



**中國水務集團有限公司**  
**China Water Affairs Group Limited**

**China Water Affairs Group Limited**  
**Green & Blue Finance Framework**

January 2025

## Overview of China Water Affairs

China Water Affairs Group Limited (“CWA”, and together with its subsidiaries, the “Group”) is one of the largest publicly listed water utility companies in China with a unique focus on water supply business. It is headquartered in Hong Kong, with operations management centers in Beijing and Shenzhen. It is listed on the Main Board of the Hong Kong Stock Exchange (0855.HK).

CWA began its operation in the water sector in 2003 and enjoys exclusive rights in cities where it operates the water supply business. While CWA derives the majority of its revenue from its water supply business, which represents over 78% of revenue for the FY ended March 31, 2024, CWA is also vertically integrated across the water value chain, engaging in raw water supply, pipeline direct drinking water supply business and sewage treatment businesses as well.

As of March 31, 2024, the Group owns a diverse portfolio across 70 cities in 25 provinces in China, with a daily water supply and treatment capacity of more than 15.4 million cubic meters. Its water supply business has water pipelines over 149,000km and serves an estimated population of more than 30 million people.

CWA has been included in the FTSE Environmental Opportunities Asia Pacific Index since 2009 and the first batch of Shenzhen-Hong Kong Stock Connect by HKEX in 2016. CWA has been awarded the “Best Infrastructure and Utilities Company” at the 8<sup>th</sup> Zhitong Caijing Listed Company Awards and the “Outstanding Award for Green and Sustainable Loan Issuer (Water Affairs Industry)” from Hong Kong Quality Assurance Agency in the FY ended March 2024.

## China Water Affairs’s Sustainability Vision

CWA takes “Water-oriented, Kindness to Society” (以水为本，达善社会) as its business philosophy. As a public utility provider, CWA fully recognizes that environmental improvement is the only option for businesses to achieve sustainable development.

China has become one of the signatories of the Paris Agreement and introduces an eco-civilisation development concept of “lucid waters and lush mountains are invaluable assets” (绿水青山就是金山银山). CWA firmly supports the national water policy, actively implements the new concept of ecological civilization construction, implements the strategy of integrating water supply to cities and villages as well as water supply and drainage prospectively, acutely develops into the market for quality water supply, and strengthens the dual-engine business combination of “water supply + direct drinking water”, in order to safeguard water safety, alleviate water supply pressure and improve water ecology.

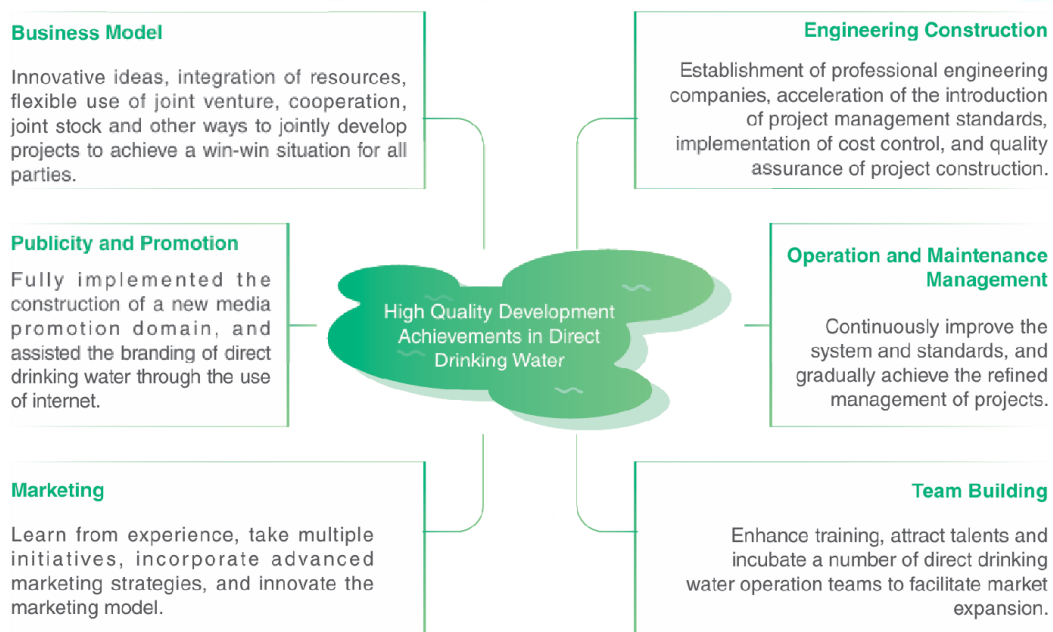
CWA is principally engaged in water supply and sewage treatment, which is inherently eco-friendly. Since the establishment of the new business of pipeline direct drinking water in 2018, with years of dedicated development, CWA has become the only publicly listed company with a nationwide presence in direct drinking water, creating a new model of high-quality and sustainable development that led to a change towards healthy, green, low-carbon and plastic-reduced drinking water concepts.

