

**Jiangmen Xinhui Yin Hai Development  
Co., Ltd.**

**Green Finance Framework**

**July 2022**

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# 1. Introduction

## 1.1 Overview

Jiangmen Xinhui Yin Hai Development Co., Ltd. (“the Group”) is a key entity undertaking public utilities provision, project construction and primary land development in Xinhui District, Jiangmen City in Guangdong Province. Established in 2003, the Group is wholly owned by Xinhui State-owned Assets Supervision and Administration Commission (新会区国有资产管理办公室) (“Xinhui SASAC”). The Group has played an essential and active role in implementing the Xinhui government’s strategic initiatives for government investment, project construction and city infrastructure operation. The Group has a diversified business portfolio and undertakes a broad range of activities within Xinhui District relating to power generation, primary land development, water supply and water facilities construction and provision of various services.

The economic strengths and location advantages of Xinhui District and Jiangmen City, being in the Pearl River Delta Region and the Guangdong-Hong Kong-Macao Greater Bay Area, and the strong support from its shareholder, Xinhui SASAC, in the form of capital injection and asset transfer also contributed to the Group’s business success in recent years.

## 1.2 Green and Sustainability Vision

In 2009, the Ministry of Science and Technology has approved the establishment of national sustainable community(国家可持续发展实验区) in Xinhui District, exploring the possibility of resources recycling and utilization during the regional economy development.

The Group’s development is in line with national sustainable targets and the Group is compliant with various environmental, as well as health and safety, laws and regulations promulgated by the People’s Republic of China (“PRC”) Government. In particular, the Group’s operations in the PRC are subject to a wide range of PRC environmental laws and regulations, which regulate, among other things, forestry activities, including harvesting, land clearing for forests, planting in forest areas and the emission or discharge of pollutants or wastes into the soil, water or atmosphere.

As so far, the Group is not aware of any environmental proceedings or investigations to which it is or might become a party.

## 2. Green Finance Framework Overview

This Green Finance Framework (the “Framework”) has been developed to demonstrate how the Group and its subsidiaries intend to, with Green Financing Transactions (“GFTs”), fund projects that would deliver positive environmental impacts and foster sustainable practices in support of the Group’s green and sustainability strategy. The Group intends to follow best market practice as standards develop.

GFTs include bonds, loans and other forms of debt financing with structures tailored to contribute to sustainable development by application of the proceeds to Eligible Project Categories as defined in this Framework.

- Bonds issued under the Framework will be aligned with the Green Bond Principles 2021 (“GBP”), or as they may be subsequently amended;
- Loans issued under the Framework will be aligned to the Green Loan Principles 2021 (“GLP”), or as they may be subsequently amended;
- Other forms of financing may conform to other well-established green finance principles as may have been established at the time.

The GFTs are aligned with the core components of GBP and GLP, with GBP and GLP being especially relevant to the Eligible Projects, which the Group believes will catalyze positive environmental benefits. GBP is administered by the International Capital Markets Association (“ICMA”). GLP is administered by the Loan Market Association (“LMA”), the Loan Syndications and Trading Association (“LSTA”) and the Asia Pacific Loan Market Association (“APLMA”).

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 the Group, as well as the outcome of the commercial discussions between the Issuer/Borrower and Manager/Arranger/Lender.

GFTs may be raised in any jurisdiction and market reflecting the Group’s current and future business needs.

Under the Framework, the Group is committed to align with the following elements:



- I. Use of proceeds
- II. Project evaluation and selection
- III. Management of proceeds
- IV. Reporting

The Framework has received a Second Party Opinion by an independent external reviewer.


## 2.1 Use of Proceeds

An amount equivalent to net proceeds from each GFT will be used exclusively to finance and/or refinance, in whole or in part, new or existing assets and projects aligned with one or more of the following eligible categories (“Eligible Projects<sup>1</sup>”). Refinancing of Eligible Projects will have a look-back period of no longer than 36 months from the time of issuance. The Group is committed to fully allocate the net proceeds of each GFT on a best effort basis within 36 months of issuance.

Eligible Projects mean projects that fall within the categories stated below.

Eligible Project Categories	Eligibility Criteria & Examples	UN SDG Mapping
Clean Transportation	<ul style="list-style-type: none"> <li>▪ Construction of manufacturing facilities dedicated to the production of automotive batteries for new energy vehicles</li> </ul>	
Energy Efficiency	<ul style="list-style-type: none"> <li>▪ Construction of manufacturing facilities dedicated to the production of batteries for energy storage</li> <li>▪ Upgrade to facilities to improve the energy efficiency, including but not limited to:               <ul style="list-style-type: none"> <li>✓ Building combined heat and power infrastructures to increase the electricity supply</li> <li>✓ Reducing building energy consumption by adopting energy-efficient</li> </ul> </li> </ul>	

<sup>1</sup> The Group may own Eligible Projects directly or indirectly through its subsidiaries.

