



Powerlong Real Estate Holdings Limited Green Finance Framework



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Introduction

Powerlong Real Estate Holdings Limited (1238.HK) (the “**Company**” or “**Powerlong**”) and its subsidiaries (collectively, the “**Group**”) are dedicated to developing and operating high quality, large-scale and multi-functional commercial real estate projects. On 14 October 2009, the Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). On 30 December 2019, Powerlong Commercial Management Holdings Limited (9909.HK) (“**Powerlong CM**”), a subsidiary of the Company, was listed on the Main Board of the Stock Exchange, as the first service provider in commercial management and operation on the Stock Exchange that operated based on an asset-light model.

Over the past several years, the Company has been awarded with many authoritative honors, including China Top 100 Real Estate Developers and Top 10 Brands of China Commercial Real Estate Companies. The Group has developed, owned and operated more than 200 high-quality realty projects in over 50 cities, covering Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area, Bohai Economic Rim, Western Taiwan Straits Economic Zone, Hainan International Tourism Island and mid-western region. Its commercial projects cover the series of “Powerlong One Mall”, “Powerlong City”, “Powerlong Plaza” and “Powerlong Land” products, while its residential projects cover various formats including middle and high class commodity housings and villas, complemented by high-standard office buildings and hotel projects with comprehensive service support. With its multi-dimensional and diversified business scope, Powerlong has been improving the retail supporting facilities in and thereby enhancing the quality of local cities. From supporting the urbanization of the People’s Republic of China (“**China**” or the “**PRC**”) to its integration into the Yangtze River Delta, Powerlong has always followed closely the strategic direction at the PRC’s national level and focused on city clusters, which enjoy policy support under the PRC’s macro strategy and which are highly vivid in their economic development. While fulfilling the growing demand for complex real estate in the PRC, Powerlong has created various job opportunities to the society and realized people’s demands and dreams for their lives.

As a real estate development and urban complex operator in China, Powerlong not only abided by local and national environmental laws and regulations, but also proactively introduced the concept of green building into project construction and development. As at 31 December 2020, the Group’s certified green building gross floor area has cumulatively reached 8.66 million square metres. The Group also actively contributed to the development of community and society by granting assistance for targeted poverty alleviation and rural revitalization, assisting in the building and development of nearby communities, also actively cooperating with governments to combat against the 2019 Novel Coronavirus through means of remising rent for some tenants in shopping malls etc.

Strategy and Rationale

Fully acknowledging its environmental responsibilities as a corporate citizen, Powerlong actively responds to the national call to “be committed to harmony between human and nature, dedicated in the prioritisation of ecological conservation and green development, and resolutely fight the battle for prevention and control of pollution”, continues to improve its environmental management system, jointly tackling climate change and other environmental issues through developing and implementing green construction requirements, reducing the intensity of GHG emissions, optimising the use of building materials and resources in the project construction process, applying environmental-friendly principles in project design process and other areas.

Powerlong strictly complies with laws and regulations in its operation locations related to air and greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous waste, and noise management. Through implementing and executing relevant polices and continuously evaluating the results achieved by the implementation of policies, Powerlong optimizes relevant policies and determines future working plans, thereby ensuring continuous improvement of its environmental performances.

Powerlong also voluntarily joined the “Green Supply Chain in Real Estate Industry in China”, focusing on the monitoring of the environmental impact and control from manufacturers of cement, steel, aluminium alloy, glass, and coating, as well as the control of formaldehyde in interior decoration materials and finished products. When selecting wood products, priorities will be given to member companies of the Global Forest & Trade Network to support responsible and sustainable enterprises in the forest product industry. The Group has also included relevant terms on environmental protection in its contracts with suppliers, as well as a series of clauses requiring payment to migrant workers and protection of their rights and interests.

