



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

## Pre-issuance Certification | Green Bond

### Report Type

Green Bond Pre-issuance Certification

### Certification Standards

- » Green Bond Principles (GBP) (June 2021 Edition)
- » Green Bond Endorsed Projects Catalogue (2021 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 the disclosure documents of the Green Bond, Green Finance Framework, Second Party Opinions etc. Combined with the due diligence, Lianhe Green has also evaluated the relevant work in use of proceeds, project evaluation and selection process, management of proceeds, and reporting of the company. It is determined that all the proceeds from this Series of the Green Bond are allocated in the green industries, which comply with the relevant requirements of *Green Bond Endorsed Projects Catalogue(2021 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" or "Issuer") 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 the 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 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.

### Introduction to the Green Finance 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.

## Bond Information

DURC intends to issue the "Dujiangyan Urban and Rural Construction Group Co., Ltd. 2023 Offshore RMB Green Bond" with a scale of not exceeding RMB 0.47 billion and a maturity of 3 years (hereinafter referred to as "this Series of the Green Bond"). The proceeds will be used for eligible green projects.

## Certification Findings

### A. Use of Proceeds

The proceeds from this Series of the Green Bond are intended to be used for green projects as set out below:

Eligible green projects	Use of Proceeds
Green Industry Standardized Factory Building and New Building Materials R&D Centre Project	Construction and operation of the projects
Dredging of Baisha River, Longxi River and Bayigou River in Dujiangyan City	
Dujiangyan Characteristic Composite Agricultural Industrial Base Construction Project	

Table 1: Use of Proceeds from this Series of the Green Bond

### B. Project Evaluation and Selection Process

In accordance with the relevant requirements of the certification standards for project evaluation and selection, Lianhe Green reviewed a series of documents such as the Green Financing Framework and, in conjunction with due diligence, comprehensively reviewed the policies of the DURC in respect of the process of project evaluation and selection, and examined the compliance documents of the projects to be financed.

DURC has set up an environmental working group specifically responsible for ensuring that the proceeds raised from this Series of the Green Bond will be directly allocated to eligible green projects. The working group consists of personnel from various departments, including General Management Department, Engineering Department, Financial Management Department, Project Management Department, and Investment and Development Department. The Environmental Working Group discusses and selects the green bond projects in accordance with the domestic



and international green bond standards and other relevant policies on sustainable development, and in conjunction with the company's development strategy and relevant work plans.

DURC has established a sound assessment process for the evaluation and selection of green projects. At the same time, it has set up a sound communication mechanism for project evaluation and selection, whereby each participating department submits a list of potential projects and elaborates on whether or not the project is in line with the standard categories.

## Basic Information of Eligible Green Projects

This Series of the Green Bond involves three green projects, and the basic information of the projects is described below:

### 1) Green Industry Standardized Factory Building and New Building Materials R&D Centre Project

The project produces aggregates that can replace natural sand and gravel by classifying and grading construction waste and river silt. Some of the aggregates will be used as raw materials for the deep processing of green building materials for the production of new building materials in the future; some of them will be sold as commercial aggregates to concrete mixing stations, ready-mixed mortar stations, and backfilling of highway foundations. In addition, the wind-selected powder and soil will be supplied to building materials manufacturers for block production and to the gardening department for greening purposes. The main production facilities of the project include crushing system, screening system, conveying system, road material preparation system, and green building material production system.

The total land area of the first phase of the production line of this project is about 133 acres, and another 120 acres of temporary disposal yard is rented. The main construction contents of this project include the construction of 15,800 square metres of production and business premises, two new construction waste treatment production lines, with a designed maximum treatment capacity of about 5 million square metres/year; and the construction of 120 acres of temporary dissipation landfill. The total investment of this project is 232,473,000 yuan, the construction period is 12 months, and it is expected to be put into production in December 2023.

