



# Dujiangyan Urban and Rural Construction Group Co., Ltd.

## Second-Party Opinion | Green Finance Framework

### Framework Type

Green

### Analytical Standards

- » Green Bond Principles (GBP) (June 2021 Edition)
- » Green Loan Principles (GLP) (February 2023 Edition)
- » United Nations Sustainable Development Goals (SDGs)

### Industry

Local Investment and Development Companies

### Country/Region

China

### Report Date

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## Summary

Lianhe Green has reviewed a series of documents including the "Green Finance Framework of DURC", and in conjunction with due diligence, assessed DURC's relevant work in respect of the use of proceeds, project evaluation and selection process, management of proceeds, reporting, and external review. Lianhe Green considers that the Framework is in compliance with the *Green Loan Principles (GLP) (February 2023 Edition)*, *Green Bond Principles (GBP) (June 2021 Edition)*. In addition, the eligible green projects in this Framework are in line with the *Green Loan Principles (GLP) (February 2023 Edition)*, *Green Bond Principles (GBP) (June 2021 Edition)*, the *United Nations Sustainable Development Goals (SDGs)*.

## About the Company

Dujiangyan Urban and Rural Construction Group Co., Ltd. (hereinafter referred to as "DURC" or the "Company" or the "Group") was established on 9 September 2010. DURC is the subsidiary of the state-owned Chengdu Dujiangyan Investment Development Group Co., Ltd (DIDG), which is controlled by Financial State-owned Assets Bureau of Dujiangyan.

As one of the important infrastructure construction entities in Dujiangyan City, the company's business involves the construction of infrastructure in Dujiangyan City, land consolidation, sand and gravel mining and sales, municipal management services, property rental and sale, and sales of grain, oil, meat and eggs. At present, the company has a large number of projects pending settlement and good business continuity. In the future, the company will further improve its management standard, take full advantage of its own strengths, and contribute to the sustainable development of the economy and society of Dujiangyan City. The company adheres to high environmental protection standards and treats environmental protection as its core value. The board of directors of the company is responsible for leading and guiding the company's environmental policy and working with the Group's management to identify, assess and resolve environmental issues.

## About the Framework of DURC

DURC has prepared the Green Finance Framework (hereinafter referred to as the "Framework"), which is intended to provide overarching principles and guidelines for all sustainable development financing opportunities for DURC.

The green bonds or loans launched under the Framework will comply with the International Capital Markets Association's (ICMA's) Green Bond Principles (GBP) (June 2021 Edition) and Green Loan Principles (GLP)(February 2023 Edition) issued by the Loan Market Association (LMA), the Loan



Syndications and Trading Association (LSTA) and the Asia-Pacific Loan Markets Association (APLMA).

This framework addresses five pillars including use of proceeds, project evaluation and selection, management of proceeds, reporting, and external review.

## A. Use of Proceeds

### Company Materials

The proceeds of each green transaction issued by DURC will be used to finance and/or refinance the assets or projects set out in the Framework. The proceeds of the Green Bonds or Loans will be used for Qualified Green Projects as defined in Table 1.

Eligible Green Project Categories	Qualified Green Projects
<p><b>Green Building and Energy Efficiency</b></p>	<ul style="list-style-type: none"> <li>» Implementation of intelligent modifications during the construction of standardized workshop and R&amp;D center, including the use of solar panels for energy storage and advanced equipment to complete the land development and construction of plants to improve the efficiency of energy use</li> <li>» Modern lighting systems, e.g. upgrading to LED, use of modern lighting systems during construction and installation of modern lighting systems in workshop and R&amp;D center</li> <li>» Equipment power management, automatic switching, energy monitoring, etc.</li> <li>» Controlling light pollution and avoiding large glass curtain walls</li> <li>» Implementing energy efficiency in all stage of project construction</li> <li>» Selected Sample Projects: Green Industry Standardized Workshop and New Building Material R&amp;D Centre</li> </ul>
<p><b>Sustainable Water and Wastewater Management</b></p>	<ul style="list-style-type: none"> <li>» Reducing water pollution, favouring the health of the population and improving the water landscape, while promoting a sustainable water cycle</li> <li>» Reducing groundwater overexploitation and protecting water resources</li> <li>» Improvement of the water environment in the watershed, reduction of water pollution, promotion of water safety for the population and improvement of public health</li> <li>» Flood prevention activities, including construction of cofferdams</li> <li>» Selected Sample Projects: Dujiangyan City Baisha River, Longxi River, Bayigou River Dredging</li> </ul>
<p><b>Environmentally Sustainable Management of Biological and Natural Resources and Land Use</b></p>	<ul style="list-style-type: none"> <li>» Sustainable agriculture, such as adapting farming systems and techniques to improve land use through management, conservation and sustainable use of natural resources</li> <li>» Selected Sample Projects: Dujiangyan City Characteristic Composite Agricultural Industrial Base Construction</li> </ul>