In recent years, with the implementation of the strategies of urban-rural water supply integration and integration of water supply and drainage as well as successful promotion of pipeline direct drinking water, CWA’s environmental value chain has been further extended.

## **Promote High-quality Development of Direct Drinking Water Industry**

Due to the rapid development of China’s economy and society, people’s living standards continue to rise, and the demand for healthy drinking water is also increasing. The Group has taken up the important responsibility to keenly explore the market for quality water supply, accelerate the

transformation to a low-carbon and environmentally-friendly water supply model, and push forward the high quality development of the direct drinking water industry. As of March 2024, the Group operated over 6,900 direct drinking water projects in 306 districts, counties and county-level cities across in 24 provinces, municipalities and autonomous regions in China, serving an estimated population over 8.3 million.



### ***Embark New Urban Water Supply Projects***

Clean and clear water can purify a city. Urban water supply is the most basic and popular livelihood project, and has a bearing on people's health, social stability and economic development. The Group has been working in the field of urban water supply for 20 years. With a high sense of responsibility and mission, the Group has built up a comprehensive system and standards from scratch, and created a standardized and refined management system, which has changed the public's stereotypical impression of traditional water supply enterprises. With its high-standard water plant construction, efficient operation and management and high-standard water supply services, the Group is embarking on a new journey of urban water supply, creating greater value for the country's livelihood and socio-economic development.

### ***Reduce the Environmental Impact of Sewage Discharge***

The Group continues to treat sewage effectively to reduce its environmental impact and improve the utilisation of urban water resources, as well as to upgrade and reconstruct the sewage treatment plants to ensure that the effluent quality meets the Grade 1-A standard of the "Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant" (GB 18918-2002). All the sewage treatment projects were installed with effluent monitoring systems to enable timely and reliable recording of water quality data.

### ***Promote Urban-rural Water Supply Integration***

Urban-rural integration is an important measure to promote coordinated regional development and achieve common prosperity. The Group responds to the aspirations of rural residents for a better life by

upholding the development of urban-rural water supply integration and adopting methods such as “pipeline extension, pipeline connection, upgrading, commissioned operation” to achieve coordinated but phased implementation of planning, management and allocation of water resources, construct urban-rural water supply engineering systems from the source to the faucet and a standardised management system, and continuously improve drinking water safety in urban and rural areas as well as production and living conditions in urban and rural areas. During the reporting period, the Group gained 87,000 rural household users and 300,000 rural water users.

### ***Promote Drainage Integration in Urban and Rural Areas***

Improving the living environment in urban and rural areas and building beautiful and liveable villages are important initiatives to promote integration in urban and rural areas, promote the harmonious resonance between towns and villages, and implement the concept of ecological civilization. The Group focuses on the issues relating to the urban and rural ecological environment, and proactively commences the drainage and sewage treatment business to protect our clear waters and green mountains.

### ***Energy-saving and Reduce Emissions***

The Group has strictly complied with the Law of the People’s Republic of China on Energy Conservation, the Environmental Protection Law of the People’s Republic of China and other laws and regulations. Over the years, the Group has incorporated energy consumption indicators into the performance assessment system of its subsidiaries, strengthened the introduction of energy consumption management technologies and technological research, and relied on internal and external experts and third-party professionals to gradually establish and improve energy consumption analysis and assessment methods.

### **ESG Working Group**

ESG working group was set up in 2022 to take charge of net zero emission related work, including the preliminary establishment of a greenhouse gas emission baseline, identification of emission reduction potentials, formulation of emission reduction measures, and study of carbon offsetting and carbon neutral measures in line with the Group’s business.

