



# **Wuxi Construction and Development Investment Co., Ltd.**

## **Green Finance Framework**

**November 2021**

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# 1. Introduction

## 1.1 Overview

Wuxi Construction and Development Investment Co., Ltd. (“Wuxi Construction and Development” or “the Group”) is a large comprehensive investment and financing platform established in Wuxi, Jiangsu Province, PRC. It serves as the important platform for the investments and operations of urban public infrastructure in Wuxi, responsible for the construction of roads, bridges, environmental projects, management of water environment of Taihu Lake, water, landscaping and other social projects in Wuxi. Since its establishment in 2005, We have engaged in a wide range of business activities, namely, (i) infrastructure construction business, including infrastructure construction management, regional development, environmental protection projects, civil projects, landscaping projects, public facilities and other infrastructures under the mandate of the Wuxi Government; (ii) financial services business, including financial leasing business and commercial factoring business; (iii) forestry products business, including high-quality and new wood composite materials business and forestation and quality seedling breeding business; and (iv) other businesses, including urban public resource operation and management and asset operation and management in Wuxi.

We focus our business activities in Wuxi and are well-positioned to benefit from the strong economic position of the city and Jiangsu Province. Jiangsu Province has traditionally been one of the most affluent provinces in the PRC and Wuxi, with convenient transportation connections, leading economic scale and secondary and tertiary industries, is among the key cities in this region. The strong economic growth and position of Wuxi ensures our continuous investment in and enhancement of local infrastructure and other development and construction activities, which are the main of its businesses and provide foundation for its future growth.

## 1.2 Green and Sustainability Vison

Staying true to our fundamental “Green, Environmental Protection” development strategy, we have adopted relevant environmental measures to ensure the compliance with laws and regulations that have material impact on our business.

We are complied with various environmental, as well as health and safety, laws and regulations promulgated by the PRC Government. In particular, our 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.

We strive to promote the development of prefabricated building industry which contributes to a win-win for better corporate investment revenue and urban industrial development, and to proactively seek detailed action plans for the achievement of national carbon neutrality goal.

To support our commitment towards sustainability, we strive to improve the ecological and environment mainly through our main business, including but not limited to:

### **Environmental Protection**

We play an important role in environmental protection in Wuxi, and have undertaken numerous projects, including regional development, environmental protection projects, landscaping projects and others. The types of projects mainly include the renovation, expansion and extension projects on the comprehensive water conservancy projects to enhance the surrounding environment of the Wuxi.

### **Financial Leasing**

We have continuously supported sustainable development, through leasing business, and contribution toward the environment covering areas from Jiangsu province to other provinces across the country. We adhere to the overarching social responsibility strategy which links to the United Nations' Sustainable Development Goals (for example, SDG 6 Clean Water and Sanitation), including but not limited to invest in green areas, such as sewage treatment facility projects.

### **Forestry Products and Green Buildings**

We engage in developing, producing and selling high-quality and new wood composite materials, mainly including poplar wood composite container base board series products, bamboo composite container base board series products, civil eco-friendly board and decorative board series products and structural boards for building materials series products. Especially wood structure buildings and prefabricated buildings, use wooden materials to replace high carbon emission materials such as steel and cement. This building structure itself has obvious carbon emission reduction and energy saving benefits. In addition, we also engage in forestation and quality seedling breeding business, including poplar seedlings and gardening seedlings.

## 2. Green Finance Framework Overview

This Green Finance Framework (the “Framework”) has been developed to demonstrate how the Group and its subsidiaries intends 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. It is our intention 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 Green Bonds are aligned with the core components of GBP and GLP, with GBP being especially relevant to the Eligible Green Projects, which the Group believes will catalyze positive environmental and social benefits. GBP is administered by the International Capital Markets Association (ICMA). GLP is administered by the Loan Market Associate (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 issued 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 consultant.




## 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.

The Eligible Projects means projects that fall within the categories stated below.

Eligible Project Categories	Eligibility Criteria & Examples	UN SDG Mapping
Green buildings	<ul style="list-style-type: none"> <li>▪ Development, construction, refurbishment, maintenance, and operations of buildings that meet national or international third-party environmental certifications, such as:               <ul style="list-style-type: none"> <li>- Chinese Green Building Evaluation Standard: two-star or above; or</li> <li>- any other similar recognized standards</li> </ul> </li> </ul>	 

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

<p>Environmentally sustainable management of living natural resources and land use</p>	<ul style="list-style-type: none"> <li>▪ Investments and expenditures in greening of landscapes and preservation or restoration of natural landscapes, that enhance the ecological integrity, including but not limited to:               <ul style="list-style-type: none"> <li>- environmentally sustainable forestry, including afforestation or reforestation (certified in accordance with the Forestry Stewardship Council (FSC) or Programme for the Endorsement of Forest Certified (PEFC))</li> </ul> </li> </ul>	
<p>Sustainable water and wastewater management</p>	<ul style="list-style-type: none"> <li>▪ Financing of construction, development, installation, operation and maintenance of infrastructure or equipment for collection, treatment, recycling or reuse water, rainwater or wastewater</li> </ul>	
<p>Circular economy adapted products, production technologies and processes and/or certified eco-efficient products</p>	<ul style="list-style-type: none"> <li>▪ Development, sustainable production and use of materials and products that support the circular economy, such as:               <ul style="list-style-type: none"> <li>- Wood base board, COSB container base board, Resin adhesive for plywood;</li> <li>- Eco-friendly board;</li> </ul> </li> </ul>	

The Group considers the green bond issued under this Framework is aligned with the Green Bond Endorsed Projects Catalogue (2021 Edition) issued jointly by the People’s Bank of China (PBoC), the National Development and Reform Commission (NDRC) and the China Securities Regulatory Commission (CSRC) (the “China Green Bond Project Catalogue”).

## 2.2 Process for 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 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, Financing Management Department, and Planning and Finance 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. We will maintain a register to keep track the use of net proceeds of the GFTs through the internal information system on an annual basis;
- Replacing projects that no longer meet the Eligible Criteria or due to any divestments;
- 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.

We will maintain a register to keep track 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 is practicable. The balance of the tracked net proceeds will be on a best effort basis annually adjusted to match allocations to Eligible Projects made during the outstanding of the GFT(s).



**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 asset 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 proceed by Eligible Categories, with a brief description of green 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 Categories	Impact Indicators <sup>2</sup>
Green buildings	<ul style="list-style-type: none"> <li>▪ Level of certification by building</li> </ul>
Environmentally sustainable management of living natural resources and land use	<ul style="list-style-type: none"> <li>▪ Maintenance/safeguarding/increase of natural landscape area (including forest) in km<sup>2</sup> and in % for increase</li> </ul>
Sustainable water and wastewater management	<ul style="list-style-type: none"> <li>▪ Annual absolute (gross) amount of wastewater treated in tonnes p.a</li> <li>▪ Amount of rainwater collected and re-used (in m<sup>3</sup>)</li> </ul>
Circular economy adapted products, production technologies and processes and/or certified eco-efficient products	<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 as absolute amount in tonnes p.a.</li> <li>▪ The increase in number of products and/or the share of production awarded an internationally recognised eco-label, or energy, eco-efficiency or other relevant environmental certification</li> </ul>

**External Review:** the Group has engaged CECEP Environmental Consulting Group, an independent third party, to review and to issue an independent opinion (Second Party Opinion) on the Framework’s alignment with the relevant ICMA/LMA principles and guidelines.

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