Table 1: Qualified Green Projects

Meanwhile, DURC declares that the proceeds will not be used for the following purposes:

- 1) Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB's, wildlife or products regulated under CITES;
- 2) Production or trade in weapons and munitions;
- 3) Production or trade in alcoholic beverages (excluding beer and wine);
- 4) Production or trade in tobacco;
- 5) Gambling, casinos and equivalent enterprises;



- 6) Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded;
- 7) Production or trade in unbonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%;
- 8) Drift net fishing in the marine environment using nets in excess of 2.5 km in length;
- 9) Production or activities involving harmful or exploitative forms of forced labor /harmful child labor;
- 10) Commercial logging operations for use in primary tropical moist forests;
- 11) Production or trade in wood or other forestry products other than from sustainably managed forests.

### Opinion of Lianhe Green

Lianhe Green has reviewed a number of documents, including the Green Finance Framework, and in conjunction with its due diligence, has conducted a comprehensive review of DURC's policy.

DURC compared the green project categories listed in this framework with the *Green Loan Principles (GLP) (February 2023 Edition)*, *Green Bond Principles (GBP) (June 2021 Edition)*, and the *United Nations Sustainable Development Goals (SDGs)* respectively and the projects' compliance with the green criteria is detailed in below.

Upon assessment, Lianhe Green considers that DURC has established a comprehensive system in accordance with the requirements of the assessment criteria. In addition, the company has clarified the categories of use of the proceeds, and the green projects meet the Green Loan Principles (GLP) (February 2023 Edition), Green Bond Principles (GBP) (June 2021 Edition), and the United Nations Sustainable Development Goals (SDGs) respectively.

### 1) Green Project Categories: Green Building

#### Eligible Green Projects

Green Industry Standardized Workshop and New Building Material R&D Centre

#### Green Standard

- » GBP: Green buildings which meet regional, national or internationally recognized standards or certifications for environmental performance
- » GLP: Green buildings which meet regional, national or internationally recognized standards or certifications for environmental performance
- » SDGs: Target11: sustainable cities and communities

#### Lianhe Green Findings

Lianhe Green suggests that this type of project should be designed and constructed in accordance with relevant national green building standards, and that the pre-evaluation of building construction drawings should reach the validity period of green building star-level standards, as well as being constructed in accordance with green building star-level standards. The project should be an industrial building that meets the validity period of the national green building operation evaluation rating standard, etc. The relevant green building evaluation standards include the *Green Building Evaluation Standards (GB/T50878)* and other national technical standards. During the project construction phase, it is necessary to consider the use of land, energy, water, material resources and requirements for environmental protection,



occupational health and operation management to meet the green building evaluation standards.

Lianhe Green believes that on the basis of meeting the above conditions, this type of green project can also meet the requirements of "5. Sustainable Upgrade of Infrastructure-5.2 Sustainable Buildings-5.2.1 Energy-Saving Buildings and Green Buildings-5.2.1.2 Green Buildings" in the "Green Bond Endorsed Projects Catalogue (2021 Edition)".

