



Dalian Deta Holding Co., Ltd.

Second-Party Opinion | Sustainable Finance Framework

Report Type

Sustainable Finance Framework Second-Party Opinion

Analytical Standards

- » Sustainability Bond Guidelines (SBG) (June 2021 Edition)
- » Green Bond Principles (GBP) (June 2021 Edition)
- » Social Bond Principles (SBP) (June 2023 Edition)
- » Green Loan Principles (GLP) (February 2023 Edition)
- » Social Loan Principles (SLP) (February 2023 Edition)

Industry

Local Investment and Development Companies

Country/Region

China

Report Date

21st November 2024

Summary

Not Aligned	Aligned	Good	Excellent
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Pillar	Alignment
Use of Proceeds	Good
Process for Project Evaluation and Selection	Good
Management of Proceeds	Good
Reporting	Good
External Reviews	Aligned

Lianhe Green Development Company Limited ("Lianhe Green") has reviewed a series of documents including the "Dalian Deta Holding Co., Ltd. Sustainable Finance Framework", and assessed the company's relevant work in respect of the use of proceeds, process for project evaluation and selection process, management of proceeds, reporting, and external reviews. The Framework has received a Good assessment opinion from Lianhe Green. Lianhe Green considers that the Framework is in compliance with the Sustainability Bond Guidelines (SBG) (June 2021 Edition), the Green Bond Principles (GBP) (June 2021 Edition), the Green Loan Principles (GLP) (February 2023 Edition), the Social Bond Principles (SBP) (June 2023 Edition), and the Social Loan Principles (SLP) (February 2023 Edition). In addition, the eligible green projects listed in this Framework are in line with the Green Bond Principles (GBP) (June 2021 Edition) and the Green Loan Principles (GLP) (February 2023 Edition); The eligible social projects listed in this Framework are in line with the Social Bond Principles (SBP) (June 2023 Edition) and the Social Loan Principles (SLP) (February 2023 Edition). At the same time, Lianhe Green's assessment includes the contributions of the project categories to the relevant United Nations Sustainable Development Goals (UNSDGs)¹.

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¹ According to the definitions of (A/RES/70/1 - Transforming our world: the 2030 Agenda for Sustainable Development)



About the Company

DALIAN DETA HOLDING CO., LTD. (the "Group") is a state-owned asset authorization and operation institution incorporated on 18 February 2004 in accordance with the approval by the Dalian Municipal Government to consolidate three entities directly governed by the Dalian Development Area Administrative Committee, namely Dalian Beifang Technology and Venture Capital Investment Co., Ltd., Dalian Development and Construction Group Co., Ltd. and Dalian Economic and Technological Development Zone Infrastructure Holding Co., Ltd..

The Group is a leading entity in the Dalian Development Area for the provision of public utilities, state-owned assets operations and management and infrastructure construction and is the sole comprehensive public utilities operator providing integrated services in heat supply, gas supply, water supply and sewage treatment in the Dalian Development Area.

Company Sustainability Strategy

Dalian Jinpu New Area, strategically positioned as the 10th national-level new area in China and the first in the Northeast region, plays a pivotal role in the country's economic and ecological development. Serving as a crucial gateway for international trade and a key node in the "Belt and Road" initiative, it carries the responsibility of being a model for industrial transformation and upgrading that can be replicated across China and beyond. The sustainable development of the region is not just important for its own growth but also for its ability to influence and drive the ecological and economic revitalization of the entire Northeast region of China.

The "14th Five-Year Plan for National Economic and Social Development and the Long-Term Goals Outline for the Year 2035 of Dalian Jinpu New Area" emphasizes ecological civilization construction and the improvement of people's livelihoods. As a designated national pilot zone for climate investment and financing, Dalian Jinpu New Area is vigorously promoting initiatives in this critical domain aligning with the needs for low-carbon and green development. This progressive stance creates an enabling policy environment and presents valuable opportunities for the Group to integrate sustainable financing practices into its strategic operations, helping to underscore the company's commitment to ecological civilization construction, improvement of people's livelihoods, and alignment with national sustainable development goals.

The Group adheres to strict environmental and social governance measures to ensure compliance with national laws and regulations on sustainable development. The Group's environmental and social measures and assessments are in line with the requirements of national sustainable development regulations and industrial layout. The Group believes that it complies with all material respects to applicable environmental laws and regulations.