Powerlong’s Sustainability Objectives


Powerlong aims to reduce air emissions and waste generation, and enhance energy and water efficiency, through implementing and executing relevant policies and continuously evaluating the results achieved by the implementation of policies. Powerlong takes reference from standards in China and locations where it operates, integrates the ISO14001 Environmental Management System, and adopts the “PDCA¹” model, thus formulating environmental policies based on the Group’s actual operating conditions. Powerlong is also dedicated to reducing the intensity of GHG emission through investing in green buildings, enhancing system efficiencies, optimising the use of energy and other green measures, thus further alleviating the environmental impact of the Group's business operation while enhancing the Group's capability to cope with climate change and minimising its impact on climate change

Green Finance Framework and Alignment with ICMA/LMA Principles









Powerlong prepared the Green Finance Framework (“GFF” or the “Framework”) according to the four core components of the ICMA Green Bond Principles 2021 (“GBP”), and LMA Green Loan Principles 2021 (“GLP”). Powerlong intends to enter into Green Financing Transactions (“GFT”) to finance projects that have a positive environmental impact. GFTs may include bonds, loans and other products where proceeds will be applied exclusively to eligible green projects/assets (“Eligible Assets”).

Use of Proceeds

Powerlong will finance Eligible Assets, in whole or in part, that promote environmental sustainability and address societal challenges. The GFT proceeds will be exclusively used to finance new and existing Eligible Assets, including without limitation the refinancing of existing debt relating to such assets. Powerlong has established a three-year look-back period for its refinancing activities and intends to fully allocate the proceeds within three years of issuance.

Green Categories	Eligibility Criteria	Targeted SDGs
Green Buildings	Acquisition, construction, refurbishment and renovation of new or existing commercial buildings which (i) have either received, or are due to receive, one of the following green building certifications: <ul style="list-style-type: none"> ✓ Chinese Green Building Label minimum certification '2 Stars'; or ✓ U.S. Leadership in Energy and Environmental Design (LEED): minimum 'Gold'; or ✓ Building Research Establishment Environmental Assessment Method (BREEAM) minimum certification 'Excellent'; or 	 

¹ Refers to “Plan, Do, Check, Act”

	<ul style="list-style-type: none"> ✓ Building Environmental Assessment Method (BEAM Plus): minimum 'Gold'; or ✓ Singapore BCA Green Mark Rating: minimum 'Gold'; or ✓ Any other appropriate green building label, that is an equivalent standard as the above; <p>Or (ii) are in the top 30% of buildings within the region based on absolute emissions performance or primary energy demand</p>	
Energy Efficiency	<p>Refurbishment of buildings that delivers a minimum 10% increase in energy efficiency or grade improvement(s) according to local certifications. Major improvements include:</p> <ol style="list-style-type: none"> (1) Central heating as well as separate heat meter for each household. Heat consumption and heat transfer ratio of hot water circulating pump in the heating system and the air volume and power consumption of the ventilation system both lower than national standards; (2) Thick reinforced concrete and thick extruded polystyrene foam plastic board used in building roofs, and exterior walls made of thick Grade-A EPS modified polystyrene board, allowing more robust thermal insulation; (3) Efficient sound-light controlled energy-saving LED lights system for internal public lighting 	
Renewable Energy	<p>Installation of onsite renewable energy systems (e.g. solar water heating system, natural gas heating system)</p>	 
Pollution Prevention and Control	<p>Investments on recycling facilities in buildings</p> <p>Investments on equipment to reduce environmental pollution (e.g. water, dust, light and noise) during construction and/or building operation</p>	  
Sustainable Water and Wastewater Management	<p>Installation of rainwater recovery systems and water-saving facilities</p>	
Climate Change Adaptation	<p>Investments to alleviate the urban heat island effect, including:</p> <ol style="list-style-type: none"> (1) Planted 8,182 trees with a height of 5 meters and above as at 31 December 2020; (2) Adopted the design principle of people-oriented in the gardening of residential properties 	

Exclusion Criteria

Powerlong will not finance buildings where main purpose / operations are related to fossil fuels, weapons, gambling, alcohol or tobacco.

Process for Asset Evaluation and Selection

Powerlong has established a Green Finance Committee ("**GFC**") to evaluate and approve potential assets in accordance with its Framework. The GFC consists of members from Treasury, Investor Relations, Property Management and Legal Departments, and is chaired by the Chief Financial Officer of the Company. The GFC meets on a quarterly basis and decision-making is made on unanimous basis. Any updates of the GFF must be approved by the GFC and material changes to be reviewed and updated by a Second Party Opinion ("**SPO**").