## 2) Green Project Categories: Energy Efficiency

### Eligible Green Projects

- » Implementation of intelligent modifications during the construction of standardized workshop and R&D centres, including the use of solar panels for energy storage and advanced equipment to complete the land development and construction of workshop to improve the efficiency of energy use
- » Equipment power management, automatic switching, energy monitoring, etc.
- » Controlling light pollution and avoiding large glass curtain walls
- » Implementing energy efficiency at any stage of project construction

### Green Standard

- » GBP: Energy efficiency – such as in new and refurbished buildings, energy storage, district heating, smart grids, appliances and products
- » GLP: Energy efficiency – such as in new and refurbished buildings, energy storage, district heating, smart grids, appliances and products
- » SDGs: Target7: Affordable and clean energy; Target9: industry, innovation and infrastructure

### Lianhe Green Findings

This type of project is generally divided into the following two types:

1. After the energy-saving renovation of the building, the relevant technical indicators of the building should comply with the relevant national or local building energy-saving standards. Lianhe Green believes that on the basis of meeting the above conditions, this type of green project can meet the requirements of "5. Sustainable Upgrade of Infrastructure-5.2 Sustainable Buildings-5.2.1 Energy-Saving Buildings and Green Buildings-5.2.1.5 Energy Conservation and Environmentally-friendly Renovation of Existing Buildings" in the "Green Bond Endorsed Projects Catalogue (2021 Edition)".
2. The use of renewable energy in buildings is to improve energy efficiency by using measures such as installing solar photovoltaic power generators on building roofs and walls to provide electricity to the building. Lianhe Green believes that on the basis of meeting the above conditions, this type of green project can meet the requirements of "5. Sustainable Upgrade of Infrastructure-5.2 Sustainable Buildings-5.2.1 Energy-Saving Buildings and Green Buildings-5.2.1.3 Application of Renewable Energy in Buildings" in the "Green Bond Endorsed Projects Catalogue (2021 Edition)".

### Eligible Green Projects

Modern lighting systems, e.g. upgrading to LED, use of modern lighting systems during construction and installation of modern lighting systems in plants and R&D centres

### Lianhe Green Findings

This type of project is a green lighting renovation, and Lianhe Green suggests that the relevant lighting products should comply with the technical standards such as Energy Efficiency Limits



and Energy Efficiency Grades of LED Products for Indoor Lighting (GB 30255), the Energy Efficiency Limits and Energy Efficiency Grades of LED Flat Lamp for General Lighting (GB 38450) etc. Lianhe Green believes that on the basis of meeting the above conditions, this type of green project can meet the requirements of "1. Energy Saving and Environmental Protection Industry - 1.1.3 Energy Efficiency Improvement - 1.1.3.1 Renovation of Green Lighting" in the "Green Bond Endorsed Projects Catalogue (2021 Edition)".

### 3) Sustainable Water and Wastewater Management

#### Eligible Green Projects

- » Reducing water pollution, favouring the health of the population and improving the water landscape, while promoting a sustainable water cycle
- » Reducing groundwater overexploitation and protecting water resources
- » Improvement of the water environment in the watershed, reduction of water pollution, promotion of water safety for the population and improvement of public health
- » Flood prevention activities, including construction of cofferdams

#### Green Standard

- » GBP: Sustainable water and wastewater management – including sustainable infrastructure for clean and/or drinking water, wastewater treatment, sustainable urban drainage systems and river training and other forms of flooding mitigation
- » GLP: Sustainable water and wastewater management – including sustainable infrastructure for clean and/or drinking water, wastewater treatment, sustainable urban drainage systems and river training and other forms of flooding mitigation
- » SDGs: Target7: Sustainable water and wastewater management – including sustainable infrastructure for clean and/or drinking water, wastewater treatment, sustainable urban drainage systems and river training and other forms of flooding mitigation

#### Lianhe Green Findings

This type of project is generally divided into the following four types:

1. Sewage treatment: the construction and operation of sewage treatment plants is an important way to control pollution and protect the environment, the purpose of which is to deal with water pollution and improve the environmental quality of water bodies, and in the drainage phase of the water cycle, filtering and sedimentation through physical methods. It uses chemical methods such as chemical phosphorus removal and other chemical methods of coagulation and precipitation of sewage, and artificial control of pollution reduction techniques through aerobic treatment, anaerobic treatment and other biological methods. The degree of sewage treatment ensures that the quality of the effluent water meets the discharge standards, reduces pollution of water bodies and the environment, and helps to increase the rate of transformation of pollutants. Lianhe Green believes that on the basis of meeting the above conditions, this type of green project can meet the requirements of "5. Sustainable Upgrade of Infrastructure-5.3 Pollution Prevention-5.3.1 Urban Environmental Infrastructure-5.3.1.1 Construction and Operation of Facilities for Sewage Treatment, Recycling, and Sludge Treatment and Disposal" in the "Green Bond Endorsed Projects Catalogue (2021 Edition)".
2. Water management: the comprehensive management of water ecology environment is of great significance to regional flood control, water supply, safeguarding the ecological environment safety of regional river and lake basins. It can improve the living environment quality of the surrounding residents and promote sustainable socioeconomic development. Water pollution will make the water body show