### 2) Dredging of Baisha River, Longxi River and Bayigou River in Dujiangyan City

This project is located in Longchi Town, Dujiangyan City. Its construction contents include river dredging for a total length of 20.7 km, and excavation of sand and pebbles of about 10 million cubic metres. The total static investment of this project is 716.40 million yuan. Among them: 2.1 kilometres of dredging project in Shenxi Gully, 895,000 cubic metres of sand and pebbles excavation project; 12.5 kilometres of dredging project in Baisha River, 5.325 million cubic metres of sand and pebbles excavation project in Baisha River; 6.1 kilometres of dredging project in Longxigou River, 3.78 million cubic metres of sand and pebbles excavation project.

### 3) Dujiangyan Characteristic Composite Agricultural Industrial Base Construction Project



This project collates 16,000 mu of supplementary arable land index; transfers 65.15 mu of collective construction land, transfers 23,319.09 square metres of collective construction land buildings, upgrades and transforms collective construction land supporting facilities; upgrades 20,000 mu of transferred agricultural land, and the total investment of this project is 136,193,000 yuan. Specifically, this project focuses on paddy field consolidation, dry land consolidation, reclamation of paddy fields, land development and reclamation, irrigation and drainage, canal-building works, field road works and farmland protection and ecological environment restoration works through planning layout and land consolidation.

## Analysis of Green Compliance of Eligible Projects

### Green Industry Standardized Factory Building and New Building Materials R&D Centre Project

#### Green Standard

- » GBP: Pollution prevention and control (including reduction of air emissions, greenhouse gas control, soil remediation, waste prevention, waste reduction, waste recycling and energy/emission-efficient waste to energy); Circular economy adapted products, production technologies and processes (such as the design and introduction of reusable, recyclable and refurbished materials, components and products; circular tools and services); and/or certified eco-efficient products
- » GBEP: 1. Energy Saving and Environmental Protection Industry-1.5 Comprehensive Utilization of Resources-1.5.3 Comprehensive Utilization of Biomass Resources-1.5.3.1 Comprehensive Utilization of Urban and Rural Household Waste
- » SDGs: Target 11: Sustainable Cities and Communities

#### Lianhe Green Findings / Suggestions

As urbanisation continues to accelerate, the amount of urban construction waste is growing rapidly. At present, the construction waste in Dujiangyan City has produced serious consequences, encroaching on a large amount of arable land every year, polluting the environment and creating long-term hazards. At the same time, recyclable construction waste can be recycled and reused to achieve resourceful and reduced treatment. This project's use of construction waste, river silt and rubbish resourcefulness is an important initiative for the sustainable development of a circular economy. It belongs to the recycling of green renewable resources, which is of promotional significance and plays an important role in promoting the development of diversified economy in Dujiangyan.

### Dredging of Baisha River, Longxi River and Bayigou River in Dujiangyan City

#### 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)
- » GBEP: 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

- » SDGs: Target6:Clean Water and Sanitation

### **Lianhe Green Findings / Suggestions**

To develop the city, flood prevention and drainage are of vital importance. This project will clear the river channel, ensure the smooth longitudinal slope of the river, and increase the flooding capacity of the river channel. With flood prevention as the main focus, it can effectively regulate the local runoff of the river, and also affect the groundwater level to achieve sustainable regulation of the local water storage capacity, taking into account the repair of the urban water body and enhancing the comprehensive use of water ecology. In addition, the project adopts measures of governance, restoration and protection in accordance with local conditions to promote the protection of native ecosystems of rivers and the restoration of biodiversity, and to enhance their ecological integrity and sustainability, so as to further promote the restoration of the vegetation of native species and to make rivers and lakes connected in an orderly manner. Besides, the construction of this project is to improve the basic system of flood prevention and drainage, and to promote the needs of urban construction.

## **Dujiangyan Characteristic Composite Agricultural Industrial Base Construction Project**

### **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 or reforestation, and preservation or restoration of natural landscapes)
- » GBEP: 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、4.1.1.6Comprehensive Rural Land Reform
- » SDGs: Target12:Responsible Consumption and Production;Target15:Life on land

### **Lianhe Green Findings / Suggestions**

Through systematic land consolidation, this project can raise the level of intensive land use, improve the layout of rural roads, increase the area of arable land, improve the construction of agricultural infrastructure, enhance the ability of agriculture to withstand natural disasters and the comprehensive production capacity of agriculture, and promote the development of the local economy. At the same time, through scientific and reasonable land consolidation, the project can protect and improve the ecological environment and achieve the unity of economic, social and ecological benefits, increase land consolidation efforts, promote the sustainable use of land resources, realise sustainable use, enhance the strength of agricultural development, and promote the sustained development of agriculture and farmers' income.



