



# Dongyang State-owned Assets Investment 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

22<sup>th</sup> January 2024

### Contacts

Joyce Chi, CESGA®  
Acting Chief Executive Officer  
+852 3462 9569  
[joyce.chi@lianhegreen.com](mailto:joyce.chi@lianhegreen.com)

Shingas Cheung, CESGA®  
Associate  
+852 3462 9581  
[shingas.cheung@lianhegreen.com](mailto:shingas.cheung@lianhegreen.com)

## Summary

Lianhe Green has reviewed a series of documents including the "Green Finance Framework of Dongyang State-owned Assets Investment 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)* and the *Green Bond Principles (GBP) (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)*.

## About the Company

Dongyang State-owned Assets Investment Co., Ltd. (hereinafter referred to as "DSAI", the "Company", or the "client", together with its subsidiaries, the "Group") was established in January 2003, with its registered address at Room 429, No. 8 People's North Road, Mingtian Community, Jiangbei Street, Dongyang City, Jinhua City, Zhejiang Province, China. It serves as the financing and investment entity for major infrastructure construction in Dongyang City. As of now, the registered capital of the company is RMB 250 million, with Dongyang State-owned Assets Supervision and Administration Commission ("SASAC") holding 90% of the equity, and Zhejiang Financial Development Co., Ltd. holding the remaining 10%. The company mainly engages in corporate management, supply chain management services, and municipal facility management.

The company adheres to environmental protection as a core value, emphasizing the risk assessment of social and environmental impacts by its business projects and focusing on the integration of the green development philosophy into the design, construction, operation, and management of green projects. Additionally, the company promotes innovative development in green architecture, green technology, and green industries, facilitating the green transformation of key industries and sectors. It aims to steadily construct Dongyang City's eco-friendly economy, achieving green economic growth and continuously enhancing green competitiveness and reputation.

## About the Framework of DSAI

DSAI has prepared the Green Finance Framework for Dongyang State-owned Assets Investment Co., Ltd. (hereinafter referred to as the "Framework"), which is intended to provide overarching principles and guidelines for all green development financing opportunities for DSAI.

The green 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)*, and the *Green Loan Principles (GLP) (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 green transaction issued by DSAI 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
<b>Circular Economy Products, Production Technology and Process</b>	<ul style="list-style-type: none"> <li>» Promote sustainable material procurement and circular economy, recycle used building materials in projects under construction or planning, reduce energy, water and raw material consumption in the construction process of factories and production lines</li> <li>» Using highly efficient and energy-saving technologies and equipment to deal with wastes generated in the construction process of projects, so as to reduce environmental pollution and resource waste, promote the development of comprehensive utilization of resources, and realize circular economy</li> </ul>
<b>Sustainable Water and Wastewater Management</b>	<ul style="list-style-type: none"> <li>» Reducing water pollution, improving the water landscape and protecting water resources through the implementation of sewage/water treatment projects</li> <li>» Improvement of the water environment in the watershed, reduction of water pollution, and saving water resources used for greening and road sprinkling</li> </ul>
<b>Environmentally Sustainable Management of Biological and Land Resources</b>	<ul style="list-style-type: none"> <li>» Forming an efficient, intensive, scientific and sustainable national reserve forest base through afforestation and improvement of infrastructure, such as intensive cultivation of plantations, transformation of existing forests and tending of young and medium-sized forests</li> <li>» Protection activities of forest resource, such as forest construction, conservation and renewal</li> <li>» Sustainable forestry projects that comply with the <i>National Reserve Forest Construction Plan (2018-2035)</i>, the <i>Forest Law of the People's Republic of China</i> and other relevant laws and regulations</li> </ul>

Table 1: Qualified Green Projects

Meanwhile, DSAI 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 DSAI's policy.

Lianhe Green compared the green project categories 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)* respectively and the projects' compliance with the green criteria is detailed in below.

