



Zhejiang Xinchang Investment Development Co., Ltd.

Second-Party Opinion | Sustainable Finance Framework

Framework Type

Sustainable

Analytical Standards

- » Green Bond Principles (GBP) (June 2021 Edition)
- » Social Bond Principles (SBP)(June 2023 Edition)
- » Sustainability Bond Guidelines (SBG)(June 2021 Edition)
- » Green Loan Principles (GLP) (February 2023 Edition)
- » Social Loan Principles (SLP)(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 "Sustainable Finance Framework of Zhejiang Xinchang Investment Development Co., Ltd.", and in conjunction with due diligence, assessed the company'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)*, the *Green Bond Principles (GBP) (June 2021 Edition)*, the *Social Loan Principles (SLP)(February 2023 Edition)*, the *Social Bond Principles (SBP)(June 2023 Edition)*, and the *Sustainability Bond Guidelines (SBG)(June 2021 Edition)*. In addition, the eligible green projects listed in this Framework are in line with the *Green Loan Principles (GLP) (February 2023 Edition)*, the *Green Bond Principles (GBP) (June 2021 Edition)*, and the *United Nations Sustainable Development Goals (SDGs)*; the eligible social projects listed in this Framework are in line with the *Social Loan Principles (SLP)(February 2023 Edition)*, the *Social Bond Principles (SBP)(June 2023 Edition)*, and the *United Nations Sustainable Development Goals (SDGs)*.

About the Company

Zhejiang Xinchang Investment Development Co., Ltd. (hereinafter referred to as "ZXID", the "Company", or the "client", together with its subsidiaries, the "Group") is wholly-owned by Xinchang State-owned Assets Supervision and Administration Commission of the State Council ("SASAC") and was established in 2003. The registered address is No. 118, Gushan Middle Road, Chengguan Town, Xinchang County, Shaoxing City, Zhejiang Province, China. The Group's main businesses include (i) land development, (ii) public infrastructure construction, (iii) water supply and sewage treatment and (iv) trading. The Group also expanded its business into other sectors such as transportation, commercial leasing, tourism and food processing.

The Group is committed to ensuring that the social and environmental development benefits from its economic performance.. It aims to continuously fulfil its social responsibility through its development strategy and business model. The Group is also devoted to upgrading the city, serving the public, purifying the environment, maintaining strategic focus, strengthening corporate governance, and becoming the advocate and practitioner of sustainable development.

About the Framework of ZXID

ZXID has prepared the Sustainable Finance Framework for Zhejiang Xinchang Investment Development Co., Ltd. (hereinafter referred to as the "Framework"), which is intended to provide overarching principles and guidelines for all sustainable development financing opportunities for ZXID.



The sustainable bonds or loans issued under the Framework will comply with the International Capital Markets Association's (ICMA's) *Green Bond Principles (GBP) (June 2021 Edition)*, *Social Bond Principles (SBP) (June 2023 Edition)* and *Sustainability Bond Guidelines (SBG) (June 2021 Edition)*, as well as the *Green Loan Principles (GLP) (February 2023 Edition)* and the *Social Loan Principles (SLP) (February 2023 Edition)* published by the Loan Market Association (LMA), the Loan Syndications and Trading Association (LSTA) and the Asia-Pacific Loan Markets Association (APLMA).

This framework addresses the 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 sustainable transaction issued by ZXID 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; the proceeds of the Social Bonds or Loans will be used for Qualified Social Projects as defined in Table 2.

Eligible Green Project Categories	Qualified Green Projects
Green Building and Energy Efficiency	Development, construction, refurbishment, maintenance, operations of buildings (including the factories in the industry park) that meet the following regional, national or internationally recognized: (1)standards for environmental performance (such as "PRC Green Building Evaluation Standard - GB/T50378-2019" or "Evaluation Standard for Green Industrial Building - GB50878-2013", "Design Standard for Energy Conservation of Public Buildings - GB50189-2015"); or (2)certifications ¹ for environmental performance (such as "Chinese Green Building Evaluation Standard: Two-star or Above", or other similar recognized standards)
Sustainable Water Resources and Sewage Management	1. Provide sustainable water sources for domestic use and farmland irrigation 2. Construction and maintenance of sewage treatment stations, supporting facilities and sewage collection pipes; Construction, operation and upgrading of urban and rural sewage treatment and recycling facilities 3.Sponge city for food prevention
Environmentally Sustainable Management of Living Natural Resources and Land Use	1.Urban greening 2.Conservation and restoration of natural ecosystems

¹ if an eligible project falls into such sub-categories, the Company shall obtain the pre-rating certificate in due course, and manage to get an official green building certification by no later than 2 years since the completion of the building construction or other time frame requested by the law and regulations (if any)