eutrophication, and the number of bacteria increases dramatically, which ultimately leads to a large amount of oxygen in the water being consumed, causing the death of some organisms in the water. In addition, black smelly water bodies will emit substances with toxic effects, and air pollution will have an impact on the lives of the neighbouring residents. Lianhe Green believes that on the basis of meeting the above conditions, this type of green project can meet the requirements of "5. Sustainable Upgrade of Infrastructure-5.4 Water Saving and Non-conventional Water Resources-5.4.2-"Sponge" City for Flood Prevention-5.4.2.5 Restoration of the Natural Ecology of Urban Water Bodies" in the "Green Bond Endorsed Projects Catalogue (2021 Edition)".

3. Prevention and control of droughts and floods in water ecosystems and management of over-exploited groundwater zones: the prevention and control of disasters in water ecosystems, such as the restoration of natural water system connectivity, the construction of water conservancy facilities and the restoration of wetlands, as well as the structural adjustment of crop cultivation varieties for the purpose of water conservation, the transformation of water conservation in industry, the replacement of groundwater sources, ecological recharging of groundwater sources, and other activities in the management and restoration of over-exploited groundwater zones, are all conducive to the enhancement of the utilisation rate of water resources and the effective reduction of water resources waste. Lianhe Green believes that on the basis of meeting the above conditions, this type of green project can meet the requirements of "4..Ecology and Environment-related sector-4.2 Ecological Protection and Construction-4.2.1 Conservation and Restoration of Natural Ecosystems-4.1.1.11 Drought and Flood Management for Water-Related Ecosystem." and "4..Ecology and Environment-related sector-4.2 Ecological Protection and Construction-4.2.1 Conservation and Restoration of Natural Ecosystems-4.1.1.12 Management and Restoration of Groundwater Overdrawn Zones" in the "Green Bond Endorsed Projects Catalogue (2021 Edition)".
4. Rural drinking water safety: rural human settlements management projects, such as rural sewage treatment, management of rural rivers, and waste management, village appearance enhancement projects, rural drinking water projects, etc., all help to achieve a clean, tidy and orderly environment in villages, comprehensively improve the quality of rural human settlements, and provide strong support for promoting rural revitalization and accelerating the modernization of agriculture and the countryside. Lianhe Green believes that on the basis of meeting the above conditions, this type of green project can meet the requirements of "1. Energy Saving and Environmental Protection Industry-1.3 Pollution Prevention-1.3.5 Comprehensive Improvement of Agricultural and Rural Environment-1.3.5.2 Improvement of Rural Living Environment" in the "Green Bond Endorsed Projects Catalogue (2021 Edition)".

#### 4) Environmentally Sustainable Management of Biological and Natural Resources and Land Use

##### **Eligible Green Projects**

Sustainable agriculture, such as adapting farming systems and techniques to improve land use through management, conservation and sustainable use of natural resources

##### **Green Standard**

- » GBP: Environmentally sustainable management of living natural resources and land use – including environmentally sustainable agriculture, environmentally sustainable animal husbandry; climate smart farm inputs such as biological crop protection or drip-irrigation; environmentally sustainable fishery and aquaculture, environmentally-



- sustainable forestry, including afforestation and reforestation, and preservation or restoration of natural landscapes
- » GLP: Environmentally sustainable management of living natural resources and land use – including environmentally sustainable agriculture, environmentally sustainable animal husbandry; climate smart farm inputs such as biological crop protection or drip-irrigation; environmentally sustainable fishery and aquaculture, environmentally-sustainable forestry, including afforestation and reforestation, and preservation or restoration of natural landscapes
  - » SDGs: Target12: Responsible consumption and production; Target15: Life on land

