

## KAISA GROUP HOLDINGS LIMITED SUSTAINABLE FINANCE FRAMEWORK

### Introduction

Established in 1999, Kaisa Group Holdings Limited (“**Kaisa**”, and together with its subsidiaries, the “**Group**”), is an integrated property developer which has been listed on the Hong Kong Stock Exchange since 2009. As a pioneer in the property market of the Guangdong-Hong Kong-Macao Greater Bay Area, Kaisa has supported China’s national development strategy by undertaking comprehensive property development, urban redevelopment, commercial property operation, hotel management and property management activities. Its products comprise of residential properties, villas, offices, serviced apartments, integrated commercial buildings and mega urban complexes.

Over the years, Kaisa has diversified its business operations and now covers more than 20 industries and sub-sectors, including comprehensive property development, urban renewal, property management, hotel operations, rental apartment & co-working space, health & medical, tourism, culture & sports, football club, maritime transport, supply chain management, commercial operations, high-end catering, tea business, wealth management, technology innovation and international education. Kaisa is committed to the core values of “professionalism, innovation, value creation and responsibility”, and with a global vision and persistent spirit of innovation, the Group continues to make positive contributions to sustainable urban development in China.

### Kaisa’s Green & Sustainability Strategy

Kaisa is committed to high ESG standards and regards sustainable development as an integral part of its strategy. It works proactively to control and mitigate its impact on the environment and the communities in which it operates, in order to deliver long-term sustainable value for all stakeholders. The Group Board is responsible for leading and guiding the Group’s ESG policies and works together with management to identify, evaluate and address ESG issues on an ongoing basis.

Kaisa has integrated sustainable building designs and environmental-friendly materials and processes into project development and implemented energy and water-saving measures to reduce direct and indirect impacts on the environment. In addition, the Group aims to facilitate local community development through urban renewal projects across the country. As part of its broader ESG strategy, the Group has identified the following key issues and developed plans to address them.

ESG Category	Emissions	Resource Use
<b>Identified Issues</b>	<ul style="list-style-type: none"> <li>• Air pollutants</li> <li>• Greenhouse gases</li> <li>• Waste management</li> </ul>	<ul style="list-style-type: none"> <li>• Energy consumption</li> <li>• Water consumption</li> <li>• Use of construction materials</li> </ul>
<b>Examples Of Kaisa’s Response</b>	<ul style="list-style-type: none"> <li>• Developing projects that obtain environmental certifications from LEED, Chinese Green Building Evaluation Label, etc.</li> <li>• Promoting the use of fit-out construction to reduce pollution caused by secondary decoration</li> </ul>	<ul style="list-style-type: none"> <li>• Installing smart meters at construction sites and office buildings</li> <li>• Incorporating natural ventilation, natural light and LED motion-activated lights in project design where possible</li> <li>• Implementing rainwater collection systems at construction sites</li> </ul>

- Classifying and recycling paper, rebar, glass and other recyclable wastes produced during construction
- Standardising temporary construction facilities and processed materials to increase reuse

## Kaisa's Urban Renewal Business

Urban renewal is a program of land redevelopment that has been used to address urban decay in Chinese cities by improving living conditions, developing quality basic infrastructure & essential services and restoring economic viability. Kaisa believes that urban renewal is an important tool for social reform and poverty alleviation as it seeks to improve the living conditions of individuals and families that have been left behind in the urbanisation and economic development of city centres.

The Group focuses its urban renewal business on existing old residential, commercial, industrial or other dilapidated areas ("**Urban Renewal Target Areas**") that have been identified by the relevant government authority as being in need of redevelopment and renewal due to (i) lack of quality basic infrastructure, (ii) poor environmental circumstances or presence of major safety hazards, (iii) ineffective land, resource or energy use that do not meet the minimum requirements for socio-economic development and hamper the implementation of city planning, or (iv) requirements of the law.