### 1) Green Project Categories: Circular Economy Products, Production Technology and Process

#### Eligible Green Projects

Promote sustainable material procurement and circular economy, recycle used building materials in projects under construction or planning, reduce energy, water and raw material consumption in the construction process of factories and production lines.

Using highly efficient and energy-saving technologies and equipment to deal with wastes generated in the construction process of projects, so as to reduce environmental pollution and resource waste, promote the development of comprehensive utilization of resources, and realize circular economy.

#### Green Standard

- » GBP: Pollution prevention and control (including emission reduction, greenhouse gas control, soil remediation, waste prevention and reduction, waste recycling, energy supply from efficient or low-emission waste); Circular economy products, production technologies and processes (e.g. design and promotion of reusable, recyclable and refurbished materials, components and products, circular tools and services) and/or certified eco-efficient products.
- » GLP: Pollution prevention and control - including emissions reduction, greenhouse gas control, soil remediation, waste prevention and reduction, waste recycling, and high energy efficiency/low emissions waste-to-energy; Products, production technologies and processes that achieve high ecological efficiency and/or circular economy - for example, the development and launch of environmentally sustainable products, labelled or certified as eco-labels, and resource-saving packaging and distribution.
- » SDGs: Target11 : sustainable cities and communities

#### Lianhe Green Findings

With the continuous acceleration of the urbanization, the amount of urban construction waste



generation and treatment is also growing rapidly. At present, China's construction waste causes a serious negative impact in communities, occupying a lot of arable land every year, polluting the environment, and forming long-term harm. In response to the above problems, Zhejiang Province issued the "Regulations on the Prevention and Control of Environmental Pollution by Solid Waste in Zhejiang Province", organized the compilation of the "Guidance Catalogue for the Classification and Utilization of Construction Waste in Zhejiang Province", compacted the main responsibility, and accelerated the establishment and improvement of the classification and collection, classification and transportation, classification and utilization of construction waste, and classification and disposal systems, coordinated the work of source reduction, classification management, comprehensive utilization, consumption and disposal of construction waste, and improved the construction waste management.

The recyclable construction waste can be recycled and reused to achieve resource utilization and reduction treatment. This project is aimed at the construction waste, the use of efficient technology and equipment to treat the waste generated in the construction of new factories and production lines. This is an important measure for the sustainable development of circular economy, and recycling and utilization of green renewable resources. It plays a significant role in promoting the development of diversified economy in Dongyang City.

Lianhe Green believes that this type of green project can meet the requirements of "1. Energy conservation 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 domestic waste" in the "Green Bond Endorsed Projects Catalogue (2021 Edition)".

## 2) Green Project Categories: Sustainable Water and Wastewater Management

### Eligible Green Projects

- 1) Reducing water pollution, improving the water landscape and protecting water resources through the implementation of sewage/water treatment projects
- 2) Improvement of the water environment in the watershed, reduction of water pollution, and saving water resources used for greening and road sprinkling

### 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: Target 6: Clean water and sanitation

### Lianhe Green Findings / Suggestions

*In terms of water resources protection, Dongyang Municipal Party Committee and municipal government attaches a great importance to the construction of ecological civilization and complete the revision of the special plan for municipal sewage treatment. At present, Dongyang City is focusing on improving the long-term effectiveness of water control and making up for shortcomings in key projects. In 2022, Dongyang City has completed the construction of six sewage treatment plant projects, and the city's sewage treatment capacity has reached 363,000 tons/day, achieving full*



coverage of sewage treatment in urban areas; Completed the construction of 63.32 kilometers of urban sewage supporting pipe network, and 20 kilometers of pipe network inspection; The city's 882 agricultural and sewage facilities have achieved standardized operation and maintenance. In addition, with the gradual advancement of the construction of "zero direct discharge area of sewage", Hengdian electroplating agglomeration Area has been included in the cultivation list of "zero direct discharge Area of sewage" in the provincial benchmark industrial park in 2022. Dongyang City also upgraded two agricultural irrigation facilities, and carried out the construction of 5 kilometers of new (modified) water supply network.