Table 1: Qualified Green Projects

Eligible Social Project Categories	Qualified Social Projects
Affordable Housing	Construction and operation of talent apartments: Construction, maintenance, operation and upgrade of talent apartments and supporting living facilities
Affordable Basic Infrastructure	1.Construction of roads connecting urban areas and villages 2.Construction and operation of public transportation systems in urban and rural areas
Employment Generation	1. Building industrial parks to attract companies to settle in 2.Construction of agricultural and sideline products trading and logistics center

Table 2: Qualified Social Projects

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

- 1) Production or trade in of 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, polychlorinated biphenyls (PCBs), wildlife or products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES);
- 2) Production or trade in of weapons and munitions;
- 3) Production or trade in of alcoholic beverages (excluding beer and wine);
- 4) Production or trade in of tobacco;
- 5) Gambling, casinos, and equivalent businesses;
- 6) Production or trade in of radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment with a radioactive source that any international financial companies consider to be insignificant and/or adequately shielded;
- 7) Production or trade in of unbonded asbestos fibres. This does not apply to the purchase and use of bonded asbestos cement sheeting with asbestos content less than 20%;
- 8) Drift net fishing in the marine environment using nets over 2.5 kilometers in length;
- 9) Production or activities involving harmful or exploitative forms of forced labour and child labour;
- 10) Commercial logging operations in pristine rainforests;
- 11) Production or trade in of wood or other forestry products besides those from sustainably managed forests.

Opinion of Lianhe Green

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

Lianhe Green has compared the eligible green projects listed in this framework with the *Green Bond Endorsed Projects Catalogue (2021 Edition)*, *Green Loan Principles (GLP) (February 2023 Edition)*, *Green Bond Principles (GBP) (June 2021 Edition)*, and the *United Nations Sustainable Development Goals (SDGs)* accordingly. Besides, Lianhe Green also has compared the eligible social projects listed in this framework with the *Social Loan Principles(SLP)(February 2023 Edition)*, the *Social Bond Principles(SBP) (June 2023 Edition)*, and the *United Nations Sustainable Development Goals (SDGs)*.

1) Eligible Green Projects: Green Building and Energy Efficiency



Eligible Green Projects

Development, construction, refurbishment, maintenance, operations of buildings (including the factories in the industrial park) that meet the following regional, national or internationally recognized

- 1) standards for environmental performance (such as "PRC Green Building Evaluation Standard - GB/T50378-2019" or "Evaluation standard for green industrial building - GB50878-2013", "Design Standard for Energy Conservation of Public Buildings - GB50189-2015"); or
- 2) certifications for environmental performance (such as "Chinese Green Building Evaluation Standard: two-star or above", or other similar recognised standards).

Green Standards

- » GBP: Green buildings which meet regional, national or internationally recognized standards or certifications for environmental performance
- » GBP: Energy efficiency (such as in new and refurbished buildings, energy storage, district heating, smart grids, appliances and products)
- » GLP: Green buildings which meet regional, national or internationally recognized standards or certifications for environmental performance
- » GLP: Energy efficiency (such as in new and refurbished buildings, energy storage, district heating, smart grids, appliances and products)
- » SDGs: Target9: industry, innovation and infrastructure ; Target11: sustainable cities and communities

Lianhe Green Findings / Suggestions

In 2021, the Xinchang County government published the "Implementation Opinions on Accelerating the Industrialization Development of Green Buildings and New Buildings", emphasizing the continuous development of green buildings. It targets that all new civil buildings within the county's urban development land (except farmers' self-built residences) should achieve Chinese Green Building Evaluation Standard of 1 star. Also, all public buildings invested by the government or mainly invested by the government should be built based on the 2 stars and above requirements and the building materials should comply with the regulations. By 2025, the proportion of green buildings with 2 stars and above in the county will reach more than 15% of all new civil buildings, and the proportion of 3-star buildings will reach more than 4%.

Green buildings are divided into green civil buildings and green industrial buildings. During the design, construction and operation process of such projects, aspects such as safety and durability, health and comfort, convenience of life, resource conservation, and livable environment have been taken into considerations. During the entire life cycle of such buildings, technical measures such as energy saving, material saving, water saving, and land saving will be taken so as to achieve environmental goals such as resource-saving, environmental protection, and pollution reduction. Green civil buildings need to be in line with the *Green Building Evaluation Standards* (GB/T 50378), meanwhile, green industrial buildings need to be in line with the national technical standards such as the *Green Industrial Building Evaluation Standards* (GB/T50878). During the design process, construction plans have to be reviewed or pre-evaluated. Upon construction, a green building evaluation has to be conducted. Lianhe Green is in view that this type of project meets the "5. Sustainable Upgrade of Infrastructure-5.2 Sustainable Buildings-5.2.1 Energy-Saving Buildings and Green Buildings-5.2.1.2 Green Buildings" under the *Green Bond Endorsed*



Projects Catalogue (2021 Edition).

