

Green Framework Alignment Opinion

## Jiayuan International Group Ltd.'s Green Financing Framework

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### Green Financing Framework Overview

In our view, Jiayuan International Group Ltd.'s (Jiayuan) green financing framework, published in July 2021, is aligned with the four components of the Green Bond Principles 2021 (GBP) and Green Loan Principles 2021 (GLP). Jiayuan is a China-based developer with a focus on residential and commercial complexes. At the end of 2020, the group had 87 projects in China and one in Cambodia, with a total land bank of approximately 17.7 square meters. Jiayuan has developed a green financing framework to allow investors to contribute to the company's goal to construct and operate buildings whose environmental footprint is as contained as possible.

### Framework Alignment Overview



#### 1. Use of proceeds

Jiayuan's green financing framework is aligned with this component of the GBP and GLP because the company commits to utilize the net proceeds of the financing instruments issued under the framework exclusively to fund eligible green projects. Eligible categories cover: (i) green buildings; (ii) pollution prevention and control; (iii) sustainable water management; (iv) renewable energy; and (v) clean transportation.



#### 2. Process for project evaluation and selection

Jiayuan's green financing framework is aligned with this component of the GBP and GLP because the document outlines the process to select eligible projects. Jiayuan has established an ESG Working Group (ESGWG), which includes representatives from different business divisions, to review and select projects based on their eligibility and their perceived environmental and social risks.



#### 3. Management of proceeds

Jiayuan's green financing framework is aligned with this component of the GBP and GLP. The company will deposit the net proceeds from the financing instruments in its general funding account and maintain a register to monitor their allocation. Jiayuan will manage proceeds pending (re)allocation as per its liquidity guidelines.



#### 4. Reporting

Jiayuan's green financing framework is aligned with this component of the GBP and GLP because the company will disclose annually the allocation of proceeds to eligible projects until full allocation. It will also disclose the projects' actual environmental impact, where possible. Jiayuan will report relevant information in its sustainability/ESG reports and/or on its website.

## Issuer Sustainability Objectives

Jiayuan acknowledges the importance of environmental sustainability in its fulfilment of social responsibility. Beyond compliance with relevant environmental standards, laws, and regulations, the company aims to minimize the environmental impact associated with the construction and operation of its buildings. This is by lowering greenhouse and exhaust gas emissions, managing waste discharges, and reducing the consumption of natural resources.

For instance, Jiayuan has taken steps to optimize lighting and air-conditioning systems, and regularly inspecting piping systems to minimize the likelihood of water leakages.

Jiayuan is also committed to actively manage environmental and social risks in its supply chain. It has included clear environmental and social criteria in its tendering processes and supplier assessment, including clear safety guidelines during construction.

## Framework Description

### 1. Use of proceeds

The GBP and GLP stipulate that a seeker of finance should commit the net proceeds of an issuance exclusively to eligible green projects. According to the GBP and GLP, eligible projects will seek to achieve at least one of five environmental objectives, including: (1) climate change mitigation; (2) climate change adaptation; (3) natural resource conservation; (4) biodiversity conservation; and (5) pollution prevention and control.



Jiayuan commits to allocate all net proceeds raised under the framework exclusively to green projects that meet eligibility criteria. Each of the five eligible categories that the company's green finance framework references – (i) green buildings; (ii) pollution prevention and control; (iii) sustainable water management; (iv) renewable energy; and (v) clean transportation – meets at least one of the GBP and GLP's environmental objectives.

Green buildings, which contribute to resource preservation, include the construction of new buildings and renovation of existing buildings that have or will receive certifications such as GBL (China's Green Building Evaluation Label), BEAM (Hong Kong's Building Environmental Assessment Method), LEED (Leadership in Energy and Environmental Design), and BREEAM (Building Research Establishment Environmental Assessment Method). Likewise, water saving projects and equipment such as rainwater harvester, cooling water recycler, and irrigation systems with water-saving features contribute to conservation of natural resources. In addition, the installation of equipment to minimize air, noise, and water pollution during construction and operation of buildings contributes to the objective of pollution prevention and control.

The framework excludes the following industries from consideration for eligibility: precious metals and minerals, artworks and antiques, weapons, alcohol, tobacco, fossil fuels, and nuclear.

Therefore, we regard the framework as aligned with the use of proceeds component of the GBP and GLP.

### 2. Process for project evaluation and selection

To align with the second component of the GBP and GLP, a seeker of finance must explain the process by which eligible projects are selected, the related eligibility criteria applied to select those projects, including exclusionary criteria, if applicable, and the overall sustainability objectives that underpin the selection process.



Jiayuan's green financing framework includes a description of the processes to evaluate and select eligible projects. Participants from different functional areas, including the project teams, will identify projects that are likely to be eligible. The ESGWG, which includes senior representatives from the Internal Control, Investment and Development, Administrative and Human Resources, Sales and Marketing, Engineering and Cost Control, Accounting and Finance departments, will meet at

least once in every 12 months to review and select eligible projects, and then submit the project(s) to the board of directors for approval.