Lianhe Green believes that this type of green project can meet the requirements of "1. Energy conservation and environmental protection industry - 1.3 Pollution prevention and control - 1.3.5 Comprehensive management of agricultural and rural environment -1.3.5.2 Improvement of rural living environment; 5. Green upgrading of infrastructure - 5.3 Pollution Prevention - 5.3.1 Urban environmental infrastructure - 5.3.1.1 Construction and operation of sewage treatment, recycling and sludge treatment and disposal facilities; 5. Green upgrading of infrastructure - 5.3 Pollution Prevention - 5.3.1 Urban environmental infrastructure - 5.3.1.3 Urban sewage collection system investigation, renovation, construction and repair; 5. Green upgrading of infrastructure - 5.4 Water resources conservation and unconventional water resources utilization - 5.4.1 Water resources conservation - 5.4.1.1 Construction and operation of regional metering leakage control of urban water supply network.

In terms of watershed management, the Office of Dongyang City People's Government issued a notice on the Revision of Dongyang City Nanjiang River Basin Comprehensive Governance Plan (Hengdian Section) in January 2022, emphasizing support for the management of regional basins along the Nanjiang River. With the development of river dredging treatment project, the water storage function of pond dam and river channel is further improved, which can improve the guarantee rate of general water use. Furthermore, in response to the problem of water resources protection, in addition to completing the reinforcement of 11 sick reservoirs, Dongyang City will strengthen the ecological flow control measures of key river sections in the future, protect drinking water sources above the county level and rural drinking water sources, and strengthen groundwater protection, supervision, management and pollution prevention.

Lianhe Green believes that this type of project can meet the requirements of "1. Energy conservation and environmental protection industry -1.3 Pollution prevention and control -1.3.5 Comprehensive management of agricultural and rural environment -1.3.5.2 Improvement of rural living environment; 4. Ecological Environment Industry - 4.2 Ecological protection and construction - 4.2.1 Protection and restoration of natural ecosystems - 4.2.1.6 Protection and restoration of rivers, lakes and wetlands; 4. Ecological Environment Industry - 4.2 Ecological protection and construction - 4.2.1 Protection and restoration of natural ecosystems - 4.2.1.11 Prevention and control of drought and flood disasters in water ecosystems" in the "Green Bond Support Project Catalog (2021 Edition)".

### 3) Green Project Categories: Environmentally Sustainable Management of Biological and Land Resources

#### Eligible Green Projects

- 1) Forming an efficient, intensive, scientific and sustainable national reserve forest base through afforestation and improvement of infrastructure, such as intensive cultivation of plantations, transformation of existing forests and tending of young and medium-sized forests
- 2) Protection activities of forest resource, such as forest construction, conservation and renewal



3) Sustainable forestry projects that comply with the National Reserve Forest Construction Plan (2018-2035), the Forest Law of the People's Republic of China and other relevant laws and regulations

#### 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 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, and preservation or restoration of natural landscapes
- » SDGs: Target 12 : Responsible consumption and production; Target 15: Life on land

#### Lianhe Green Findings / Suggestions

In terms of afforestation, reserve forest construction and forest conservation, in 2018, the Opinions on Actively Promoting Large-scale Land Greening Actions (Full Green Character [2018] No. 5) issued by the National Greening Commission and the National Forestry and Grassland Administration proposed to steadily promote urban greening. To create forest city, garden city, green model city as the carrier, strengthen the construction of various parks such as urban forest and suburban green road, green belt around the city, ecological corridor, and strive to expand the area of green space, and constantly improve the landscape effect. Speed up the construction of national forest cities and forest city clusters, steadily increase per capita green space, strive to increase the total amount of urban green space, and build a stable urban forest ecosystem.