For the renovation of existing buildings projects, such projects include:

- 1) buildings which have not obtained green building certification before nor after renovation, but the relevant technical indicators of the buildings after renovation meet the relevant national or local requirements for energy-saving renovation activities of existing buildings and energy-saving renovation activities of building energy systems, such as *the Standard for Energy-Saving in Public Buildings (GB 50189)* and *the Standard for the Evaluation of Green Retrofit of Existing Buildings (GBT 51141)* and so on;
- 2) renovation, operation and purchase of existing buildings equipped with relevant national green building star labels within the validity period;
- 3) renovation, operation and purchase of existing buildings equipped with relevant national green building star labels within the validity period after renovation.

Lianhe Green is in view that this type of project meets the "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 Environmental-friendly Renovation of Existing Buildings" under the *Green Bond Endorsed Projects Catalogue (2021 Edition)*.

2) Eligible Green Projects: Sustainable Water Resources and Sewage Management

Eligible Green Projects

- 1) Provide sustainable water sources for domestic use and farmland irrigation
- 2) Construction and maintenance of sewage treatment stations, supporting facilities and sewage collection pipes ; Construction, operation and upgrading of urban and rural sewage treatment and recycling facilities
- 3) Sponge city for food prevention

Green Standards

- » 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: Target6: Clean Water and Sanitation

Lianhe Green Findings / Suggestions

In 2023, the Xinchang County government published the "*Xinchang County Water Resources Conservation, Protection and Utilization Master Plan*", listing the overall layout and implementation plan for effective water conservation, rational development, efficient utilization, optimized allocation, active protection and comprehensive management.

Xinchang currently uses Changzhao Reservoir as its main supply source for water and Qincun Reservoir as the emergency water source. Both Reservoirs are jointly managed so as to improve the availability of high-quality water sources for daily life. In the long term, the government plans



to introduce the Jingling Reservoir as another water source for urban water supply, which can further ease the water supply pressure of Changzhao Reservoir. With the reinforcement of reservoirs and river dredging management, the water storage functions of ponds, dams and rivers will be further improved, further enhancing the capability of water supply. In addition, in response to water resource protection issues, in the future, Xinchang County will strengthen flow control for large reservoirs and key river sections, strengthen measures to protect drinking water sources at or above the county level and in rural areas, and strengthen groundwater protection, supervision and pollution prevention.

Lianhe Green is in view that this type of project meets the "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", the "4. Ecology and Environment-related sector-4.2 Ecological Protection and Construction-4.2.1 Conservation and restoration of natural ecosystems-4.2.1.6 Protection and Restoration of Rivers, Lakes and Wetlands", the "4. Ecology and Environment-related sector-4.2 Ecological Protection and Construction-4.2.1 Conservation and restoration of natural ecosystems-4.2.1.11 Drought and Flood Management for Water-Related Ecosystem" and the "5. Sustainable Upgrade of Infrastructure-5.4 Water Saving and Non-conventional Water Resources-5.4.1 Water Saving-5.4.1.1 Construction and Operation of Leakage Control in District Measurement under Urban Water Supply Pipeline Network" of the *Green Bond Endorsed Projects Catalogue (2021 Edition)*.

In terms of sewage treatment, the Zhejiang Province government published the *"Notice on the Action Plan for Strengthening the Foundation and Enhancing Efficiency and Double-Improving Standards (2021-2025) for Rural Domestic Sewage Treatment in Zhejiang Province"*. Xinchang county published the *"Construction, Operation and Maintenance of Urban and Rural Sewage Treatment Facilities in Xinchang County Management Measures (Trial)"*, the *"Xinchang County Urban Drainage Management Measures"*, the *"Xinchang County Rural Domestic Sewage Treatment Facilities Operation and Maintenance Implementation Plan"* and other laws, regulations and normative documents. Currently, the rural sewage treatment discharge standards in Xinchang county follow the *"Rural Domestic Sewage Treatment Facilities Wastewater Discharge Standard" (DB33/T1196-2020)*; and the urban sewage treatment discharge standards follow the *"Urban Wastewater Treatment Plant Main Water Pollutant Discharge Standards" (DB33/ 2169-2018)*. These local standards stipulate the control requirements for four pollutants, namely COD_{cr}, NH₃-N, TP and TN. The remaining requirements for other pollutants are still in accordance with the Level A standard for the national *"Pollutant Discharge Standard for Urban Sewage Treatment Plants" (GB18918-2002)*.

Lianhe Green is in view that this type of project meets the "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", the "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", and the "5. Sustainable Upgrade of Infrastructure-5.3 Pollution Prevention-5.3.1 Urban Environmental Infrastructure-5.3.1.3 Inspection, Upgrade, Construction and Renovation of Urban Sewage Collection System" under the *Green Bond Endorsed Projects Catalogue (2021 Edition)*.