#### **Lianhe Green Findings**

This type of project belongs to green agriculture and green forestry, with activities such as soil improvement, land fertility, water and fertiliser conservation, pollution control and remediation by improving the quality of arable land, as well as understorey planting and understorey farming activities. Lianhe Green believes that on the basis of meeting the above conditions, this type of green project can meet the requirements of "4. Ecology and Environment-related sector-4.1 Ecological Agriculture-4.1.1 Conservation of Agricultural Resources-4.1.1.2 The Management of Crop Protection Areas and Protection Zones" and "4. Ecology and Environment-related sector-4.1 Ecological Agriculture-4.1.1 Conservation of Agricultural Resources-4.1.1.6 Comprehensive Rural Land Reform". In addition, on the basis of the standards such as national forest certification, it is possible to simultaneously comply with the "4. Ecology and Environment-related sector-4.2 Ecological Protection and Construction-4.2.2 Supply of Ecological Products-4.2.2.2 Under-forest Economy of Planting and Animal Farming Industry" in the "Green Bond Endorsed Projects Catalogue (2021 Edition)".

## **B. Project Evaluation and Selection Process**

### **Company Materials**

DURC has established an Environmental Working Group to ensure that each Green Facility or equivalent net proceeds will be allocated, directly or indirectly, through project finance or refinancing, to eligible projects that meet the conditions set out for the use of proceeds under the Framework. The Working Group will also be responsible for managing any future updates to the Framework, including additional requirements for the use of funds. The Working Group is comprised of individuals from different functional areas, including:

- » Integrated Management Department
- » Engineering Department
- » Financial Management Department
- » Project Management Department
- » Investment and Development Department

### **Opinion of Lianhe Green**

Lianhe Green has reviewed the Green Finance Framework and other series of documents, comprehensively reviewed DURC's policies on project assessment and screening process.

DURC has established a sound assessment process for the selection and identification of green projects, and at the same time, a sound communication mechanism for project assessment and screening has been established, whereby each participating department submits a list of



potential projects and elaborates on whether or not the nominated projects are in line with the categories of green projects in the Framework.

After the assessment, Lianhe Green considers that DURC has established a relatively complete project assessment and screening system, which meets the requirements of the assessment criteria.

## C. Management of Proceeds

### Company Materials

The company will use internal assessments and criteria to select qualified green projects and will use the proceeds to finance or refinance the projects at an appropriate time.

The net proceeds or equivalent net proceeds from each green financing transaction will be managed by the company's finance team and deposited into a general funds account for the exclusive purpose of financing or refinancing eligible green projects, and the distribution of the proceeds will be followed up by the company's finance team. The company plans to have the proceeds or equivalent of each green financing transaction invested for use in eligible green projects within 2 years.

The company will monitor the net proceeds of all outstanding green transactions, including appropriately tracking the proceeds and adjusting the balance of net proceeds and, if necessary, adjusting the allocation of funds to match the allocation to eligible green projects. Any balance of issue proceeds not yet allocated to eligible green projects will be placed on short-term deposits or other short-term financial products. The company will disclose to investors the unallocated proceeds as well.

### Opinion of Lianhe Green

Lianhe Green has reviewed a series of documents such as the Green Finance Framework and DURC's policies on management of proceeds.

DURC will use the general fund account for the receipt, storage, transfer and repayment of principal and interest of the proceeds, and ensure the smooth operation of the proceeds in terms of investment, application and auditing. The receipt, storage, use, management and supervision of the proceeds will be in strict compliance with the relevant provisions in the Framework and the approval procedures will be carried out. In addition, the company will track and regularly allocate and adjust the balance of the proceeds according to the placement of the green projects, and will track and record and manage the unallocated proceeds.

Upon assessment, Lianhe Green considers that DURC has established a relatively perfect system on management of proceeds, which is in line with the requirements of the assessment criteria.