Upon certification, Lianhe Green believes that the DURC has established a more comprehensive system of project evaluation and screening system, and the green bond meets the requirements of the certification standards.

### C. Management of Proceeds

In accordance with the relevant requirements of the certification standard on proceeds management, Lianhe Green reviewed the Green Financing Framework and other series of documents of DURC, and combined with the due diligence, comprehensively examined DURC's policy on the management of the proceeds raised from this Series of the Green Bond.

DURC will use the general fund account for the receipt, storage, transfer and repayment of principal and interest of the proceeds of this Series of the Green Bonds to ensure the smooth operation of the proceeds in terms of investment, utilization and auditing. The receipt, storage, use, management and supervision of the proceeds will strictly comply with the relevant provisions of the Framework and fulfill the approval procedures. In addition, during the term of this Series of the Green Bond, the Company will track and regularly allocate and adjust the balance of the proceeds in accordance with the placement of green projects, and will track and record and manage the unallocated proceeds.

As a result of the certification, Lianhe Green believes that the DURC has established a relatively complete proceeds management system, which meets the requirements of the certification standards.

### D. Reporting

In accordance with the relevant requirements on information disclosure and reporting under the certification standards, Lianhe Green reviewed a series of documents such as the Green Financing Framework, and combined with due diligence, comprehensively reviewed the policies of the DURC with respect to information disclosure and reporting of this Series of the Green Bond.

Before the issuance of this Series of the Green Bond, DURC disclosed the relevant contents, including the green industry category of the projects and the environmental benefit targets of the projects. DURC also engaged Lianhe Green to issue pre-issuance certification of this Series of the Green Bond to ensure that all the proceeds are invested in green industry projects.

During the term of this Series of the Green Bond, DURC will regularly disclose its annual report until the proceeds is fully allocated, and the disclosure of the annual report will include the use of proceeds and the environmental benefits of the green projects.

As a result of the certification, Lianhe Green believes that the DURC has established a relatively complete information disclosure and reporting system and has engaged a third-party verifier to



issue certification report for this Series of the Green Bond, which meets the requirements of the certification standards.

## Analysis of Environmental Benefits

### Eligible Green Project: Green Industry Standardized Factory Building and New Building Materials R&D Centre Project

#### Environmental Benefits

The construction scale of this project is 5 million cubic metres/year processing capacity, and two production lines will be built, with matching equipment according to the designed scale. The project can not only effectively reduce the occupation of land and environmental pollution by construction waste and river dredging waste, but also make the "waste" become recyclable resources, fully embodying the circular economy concept of "taking from building materials and using in building materials", which can enhance the level of comprehensive utilization of resources in Dujiangyan and promote the construction of resource-saving society. It can enhance the level of comprehensive utilisation of resources and promote the construction of a resource-saving society.

In addition, the green building material products produced by this project using urban construction waste can be widely used in civil, public and industrial buildings. In the context of low-carbon and green era, this project recycles and produces energy-saving and green building materials, which reduces the waste of resources and noise pollution, and at the same time constantly innovates technology, adopts low-energy green building materials production methods, realises large-scale factory production, and reduces on-site wet work. It also changes the traditional building materials' high-energy consumption, high-pollution, and low-output production methods, which yields the water-saving, energy-saving, material-saving, and environmentally friendly goals. In addition, this project effectively promotes the upstream and downstream development of the green building industry, extends the industrial chain and promotes the low-carbon transformation of the industry.

