



## **Sustainable Finance Framework of China Overseas Land & Investment Ltd.**

### **Introduction**

China Overseas Land & Investment Ltd. (“COLI” or “the Company”) is the flagship real estate platform of China State Construction Engineering Corporation. It was founded in Hong Kong in 1979 and listed on The Stock Exchange of Hong Kong Limited in 1992 (00688.HK). COLI has been a constituent stock of Hong Kong Hang Seng Index since 2007, being a forerunner in the mainland China real estate industry.

Having gone through multiple rounds of economic cycles over 43 years, COLI remains committed to the vision of “becoming an exceptional global property development corporation”, continuing to position its development in “major cities, mainstream areas and mainstream products. It expands its business around three major services: “Residential Development”, “Urban Services” as well as “Design Services”. It focuses on the challenges and opportunities arising from sustainable development. In addition to deeply cultivating the principal business of residential development, it also commits resources to commercial projects, and look into the education, senior care, logistics and public utilities, to strategically grow new profit engines.

### **COLI’s Sustainable and Green Development Strategy**

Echoing the United Nations’ goal of “Developing Sustainable Cities and Towns” and responding to China’s 14th Five-year Plan and vision for 2035, COLI continued to pursue sustainable and harmonious development among the economy, the environment and society in 2021 on the basis of sound operation. China has announced its goal to achieve carbon peak by 2030 and carbon neutrality by 2060. As part of the efforts in contributing to better cities and the future towards the 2060 carbon neutrality goal of China, COLI has started relevant strategic planning to fully integrate the green and low-carbon concept into its overall development strategy.



Corporate  
Vision

**To be an Exceptional Global Property Development Corporation**

- Provide customers with comprehensive solutions that meet their residential and business needs in the fields of real estate development, investment and operations, and further embark on the journey of global expansion

Corporate  
Mission

**We manage happiness**

- Satisfying customers – focus on customers' short- and long-term interests to create more valuable space with dedication and creativity
- Empowering employees – unite and empower employees, build and share the future
- Rewarding shareholders – continuously strive to stay as an attractive investment target and create value for investors to gather their strength
- Giving back to society – promote and implement energy conservation and environmental protection, enthusiastic in charity causes, satisfy the needs of a progressing civil society

Corporate  
Values

**Customer-oriented, Quality Assurance, Create Value**

- Adhere to the principles of behaving properly, strictly complying with rules, seeking truth and being honest and pragmatic, and achieve personal value and COLI's ambitious objective of building a century-old company through continuous innovation

COLI regards sustainable development as an essential pathway to realize the company's vision and mission, and hence proactively integrates environmental, social and governance and other sustainable development focus into its operating model. By way of developing green, health conscious and sustainable buildings and technologies, and integrating environmental and social considerations into its business operation decisions, the Company is committed to helping the new generation cope with the challenges posed by climate change and urban development.

The Company is committed to promote sustainable development and moving towards the strategic goal of "Becoming an exceptional global property development corporation" by following "a Company of Four Excellences" (Good Products, Good Services, Good Effectiveness, Good Citizen). COLI insists to continuously report on the progress of sustainability targets and strives to ensure the achievement and attainment of sustainability targets, as well as work with partners to uphold its core values and strictly comply with the principles of ethical, social and environmental responsibility in its business activities.

Sustainable development refers to while providing "Good Products" and "Good Services" to customers and creating "Good Effectiveness" for shareholders, COLI continues developing business with operation philosophy of "Good Citizen" that will not be at the expense of the needs of future generations. COLI is committed to create long-term value for shareholders and believes that this pursuance depends on the business and operations of the communities possessing sustainable development.

Given its strong performance in ESG rating, COLI continued to be included as a constituent of a list of major sustainability indices and received various ratings and awards from world-renowned



ESG agencies, the details of which can be found on COLI's website (<http://www.coli.com.hk/esg/awards/>).