## D. Reporting

### Company Materials

DURC will make disclosures to investors or lenders (expected to be made annually) about the use





of proceeds from future green bonds / loans, which will include the information set out below:

Allocation Reporting:

- » Share of financing vs. refinancing;
- » Details of each GFI that is outstanding (Aggregate amount of proceeds from each GFI that has been allocated to Eligible Green Projects and geographical distribution);
- » Balance of unallocated proceeds from each GFI and its temporary treatment;
- » A list of Eligible Green Projects to which proceeds from each GFI have been allocated, summary information on such projects, including information necessary to determine alignment with the Eligibility Criteria such as energy performance data (No such disclosure if the purpose of the proceeds is to refinance the project).

Impact Reporting:

DURC will disclose the environmental impacts of qualified green projects. Depending on the availability of data, the disclosure will include, but not be limited to, the information below:

Eligible Green Project Categories	Environmental Impact Indicators
<b>Green Building and Energy Efficiency</b>	<ul style="list-style-type: none"> <li>» Approval of the green building construction plan issued by local authorities</li> <li>» Approval of the green building construction plan issued by local authorities</li> <li>» The area of permeable ground (square metres)</li> <li>» Energy reduction % (including the water and electronic)</li> <li>» Annual greenhouse gas (GHG) Emissions avoided (tonne of CO<sub>2</sub>)</li> <li>» Annual reduction in water consumption (tonne)</li> </ul>
<b>Sustainable Water and Wastewater Management</b>	<ul style="list-style-type: none"> <li>» Water supply network (km)</li> <li>» Amount of wastewater treated (tonne)</li> <li>» Sewage treatment volume (10,000 tonnes/day)</li> <li>» Sewage treatment rate (%)</li> </ul>
<b>Environmentally Sustainable Management of Biological and Natural Resources and Land Use</b>	<ul style="list-style-type: none"> <li>» Increase in area under sustainable forest management (ha)</li> <li>» Number of trees/seedlings/shrubs planted and/or bought from certified forests</li> </ul>

Table 2: Environmental Impact Indicators

### Opinion of Lianhe Green

Lianhe Green has reviewed a series of documents, including the Green Finance Framework and DURC's policy.

DURC will regularly disclose the annual report of green bonds / loans until the proceeds are fully utilised, and the disclosure of the annual report will include the use of the proceeds as well as the environmental benefits of the projects.

After the assessment, Lianhe Green considers that DURC has established a relatively complete information disclosure and reporting system, which meets the requirements of the assessment criteria.

## E. External Review



## Company Materials

DURC will engage an external reviewer to assess the compliance of the Framework with the relevant international and domestic standards and issue a second-party assessment opinion.

### Opinion of Lianhe Green

DURC has engaged Lianhe Green to assess the compliance of this framework with relevant international and domestic standards and to issue a second-party opinion.

Upon assessment, DURC has established a relatively complete management system for external evaluation and meets the requirements of the assessment standards.

## Analysis of Environmental Benefits

### Green Building and Energy Efficiency Projects

The environmental benefits of green building and energy efficiency projects are centred on maximizing the conservation of resources (energy, land, water, materials, etc.), protecting the environment and reducing pollution during the whole life cycle of the building. The projects provide people with a healthy, suitable and efficient use of space and a harmonious coexistence with nature. In terms of energy saving and emission reduction, compared with ordinary buildings, green buildings can use land resources, use a higher proportion of renewable and recyclable materials in the construction process, and take into account the natural conditions of the site and design the building envelope in a rational manner. This type of project further improves efficiency and reduces the energy consumption of building construction operations by enhancing energy efficiency, such as the use of advanced construction technologies and modern systems; and reducing the emission of light pollution from buildings as well as improving the efficiency of the use of light energy. It is conducive to sound insulation, dust reduction and heat preservation in buildings, reducing the cost of use and improving the comfort of the indoor environment of buildings. During the operation period of the projects, energy-saving lamps and lanterns and corresponding intelligent control systems are adopted; lifts are equipped with high-efficiency transformers; energy-using equipment is set up with frequency conversion functions; water supply is allocated according to functions; water-saving drip irrigation is installed, etc.. All these measures directly or indirectly conserve energy and reduce the emission of pollutants and carbon dioxide.