### Eligible Green Project: Dredging of Baisha River, Longxi River and Bayigou River in Dujiangyan City

#### Environmental Benefits

This project involves the river dredging of a total length of 20.7 km, the excavation of sand and pebbles of about 10 million cubic metres. Among them, 2.1 km of dredging works in Shamxi Gully, 895,000 cubic metres of sand and pebbles excavation works; 12.5 km of dredging works in Baisha River, 5,325,000 cubic metres of sand and pebbles excavation works in Baisha River; 6.1 km of dredging works in Longxi Gully river channel, 3,780,000 cubic metres of sand and pebbles excavation works. The implementation of this project will help improve the water environment of the watershed and increase the self-purification capacity of the water body. With the acceleration of urbanisation on both sides of Baisha River and Longxi River, a large amount of untreated urban



rubbish are directly discharged into the river. The current water quality is getting worse year by year. This project removes the riverbed sediment, reduces the environmental pollution load of the water body, and comprehensively improves the Tuojiang River Basin's environmental quality. The project can also enhance the absorption of pollutants in the water column decomposition of purification capacity and water conservation capacity of the specific role of the important role of the water environment, improve the capacity of the water environment. At the same time, the project improves the human environment and public health. It eliminates the breeding environment of mosquitoes and flies and other disease transmission vectors, protects and improves the living environment of human beings, reduces the incidence of diseases, and is of great significance in promoting people's physical health, improving people's living standards, and realising the sustainable development of the basin's water environment, with significant ecological and environmental benefits.

### Eligible Green Project: Dujiangyan Characteristic Composite Agricultural Industrial Base Construction Project

#### Environmental Benefits

This project has a total of 16,000 mu of collated supplementary arable land index, of which 2,800 mu are new paddy fields, 4,200 mu are new drylands, and 9,000 mu are reclaimed paddy fields (drylands to paddy fields). Meanwhile, 65.15 mu of collective construction land is transferred; 23319.09 square metres of collective construction land buildings are transferred, of which 10264.11 square metres of Tianma Town's assets are built, and 13054.98 square metres of Juyuan Town's assets are built, upgrading and reconstructing the supporting facilities of collective construction land; and 20,000 acres of agricultural land are upgraded and reconstructed. This project, in accordance with the objectives and uses determined by the overall land use plan, adopts administrative and economic, legal and engineering means to adjust and transform the current land use situation, comprehensive remediation focusing on the implementation of unused construction land consolidation, increasing the area of arable land, improving agricultural resilience to natural disasters and the comprehensive production capacity of agriculture, and promoting the sustainable development of agriculture. While improving the ecological environment and farmers' production and living conditions, the project will demolish the old land parcels and sort out the construction land to meet the demand for construction land for urban development. It realises the economical and intensive use of land resources and improves the land utilisation rate. The project promotes the transformation of land resources into land capital, does a good job of land asset operation, maximises the value of land assets, enhances the city image, and promotes the economic construction and urban development of Dujiangyan City.

In summary, the eligible green projects of this Series of Green Bond 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 Equator is the largest green and sustainable bond/loan certification provider in mainland China. Lianhe Green is headquartered in Hong Kong, mainly responsible for green and 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 cooperation with Lianhe 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 sustainable 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 Certification

Lianhe Green was entrusted by DURC to provide independent pre-issuance certification for the issuance of this Series of the Green Bond. This certification is to provide a professional evaluation of the compliance of this Series of the Green Bond, excluding any financial indicators and any value judgments regarding bond investments.

### Responsibilities

#### Issuer

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

#### Certification Institution

Lianhe Green's responsibilities are to collect data and documents provided by DURC. Lianhe Green will 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 this Series of the Green Bond meets the relevant requirements of the above standards.

### Certification Process

The process of this certification mainly includes data collection and review, in the following aspects:

- » Assess the management policies and procedures formulated by DURC regarding this Series of the Green Bond ;
- » Interview the responsible personnel from relevant departments to understand the key matters related to DURC's policies ;
- » Review DURC's Green Finance Framework ;
- » Review the relevant reporting ;
- » Obtain and review the appropriate evidence to support the critical conclusions.



### **Solicitation Status**

The certification report was solicited and assigned or maintained by Lianhe Green at the request of the company.

### **Disclaimer**

A Lianhe Green certification report is a certification of the green bond. It is not a credit rating.

Please note that individuals identified in a certification report are not responsible for the opinions stated therein and are named for contact purposes only. Our report is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of financial instruments and securities.

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