

北京控股有限公司

股份代號：392

# Green Finance Framework



北京控股有限公司  
BEIJING ENTERPRISES HOLDINGS LIMITED

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# 1. OVERVIEW

## 1.1 Introduction

Beijing Enterprises Holdings Limited (“**BEHL**”) is an investment holding company which engages in water and environmental, solid waste treatment, piped gas, brewery, and other businesses in China, Europe and across Asia Pacific. The company was founded in 1997 and is based in Wan Chai, Hong Kong. BEHL is a subsidiary of Beijing Enterprises Group (“**BVI**”) Company Limited.

BEHL’s water and environmental business is primarily operated by Beijing Enterprises Water Group Limited (“**BE Water**”), while its solid waste treatment business is primarily operated by Beijing Enterprises Environment Group Limited (“**BE Environment**”), Beijing Enterprises Holdings Environment Technology Co., Ltd. (“**BEHET**”) and EEW Energy from Waste GmbH (“**EEW**”).

Business Division	Main Subsidiaries	Core Business	Description
<b><u>Water and Environment</u></b>	<ul style="list-style-type: none"> <li>BE Water</li> </ul>	Water treatment service and water environment renovation, urban water-related affairs, seawater desalination, membrane-related and industrial wastewater treatment, etc.	BE Water participates in 1,252 water plants which are or will be in operation, including 1,058 sewage treatment plants, 162 water distribution plants, 30 reclaimed water treatment plants and 2 seawater desalination plants, with daily design capacity of 39.39 million tons.
<b><u>Solid Waste Treatment</u></b>	<ul style="list-style-type: none"> <li>BE Environment</li> <li>BEHET</li> <li>EEW</li> </ul>	Municipal solid waste incineration for power generation, hazardous waste and medical waste disposal, sludge disposal, etc.	Capacity of waste incineration for power generation is 26,932 tons/day; Capacity of hazardous waste treatment is 115,000 tons/year.

BEHL is committed to sustainability and has identified an opportunity to set a Green Finance Framework for financing and refinancing “**Eligible Green Assets**” (as defined in section 2.1 Use of Proceeds) with green finance (“**Green Finance**”), to include but not limited to bonds, loans and trade facilities.

## 1.2 Purpose

The purpose of this Green Finance Framework is to set out the manner in which assets will be selected to participate in Green Finance, the way in which proceeds from any Green Finance secured against Eligible Green Assets will be used and managed, and the method of reporting to investors on the use, management and allocation of proceeds (“**Framework**”).



## 1.3 BEHL’s Approach to Sustainability

In line with the environmental protection concept of "environment is people's livelihood with beauty in green mountains and happiness in blue sky", BEHL is dedicated to a coordinated and sustainable development of business, community and environment and actively responds to the national strategic policy of building ecological civilization.

To BEHL, environmental protection is the foundation of development, the essential responsibility and the core business. With public utilities as core business, BEHL considers itself to be a guardian of clean air, purifier of urban water environment, and the leader of turning waste into energy. Driven by innovation, BEHL strives to enhance the supply chain's operational responsibility of achieving sustainable and common development.

Each business segment of BEHL has formed its own measures and work plans for energy saving and consumption reduction, established an energy consumption monitoring system to achieve automatic detection of water, electricity and gas usage.

**BEHL Alignment with the United Nations Sustainable Development Goals (“SDGs”):**

SDG	BEHL Alignment
<p>1: No Poverty</p> 	<ul style="list-style-type: none"> <li>• Donating money to college students in financial plights and children from less developed areas through public welfare fundraising activities</li> <li>• Raising charity fund through “On the Way - BEHL” fund-raising walkathon</li> <li>• In 2018, the total amount of donations reached HK\$3 million</li> </ul>
<p>3: Good Health and Well-being</p> 	<ul style="list-style-type: none"> <li>• “Seed Plan” encourages more teenagers to engage in football games</li> <li>• Caring for children with special education needs in cooperation with NGOs</li> <li>• Organizing volunteer teams and carrying out volunteer activities for the elderly</li> <li>• Calling for reducing food waste</li> </ul>
<p>4: Quality Education</p>	<ul style="list-style-type: none"> <li>• “On the Way - BEHL” Green Seeds Project boosts environmental education</li> </ul>