At the same time, the Zhejiang Provincial Department of Ecology and Environment issued the notice of the "14th Five-Year Plan for Ecological and Environmental Protection of Zhejiang Province", which clearly emphasized the need to strengthen the protection and restoration of important ecological systems. With the construction of forest in Zhejiang as the carrier, it vigorously carries out the construction of mountain, slope, urban, rural, channel and coastal "six forests". This speeds up the construction of a provincial ecological security pattern with protected natural areas as the basic framework and important nodes, and completes the integration and optimization of all protected natural areas and boundary demarcation calibration by 2025.

Dongyang City launched the country's first county-level "Dongyang City Carbon Neutral Construction Plan (2021-2035)", which clarified the guiding ideology, basic principles, development strategy, target system and key tasks of the construction of carbon neutral forestry in Dongyang City. The current characteristics and distribution pattern of forest carbon sink in Dongyang City were clear, that is, the forest vegetation carbon reserve was 2.947 million tons, the soil carbon reserve was 10.045 million tons, and the annual forest carbon dioxide absorption was 837,000 tons. The Plan for the Construction of Carbon Neutrality in Dongyang City Forestry (2021-2035) is forward-looking, scientific, informative and operable, which will effectively lead the high-quality development of forestry carbon sink in Dongyang City and strive to create a leading base for forestry carbon sinks. By 2022, Dongyang City has completed 4,710 mu of land greening and 11,819 mu of new forest area, both exceeding the task, planting 17,000 precious tree species, operating area of 500 mu, and improving forest quality of 87,000 mu.





Lianhe Green believes that this type of green project can meet the requirements of "4. Ecological Environment Industry - 4.2 Ecological Protection and Construction - 4.2.1 Natural ecosystem protection and restoration -4.2.1.1 Natural Forest resource protection; 4. Ecological Environment Industry - 4.2 Ecological Protection and Construction - 4.2.2 Supply of Ecological Products - 4.2.2.1 Forest resource cultivation Industry" in the "Green Bond Endorsed Projects Catalogue (2021 Edition)".

## B. Project Evaluation and Selection Process

### Company Materials

DSAI will establish the Environmental Working Group (hereinafter referred to as the "Working Group"), which will discuss and select eligible green projects in accordance with the eligibility criteria and exclusion criteria set out in the Green Finance Framework, as well as the Company's development strategy and work plan, and assess and manage the environmental risks associated with eligible assets.

The task Force is specifically responsible for ensuring that funds raised from each green finance transaction ("GFT") are allocated directly or indirectly to "eligible green projects" that meet the requirements of the Green Finance Framework. The Working Group is made up of people from different departments, including:

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

The Working Group will annually screen projects based on project feasibility reports and submit selected projects to the Board for approval. Projects approved by the board of Directors will become "qualified green projects." The Working Group will regularly review the progress of the construction and implementation of green projects and the achievement of green targets, and will also be responsible for updating the Green Finance Framework, including the expansion and improvement of the use of funds raised.

### Opinion of Lianhe Green

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

DSAI 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. The Working Group will be responsible for reviewing and approving potential green projects.

After the assessment, Lianhe Green considers that DSAI 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. The funds raised by each GFT will be managed by the Corporate Finance team and deposited into the General Funds Account to be used exclusively to fund the above eligible green projects. The company will continue to track and adjust the use of the raised funds to ensure that the raised funds are used for eligible green projects. The idle funds will be used for short-term savings or investment in short-term wealth management products and will be regularly announced to investors.

The directors, supervisors and senior managers of the company shall not participate in, assist or condone the company's unauthorized or disguised change of the purpose of the raised funds. At the same time, the company undertakes not to invest idle funds in any high-polluting activities or any projects that conflict with this framework.

In addition, if a specific project no longer meets the criteria of this Framework or if there is any material dispute, the company commits to replace the project with another eligible green project.