In the sponge city construction, Zhejiang comprehensively promote the plan of "sponge city" construction, engineering and construction of *"Sponge City Construction Regional Assessment Standards"*. Xinchang County issued a call for *"Xinchang County Systematic Territory-Wide Promotion Of Sponge City Construction Implementation Programme (Draft)"*. Its urban water management strategy began to change from "engineering measures" to "ecological measures". By carrying out the pilot construction of sponge city and comprehensively adopting the measures, the natural accumulation, natural infiltration and natural purification of rainwater in



urban areas can be realised to the maximum extent. In addition, sponge city construction can help modern cities achieve the governance effect of no waterlogging in light rain, no flooding in heavy rain, no black odour in water bodies, and heat island mitigation.

Lianhe Green is in view that this type of project meets the "5. Sustainable Upgrade of Infrastructure-5.4 Water Saving and Non-conventional Water Resources-5.4.2 "Sponge" City for Flood Prevention-5.4.2.1 Construction and Operation of Sponge Buildings and Communities/5.4.2.2 Construction and Operation of Sponge Roads and Squares/5.4.2.3 Construction and Operation of Sponge Parks and Greenspace" under the *Green Bond Endorsed Projects Catalogue (2021 Edition)*.

3) Eligible Green Projects: Environmentally Sustainable Management of Living Natural Resources and Land Use

Eligible Green Projects

- 1) Urban greening
- 2) Conservation and restoration of natural ecosystems

Green Standards

- » 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)
- » 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 or reforestation, and preservation or restoration of natural landscapes)
- » SDGs: Target 11: Sustainable Cities and Communities

Lianhe Green Findings / Suggestions

From the urban greening aspect, in 2018, the National Forestation Commission and the National Forestry and Grassland Administration published "*Opinions on Actively Promoting Large-Scale Land Greening Actions*" (全绿字 [2018] No. 5), suggesting the steady advancement of urban greening. With the aim to build forest cities, garden cities, and greening model cities, the Opinion promotes the construction of various city parks and other green spaces such as urban forests, suburban greenways, green belts around the city, and the expansion of the green land area, thus continuously improving the city scenery. In addition, it suggests to accelerating the construction of national forest cities and forest city groups, steadily increasing the green space area per capita, increasing the total amount of urban green space, and hence building a stable urban forest ecosystem.

Xinchang County currently has 1.23 million acres of forestry land, with an existing forest stock of 4.67 million m³. The forest coverage rate of the city has remained above 66.5% for many consecutive years, the urban green space area has exceeded 1,357.27 hectares, and the green space rate has reached 40.76%. In addition, the "*Xinchang County National Forest City*" has



published the "Construction Master Plan (2017-2026)", with the aims to increase the green area and total forest area, introduce forests into the city, and improve the greening quality and city scenery of parks, communities, and roads.

Lianhe Green is in view that this type of project meets the "5. Sustainable Upgrade of Infrastructure-5.6 Ecological Protection and Construction-5.6.1 Urban Ecological Protection and Construction-5.6.1.1 Construction, Maintenance and Operation of Parklands/5.6.1.2 Construction, Maintenance and Operation of Greenway Systems/5.6.1.3 Construction, Maintenance and Operation of Green Space Attachments/5.6.1.4 Construction and Maintenance of Road Greening/5.6.1.5 Construction, Maintenance and Operation of Regional Greenspace" under the *Green Bond Endorsed Projects Catalogue (2021 Edition)*.

With conservation and restoration of natural ecosystems, the Department of Ecology and Environment of Zhejiang Province has issued a circular entitled *14th Five-Year Plan for Ecological Environmental Protection in Zhejiang Province*, which clearly emphasises the need to strengthen the protection and restoration of important ecosystems. Taking the construction of Zhejiang's forest as a carrier, we will vigorously carry out the construction of "Six Forests Plan" in mountains, slopes, cities, villages, passages and coasts. Zhejiang Province plans to accelerate the construction of provincial ecological security pattern with nature reserves as the basic skeleton and important nodes, and complete the integration and optimisation of all nature reserves and boundary survey and marking by 2025.

As one of the first national ecological civilisation construction demonstration counties, Xinchang County adheres to the strategy of "Ecological Development of the County", attaches great importance to ecological civilisation construction, and continuously promotes the synergistic development of economy, politics, culture, society and ecological civilisation construction. At the same time, Xinchang County has changed its development idea, carried out eco-tourism and supporting infrastructure construction, and developed the natural ecosystem for the purpose of protection. Xinchang County actively transforms good local ecological resources and tourism products into economic benefits.

Lianhe Green is in view that this type of project meets the "4. Ecology and Environment-related sector-4.2 Ecological Protection and Construction-4.2.1 Conservation and Restoration of Natural Ecosystems-4.2.1.3 Construction and Operation of Nature Reserves;4. Ecology and Environment-related sector-4.2 Ecological Protection and Construction-4.2.2 Supply of Ecological Products-4.2.2.5 Protective Operation of National Parks, World's Heritages, National Scenic Spots and Historic Interest Areas, National Forest Parks, National Geo-Parks, and National Wetland Parks" under the *Green Bond Endorsed Projects Catalogue (2021 Edition)*.