An urban renewal project is a property development project with positive contributions to the public and includes, but is not limited to, construction of municipal roads, public schools, hospitals (including community health service centres), public cultural and sports facilities, public parks (including green spaces and public squares), public transportation (including infrastructure that provides links to public transportation, such as pedestrian bridges, underground passages, public transportation terminals), etc. All these facilities are handed over to the government and the resources are open to the residents of the Urban Renewal Target Area, who would otherwise not have access to quality basic infrastructure and essential services.

In addition, approximately 8-12% of the residential developments within an urban renewal project typically consist of affordable public housing ("**Low Cost Housing**"), defined as public housing with a threshold for price or rent as regulated by the relevant government authorities. Low Cost Housing is then provided by the government to individuals or families that meet local government criteria for the rental or purchase of Low Cost Housing, which typically includes an assessment of income levels and difficulties in obtaining housing.

## Sustainable Finance Framework and Alignment with ICMA / LMA Principles

This Sustainable Finance Framework (the "**Framework**") sets out how Kaisa intends to enter into Sustainable Financing Transactions ("**SFT**") to finance projects that have a positive environmental and/or social impact while supporting its business strategy. SFTs may include bonds, loans and other financing products where proceeds are applied to eligible green and/or social projects ("**Eligible Projects**") as defined in this Framework.







Bonds issued under the Framework will be aligned to the ICMA Green Bond Principles 2018 ("**GBP**") / ICMA Social Bond Principles 2020 ("**SBP**") / ICMA Sustainability Bond Guidelines 2018 ("**SBG**") or as they may be subsequently amended. Loans issued under the Framework will be aligned to the LMA Green Loan Principles 2020 ("**GLP**") or as they may be subsequently amended. Other forms of financing may conform to other well-established green or sustainable finance principles as may have been established at the time.








Each SFT will adopt procedures for managing (1) Use of Proceeds (2) Project Evaluation and Selection (3) Management of Proceeds and (4) Reporting, as set out in the Framework. This Framework may be updated from to ensure continual alignment with market practices, emerging standards and classification systems.

## (1) Use of Proceeds

The net proceeds from any SFT will be used to finance or refinance, in whole or in part, new or existing Eligible Projects that meet one or more of the following categories of eligibility as recognised in the GBP/SBP/SBG/GLP. Refinancing of Eligible Projects will have a look-back period of no longer than 36 months from the time of issuance. Kaisa will strive to fully allocate the net proceeds of each SFT within 24 months of issuance.

The Eligible Project categories that may be utilised under the Framework, together with associated selection criteria (“**Eligibility Criteria**”) are set out below.

Eligible Project Categories	Eligibility Criteria & Examples	UN SDG Mapping
<b>Green Project Categories</b>		
<b>Green Buildings</b>	<ul style="list-style-type: none"> <li>Acquisition, construction or refurbishment of buildings which (i) meet one or more recognised standards, such as:               <ul style="list-style-type: none"> <li>U.S. Leadership in Energy and Environmental Design (LEED): minimum ‘Gold’; or</li> <li>Chinese Green Building Evaluation Label: minimum ‘2-Star’; or</li> <li>Building Research Establishment Environmental Assessment Method (BREEAM): minimum ‘Excellent’; or</li> <li>Building Environmental Assessment Method (BEAM Plus): minimum ‘Gold’; or</li> <li>Any other appropriate green building label, that is an equivalent standard as the above;</li> </ul> </li> <li>Or (ii) are in the top 15% of buildings within the region based on absolute emissions performance or primary energy demand</li> </ul>	 
<b>Energy Efficiency</b>	<ul style="list-style-type: none"> <li>Refurbishment of buildings that delivers a minimum 30% increase in energy efficiency or grade improvement(s) according to local certifications</li> <li>R&amp;D expenditure (limited to 20% of issuance) for energy efficiency design and technologies for buildings and construction</li> </ul>	
<b>Pollution Prevention and Control</b>	<ul style="list-style-type: none"> <li>Installation of recycling facilities in buildings</li> <li>Installation of equipment to reduce environmental pollution (e.g. air, water) during construction and/or building operation</li> </ul>	  