The ESGWG will ensure the selected eligible projects comply with the green financing framework, as well as with the Jiayuan's ESG policy, which includes risk management tools to identify and mitigate project-related ESG risks. The ESGWG is also responsible for managing updates to Jiayuan's green financing framework. Eligible projects may include new projects, projects under construction, or the group's existing portfolio, with a disbursement date no older than three years.

We regard the framework as aligned with the project evaluation and selection component of the GBP and GLP.

### 3. Management of proceeds

The GBP and GLP require a seeker of finance to monitor the net proceeds of all outstanding green financing transactions, which includes appropriately tracking the proceeds and adjusting the balance of net proceeds to match allocations to eligible green projects. The GBP and GLP also require a seeker of finance to disclose to investors the intended types of temporary placement they intend to use for unallocated proceeds.



Jiayuan's framework describes the procedures to allocate all green proceeds to eligible projects. Jiayuan's finance team will deposit the proceeds in the company's general account. It will maintain a register to track the allocation of proceeds to each green instrument through its internal accounting system, and the unallocated proceeds. Jiayuan will manage the proceeds pending (re)allocation as per its liquidity guidelines, i.e. in cash or cash equivalents, or to repay existing borrowings.

If a designated project ceases to be eligible under the framework, Jiayuan commits to re-allocate the net proceeds to an alternative eligible project as soon as practicable.

We view the framework as aligned with the management of proceeds component of the GBP and GLP.

### 4. Reporting

The GBP and GLP stipulate that a seeker of finance should report on the use of proceeds annually until full allocation. Information presented in the annual report must include a list of the projects that receive financing, a description of each project, including the amount allocated to each project, and their expected environmental impact.



Jiayuan will report annually in its sustainability/ESG reports, and/or corporate website the aggregate amount allocated to eligible green projects, the balance of funds not allocated, the type of temporary investment for unallocated proceeds, the share of financing versus refinancing, and examples of eligible projects (subject to confidentiality disclosures).

The company also commits to report, where possible, the environmental impact of eligible green projects through a set of environmental indicators aggregated at the category level. These indicators include energy efficiency gains, greenhouse gas emissions reduced/avoided, annual energy savings, waste prevented/minimized/reused/recycled, renewable energy produced/capacity installed, and water recycled/reused, among others.

To that extent, we view the framework as aligned with the reporting component of the GBP and GLP.

## Additional Features Of The Framework

This section of the report provides additional information on whether the framework incorporates recommended aspects of the GBP and GLP and goes beyond minimum requirements. This section does not impact on our alignment opinion with the stated principles.

Jiayuan's green financing framework follows the voluntary guidelines provided by the GBP and GLP. In some cases, the framework goes beyond the requirements of the principles. The key strengths of the framework are:

- It sets a high minimum level of certification for green building projects to be eligible. The company requires green buildings to be certified with either (1) GBL – minimum certification of two stars; (2) LEED – minimum certification of Gold; (3) BREEAM – minimum certification of Excellent; (4) BEAM Plus – minimum certification of Gold; or (5) any other green building label that is an equivalent standard.
- As per the GBP and GLP recommendation, Jiayuan will hire an independent third party to review and verify the internal tracking method and the allocation of the proceeds to eligible projects. The third party will also review the estimated and actual impact of the eligible projects.
- Jiayuan will provide an estimate of the share of financing versus refinancing, and clarification on the projects that will receive refinancing.
- Jiayuan intends to align its impact reporting with guidelines outlined in the International Capital Market Association (ICMA)'s June 2021 handbook on Harmonized Framework for Impact Reporting.

Offsetting the above strengths are the following:

- The company does not plan to disclose the underlying methodology and assumptions used to derive the quantitative impact indicators for impact reporting.

## Conclusion

Based on our assessment of the contents of Jiayuan's green financing framework, we regard this framework as being aligned with the four components of the GLP and GBP. This is given that the seeker of finance has committed to:

- Allocate the full amount of the net proceeds of financing to eligible green projects, as defined by the seeker of finance;
- Use clear "green" criteria (as defined by the seeker of finance) to select projects for funding;
- Manage and track proceeds; and
- Commit to regular reporting of the environmental impact and use of proceeds.

## Mapping To The UN Sustainable Development Goals

The Sustainable Development Goals (SDGs) were set up by the United Nations in 2015 and form an agenda for achieving sustainable development by the year 2030. We use the International Capital Market Association (ICMA) SDG mapping for this part of the report. We acknowledge that the ICMA mapping does not provide an exhaustive list of SDGs and that ICMA recommends each project category be reviewed individually to map it to the relevant SDGs.

The Jiayuan's Green Financing Framework intends to contribute to the following SDGs:

### Use of proceeds

### SDGs

*Green buildings*



**9. Industry,  
innovation and  
infrastructure**



**11. Sustainable  
cities and  
communities\***

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*Pollution Prevention and  
Control*



**12. Responsible  
consumption and  
production\***

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*Sustainable Water  
Management*



**6. Clean water and  
sanitation**

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*Renewable Energy*



**7. Affordable and  
clean energy\***

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*Clean Transportation*



**11. Sustainable  
cities and  
communities\***

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\*The eligible project categories link to these SDGs in the ICMA mapping.

## Green Framework Alignment Opinion

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