COLI is dedicated to reducing carbon emissions and quantifying relevant targets on an ongoing basis. A series of carbon reduction technologies and initiatives will be adopted to effectively reduce its operating carbon emissions from 2021 to 2060, thus meeting China's requirements on "early peaking, low peak value, less back-loaded emissions, short plateau period and deep carbon neutrality". The Company has been committed to continuously construct green buildings and take air quality inspection coverage and occupancy qualification rate as priorities. The Company discloses quantifiable details and achievements of its projects in COLI's ESG report on an annual basis.

COLI will adhere to its brand philosophy of "building happiness and leading the trend", core value of "Four Excellences" and the responsibility concept of "Each and Every Detail of Each and Every Project", earnestly respond to the low-carbon green development goal and undertake its commitment to building a healthy and sustainable community for the new era.

### **COLI's Sustainable Finance Framework**

According to the above green and sustainable development strategies, COLI insists on sustainability practices and establishing the Sustainable Finance Framework ("the Framework") in order to explore green and social financing opportunities for Eligible Assets. "Eligible Assets" refers to projects/assets that meet the eligibility criteria defined in any of the categories in Table 1 and Table 2.

The Framework sets out how COLI intends to enter into green and social financing transactions ("Sustainable Financing Transactions", or SFTs) to fund new and existing projects/assets with environmental and/or social benefits. The Framework shall apply to the activities under COLI and any of its subsidiaries, associates and joint ventures. The Framework is aligned with the well accepted market standards and voluntary guidelines ("the Principles") or as they may be subsequently amended:

- [Green Bond Principles \("GBP"\) 2021 \(with June 2022 Appendix 1\) by International Capital Markets Association \(ICMA\)](#)
- [Social Bond Principles \("SBP"\) 2021 \(with June 2022 Appendix 1\) by ICMA](#)
- [Sustainability Bond Guidelines \("SBG"\) 2021 by ICMA](#)
- [Green Loan Principles 2021 by Loan Market Association \(LMA\), Loan Syndications & Trading Association \(LSTA\) and Asia Pacific Loan Market Association \(APLMA\)](#)
- [Social Loan Principles 2021 by LMA, LSTA and APLMA](#)

Fundraising from SFTs will include green/social/sustainability bonds, green/social loans and other forms of debt-equivalent financing with structures tailored to contribute to sustainable development by application of the proceeds to Eligible Assets as defined in this Framework. The Framework will be updated as market practices evolve.

The Framework has four core components:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds, and
4. Reporting

### 1. Use of Proceeds

The net proceeds of each SFT will be used exclusively for the financing and/or the refinancing of Eligible Assets belonging to the Company or its subsidiaries, associates and joint ventures. Eligible Assets must bring obvious environmental or social sustainability benefits and support the sustainable development of society.

COLI will endeavor to disclose to the market the expected split between new financing vs. refinancing at the time of SFTs in the relevant communications made to market (i.e., any investor presentation, net roadshows, global investor calls, etc.)

In case of refinancing of Eligible Assets, COLI will commit to a look-back period of no longer than 36 months from the time of relevant debt issuance and will on best efforts select Eligible Assets from the previous 24 months prior to the time of the relevant SFT. The average look-back timeframe will be disclosed in the annual reporting.

COLI will allocate the proceeds of each SFT to Eligible Assets as soon as possible [within 24 months] after the issuance and disclose the allocation status in the annual reporting.

**Table 1: Eligible Green Categories**

Eligible Categories	Eligibility Criteria	Environmental Benefits	United Nations SDG <sup>1</sup>
<b>(i) Green Building</b>	1. New construction or renovation of existing residential and commercial projects, which are certified or expected	<ul style="list-style-type: none"> <li>• Optimize efficient use of energy,</li> </ul>	

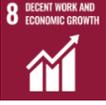
<sup>1</sup> [Referencing ICMA's "Green, Social and Sustainability Bonds: A High-Level Mapping to the Sustainable Development Goals"](#)