1) Eligible Social Projects: Affordable Housing

Eligible Social Projects

- 1) Construction and operation of talent apartments
- 2) Construction and maintenance of sewage treatment stations, supporting facilities and sewage collection pipes

Green Standards

- » SBP: Affordable housing
- » SLP: Affordable housing
- » SDGs: Target1: No Poverty; Target10: Reduced Inequality; Target11: Sustainable Cities



and Communities

Lianhe Green Findings / Suggestions

Apartments for talents are rental apartments specially provided for high-end talents, so as to provide short-term rental and transitional housing for them to work or start a business in a certain place. Solving the housing difficulties of young talents is a social project. Young adults are in the early stages of life and face various pressures such as career planning and family issues, and housing problems. In response to this, many policies have been introduced at the national and local levels in recent years, such as:

In 2021, the Zhejiang Province government published the *"Guiding Opinions on Accelerating the Development of Affordable Rental Housing"*, aiming that by 2035, housing will return to its residential nature, supply and demand will achieve a dynamic balance, the system to afford a house will mature and finalize, and modernization of housing will be basically achieved. Affordable rental housing is mainly for new citizens and the young generation in urban areas who do not have housing, especially those engaged in basic public services and other minority groups.

In 2023, the National Development and Reform Commission published the *"Measures on Restoring and Expanding Consumption"*, pointing out that it is important to improve people's livelihood, by improving the fundamental system and supporting policies for affordable housing, expanding the supply of affordable rental housing, and solving the housing problems for new citizens, young people and other groups with housing difficulties.

Lianhe Green is in view that this type of project can increase the number of affordable housing and apartments provided for low-income juveniles. It is also an urgent need for China's real estate industry and social and economic development. Not only can it meet the housing needs of young people, but it can also promote sustainable economic and social development.

2) Eligible Social Projects: Affordable Basic Infrastructure

Eligible Social Projects

- 1) Construction of roads connecting urban areas and villages
- 2) Construction and operation of public transportation systems in urban and rural areas

Social Standards

- » SBP: Affordable basic infrastructure (e.g. clean drinking water, sewers, sanitation, transport, energy)
- » SLP: Affordable basic infrastructure (e.g. clean drinking water, sewers, sanitation, transport, energy, basic telecommunications)
- » SDGs: Target9: Industry, Innovation and Infrastructure

Lianhe Green Findings / Suggestions

As a county full of mountains, Xinchang County has a high proportion of rural area and rural area population. In recent years, Xinchang County has proactively promoted the upgrade and reconstruction of rural roads and has vastly expanded highway infrastructure construction. The government also promotes the construction of express logistics, accelerating the project of "express delivery into villages", and accelerating the efficient operation of rural transportation



network through urban and rural buses and other public transportation, in order to achieve equalization of urban and rural express delivery services. In 2022, the "14th Five-Year Plan for Urban Organic Renewal and Infrastructure Construction in Xinchang County" was published, which announced some binding and expected goals for improving rural water, electricity, roads, gas and other infrastructure.

At the national level, the "Opinions of the Central Committee of the Communist Party of China and the State Council on Comprehensively Promoting Rural Revitalization and Accelerating Agricultural and Rural Modernization" proposed to strengthen the construction of rural public infrastructure and implement smooth rural road projects. It aims to implement hardened roads in natural villages with large population in an orderly manner, strengthen the construction of rural resource roads, industrial roads, tourist roads and main roads in villages, and promote rural road construction projects to be more oriented towards villages and households.

Lianhe Green is in view that this type of project focuses on rural residents and residents without basic living standards. The implementation of such projects can improve the convenience and environmental friendliness of public transportation in rural areas. In addition, as traffic conditions and safety guarantees are greatly improved, it can provide great convenience for villagers along the route.

3) Eligible Social Projects: Employment Generation

Eligible Social Projects

- 1) Building industrial parks to attract companies to settle in
- 2) Construction of agricultural and sideline products trading and logistics center

Social Standards

- » SBP: Employment generation and programmes designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, climate transition projects and/or other considerations for a "just transition" (such provision and/or promotion could include SME financing and microfinance)
- » SLP: Employment generation, and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic inequality, including through the potential effect of small and medium enterprise financing and microfinance
- » SDGs: Target8: Decent Work and Economic Growth

Lianhe Green Findings / Suggestions

The Shaoxing city government published the "Implementation Plan for the Creation of Shaoxing Public Employment and Entrepreneurship Service Demonstration City" in 2023. The plan proposes actions to stabilize and expand the job market, expand the scale of market entity clusters, and accelerate the cultivation of national and provincial enterprises. It also states to improve the public employment service system and comprehensively improve the quality and efficiency of public employment services.