Lianhe Green noted that the company recently promoted innovation in climate investment and finance. In March 2024, under the strong support of Dalian Jinpu New Area Ecological Environment Bureau, Dalian Deta Port Energy Investment Smart Energy Co., Ltd. (a subsidiary of Dalian Deta Holding Co., Ltd.) cooperated with People's Bank of China Jinpu New Area Branch and Industrial Bank Dalian Branch to successfully obtain the [first climate investment and financing loan](#) to help the development of distributed solar photovoltaic industry in China, and provided RMB 16.3 million of medium and long-term financial support for Dalian Huicheng Aluminum distributed solar photovoltaic project. The loan is another innovative practice of Dalian Jinpu New Area as a climate investment and financing pilot, which not only helps enterprises increase the development of distributed photovoltaic industry and optimize financing costs, but also provides important practical experience for Dalian Jinpu New Area to implement climate investment and financing pilot and help achieve the national "dual carbon" goal.

After media review, Lianhe Green did not find any significant negative ESG news or controversial issues about the Group.



About the Framework of the Group

The Framework has been developed to demonstrate how the Group could fund projects that would deliver positive social impacts and foster sustainable practices in support of its sustainability strategy through Sustainable Financing Transactions (“SFTs”).

SFTs will include bonds, loans and other forms of debt financing instruments, the proceeds of which will be applied to eligible sustainable projects (“Eligible Projects” or “ESPs”) under the Framework.

- Bonds issued under the Framework will be aligned with the Green Bond Principles 2021 (with June 2022 Appendix 1) (“GBP2021(with June 2022 Appendix 1)”), Social Bond Principles 2023 (“SBP2023”), and Sustainability Bond Guidelines 2021 (“SBG2021”) by International Capital Market Association (“ICMA”), or as they may subsequently be updated;
- Loans issued under the Framework will be aligned with the Green Loan Principles 2023 (“GLP2023”), Social Loan Principles 2023 (“SLP2023”) or as they may be subsequently amended by Asia Pacific Loan Market Association (“APLMA”), the Loan Market Association (“LMA”) and the Loan Syndications and Trading Association (“LSTA”) from time to time.

For each SFT, the Group is committed to aligning with the following elements:

- Use of Proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting

In this Second-Party Opinion, Lianhe Green has specifically examined the framework but has not reviewed any transaction-specific legal documents or marketing materials. Nevertheless, the framework does provide a description of the qualifying projects as described in the legal documentation of the framework.

This framework addresses the five pillars including use of proceeds, process for project evaluation and selection, management of proceeds, reporting, and external reviews.

A. Use of Proceeds

Company Materials

An amount equivalent to net proceeds from each SFT will be used exclusively to finance and/or refinance, in whole or in part, new or existing assets and projects aligned with one or more of the following eligible green and/or social categories. Refinancing of Eligible Projects will have a look-back period of no longer than 3 years from the time of issuance. The Group is committed to fully allocating the net proceeds of each SFT on a best effort basis within 3 years months of issuance.

The Eligible Green Project Categories that may be utilised under the Framework, together with associated selection criteria are set out below:

Eligible Green Project Categories	Qualified Green Projects
<p>Sustainable Water and Wastewater Management</p>	<p><u>Eligibility Criteria:</u> Construction, operation and maintenance of wastewater treatment plants and supporting facilities: - Examples would include but not limited to wastewater pipe and treatment plants, water recycling systems, and water/rainwater collection pipes and other facilities. Construction and maintenance of sustainable urban drainage systems, river training, and other forms of flooding mitigation:</p>