### Opinion of Lianhe Green

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

DSAI 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 DSAI 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

Regarding each use of GFT raised funds, DSAI will disclose a usage report and an environmental impact report on its official WeChat or other official platforms. The disclosure frequency is once a year until all raised funds are fully utilized. Additionally, any significant changes before the expiration date will be disclosed as well. The company's working group will review and approve the allocation and impact report. The disclosed information will include but not limited to the





following:

- » The proportion of net income allocated to financing and refinancing.
- » Detailed information on each unallocated GFT (including the amount allocated to eligible green projects, project categories, and distribution)
- » The remaining balance and fund flow of each unallocated GFT
- » Allocation details for each allocated GFT, specifying eligible green projects and providing necessary information to determine project compliance with the framework standards, such as energy performance indicators (not applicable for refinancing projects)

Impact Reporting:

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

Eligible Project Categories	Impact Indicators
<b>Circular Economy Products, Production Technology and Process</b>	<ul style="list-style-type: none"> <li>» Annual construction waste treatment volume (tons)</li> <li>» River sediment and waste treatment volume (tons)</li> <li>» Annual treatment volume of new construction materials (aggregates) in tons</li> </ul>
<b>Sustainable Water and Wastewater Management</b>	<ul style="list-style-type: none"> <li>» Dredging length of watercourses (kilometers)</li> <li>» Length of watercourse dredging (kilometers)</li> <li>» Sand and gravel extraction volume (tons)</li> <li>» Annual reduction in water pollutant emissions (tons)</li> </ul>
<b>Environmentally Sustainable Management of Biological and Land Resources</b>	<ul style="list-style-type: none"> <li>» Afforestation area (hectares)</li> <li>» Number of trees/saplings/shrubs purchased from CFPC (China Forest Products Corporation)</li> <li>» Increase in sustainable forest area (hectares)</li> <li>» Fluoride absorption volume (tons)</li> <li>» Carbon dioxide absorption volume (tons)</li> </ul>

Table 2: Impact Indicators for Eligible Green Projects

### Opinion of Lianhe Green

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

DSAI will regularly disclose the annual report until the proceeds are fully utilized and disclose any significant changes before the maturity. The annual report will disclose the use of the proceeds as well as the environmental benefits of the projects.

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

## E. External Review

### Company Materials

DSAI 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. The assessment document will publish on its official WeChat or other official platforms.

### Opinion of Lianhe Green

DSAI 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, DSAI 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: Circular Economy Products, Production Technology and Process

#### Environmental Benefits

This project utilizes green building materials produced from construction waste, which can be widely applied in civil, public, and industrial construction. In the era of low-carbon and green development, the project focuses on recycling and producing energy-efficient green building materials, fully embodying the circular economy concept of "take from building materials, use for building materials." By adopting a low-energy-consumption method for producing green building materials, the project achieves large-scale industrialized production, reducing on-site wet operations, transforming the traditional production approach where building materials are characterized by high energy consumption, high pollution, and low output. This, in turn, accomplishes the goals of water conservation, energy efficiency, material reduction, and environmental protection. It will effectively promote the development of the upstream and downstream sectors in the green building industry, extending the industrial chain, and driving the industry towards low-carbon transformation.

Additionally, the project uses advanced technology and equipment to handle the waste generated during the construction of new factories and production lines, turning "waste" into a renewable resource. The project reduces resource waste and noise pollution while continuously innovating technologies. It can enhance Dongyang City's level of comprehensive resource utilization, promoting the construction of a resource-saving society, and generating significant environmental benefits.

### Eligible Green Project: Sustainable Water Resources and Sewage Management

#### Environmental Benefits

With the development of economy, urban populations continue to grow, and the level of urbanization is on the rise. The issue of water scarcity in many cities becomes increasingly prominent. Sustainable water resources and wastewater management projects aim to address this by constructing and installing sewage treatment facilities and establishing supporting sewage collection networks. This helps improve water utilization efficiency, leading to the protection of water resources and water conservation. By implementing rainwater and wastewater reuse



systems, the project not only reduces the runoff of rainwater from city streets but also decreases the likelihood of haphazard sewage discharge that could contaminate groundwater. This, in turn, alleviates urban drainage pressure, enhances water supply capacity, improves water landscapes, and promotes sustainable water circulation. It effectively reduces combined sewer overflows, enhances wastewater treatment efficiency, and increases the guarantee of high-quality water sources for daily life and production.