<b>Sustainable Water and Wastewater Management</b>	<ul style="list-style-type: none"> <li>Installation of rainwater collection systems, water conservation systems, water recycling and treatment systems</li> </ul>	
<b>Climate Change Adaptation</b>	<ul style="list-style-type: none"> <li>Investments to develop “sponge cities” that aim to reduce flood risk and replenish groundwater</li> </ul>	 
<b>Renewable Energy</b>	<ul style="list-style-type: none"> <li>Installation of renewable energy systems and associated infrastructure</li> </ul>	
<b>Clean Transportation</b>	<ul style="list-style-type: none"> <li>Installation of electric vehicle charging stations and construction of dedicated parking spaces for electric vehicles</li> </ul>	
<b>Social Project Categories</b>		
<b>Affordable Housing</b>	<ul style="list-style-type: none"> <li>Financing construction and refurbishment/maintenance of Low Cost Housing</li> <li>Target population for this category includes individuals or families that meet local government criteria for the rental or purchase of Low Cost Housing, which typically includes an assessment of income levels and difficulties in obtaining housing</li> </ul>	
<b>Affordable Basic Infrastructure and Essential Services</b>	<ul style="list-style-type: none"> <li>Financing construction and refurbishment/maintenance of basic and essential infrastructure in Urban Renewal Target Areas, such as public schools, public hospitals, public transportation (including provision of connectivity to public transportation), public sports facilities, public parks / green spaces</li> <li>Target population for this category includes individuals and families that live in Urban Renewal Target Areas and do not have access to quality basic infrastructure and essential services</li> </ul>	

Proceeds from the SFTs will not be allocated to finance expenditures related to fossil fuels, gambling, alcohol, tobacco and weapons.

## (2) Project Evaluation and Selection

Representatives from Kaisa’s Property Management, Sustainability, Treasury, Investor Relations and Legal Departments will form a **Sustainable Finance Working Group**. Potential projects will be shortlisted by

the Property Management Department and presented to the Sustainable Finance Working Group to review and approve according to the criteria defined in this Framework. The list of Eligible Projects will be reviewed annually and projects will be removed (and replaced as soon as practicable) if they no longer meet the criteria.

**(3) Management of Proceeds**

The net proceeds from each SFT will be deposited in Kaisa’s [General Funding Account], pending allocation to Eligible Projects. Kaisa will maintain a register to keep track of the use of proceeds for each SFT, which will contain the descriptive information on each Eligible Project including alignment with the Eligibility Criteria, amount of SFT proceeds allocated to each Eligible Project, balance of unallocated proceeds and other relevant information. Pending such allocation, the net proceeds from each SFT will be held in accordance with the Group’s liquidity guidelines for short term time deposits or investments.

**(4) Reporting**

Kaisa will provide information on the allocation of the net proceeds from each SFT in the Group’s Annual Report, ESG or Sustainability Report or website. Such information will be provided on an annual basis until substantially all the net proceeds have been allocated and in the event of any material changes until the relevant maturity date.

The allocation of the net proceeds will be reviewed by an independent third party verifier and the information disclosed will contain the following details:

*Allocation Reporting*

- Details of each SFT that is outstanding
- Aggregate amount of proceeds from each SFT that has been allocated to Eligible Projects
- Balance of unallocated proceeds from each SFT
- A list of Eligible Projects to which proceeds from each SFT have been allocated, summary information on such projects, including information necessary to determine alignment with the Eligibility Criteria such as building certifications and energy performance data

*Impact Reporting*

- Qualitative and, where practicable, quantitative performance indicators (“KPI”) of the Eligible Projects, which may include the following:

Eligible Project Categories	Potential KPI and Reporting Metrics
<b>Green Project Categories</b>	
<b>Green Buildings</b>	<ul style="list-style-type: none"> <li>• Level of certification</li> <li>• Annual GHG emissions reduced/avoided (t CO<sub>2</sub> eq p.a.)</li> <li>• Annual energy savings (MWh p.a.)</li> <li>• Annual reduction in water consumption (in m<sup>3</sup>)</li> </ul>
<b>Energy Efficiency</b>	<ul style="list-style-type: none"> <li>• Annual energy savings in MWh/GWh</li> <li>• Annual GHG emissions reduced/avoided in tonnes of CO<sub>2</sub> equivalent</li> </ul>

<b>Pollution Prevention and Control</b>	<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 in absolute amount in tonnes p.a.</li> <li>• Waste that is separated and/or collected, and treated (including composted) or disposed of in an environmentally sound manner before and after the project</li> </ul>
<b>Sustainable Water and Wastewater Management</b>	<ul style="list-style-type: none"> <li>• Annual absolute (gross) water use before and after the project in m<sup>3</sup> p.a., reduction in water use in %</li> <li>• Annual absolute (gross) amount of wastewater treated, reused or avoided before and after the project in m<sup>3</sup> p.a. and as %</li> </ul>
<b>Climate Change Adaptation</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>Renewable Energy</b>	<ul style="list-style-type: none"> <li>• Annual GHG emissions reduced/avoided in tonnes of CO<sub>2</sub> equivalent</li> <li>• Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy)</li> <li>• Capacity of renewable energy plant(s) constructed or rehabilitated in MW</li> </ul>
<b>Clean Transportation</b>	<ul style="list-style-type: none"> <li>• Number of electric vehicle charging stations installed</li> </ul>
<b>Social Project Categories</b>	
<b>Affordable Housing</b>	<ul style="list-style-type: none"> <li>• Number of Low Cost Housing units constructed</li> <li>• Rental costs / purchase prices compared to private market</li> </ul>
<b>Affordable Basic Infrastructure and Essential Services</b>	<ul style="list-style-type: none"> <li>• Capacity of public schools and public hospitals constructed</li> <li>• Area of public sports facilities, public parks / green spaces constructed</li> <li>• Details of connectivity to public transportation</li> </ul>

### External Review

Kaisa has engaged Sustainalytics to provide an External Review in the form of a Second Party Opinion on the Framework and confirm alignment with the GBP/SBP/SBG/GLP. The External Review has been made public on Kaisa's website at <https://www.kaisagroup.com>

## Appendix – Building Certifications

### Leadership in Energy and Environmental Design (“LEED”)

Administered by the U.S. Green Building Council (USGBC), LEED is one of the most widely used green building rating systems in the world. Areas of assessment include energy and atmosphere, sustainable sites, location and transportation, materials and resources, water efficiency and indoor environmental quality. There are four levels of certification – Certified, Silver, Gold and Platinum. For more information, visit <https://new.usgbc.org/leed>

### Chinese Green Building Evaluation Label (“China Three Star”)

Administered by the Chinese Ministry of Housing and Urban-Rural Development (MOHURD), the Chinese Green Building Evaluation Label is a voluntary national green building rating system. Areas of assessment include land savings and outdoor environment, energy savings and utilisation, water savings and utilisation, material savings and utilisation, indoor environment and operations and management. There are three levels of certification – One, Two and Three Star. For more information, visit <http://www.cngb.org.cn/>

### Building Research Establishment Environmental Assessment Method (BREEAM)

Administered by BRE Global, BREEAM is an international scheme that provides independent third party certification of the assessment of the sustainability performance of individual buildings, communities and infrastructure projects. There are five levels of certification – Pass, Good, Very Good, Excellent, Outstanding. For more information, visit <https://www.breeam.com/>

### Building Environmental Assessment Method (BEAM Plus)

Administered by BEAM Society Limited (BSL), BEAM Plus is a widely used voluntary green building labelling schemes in Hong Kong and other parts of Greater China. There are four levels of certification – Bronze, Silver, Gold and Platinum. For more information, visit <https://www.beamsociety.org.hk/>