	<ul style="list-style-type: none"> - Examples would include but not limited to urban drainage systems, "Sponge City", dam, levees and other forms of flooding prevention and mitigation. <p><u>Environmental Objectives:</u></p> <ul style="list-style-type: none"> - Pollution prevention and control - Reducing wastewater and hazardous materials
Green Building	<p><u>Eligibility Criteria:</u> Acquisition, construction, maintenance and renovation of building that have received, or expect to receive certified the below recognized green building certifications:</p> <ul style="list-style-type: none"> - Chinese Green Building Evaluation Label – 1 Star or above (Design / Operations Label); or - Building Research Establishment Environmental Assessment Method (BREEAM) – Excellent or above; or - U.S. Leadership in Energy and Environmental Design (LEED) – Gold or above; or - Hong Kong BEAM Plus – Gold or above; or - Building and Construction Authority (BCA) Green Mark – Gold or above. <p><u>Environmental Objectives:</u></p> <ul style="list-style-type: none"> - Climate change mitigation - Climate change adaptation - Natural resource conservation
Environmentally sustainable management of living natural resources and land use	<p><u>Eligibility Criteria:</u> Developing green fishery, environment-friendly fishery projects, construction and operation of facilities treating aquaculture wastewater and fishery resource conservation facilities.</p> <ul style="list-style-type: none"> - Examples would include but not limited to comprehensive utilization of aquatic by-products and the marine fisheries conservation, etc. <p><u>Environmental Objectives:</u></p> <ul style="list-style-type: none"> - Climate change mitigation - Natural resource conservation
Energy Efficiency	<p><u>Eligibility Criteria:</u> Reducing building energy consumption by adopting energy-saving equipment and energy-efficient building materials.</p> <ul style="list-style-type: none"> - Examples would include but not limited to energy efficient ventilation, lighting, and temperature control systems <p><u>Environmental Objectives:</u></p> <ul style="list-style-type: none"> - Climate change mitigation

The Eligible Social Project Categories that may be utilised under the Framework, together with associated selection criteria are set out below:

Eligible Social Project Categories	Qualified Social Projects
Employment Generation	<p><u>Eligibility Criteria:</u> Investments in projects that have the capacity to generate employment and prevent unemployment stemming from socioeconomic crises. For</p>



	<p>example, construction of industrial parks and agricultural industrial parks targeted for adding value to generating employment and providing additional income opportunities for local work force.</p> <p>Target Population:</p> <ul style="list-style-type: none"> - local labour force with subdued employment prospect due to adverse socioeconomic changes, or - those living in underprivileged areas with less than adequate income from farm work or fishing. <p>Social Objectives:</p> <ul style="list-style-type: none"> - Generate employment opportunities and draw in entrepreneurs and talent - Promote the improvement of urban education level and degree of civilization
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Exclusion List

In any case, ESPs (including the temporary placement of unallocated proceed) exclude the type of activities listed in the latest International Finance Corporation Exclusion List as well as projects supporting and/or related to the fossil fuel industry:

- 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, polychlorinated biphenyls (PCBs), wildlife or products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).
- Production or trade in weapons and munitions.
- Production or trade in alcoholic beverages (excluding beer and wine).
- Production or trade in tobacco.
- Gambling, casinos, and equivalent enterprises.
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where any international financial company considers the radioactive source to be trivial and/or adequately shielded.
- Production or trade in unbonded asbestos fibres. This does not apply to the purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20 per cent.
- Drift net fishing in the marine environment using nets over 2.5 kilometres in length.
- Production or activities involving harmful or exploitative forms of forced labour/harmful child labour.
- Commercial logging operations for use in primary tropical forest.
- Production or trade in wood or other forestry products other than from sustainably managed forests.
- Projects related to fossil fuel.

Opinion of Lianhe Green

Not Aligned	Aligned	Good	Excellent
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Lianhe Green has reviewed a number of documents, including the Sustainable Finance Framework,



and has conducted a comprehensive review of the Group's policies related to the use of proceeds based on the relevant assessment criteria.

Lianhe Green compared the green project categories listed in this framework with the Green Bond Principles (GBP) (June 2021 Edition), the Green Loan Principles (GLP) (February 2023 Edition), China's Green Bond Endorsed Projects Catalogue (2021 Edition), Hong Kong Taxonomy, EU Taxonomy and the United Nations Sustainable Development Goals (SDGs) respectively. Besides, Lianhe Green also has compared the eligible social projects listed in this framework with the Social Bond Principles (SBP) (June 2023 Edition), Social Loan Principles (SLP) (February 2023 Edition), and the United Nations Sustainable Development Goals (SDGs).

After the assessment, the eligible green projects align with China's "Green Bond Support Project Catalogue (2021 Edition)" and contributes positively to the United Nations Sustainable Development Goals (SDGs)². Lianhe Green believes that sustainable water and wastewater management and energy efficiency are partially eligible with the Hong Kong Taxonomy and EU Taxonomy. Also, the eligible social projects contribute positively to the United Nations Sustainable Development Goals.

The look-back period is longer than the market's best practices, and the exclusion list has more coverage than market practices. Lianhe Green considers that the Group's Use of Proceeds is Good, which is in line with the requirements of the assessment criteria.