In 2022, 7,235 new jobs were created in Xinchang County, and the registered urban unemployment rate is under 3%. Lianhe Green believes that through the implementation of such projects in the future, it can effectively solve common issues in rural areas such as low income, high unemployment, few talents returning to hometowns, and low utilization rate. In addition,



through introducing more products and services in the county, Xinchang County will attract more talents, and expand job markets and business environment to achieve common prosperity.

B. Project Evaluation and Selection Process

Company Materials

The Group has established a sustainability project working group ("SPWG"), which is dedicated to ensuring that the proceeds from each sustainable financing tool ("SFT") or an equivalent amount will be allocated to eligible projects under the Framework. The SPWG will also be responsible for managing any future updates of the Framework, including any expansion of requirements for the use of proceeds. The SPWG includes employees from various functions, including:

- » Financing Department
- » Investment Development Department
- » General Office

SPWG will convene at least once every 12 months to discuss and select ESPs. Then, SPWG will evaluate each project based on its feasibility report. The shortlisted projects will be presented to the Group's board of directors for approval. After receiving the assessment and approval from the board, the selected projects will become eligible sustainable projects ("ESPs").

Opinion of Lianhe Green

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

ZXID has established a sound assessment process for the selection and identification of green and social projects, and at the same time, a sound communication system 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 and social projects under the Framework. SPWG will be responsible for the review and approval of potential green and social projects.

After the assessment, Lianhe Green considers that ZXID 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 Group intends to allocate an amount equal to the net proceeds over time to finance or refinance the ESPs, which are selected according to the Eligibility Criteria, with the evaluation and selection process outlined above.



The net proceeds from each SFT will be managed by the Group's finance team and the proceeds from each SFT will be deposited in general funding accounts and be earmarked for the ESPs. The Group will maintain a register ledger to keep track of the use of proceeds for each SFT.

Before the proceeds are allocated to the ESPs, the Financing Department must apply for approval and submit plans for proceed usage. The deputy general manager in charge of finance will review and approve the application, after which the proceeds will be allocated by the Financing Department of the Group.

The Group will monitor the net proceeds of all outstanding SFTs, which includes appropriately tracking the proceeds and adjusting the balance of net proceeds to match allocations to the ESPs. Any remaining balance of proceeds that are not yet allocated to the ESPs will be held for short-term deposits. The Group will disclose to investors about the types of temporary placement of unallocated proceeds. The Group commits not to invest unallocated proceeds in any high pollution activities or any projects that violate the eligibility criteria under the Framework.

During the term of the SFTs issued, if the designated ESPs cease to fulfil the Eligibility Criteria, the net proceeds or an amount equal to these net proceeds will be reallocated to the replacement ESPs that comply with the Eligibility Criteria, as soon as reasonably practicable. The Group strives to maintain a total investment amount to ESPs at least equal to the total net proceeds of all SFTs outstanding.

Additionally, if the investment of proceeds changes, the changes must be reviewed and approved by the Group's board of directors. The changes can only be made after the bondholders' meeting and the related consent is obtained. After that, the proceeds will still be used for the ESPs.

If there is any change in the use of proceeds, the Group will timely disclose the interim report to the market through the channels approved by the regulatory authorities. The interim report will include, but not limited to, the progress of the fund-raising projects, the reasons for changes and the adjusted investment plan of the proceeds.

Opinion of Lianhe Green

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

ZXID will use the general fund account for the receipt, storage, transfer and repayment of principal and interest of the proceeds, and ensure the smooth management 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 establish a green financing trust register ledger to record the management of proceeds.

In addition, during the horizon of existing green bonds/loans and the social bonds/loans, the company will track and regularly allocate and adjust the balance of the proceeds according to the status of the green and social projects, and will track and record and manage the unused proceeds.

Upon assessment, Lianhe Green considers that ZXID 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

ZXID will make disclosures to investors or lenders (at least annually) about the use of proceeds from future green bonds/loans and social bonds/loans, which will include the information set out below:

Allocation Reporting:

- » the proportion of net proceeds allocated to financing and refinancing;
- » the proportion of net proceeds allocated to the sustainable project categories covered by the Framework (not required if the use of proceeds is for refinancing);
- » the balance of the unallocated proceeds from each SFT and temporary placement thereof

Impact Reporting:

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

Eligible Project Categories	Impact Indicators
Green Building and Energy Efficiency	<ul style="list-style-type: none"> • Level of certification by building • Approval of the green building construction plan issued by local authorities • The amount of green building constructed • The area of water-saving irrigation and water-saving appliances (m²) • The area of permeable ground (m²) • energy reduction % (including the water and electronic)
Sustainable Water Resources and Sewage Management	<ul style="list-style-type: none"> • Water supply network (km) • Length of inspected sewer lines (m) • Amount of wastewater treated (tonne) • Sewage treatment volume (10,000 tons/day) • Sewage treatment rate (%) • Area of sponge city-related facilities(m²)
Environmentally Sustainable Management of Living Natural Resources and Land Use	<ul style="list-style-type: none"> • Annual area of land greening, landscape protection or restoration (km²), eco-tourism area etc and percentage of increased urban afforestation area (%)
Affordable Housing	<ul style="list-style-type: none"> • Number of talent apartments (m²) • Number of beneficiary target population
Affordable Basic Infrastructure	<ul style="list-style-type: none"> • The length of the road constructed (km) • Number of villages connected • Number of people living in underdeveloped areas benefited • Number of people provided with basic service
Employment Generation	<ul style="list-style-type: none"> • Number of new jobs

Table 3: Impact Indicators



Opinion of Lianhe Green

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

ZXID will regularly disclose the annual report of green bonds/loans and social bonds/loans until the proceeds come to maturity.

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

E. External Review

Company Materials

ZXID will engage an independent assessment and certification body 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

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

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

Analysis of Environmental Benefits and Social Benefits

Eligible Green Project: Green Building and Energy Efficiency

Environmental Benefits

Green building is a new type of building that does not destroy the basic ecological balance conditions of the environment during the construction period, and consumes significantly less material and energy than traditional buildings during the operation period, which can also be called sustainable building, ecological building, back to nature building, energy-saving and environmentally friendly building and so on.

Compared with ordinary buildings, green buildings can use land resources more efficiently and provide relatively more centralized public service facilities, use a higher proportion of renewable and recyclable materials in the construction process, give fuller consideration to the natural conditions of the site, and set up air-cooling systems according to the principle of natural ventilation, so that the green building can effectively make use of the dominant wind direction in summer; reasonably design the building envelope, using energy-saving lighting and configure corresponding intelligent control systems during operation. Elevators are equipped with high-efficiency transformers, and energy-using equipment can be equipped with variable frequency functions.



Besides, water supply uses water-saving sanitary ware according to functional and regional distribution, and designs rainwater and sewage drainage, and energy-saving control systems. This type of projects uses a reasonable design of building envelope, energy-saving lamps and lanterns in the operation process, and an intelligent control system. In addition, lifts equipped with high-efficiency transformers, and energy-using equipment can be set up with frequency conversion; water supply in accordance with the function and regional distribution of water-saving sanitary ware, design of rainwater and sewage diversion, water-saving drip irrigation, and the adoption of water recycling technology, and so on. All these measures directly or indirectly save energy consumption and reduce pollutants and carbon dioxide emissions.

The relevant technical indicators of buildings that have undergone energy-saving renovation shall meet the relevant national or local requirements for energy conservation and environmental-friendly renovation of existing buildings. Such projects are conducive to reducing energy consumption, saving energy, and alleviating the shortage of energy demand; and can also contribute to sound insulation, dust reduction, and thermal insulation of buildings, thus reducing usage costs, and improving the comfort of the building's indoor environment. Moreover, the green lighting technology used during renovation is also conducive to reducing greenhouse gas emissions, mitigating air pollution and improving environmental quality.

Eligible Green Project: Sustainable Water Resources and Sewage Management

Environmental Benefits

With the development of the economy, the urban population continues to increase, and the level of urbanization continues to improve. The shortage of water in many cities has become increasingly prominent. Sustainable water resources and wastewater management projects can improve water utilization efficiency, and can also protect water resources and save water through the construction of water supply infrastructure, such as inspected sewer lines, wastewater treatment projects, and supporting sewage collection pipe networks. Meanwhile, it can promote sustainable water circulation, effectively reducing the combined flow of rainwater and sewage, improving sewage treatment efficiency, and improving the supply of high-quality water sources for daily life. In addition, through the construction of infrastructure such as reservoirs, local river runoff can be effectively regulated, enhancing flood control capabilities, providing sufficient irrigation water sources for downstream agricultural reclamation areas, which is conducive to the growth of crops in the area, and the sustainable development of local agriculture.

Through the construction of sponge city, it can adopt the means of green roof, permeable ground, micro-terrain, rain garden, rainfall pipe disconnection, rainwater storage and collection and utilisation according to the local conditions, to regulate the urban surface runoff and improve the rainwater infiltration rate, to alleviate the urban flooding, and to replenish the groundwater. Secondly, sponge city can also play a role in alleviating the urban heat island effect, rain island effect. Repair and management of urban ecological environment, build a green, healthy and harmonious ecological system. In addition, sponge city construction means of permeable paving, rain gardens, green roofs and other technical means, but also increase the aesthetic degree of the city, improve urban taste.