## China Water Affairs's Green & Blue Finance Framework

This Green and Blue Finance Framework (“GFF” or the “Framework”) has been developed to detail how the Group and its subsidiaries intend to issue Green financing transactions (“GFT”) to fund projects and developments that will deliver environmental benefits to support CWA’s business strategy and green and sustainability vision, particularly those related to improving the environmental performance of buildings, landscapes and the communities in which they are located, as well as the health of their respective users.

GFTs may issue bonds, loans and other debt-like financing products where an equivalent amount to the net proceeds are applied to eligible green projects (“Eligible Green Projects”) as defined in this Framework.

- Bonds issued under the Framework will be aligned with the ICMA Green Bond Principles 2021 (“GBP”) with June 2022 Appendix or as they may be subsequently amended.
- Loans issued under the Framework will be aligned to the LMA / APLMA / LSTA Green Loan Principles 2023 (“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.

For Blue Bonds and Blue Loans, an equivalent amount of the net proceeds will be exclusively applied to Sustainable Water and Wastewater Management category. Additionally, the Blue Bonds and Blue Loans issued under this Framework will align with the Guidelines for Blue Finance developed by the International Finance Corporation (IFC) – January 2022 version.

GFTs do not place restrictions on the tenor and currency and can include other terms and conditions including covenants, to reflect the financing strategy and plans of CWA 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 CWA’s current and future business needs.

Each GFT 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 to ensure continual alignment with market practices, emerging standards and classification systems.

## I. Use of Proceeds

An equivalent amount to the net proceeds from each GFT will be used exclusively to finance or refinance, in whole or in part, the acquisition, construction, development or upgrade of new or existing Eligible Green Projects that meet one or more of the following categories of eligibility as recognised in the GBP/GLP. Refinancing of Eligible Green Projects will have a look-back period of no longer than 36 months from the time of issuance. CWA is committed to fully allocate the net proceeds of each GFT on a best effort basis within 24 months of issuance.

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

Eligible Green Project Categories	Eligibility Criteria & Examples	UN SDG Mapping	GBP-environmental Objectives Mapping
<b>Sustainable Water and Wastewater Management</b>  <i>Eligible for Blue Bonds &amp; Loans</i>	<ul style="list-style-type: none"> <li>Expenditures related to construction, upgrades, renovations or improvements of water supply and wastewater related facilities, infrastructure or systems, including but not limited to:               <ul style="list-style-type: none"> <li>Water supply plants, pumping stations and distribution network to increase efficiency, accessibility of water delivery system, improve water quality and reduce water leakage</li> <li>Water monitoring systems to detect water leakage</li> <li>Drainage pipeline network and sewage treatment plants to reduce pollution</li> </ul> </li> </ul>	 	Pollution Prevention and Control  Climate Change Mitigation  Natural Resource Conservation
<b>Renewable Energy</b>	<ul style="list-style-type: none"> <li>New or existing investments in or expenditures on renewable energy production units. Renewable energy and energy storage projects can include solar and wind projects</li> </ul>		Climate Change Mitigation

### Exclusionary Criteria

The following sectors and activities will be excluded from Eligible Green Projects:

- Sectors which are prohibited by laws and regulation in China, such as child labour, gambling industry, adult entertainment and corporations which are in association with illegal activities
- Hydro power with installed capacity >20MW
- Nuclear energy
- Coal based energy generation and distribution infrastructure for such energy
- Activities which are in relation to hazardous chemicals and radioactive substance
- Wastewater treatment plant that dedicated to fossil fuel related industries
- Other activities listed in the UNEP FI’s Recommended Exclusions for Financing a Sustainable Blue Economy<sup>1</sup>

<sup>1</sup> <https://www.unepfi.org/publications/turning-the-tide-recommended-exclusions/>

## **II. Project Evaluation and Selection**

CWA imposes strict environmental and risk management policy during its normal course of business.

The Eligible Green Projects are identified and selected via a process that involves participants from various functional areas. Environmental Social Management System Working Group (“EWG”) has been set up, composed of the senior members including General Manager and representatives from various departments.

EWG will meet at least every 12 months to discuss and select eligible green projects according to the Eligible Green Projects defined in this Framework. The shortlisted projects will be presented to the board for approval.

EWG will ensure that the selected Eligible Green Project to comply not only with the section Use of Proceeds section of this Framework but also the environmental guidelines which are applicable for CWA.