	building materials and energy-saving equipment such as insulated glass for curtain wall, LED lamps and etc. Such projects shall result in at least 10% improvement against the original energy consumption.	
Sustainable Water and Wastewater Management	<ul style="list-style-type: none"> <li>Construction, development, installation, operation and maintenance of infrastructure or equipment for collection, treatment, recycling or reuse of water, rainwater or wastewater</li> </ul>	

## 2.2 Project Evaluation and Selection

The evaluation and selection process ensures that an amount equivalent to net proceeds from each GFT will be allocated to projects that meet the Eligibility Criteria set out in the Use of Proceeds under the Framework. The Group has established a Green Financing Team (the “Team”) which governs the process, consisting of representatives and senior members from the Investment and Development Department and Financing Management Department. The Team will meet on an annual basis and is responsible for:

- Evaluating the compliance of projects with the Eligibility Criteria outlined in the Use of Proceeds under the Framework;
- Approving the inclusion of pre-selected Eligible Projects in Green Project List (the Team has full discretion to object the inclusion of any project);
- Monitoring and managing the Green Project List. The Team will maintain a register to keep track of the use of net proceeds of the GFTs through the internal information system on an annual basis;
- Replacing projects that no longer meet the Eligibility Criteria or reallocating divestment proceeds to Eligible Projects;
- Observing developments in the green financing markets and approving updates to this Framework accordingly to reflect relevant changes in our corporate strategy or market developments.

## 2.3 Management of Proceeds

Net proceeds or the equivalent amount of the net proceeds of the GFTs will be deposited in the general account, which will then be earmarked for allocation to the Eligible Projects in accordance with the Framework. Net proceeds of each GFT awaiting allocation will be held in accordance with the Group's normal liquidity management policy. The Team will track the allocation of net proceeds from the issuance of any GFTs to Eligible Projects.

The Team will maintain a register to keep track of the use of an amount equivalent to net proceeds of each GFT through the internal information system, and the Team will review the Green Project List annually. If any of the Eligible Projects cease to fulfil requirements of Use of Proceeds under the Framework, we will identify other projects that comply with the Framework and re-allocate to those assets as soon as practicable. The balance of the tracked net proceeds will be on a best-effort basis annually adjusted to match allocations to Eligible Projects made while the GFT(s) remain outstanding.

The register will contain the following information:-

**Type of Funding Transaction:** Key information including the issuer/borrower entity, transaction date, principal amount, repayment or amortization profile, maturity date, interest or coupon, and the ISIN number.

Pending full allocation, unallocated proceeds will be:

- held in temporary investment instruments that are assets with high liquidity and safety such as cash or cash equivalent instruments; or
- held in temporary placements that do not include projects, assets or activities that are inconsistent with the nature of a green debt instrument.

The Group commits not to invest unallocated proceeds to high pollution activities or ineligible projects. The following sectors and activities will be excluded from Eligible Projects:

- activities that violate national laws and regulations, international conventions and agreements, or are subject to international bans and sanctions;
- production or trade of weapons and ammunition;
- production or trade of alcoholic beverages (except for beer and wine);
- production or trade of tobacco;
- enterprises engaged in gambling or casino operations or similar businesses;

- production or trade of radioactive materials (excluding equipment which radioactive source is considered insignificant and/or adequately shielded, for example, quality control equipment); or
- production or activities involving harmful or exploitative forced labour or harmful child labour.

## 2.4 Reporting

The Group will provide information on the allocation of the net proceeds or equivalent amount of the net proceeds of the GFTs via the website, social media, or report. Such information will be updated on an annual basis until all the net proceeds of the GFTs have been fully allocated.

**Allocation Report** should contain the following information:

- Amount of allocated proceeds by Eligible Project Category, with a brief description of Eligible Projects;
- The remaining balance of funds which have not yet been allocated;
- Share of financing vs. refinancing

Where possible, the Group will report on the environmental impacts associated with the Eligible Projects.

**Impact Report** may contain, on a best-effort basis and subject to data availability, such as but not limited to the following information:

Eligible Project Categories	Impact Indicators <sup>2</sup>
Clean Transportation	<ul style="list-style-type: none"> <li>▪ Estimated number of new energy vehicles manufactured with the automotive batteries supplied by the manufacturing facilities constructed</li> </ul>
Energy Efficiency	<ul style="list-style-type: none"> <li>▪ Energy storage capacity of batteries supplied by the manufacturing facilities constructed (MW/GW)</li> <li>▪ Annual greenhouse gas emissions reduced/avoided (tonne of CO<sub>2</sub> equivalent)</li> <li>▪ Annual energy savings (MWh/GWh)</li> </ul>
Sustainable Water and Wastewater Management	<ul style="list-style-type: none"> <li>▪ Annual absolute (gross) amount of wastewater treated (tonne)</li> </ul>

<sup>2</sup> Appropriate environmental impact indicators will be determined in reference to frameworks and resources published by ICMA, such as the Harmonized Framework for Impact Reporting June 2021



	▪ Annual water reuse and/or water use avoided (tonne)
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**External Review:** the Group has engaged CECEP Environmental Consulting Group Ltd., an independent third party, to review and to issue an independent Second Party Opinion on the Framework's alignment with GBP and GLP.