1) Eligible Green Projects: Sustainable Water and Wastewater Management

Lianhe Green Findings / Suggestions

Lianhe Green considers that this project category under the framework is most relevant to the eligible green project category "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)" under both GBP and GLP.

In March 2024, Dalian City government published the "[Dalian City 2024 Rural Environmental Improvement Effect Consolidation and Improvement Special Action Plan](#)". The plan focuses on key areas, key contents and weak links of environmental problems affecting villages such as sewage, fecal pollution, garbage, black and smelly water bodies, divided into three stages including on-site verification, rectification and improvement, and "looking back". The plan also aims for comprehensive verification of administrative villages, rural domestic sewage treatment facilities, and rural black and smelly water bodies that have completed environmental remediation is carried out.

Lianhe Green believes the framework's description on "rainwater collection pipes" is aligned with the description of "1.4.1.2 Rainwater Collection, Treatment, and Utilization" under "Green Bond Endorsed Project Catalogue (2021 Edition)", which includes the "Construction and operation of rainwater collection, treatment and utilization facilities".

Lianhe Green believes the framework's description on "Construction, operation and maintenance of wastewater treatment plants and supporting facilities" is aligned with the description of "1.5.3.3 Comprehensive Utilization of Sludge from Urban Sewage Treatment Plants" under "Green Bond Endorsed Project Catalogue (2021 Edition)", which includes the "Construction and operation of sludge treatment and comprehensive utilization facilities of urban sewage treatment plants".

In addition, Lianhe Green believes the framework's description on "Construction and maintenance of sustainable urban drainage systems, river training, and other forms of flooding mitigation" is aligned with the description of "5.4.2.4 Construction, Operation and Renovation of Up-to-standard Urban Drainage Facilities" under "Green Bond Endorsed Project Catalogue (2021 Edition)", which

² Based on the Lianhe Green's methodology, we evaluate each eligible project category of the issuer against the United Nations Sustainable Development Goals, and selected goals with a significant contribution to the United Nations Sustainable Development Goals. In addition, the issuer's eligible project categories may also contribute to other goals of the United Nations Sustainable Development Goals.



includes the “Construction, operation and renovation of urban drainage and flood control facilities that meet corresponding standards, such as flood-prone urban drainage reform, construction and renovation of separate rainwater and sewage system”.

Lianhe Green considers that wastewater and water recycling systems, are partially eligible with the Sewage Sludge Treatment activity in the Hong Kong Taxonomy and the Anaerobic Digestion of Sewage Sludge activity in EU Taxonomy. Both the Hong Kong Taxonomy and EU Taxonomy have more stringent criteria, such as requiring a monitoring and contingency plan to minimize methane leakage at the facility. Additionally, the produced biogas should be utilized directly for electricity or heat generation, upgraded to bio-methane for injection into the natural gas grid, or used as vehicle fuel or feedstock in the chemical industry, among other applications.

Lianhe Green believes this qualified green project category contributes positively to the United Nations Sustainable Development Goals (UNSDGs), in particular, there is significant contributions to Target 6.1 of Goal 6 (Clean Water and Sanitation) “By 2030, achieve universal and equitable access to safe and affordable drinking water for all”.

2) Eligible Green Projects: Green Building

Lianhe Green Findings / Suggestions

Lianhe Green considers that this project category under the framework is most relevant to the eligible green project category “Green buildings that meet regional, national or internationally recognised standards or certifications for environmental performance” under both GBP and GLP.

In August 2024, Dalian City government published the “[Notice on Implementing Green Finance to Support the Coordinated Development of Green Building Industry \(Trial\)](#)”. In terms of policy support, the notice makes it clear that Dalian will optimize the differentiated support service system. In the approval of green building industry project financing applications, the “green channel” model is adopted to improve the efficiency of acceptance, approval and delivery.

The sample green building certifications included in the framework are all recognized at national or international levels. However, international standards, for example the BREEAM, U.S. LEED, Hong Kong BEAM and BCA Green Mark, are more stringent than the selected requirements for the China Green Building Evaluation Level outlined in the framework.

Lianhe Green believes the framework’s description on “Chinese Green Building Evaluation Label – 1 Star or above (Design / Operations Label)” is aligned with the description of “5.2.1.2 Green Buildings” under “Green Bond Endorsed Project Catalogue (2021 Edition)”, which states that “All civil and industrial buildings are designed and constructed in accordance with the national green building codes and standards to obtain national green building evaluation labels within the validity period. For example, the building should comply with indicators as listed in technical standards, such as the “Green Building Evaluation Standard” (GB/T 50378), the “Green Industrial Building Evaluation Standard” (GB/T 50878), the “Green Ecological Area Evaluation Standard” (GB/T 51255), the “Green Office Building Evaluation Standard” (GB/T 50903), the “Green Store Building Evaluation Standard” (GB/T 51100), the “Green Hospital Building Evaluation Standard” (GB/T 51153).”.