Furthermore, the construction of embankments, dredging of water channels, and riverbed desilting contribute to the effective regulation of local river runoff, strengthening flood prevention capabilities and sustaining the regulation of local water storage. The ecological management of river channels, including environmental governance and sediment control, helps preserve water sources and maintain soil and water. The implementation of this project is essential for protecting and restoring river and lake ecosystems, maintaining ecological balance, and contributing to the construction of a green, healthy, and harmonious ecological system in both urban and rural areas.

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

#### **Environmental Benefits**

Green plants, as primary producers in the ecosystem, possess natural physiological functions of carbon sequestration and oxygen release. Specifically, this project can control soil erosion and wind and sand through afforestation. Trees firmly anchor the soil, increasing soil water retention capacity, significantly improving the ecological environment, preserving soil fertility, preventing sediment retention, and reducing losses from flood disasters. Moreover, the project can effectively purify the air. Trees, acting as natural dust collectors, can absorb harmful particles such as carbon and sulfides, as well as bacteria and viruses, through the numerous small hairs and mucilage on their leaves during the process of photosynthesis. This helps reduce dust in the air and purify the atmosphere. Additionally, regular maintenance and care of planted trees and green spaces can mitigate wind speed during heavy rain, acting as windbreakers and rain barriers. This indirectly reduces the frequency of natural disasters, minimizing casualties and property damage.

Furthermore, tree planting and ecological protection and restoration activities in natural forest areas, without disrupting surface vegetation, contribute to the development of precise agriculture and forestry. This effectively protects ecological resources from excessive exploitation and promotes biodiversity conservation.



## Appendix

### About Lianhe Green

Lianhe Green Development Company Limited ("Lianhe Green") was established in 2023 and is a subsidiary of Lianhe Credit Management Co., Ltd. ("Lianhe Group") and Lianhe Equator Environmental Assessment Co., Ltd. ("Lianhe Equator"), which is a third-party consulting and certification service provider in China with multiple professional technical edges in "green finance, energy conservation and protection, and carbon testing/certification". Headquartered and registered in Hong Kong, Lianhe Green is an external reviewer recognized under the Hong Kong Monetary Authority's Green and Sustainable Finance Grant Scheme. Lianhe Green is mainly responsible for green and sustainable finance certification business in international markets, ESG reporting and consulting, ESG training services, and assists 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. Leaving green and oceans to future generation is our mission and ambition.

### Scope of Analysis

Lianhe Green was engaged by DSAI 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 of the company's issuance.

### Responsibilities

#### The Company

DSAI'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 DSAI. Lianhe Green will review all important data and documents, and issue conclusions. In addition, Lianhe Green will disclose information collected from DSAI 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 DSAI's policies and processes;
- » Review the Green Finance Framework developed by DSAI;
- » 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.

Please note that individuals identified in a SPO 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.

Lianhe Green receives compensation from entities and other market participants for conducting this service. None of the aforementioned entities nor its related parties participated in the review process aside from providing information requested by Lianhe Green.

Our assessments are not considered investment advice and they are not and should not be considered as a replacement of any person's own assessment of the ESG factors related to a financial instrument or an entity. Lianhe Green does not represent, warrant or guarantee that our report will fulfill any of your or any other person's particular purposes or needs. Lianhe Green does not recommend the purchase or sale of financial instruments or securities or give investment advice or provide any legal, auditing, accounting, appraisal or actuarial services.

Lianhe Green does not audit or verify the accuracy of the information provided to issuers by any third party for the purpose of issuing this opinion. Lianhe Green does not represent, warrant or guarantee the accuracy, correctness, integrity, completeness or timeliness of any part of our opinion.

All published press releases and reports are the intellectual property of Lianhe Green. Any reproduction, redistribution, or modification, in whole or part, in any form by any means is prohibited unless such user has obtained prior written consent from us.

Copyright © Lianhe Green Development Company Limited 2024