	<p>to be certified in accordance with one or more of the following third-party green building certification systems (“Eligible GB Standards”):</p> <ul style="list-style-type: none"> <li>• Chinese Green Building Evaluation Label: <ul style="list-style-type: none"> <li>- 2019 standard (GB/T50378–2019): Pre-evaluation/ Final Evaluation level reaching 2 stars or above</li> <li>- 2014 standard (GB/T50378 – 2014): Design or Operation level reaching 2 stars or above</li> </ul> </li> <li>• BREEAM (Building Research Establishment Environmental Assessment Method): Excellent or above</li> <li>• LEED (Leadership in Energy and Environmental Design): Gold or above</li> <li>• Any other green building label that is an equivalent standard of the above.</li> </ul> <p>2. Research and development of third party recognized green building related technologies which are aligned with the above Eligible GB Standards, such as the development of green building material technologies and green shading.</p>	<p>water, and other resources</p> <ul style="list-style-type: none"> <li>• Recover more materials for recycling and reduce waste to prevent pollution</li> <li>• Improve indoor air quality through better ventilation</li> </ul>	
<p><b>(ii) Energy Efficiency Enhancement /Renewable Energy</b></p>	<p>Projects related to the renovation/maintenance of existing buildings, or buildings under/pending construction, which meet the following criteria:</p> <ul style="list-style-type: none"> <li>• Energy-saving or renewable energy-related projects, such as HVAC facility renovation, installation of solar power plants; and</li> <li>• An independent third party verifies that the project will improve energy</li> </ul>	<ul style="list-style-type: none"> <li>• Improve energy efficiency and reduce energy consumption</li> <li>• Reduce GHG emissions by generating renewable energy</li> </ul>	  

	performance of the renovated part for at least 10%.		
<b>(iii) Adapting Climate Change</b>	Projects aimed at enhancing the resilience of buildings and building sites to climate change (such as responding to extreme weather events including typhoons and floods), for example rainwater storage systems; design & installation and upgrade of flood control systems.	Mitigate climate-related risks and enhance resilience	 
<b>(iv) Sustainable Water Resources Management</b>	Water resources management systems to improve water use efficiency and/or reuse water, such as rainwater collection and reuse systems.	Preserve water resource and increase water-use efficiency	

**Table 2: Eligible Social Categories**

Eligible Categories	Eligibility Criteria	Social Benefits	United Nations SDG <sup>3</sup>
<b>(i) Equitable Access to Basic Infrastructure and Essential Services</b>	<ul style="list-style-type: none"> <li>Projects that develop, expand or modernize basic infrastructure (such as drinking water infrastructure, sanitation services etc.).</li> <li>Projects that construct, upgrade or maintain essential facilities for the less-privileged group in society (such as building schools in less-privileged areas).</li> </ul>	Improve accessibility and mobility for target populations within properties	 
<b>(ii) Affordable Housing</b>	Projects that provide affordable housing for general public and vulnerable group in accordance with local government definitions.	Increase affordable housing units to enhance the quality of life of vulnerable groups	 
<b>(iii) Socio-economic Advancement and Employment</b>	Investments in enterprises or projects to support socio-economic advancement, such as: <ul style="list-style-type: none"> <li>start-up supporting programmes to encourage entrepreneurship;</li> </ul>	Provide upskilling and trainings, promote job	



<b>Generation</b>	<ul style="list-style-type: none"><li>• social mobility programmes (raising income of local farmers through industry, consumption and education support and aid); and</li><li>• training and mentorship programmes.</li></ul>	creation and entrepreneurship	
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COLI commits that proceeds raised from SFTs will not go towards financing or refinancing activities relating to below:

- Fossil fuel and clean coal
- Nuclear related projects
- Armament
- Other activities listed in the latest International Finance Corporation exclusion List(2007)<sup>2</sup>