Governance Structure and Responsibilities of the GFC

Powerlong's GFC has two-tiers working mechanism: (1) Green Finance Working Group ("**GFWC**") comprises of key working level members from Treasury, Property Management, Investor Relations, and Legal Departments; (2) Decision-making level GFC comprises of department heads of Treasury, Property Management, Investor Relations, and Legal Departments, and the Chief Financial Officer of the Company as chair.

The GFC (including both decision-level GFC members, and GFWC) has overall responsibility for implementing this Framework. The main responsibilities include – but not limited to – amending the scope of financial instruments covered by this Framework, eligibility for Use of Proceeds, updating the process to align the purpose of this Framework relevant to Powerlong business activities, and reviewing and approving nominated Eligible Assets.

Specifically on process of origination and recognition of the Eligible Assets: GFWC will be in charge of origination of projects, and GFC will review and decide the Eligible Assets - working level members from Property Management team will provide list of potential projects, and discuss with Treasury team working members to confirm the funding needs under each Green Categories. Then the list will be brought to GFWC for discussion and GFWC will come up with a shortlist and present to the decision-making level GFC for review and discussion and then decide the final Eligible Assets.

On monitoring and managing environmental and social risks associated for each Eligible Assets, the GFC will hold responsibility and review regularly the list and identify any potential risks and relevant mitigants. In case an asset ceases to be eligible, it will be removed and replaced as soon as possible. The GFC will carry due diligence to identify any economic and social risks before embarking on any new Eligible Assets and also during the lifecycle of relevant Eligible Assets.

Management of Proceeds

The net proceeds from each GFT will be managed by Powerlong's Treasury Department and the proceeds of each GFT will be deposited in the general funding accounts. Powerlong will maintain a register ("**Register**") to track the use of proceeds for each GFT and intends to allocate the proceeds within 36 months of issuance/borrowing. Such Register will record information including (1) key information of each GFT like issuer entity, principal amount of proceeds, maturity date, coupon, transaction dates etc; (2) allocation details including amount of GFT proceeds allocated to the asset, basic information of the Eligible Asset that has been allocated, and also the remaining amount of GFT proceeds that is yet to be allocated. Disbursements to existing eligible assets will not date back further than 36 months from the date of the initial Green financing.

Proceeds yet to be allocated towards eligible assets will be placed in short term investment (like cash or equivalents, short term deposits, money market funds) in accordance with Powerlong's normal treasury or liquidity management policy subject to the Exclusion Criteria.

Reporting

Powerlong will provide information relating to green finance on Powerlong's website: www.powerlong.com and in the Company's Environmental, Social and Governance Report on an annual basis until all the net proceeds have been fully allocated. Such information shall include both allocation of proceeds and estimated environmental impact.

Allocation reporting:

The allocation report will provide information including (if applicable):

1. The aggregate amount allocated to various Eligible Assets
2. Unallocated proceeds
3. Examples of Eligible Assets (subject to confidentiality disclosures)

Impact reporting:

Where possible, Powerlong will report on the environmental impacts resulting from Eligible Assets. Subject to nature of Eligible Assets and data availability and confidentiality agreements, the reporting may include, but not limited to, the following potential impact indicators:

Green Categories	Potential Impact Indicators
Green Buildings	<ul style="list-style-type: none">• Certification level achieved
Energy Efficiency	<ul style="list-style-type: none">• Annual energy savings in MWh/GWh
Renewable Energy	<ul style="list-style-type: none">• Annual generation of renewable energy
Pollution Prevention and Control	<ul style="list-style-type: none">• Amount of waste treated / recycled
Sustainable Water and Wastewater Management	<ul style="list-style-type: none">• Amount of rain water collected and re-used

External Review

Powerlong has engaged S&P Global Ratings to provide an External Review in the form of a SPO on the Framework and confirm alignment with the GBP/GLP. The document is available on Powerlong's website: www.powerlong.com.