In addition, EWG will be responsible for managing any future updates of the Framework, including any expansion of requirements of use of proceeds. In case of divestments or if an Eligible Green Project no longer meets the eligibility criteria, the funds will be reallocated to other Eligible Green Projects.

## **III. Management of Proceeds**

CWA intends to allocate, over time, an amount equal the net proceeds to finance or refinance Eligible Green Projects, selected in accordance with the eligibility criteria, and using the evaluation and selection process outlined above.

The net proceeds from each GFT will be managed by CWA's finance team and the proceeds from each GFT will be deposited in general funding accounts and will be earmarked to Eligible Green Projects. CWA will maintain a register to keep track of the use of proceeds for each GFT.

The register will contain the following information:

### **(1) Type of Funding Transaction:**

- Key information including, issuer/borrower entity, transaction date, tranche(s) information, principal amount of proceeds, repayment or amortization profile, maturity date, and interest or coupon (and in the case of bonds, the ISIN number)

### **(2) Allocation of Use of Proceeds:**

- Name and description of Eligible Green Projects to which the proceeds of the GFT have been allocated in accordance with this Framework
- Amount and date of GFT proceeds allocated to each project
- The remaining balance of unallocated proceeds yet to be earmarked
- Other relevant information such as information of temporary investment for unallocated proceeds

Any balance of issuance proceeds which are not yet allocated to Eligible Green Projects will be held in accordance with CWA's liquidity guidelines for short term time deposits or investments. CWA commits not to invest unallocated proceeds in carbon intensive activities or any projects that are in conflict with the eligibility criteria under the GFF.

During the life of the GFT issued, if the designated Eligible Green Projects cease to fulfil the eligibility criteria, the net proceeds will be re-allocated to replacement Eligible Green Projects that comply with the eligibility criteria. The adjustment will be conducted as soon as reasonably practicable, and at least on annual basis. CWA strives to maintain over time an amount of Eligible Green Projects at least equal of the total net proceeds of all GFT outstandings.

Additionally, if any material and critical controversies emerge in relation to a specific project, CWA commits to substitute that project with an alternative Eligible Green Project.

#### ***IV. Reporting***

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

The information disclosed will contain the following details:

##### ***Allocation Reporting***

- Details of each GFT that is outstanding
- Aggregate amount of proceeds from each GFT that has been allocated to Eligible Green Projects
- Share of financing vs refinancing
- Balance of unallocated proceeds from each GFT
- Examples of Eligible Green Projects (subject to confidentiality disclosures):
  - The aggregate amount allocated to various Eligible Green Projects
  - The remaining balance of funds which have not yet been allocated and type of temporary investment



## Impact Reporting

CWA will report on the environmental and social impacts of the Eligible Green Projects. Subject to the nature of Eligible Green Projects and availability of information, CWA aims to include, but not limited to, the following Impact Indicators:

### Eligible Green Project Categories

### Impact Indicators

Eligible Green Project Categories	Impact Indicators
<b>Sustainable Water and Wastewater Management</b>	<ul style="list-style-type: none"><li>• Absolute (gross) amount of water supplied before and after the project in m<sup>3</sup> p.a.</li><li>• Absolute (gross) amount of reduction in water loss before and after the project in m<sup>3</sup> p.a. or %</li><li>• Absolute (gross) amount of wastewater treated in m<sup>3</sup> p.a.</li><li>• Number of people and cities served</li></ul>
<b>Renewable Energy</b>	<ul style="list-style-type: none"><li>• Annual GHG emissions reduced/avoided (t CO<sub>2</sub> eq p.a.)</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>

## External Review

### Pre-issuance – Second Party Opinion

CWA has engaged Moody's Ratings to provide an External Review in the form of a Second Party Opinion on the Framework and to confirm the alignment with the GBP/ GLP. The Second Party Opinion has been made public on CWA's website at <http://www.chinawatergroup.com/>.

### Post-issuance – Compliance Review and Verification

On a yearly basis until the full allocation of the net proceeds of the Green Financing Instruments, CWA will engage an independent third party to review whether the eligible projects are in compliance with this Framework. In addition, CWA will also engage an independent third party to provide verification on the impact indicators. The report will be made public on CWA's website at <http://www.chinawatergroup.com/>.