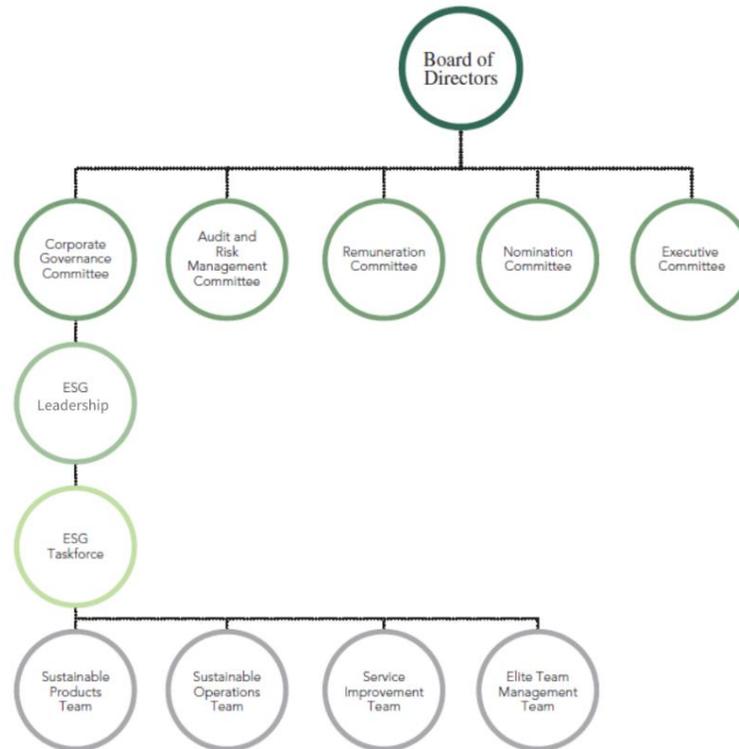
## 2. Process for Project Evaluation and Selection

### Governance Structure

In order to systematically implement sustainability management, COLI has formulated the Management Measures for Environmental, Social and Governance Management to specify the responsibilities for overall planning and implementation of sustainability affairs and corresponding work reporting mechanisms.

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<sup>2</sup> [Referencing International Finance Corporation exclusion List \(2007\)](#)



Under the working group comprised of ESG specialists are four taskforces (Sustainable Products, Sustainable Operation, Better Services and Elite Team Management) which are cross-departmental bodies responsible for the issues managed by their members' respective departments to ensure that relevant policies and measures are well implemented.

Before issuing sustainable bonds or launching sustainable loans, the ESG Taskforce will consider all proposed projects holistically and identify environmental and social risks to ensure Eligible Assets have net-positive environmental and social impacts for stakeholders and wider society, and approve the preliminary list of Eligible Assets. The ESG Working Group leader will make a final approval of the list of Eligible Assets.

If an Eligible Asset is reviewed to be no longer eligible or is subject to postponement, cancelation or divestment, COLI is committed to reallocate the proceeds as soon as possible within 24 months of notification. Such monitoring will be undertaken throughout the life of the SFTs.

### 3. Management of Proceeds

The Company's Finance Department will manage and track the use of proceeds. The net proceeds allocated to Eligible Assets will be recorded via an internal eligible assets register



(“Sustainable Register”). For each SFT, the Sustainable Register will contain information including the date of issuance, principal amount of proceeds, the International Securities Identification Number (where applicable) and date of maturity.

Any proceeds that have not yet been allocated to Eligible Assets will be managed and utilized by the Finance Department in accordance with the Company’s liquidity management policy. COLI will disclose to investors the types of temporary placement they use for unallocated proceeds and commits to not invest unallocated proceeds to any high pollution activities or any projects that are in conflict with the eligibility criteria under the Framework.

After the full allocation of proceeds is completed, the Company's Finance Department will inspect the Eligible Assets allocated on a per annum basis during the life of the SFTs, and will make necessary supplements or replacements in a timely manner to ensure that the proceeds are properly allocated in Eligible Assets.

#### 4. Reporting

For SFTs issued under the Framework, COLI will make and keep readily available reports on the allocation of the net proceeds or an amount equivalent on an annual basis starting one year from the first SFT on its website (<http://www.coli.com.hk/>) until the proceeds are fully allocated, and thereafter in the event of any material changes. Such information will be provided until all the net proceeds have been allocated.