- Establishing environmental education bases with BEHL characteristics

## 6: Clean Water and Sanitation



- Participating in 937 water plants which are or will be in operation, with daily design capacity of 36.82 million tons
- Actively participate in national green development strategy related projects including a comprehensive demonstration project subject as part of the 13th Five-Year Water Ecological Environmental Protection Plan of Beijing
- Technological innovation to promote smart water services and drive positive industry development to enhance water supply efficiency

## 7: Affordable and Clean Energy



- Waste incineration for power generation capacity scaled up to 25,288 tons/day
- In 2018, the gas sales volume of Beijing Gas increased by 15.4% year-on-year

## 8: Decent Work and Economic Growth



- Equal employment opportunities
- Reasonable remuneration package
- Protecting the legitimate rights and interests of employees
- An inclusive and diverse career development platform

## 9: Industry, Innovation and Infrastructure



- Promoting technical exchanges
- Driving industry development

## 11: Sustainable Cities and Communities



- Harmless disposal of solid waste by incineration for power generation
- Promoting application of clean energy such as natural gas
- Promoting sewage treatment and comprehensive water environment treatment

12: Responsible Consumption and Production

- Product quality control throughout the process
- Continuously improving product quality



13: Climate Action

- Developing energy saving work plans
- Efficient use of energy and water resources
- Advancing technology upgrades and equipment transformation
- Promoting online pollutant emission testing and disclosure of environmental data



## 2. Framework

The Framework is prepared to be in line with the relevant international principles and guidelines listed below (collectively the “**Principles**”), as updated from time to time, to ensure that Green Finance transactions from BEHL meet the market best practices and demonstrate robust management of its Green Finance transactions:

- Green Bond Principles (“**GBP**”) 2018 by the International Capital Market Association;
- Green Loan Principles (“**GLP**”) 2020 by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association.

For the avoidance of doubt, the Green Finance transactions may be in any currency, tenor, or with other terms and conditions, including covenants, to reflect BEHL’s financing strategy.

The Framework adopts the four key pillars of the Principles as follows:

1. use of proceeds;
2. process for project evaluation and selection;
3. management of proceeds; and
4. reporting.

Any future version of this Framework will either keep or improve the current levels of transparency and reporting disclosures, including the corresponding review by an external consultant.

Under this Green Finance Framework, Green Finance will be predominantly issued from BEHL, but such Framework allows for Green Finance issuances by any other entity part of the Group.



## 2.1 Use of Proceeds

An amount equal to the net proceeds from the issuance of the Green Finance Instruments will be used to finance or refinance, in part or in full, new or existing, Eligible Green Assets. A pool of Eligible Green Assets may include the acquisition of green and/or sustainable investments, assets or projects, green and/or sustainable capital expenditures, operating expenditures related to improvement and maintenance of Eligible Green Assets, research and development, and material acquisition costs. This includes pure-play companies with at least 90% of revenue derived from business activities qualified under the below criteria (e.g. EEW Energy from Waste, a leading company in the generation of heating and electricity through thermal waste treatment and waste disposal). Where feasible, BEHL will disclose in its annual reporting, the year of operation of the acquired assets. BEHL intends to prioritize, where possible, newer over older assets.

Eligible Green Assets include the following categories:

ICMA GBP Category	Description	EU Environmental Objective	SDG Targets
<b><u>Pollution Prevention and Control</u></b>	<p>Financing and/or refinancing of investments and/or expenditures, including but not limited to:</p> <ul style="list-style-type: none"> <li>• Waste prevention, minimization and re-use               <ul style="list-style-type: none"> <li>○ Investments, projects and/or expenditures dedicated to the construction, development, expansion, maintenance of facilities, systems or equipment used to reduce GHG emissions and waste disposal</li> </ul> </li> <li>• Waste recycling               <ul style="list-style-type: none"> <li>○ Investments, projects and/or expenditures dedicated to the construction, development, expansion, maintenance of facilities, systems or equipment used to waste recycling activities</li> </ul> </li> </ul>	<p>(1) Climate Change Mitigation;</p> <p>(2) Climate Change Adaptation;</p> <p>(4) Transition to a circular economy, waste prevention and recycling; and</p> <p>(5) Pollution prevention and control</p>	<p>11.6 Reducing the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management</p> <p>12.4 Environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment</p> <p>12.5 Substantially reduce waste generation through prevention, reduction, recycling and reuse</p> <p>13. Prevention, reuse, recycling, and energy recovery can all reduce</p>

- Waste-to-Energy
  - Thermal recovery of waste (such as industrial, municipal waste)
  - Production of electricity, heat and/or steam
  - Thermal sewage sludge recovery

methane emissions from landfill, avoid emissions linked to resource extraction and production using virgin materials, and offer an alternative energy source to fossil fuels.



