’s portfolio. Zhenro strives to maintain an amount of Eligible Green Assets at least equal of the total net proceeds of all green bond outstanding.

Pending full allocation, Zhenro’s Treasury team will temporarily hold the unallocated net proceeds at its own discretion in cash or cash equivalents, or in other short-term liquid marketable instruments.

Reporting

Zhenro is committed to be as transparent as possible and is committed to publish relevant information and documents regarding the Green Bond activities. Zhenro will provide an Allocation Report to inform about the allocation of proceeds as well as an Impact Reporting to communicate the positive environmental impact of financed green projects. The reporting will be make available within one year from the issuance of any green bonds and will be updated annually until full allocation of the Green Bond net proceeds. The reporting will be available on Zhenro’s homepage: http://www.zhenrodc.com/IR_en/index.html

Allocation reporting

- Total amount of outstanding Green Bonds
- Aggregated amount allocated to respective Eligible Green Projects
- Balance of unallocated net proceeds

Impact reporting

On a best effort basis, Zhenro intends to report on the environmental impacts achieved by Eligible Green Projects financed. The impact reporting will include a description of Eligible Green Projects and impact metrics such as listed below.

Where relevant, information may be provided on data reporting, and impact assessment methodologies, to increase transparency. Subject to the nature of Eligible Green Projects and availability of information, Zhenro aims to included, but not limited to, the following impact indicators:

GBP category	Potential impact indicators
Green Buildings	<ul style="list-style-type: none"> – Level of certification by building – Energy performance for buildings (in kWh per m² and year) – Annual GHG emission avoided (in tCO₂eq) – Annual energy savings (in MWh) – % annual energy efficiency gains relative to an established baseline
Renewable Energy	<ul style="list-style-type: none"> – Renewable Energy capacity installed (in MW) – Renewable energy generated annually (in MWh) – Annual GHG emission avoided (in tCO₂eq)
Energy Efficiency	<ul style="list-style-type: none"> – Annual energy savings (in MWh) – Annual GHG emission avoided (in tCO₂eq) – % annual energy efficiency gains relative to an established baseline
Sustainable Water Management	<ul style="list-style-type: none"> – Amount of rain water collected and re-used (in m³)

External Review

Zhenro has engaged an external verifier to review the Green Bond Framework. The independent Second Party Opinion on the Framework's environmental credentials and its alignment with the Green Bond Principles has been received by Sustainalytics. The document is available on Zhenro's website:

http://www.zhenrodc.com/IR_en/index.html

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