In case of sustainable loan, the Company will provide a report or disclosure subject to lenders’ consent on the use of proceeds and provide information on the environmental and/or social benefits expected from Eligible Asset(s) financed on a best-effort basis. The Company may adjust disclosure of relevant information subject to lenders’ consent.

##### (1) Allocation Reporting

- Amount of allocated proceeds by eligible assets in first column of Table 1 and Table 2
- Amount of allocated proceeds for financing and refinancing
- Remaining balance of unallocated proceeds at the end of reporting period (if any)
- Lookback period of refinanced projects
- Description of green and/or social projects

##### (2) Impact Reporting

COLI will, subject to the availability of information, report on both expected and achieved environmental and/or social impact of allocated Eligible Assets.



In case of co-financing, COLI will report on the pro rata share of the impact or provide the share of financing from the SFT proceeds as a percentage of total project financing if total project impact is being reported.

COLI intends to align the reporting with the portfolio approach described in ICMA’s [“Handbook – Harmonized Framework for Impact Reporting”](#) subject to the availability of the information. COLI will provide the methodology and assumptions used for calculation of the impact indicators. Example of impact indicators are outlined in the table below:

**Table 3: List of indicative impact indicators that may be included in impact reporting**

<b>Eligible Category</b>	<b>Indicative Impact Indicators</b>
<b>Green Buildings</b>	<ul style="list-style-type: none"> <li>• Green building certification obtained</li> <li>• Total floor area of certified green buildings (m<sup>2</sup>)</li> <li>• Annual GHG emissions reduced/avoided (tCO<sub>2</sub>)</li> </ul>
<b>Energy Efficiency Enhancement /Renewable Energy</b>	<ul style="list-style-type: none"> <li>• Amount of power generated from renewable energy (kWh)</li> <li>• Amount of Greenhouse Gases avoided (tonnes)</li> <li>• Energy saved (MWh)</li> <li>• CO<sub>2</sub> and other GHG avoided (tonnes)</li> <li>• Reduction in energy usage intensity for existing buildings compared to its baseline (%)</li> </ul>
<b>Adapting Climate Change</b>	<ul style="list-style-type: none"> <li>• Area covered by sponge city-related projects in (km<sup>2</sup>)</li> <li>• Number of people benefitted from reduced flood risk and associated benefits of sponge city-related projects</li> </ul>
<b>Sustainable Water Resources Management</b>	<ul style="list-style-type: none"> <li>• Amount of water saved (m<sup>3</sup>)</li> <li>• Efforts in providing facility for rainwater harvesting</li> <li>• Reduction in water usage intensity for existing buildings compared to its baseline (%)</li> </ul>
<b>Equitable Access to Basic Infrastructure and Essential Services</b>	<ul style="list-style-type: none"> <li>• Number of facilities built and the corresponding less-privileged community served</li> <li>• Number of healthcare devices/facilities deployed</li> <li>• Number of education and training devices/facilities deployed</li> </ul>
<b>Affordable Housing</b>	<ul style="list-style-type: none"> <li>• Number of barrier-free facilities</li> <li>• Type/Number of target population benefitted</li> </ul>
<b>Socio-economic Advancement and Employment Generation</b>	<ul style="list-style-type: none"> <li>• Number of SMEs benefitted</li> <li>• Estimated jobs created and/or retained through business relief initiative</li> <li>• Rate of local employment (%)</li> </ul>

**External Review**



Pre-Issuance Review

COLI will engage an independent assurance provider to provide a Second Party Opinion to review and confirm that the framework is in line with the Principles.

Post-Issuance Review

COLI will engage an independent third party to conduct post issuance assurance on the allocation of proceeds and impact reporting until the full allocation of the SFT proceeds, and thereafter in case of material changes.

The Framework, pre-issuance review and post-issuance review will be made available on the website of COLI (<http://www.coli.com.hk/>).

This policy is updated every three years. It can be reviewed and updated as appropriate when necessary.

Updated in March 2023