**Sustainable Water and Wastewater Management**

Financing and/or refinancing of investments and/or expenditures, including but not limited to:

- Investments, projects and/or expenditures dedicated to the construction, development, expansion, maintenance of facilities, systems or equipment used to:
  - Water recycling and wastewater treatment
  - Water distribution systems with improved efficiency/quality
  - Urban drainage systems

Flood mitigation infrastructure (such as anti-filtration infrastructure)

- (1) Climate Change Mitigation;
- (2) Climate Change Adaptation; and
- (3) Sustainable use and protection of water resources

6.3 Improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally

6.4 Substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity

9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all





**Exclusion Criteria:**

Any project, asset, expenditure or investment (including unallocated proceeds) which are considered irrelevant to the environmental objectives of Green Finance will be excluded, including but not limited to:

- Landfills without biogas extraction system (if applicable)
- Waste-to-Energy facilities with an R1 value of energy efficiency < 0.651
- Fossil energy generation
- Nuclear energy generation
- Alcohol

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<sup>1</sup> <https://ec.europa.eu/environment/waste/framework/pdf/guidance.pdf>

## 2.2 Process for Project Evaluation and Selection

The Eligible Green Assets financed and/or refinanced through Green Finance proceeds are evaluated and selected based on compliance with the Eligibility Criteria set out above in the Use of Proceeds section. The selection of the Eligible Green Assets is conducted by the BEHL Sustainability Working Committee ("**Committee**") which is an established committee led by the Group Finance Department, the Secretarial Department, and Investor Relations Department, with technical specialists' support from business teams such as the Steering Committee of EEW.

The Committee jointly facilitates the process for project evaluation and selection, complying with an internal instruction addressed in its Instruction Handbook. The final decision will be taken by Finance Department and Secretarial Department Jointly. BEHL's Finance Department will allocate the proceeds of the Green Finance to the Eligible Green Assets in accordance with the use of proceeds section described above.

The Committee ensures that the selected Eligible Green Assets comply with official national and international environmental and social standards, local laws and regulations on a best effort basis.

On an annual basis, and until full allocation, the Committee will review the Eligible Green Assets, in order to evaluate their compliance with the eligibility criteria outlined in the Use of Proceeds section in this Framework.

On an annual basis, and until full allocation, the Committee will review the allocation of the proceeds to the Eligible Green Assets and determine if any changes are necessary. The Committee will ensure that allocations are aligned with this Framework and will disclose any material changes in the Framework.

The Eligible Green Assets may include assets funded up to 36 months before the respective Green Finance issuance.

## 2.3 Management of Proceeds

### **2.3.1 Allocation of Proceeds**

BEHL intends to allocate the net proceeds from the Green Finance to Eligible Green Assets, selected in accordance with the use of proceeds criteria and evaluation and selection process presented above. The net proceeds from BEHL's Green Finance will be allocated in the general account held in BEHL's Group Treasury and amount equal to the net proceeds will be earmarked for allocation to Eligible Green Assets as selected by the Committee. The process will be in accordance with BEHL's Green Finance Framework as set out in the Process for Project Evaluation and Selection section.

BEHL's Finance Department will allocate the financing instrument proceeds to the corporate entities in charge of the projects via intercompany loans and/or equity capital, with the purposes to finance the disbursements in connection with the Eligible Green Assets carried out by BEHL's subsidiaries.

BEHL will strive, over time, to achieve a level of allocation for any Green Finance issuances, which, after adjustments for intervening circumstances including, but not limited to, sales and repayments, matches or exceed the balance of net proceeds from its outstanding Green Finance. Additional Eligible Green Assets may be added to the extent required to ensure that an amount equal to the net proceeds from outstanding Green Finance will be allocated. Any pending allocation proceeds will temporarily be held, and no longer than 12 months from the issuance of the Green Finance, in BEHL's treasury liquidity portfolio, and managed accordingly by BEHL's Finance Department as following:

1. Invest those Unallocated Proceeds in temporary investment instruments that are cash or cash equivalent instruments; or
2. Invest those Unallocated Proceeds in temporary investment instruments that do not include greenhouse gas intensive projects which are inconsistent with the delivery of a low carbon and climate resilient economy; nor controversial activities, or activities facing material ESG issues; or
3. Apply those Unallocated Proceeds to temporarily reduce indebtedness of a revolving nature before being redrawn for investments or disbursements to Eligible Green Assets.