### Sustainable Water and Wastewater Management

With the increasing rate of urbanization in China, the problem of water scarcity in many cities is becoming increasingly prominent. Sustainable water management projects achieve water conservation and water saving through the construction of water supply infrastructures, such as upgrading water supply networks, constructing and installing wastewater treatment works and constructing supporting wastewater collection pipelines, and improving the efficiency of water use. The collection and utilization of rainwater and sewage through the reuse system can reduce the volume of rainwater runoff from urban streets, reduce the possibility of groundwater pollution by sewage discharge, reduce urban drainage pressure and improve water landscaping, while promoting sustainable water recycling, effectively reducing rainwater-sewage merging and improving the efficiency of sewage treatment. In addition, the construction of cofferdams and dredging the river can effectively enhance the flood control capacity, and achieve sustainable regulation of the local water storage capacity. Besides, environmental management of the river and lake could protect and repair the river and lake ecosystems.



## Environmentally Sustainable Management of Biological and Natural Resources and Land Use

Environmentally sustainable management of living natural resources and land use projects belong to the category of green agriculture and green forestry, i.e. through improving the quality of arable land by improving soil, fertilizing the soil, retaining water and fertilizer, and controlling and repairing pollution and other activities, so as to improve soil organic matter and fertility. The comprehensive use of chemical pesticides can achieve a reduction of pesticides and promote under-forest planting and under-forest farming activities. At the same time, forest planting and breeding activities will protect agricultural and forestry resources.

The environmentally sustainable management of biological natural resources and land use category of projects makes full use of natural resources, especially making full use of free, non-polluting and abundant solar energy, and overcoming the double constraints of arable land and water scarcity. By advocating the local processing of agricultural and forestry products, it achieves the multiplication of agricultural by-products and allows for an increase in the added value of high-quality products. Lastly, it makes full use of modern information technology and accurately handles the relationship between human beings, organisms and environmental resources. The development of precision agriculture and forestry, and the protection of ecological resources from over-exploitation are conducive to safeguarding biodiversity as well.

In summary, the eligible projects listed in this framework have significant environmental benefits.



## Appendix

### About Lianhe Green

Lianhe Green Development Company Limited (“Lianhe Green”) was established in 2023 and is a subsidiary of Lianhe Equator Environmental Assessment Co., Ltd. (“Lianhe Equator”) and Lianhe Credit Management Co., Ltd. (“Lianhe Group”). Lianhe Green is a Chinese enterprise registered and headquartered in Hong Kong, mainly responsible for sustainable finance certification business in international markets, ESG reporting and consulting, and ESG training services in mainland China, Hong Kong and abroad.

Lianhe Green aims to become an internationally recognized external verifier for sustainable finance through the cooperation with Liane Equator’s professional and experienced team in this industry. With a belief of “shaping the origin of the earth and sky, and transmitting the civilization of mankind”, Lianhe Green is committed to helping Chinese and foreign enterprises demonstrate their determination in green development, and providing investors with independent and objective third-party certification services. It is our mission to leave green and oceans to our future generations.

### Scope of Analysis

Lianhe Green was engaged by DURC to provide an assessment of the company’s Green Finance Framework. The assessment is to provide a professional second-party opinion of the compliance of the Green Finance Framework and does not provide any financial indicators or judgement on the investment values.

### Responsibilities

#### The Company

DURC’s responsibilities are to accept interviews from Lianhe Green’s analytical team, to provide relevant data and institutional documents for the external review, and to ensure that the data and institutional documents provided are true and effective.

#### External Reviewer

Lianhe Green’s responsibilities are to collect data and documents provided by DURC, review all important data and documents, and issue conclusions. In addition, Lianhe Green will disclose information collected from DURC and relevant parties to demonstrate whether its Green Finance Framework meets the relevant requirements of the above standards.

### Analytical Process

The main aspects of this assessment include the following:

- » Due diligence on the persons in charge of the relevant departments to understand the key matters related to DURC’s policies and processes;
- » Review the Green Finance Framework developed by DURC;
- » Review relevant disclosure reports;
- » Obtain and review appropriate supporting documentation to support key findings.

### Solicitation Status

The Second-Party Opinion was solicited and assigned or maintained by Lianhe Green at the request of the company.

### Disclaimer



A Lianhe Green SPO is an assessment of the green and sustainable financing frameworks of entities. It is not a credit rating.

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