Eligible Green Project: Environmentally Sustainable Management of Natural Resources and Land Use

Environmental Benefits



As the key player in the ecosystem, green plants have the natural physiological function of carbon sequestration and oxygen release. This process plays an important role in the natural circulation and energy flow process. Specifically, this type of green project can absorb the city's heat, block sunlight, block solar radiation and increase humidity by planting green plants, which is useful for the local microclimate adjustment in the city and mitigating the heat island effect. At the same time, regular maintenance of trees and green spaces will help improve the firmness of the soil around the entangled roots of green plants, conserve water sources, reduce the risk of soil loss due to precipitation, preserve soil fertility, and prevent soil erosion and siltation. In the event of heavy rain, green plants can also weaken wind speed, thereby indirectly reducing the frequency of natural disasters and reducing casualties against the rain.

The protection of natural scenic areas allows for the development of eco-tourism, leisure and recreation, and speciality farming without destroying surface vegetation or affecting the protection of biodiversity. This type of project is conducive to giving full play to the functions of scientific investigation and environmental education in nature reserves, and eco-tourism plays a positive role in popularising scientific knowledge and promoting ecological culture. At the same time, this type of project has a positive effect on changing the public's holiday mode and raising people's awareness of natural ecological protection, and promotes the coordinated development of ecological protection and economic benefits in nature reserves.

Eligible Social Project: Affordable Housing

Social Benefits

The affordable housing built in this type of project is mainly to provide housing for young adults, and is a type of social project that helps young adults alleviate their housing difficulties. The construction of such talent apartments will help improve the living conditions of low-income young people, and is conducive to the construction of new young communities with environment, health and a sense of belonging. In addition, accelerating the construction of affordable housing will have a strong driving effect on related industries, and promote the development of the supply chain industries of such projects. At the same time, it can nurture favorable conditions for future consumption. While focusing on reducing and controlling construction costs, this project is of great significance to improving people's livelihoods and promoting social harmony and stability.

Moreover, compared with traditional cars, buses have relatively low energy consumption per unit of transport workload, with the advantages of high efficiency, low consumption and low pollution. Promoting the development of urban and rural public transport can lead to the rapid development of a large number of related industries, which in turn can promote the transformation of the development mode of the whole economy and promote the green and sustainable development of the national economy. At the same time, public transport, as a public product led by the government, has a larger transport capacity and higher comfort and safety. In the current context of more cars and fewer roads, the construction and operation of urban and rural public transport systems can effectively ease traffic congestion and reduce the overall cost of transport time, helping to create good travel conditions for residents to achieve the optimal integrated effect of social, economic and environmental development. The development of public transport in suburban areas will also achieve urban mobility development and expand the space for public transport development.

Eligible Social Project: Affordable Fundamental Infrastructure

Social Benefits



By building roads that connect urban areas and villages, this type of project brings convenience to residents and corporate employees along the routes. The construction of urban and rural roads strengthens the connection between urban and rural areas, facilitating the input and output of products and services, and is conducive to the business expansion of nearby enterprises. At the same time, this type of project can help farmers better adapt to market demand, adjusting the farming industry and product structure, and facilitating the circulation of agricultural products, hence improving comprehensive agricultural benefits. In addition, it can also gather villages and enterprises to form small towns and promote commodity circulation, which can boost rural production and improve the living standards of rural area population. The construction of urban-rural roads can also effectively improve the traffic conditions in surrounding areas, encouraging the investment environment in the project area, and promoting land development and utilization and industrial upgrading along the project line.

Eligible Social Project: Creating Employment Opportunities

Social Benefits

Through the construction of industrial parks, this type of project attracts enterprises to settle in, thus forming industrial chains, creating the effect of talent accumulation. It solves the problems of high land cost and recruitment issues for enterprises, which can further promote healthy and sustainable development of enterprises. In addition, through the construction of agricultural and sideline products trading centers, it provides jobs for the unemployed and effectively solves the problems in rural areas such as low income, unemployment, few talents returning home, and low utilization rate. Such projects solve the issue of an under-utilized labour force in rural areas, and can help them integrate into the city society, increasing their income, and improving social stability and harmony.

In summary, the eligible green projects listed in this framework have significant environmental benefits, and the eligible social projects listed in this framework have significant social 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. As an external reviewer recognised under the Hong Kong Monetary Authority's Green and Sustainable Finance Grant Scheme, Lianhe Green is headquartered in Hong Kong, mainly responsible for green and sustainable finance certification business in international markets, ESG reporting and consulting, ESG training services, and assist in operating carbon market-related businesses within and outside China.

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 goal 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 Analysis

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

Responsibilities

The Company

ZXID's responsibilities are to accept the interviews from Lianhe Green's analytical team, to provide relevant data and institutional documents for the analysis, 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 ZXID. Lianhe Green will review all important data and documents, and issue conclusions. In addition, Lianhe Green will disclose information collected from ZXID and relevant parties to demonstrate whether its Sustainable 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 ZXID's policies and processes;
- » Review the Sustainable Finance Framework developed by ZXID;
- » 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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