### **2.3.2 Ongoing Monitoring**

The Green Finance proceeds will be managed and monitored by BEHL in a portfolio approach, in accordance with the Company's established governance arrangements with respect to its treasury activities.

Managing and monitoring will also include at least annually prior to full year reporting:

- Reviewing and confirming the current Eligible Green Assets against the Eligibility Criteria;
- Determining eligibility of any potential new assets as Eligible Green Assets;
- Confirming overall compliance with the Framework and the Principles; and
- Reporting as referred to in section 2.4 below.

If an Investment/Asset/Project is confirmed as no longer meeting the Eligibility Criteria, BEHL will decategorize the asset as an Eligible Green Asset and reduce the allocated investment volume by the value of the decategorized asset, if applicable.

If a new Investment/Asset/Project is confirmed as meeting the Eligibility Criteria, BEHL will categorize the asset as an Eligible Green Asset and increase the allocated investment volume by the value of the categorized asset, if applicable.

## **2.4 Reporting**

BEHL intends to transparently report on its sustainability efforts and the allocation of Green Finance transactions.

BEHL intends to make and keep readily available reporting on the allocation of net proceeds to Eligible Green Assets and, wherever feasible, reporting on the impact of the Eligible Green Assets, at least at the category level. The Committee holds the responsibility of monitoring and/or data collection and will provide aggregated reporting for all its Green Finance

transactions outstanding, with support from technical experts of relevant business departments.

Within approximately one year from the date of the bond issuance and thereafter on an annual basis until full allocation, BEHL will ensure that information on proceeds allocation is available on the Company’s website.

BEHL will align, on a best effort basis and where feasible, the reporting with the portfolio approach described in "Green Bonds – Handbook - Harmonized Framework for Impact Reporting (June 2019)"<sup>2</sup>.

For Green loans, BEHL will make the information readily available to its lenders a report upon request.

BEHL will share the below information:

**a) Allocation Reporting**

BEHL commits to include the following information in ongoing allocation reporting:

- The total amount of proceeds allocated to Eligible Green Assets
- The proportion of net proceeds used for financing vs. refinancing
- The balance of unallocated amount, if any
- The geographical distribution of the Eligible Green Assets (at country level)

**b) Impact Reporting**

Where relevant and feasible, BEHL will provide the following environmental indicators of its Eligible Green Assets:

<b>Eligible Green Assets for BEHL</b>	<b>Potential Impact Indicators</b>
<b><u>Pollution Prevention and Control</u></b>	<ul style="list-style-type: none"> <li>• Total weight of residues sent for recycling in tons</li> <li>• Number of households with energy from waste</li> <li>• Waste diverted from landfills (in tons/year)</li> <li>• CO2 and other GHG avoided<sup>3</sup> (in tons/year)</li> <li>• Annual energy generation from non-recyclable waste in energy/emission-efficient waste to energy facilities in MWh/GWh (electricity) and GJ/TJ (other energy)</li> <li>• For waste-to-energy sub-category: energy efficiency of the energy recovery (i.e. R1 value in case of projects in the EU)</li> </ul>

<sup>2</sup> <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2019/Handbook-Harmonized-Framework-for-Impact-Reporting-WEB-100619.pdf>

<sup>3</sup> The company will disclose in the Post-issuance Reporting document the key methodologies and assumptions used to calculate the environmental benefit of the Eligible Assets, at least at the category level

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**Sustainable Water  
and wastewater  
Management**

- Reduction in water losses in water transfer and/or distribution (change in leakage rate in %)
  - Wastewater treated to appropriate standards or raw/untreated wastewater discharges avoided (in million tons/year)
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## 2.5 External Review

### **Second Party Opinion (pre-issuance)**

This BEHL Green Finance Framework has been reviewed by VigeoEiris who has issued a Second Party Opinion will be made available to the investors on BEHL's website.

Any Green Finance issuances will benefit from a Second Party Opinion on the transaction structure and will be made available to investors.

### **Verification (post-issuance)**

BEHL will request on an annual basis, starting approximately one year after issuance and until full allocation, a limited assurance report of the allocation of the Green Finance proceeds to Eligible Green Assets, provided by its external auditor.

BEHL may request on an annual basis, starting approximately one year after issuance and until full allocation, a limited assurance report of the Impact Reporting of the Green Finance proceeds to Eligible Green Assets, provided by its external auditor.

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