Lianhe Green considers the criteria set by the Hong Kong taxonomy for the construction of new commercial and residential buildings in Mainland China to be more stringent compared to the framework requirements. According to the Hong Kong taxonomy, projects should be rated to the three-star level of the Chinese Green Building Evaluation Standard, whereas the framework criteria only require one-star or above. Furthermore, the Hong Kong taxonomy for the renovation of existing commercial and residential buildings places emphasis on specific carbon and energy performance improvements rather than focusing on technological standards.

Lianhe Green generally considers these types of projects to positively contribute to the environment, as the construction of new buildings and renovation of existing buildings are included in the EU taxonomy. However, the EU taxonomy focuses on specific energy performance indicators rather than green building certification schemes. Information relevant to EU taxonomy’s substantial contribution criteria will be required after project commencement or completion to determine EU taxonomy eligibility, in Lianhe Green’s opinion.



Lianhe Green believes this qualified green project category contributes positively to the United Nations Sustainable Development Goals (UNSDGs), in particular, there is significant contributions to Target 11.c of Goal 11 (Sustainable Cities and Communities) “Support least developed countries, including through financial and technical assistance, in building sustainable and resilient buildings utilizing local materials Indicators”.

3) Eligible Green Projects: Environmentally sustainable management of living natural resources and land use

Lianhe Green Findings / Suggestions

Lianhe Green considers that this project category under the framework is most relevant to the eligible green project category “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)” under both GBP and GLP.

In 2021, Dalian City government published the “[Dalian City Marine Economic Development 14th Five Year Plan](#)”. The plan mentioned efforts will be made to develop marine green environmental protection industries. It will give priority to supporting industries such as waste treatment, resource recycling, energy conservation and environmental protection equipment, and cleaner production, accelerate the construction of projects such as comprehensive utilization of clean resources, seawater desalination, smart energy conservation and environmental protection, solid waste treatment and sewage treatment, and promote industrial development toward resource conservation and production through technological innovation.

Lianhe Green believes the framework’s description on “Developing green fishery, environment-friendly fishery projects, construction and operation of facilities treating aquaculture wastewater and fishery resource conservation facilities” is aligned with the description of “4.1.3.3 Green Fishery” under “Green Bond Endorsed Project Catalogue (2021 Edition)”, which includes “Environment-friendly fishery projects such as carbon sink fishery and clean water fishery, rice-fish system and the comprehensive utilization of saline-alkali water for fishery and agriculture, recirculating aquaculture systems, deep-water anti-wind and wave non-bait cage aquaculture, ecological aquaculture, and comprehensive utilization of aquatic by-products. Construction and operation of facilities treating aquaculture wastewater, as well as fishery resource conservation facilities, such as the marine fisheries conservation, etc.”.

Lianhe Green considers these types of projects to have a positive environmental impact. However, both the Hong Kong Taxonomy and EU Taxonomy don’t cover green fishery or aquaculture activities.

Lianhe Green believes this qualified green project category contributes positively to the United Nations Sustainable Development Goals (UNSDGs), in particular, there is significant contributions to Target 14.2 of Goal 14 (Life Below Water) “sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans”.

4) Eligible Green Projects: Energy Efficiency

Lianhe Green Findings / Suggestions

Lianhe Green considers that this project category under the framework is most relevant to the eligible green project category “Energy efficiency (such as in new and refurbished buildings, energy storage, district heating, smart grids, relevant equipment and products)” under both GBP and GLP.

In July 2024, Dalian City government published the “[National Carbon Peak Pilot \(Dalian\) Implementation Plan](#)”. The plan aims to forge green and low-carbon new industrial advantages. It will develop key industries for energy saving, carbon reduction and carbon sequestration, and foster emerging industries for smart energy, hydrogen-based fuels, biomass energy, and dual



carbon services.

Lianhe Green believes the framework's description on "energy efficient lighting" is aligned with the description of "1.1.3.1 Renovation of Green Lighting" under "Green Bond Endorsed Project Catalogue (2021 Edition)", which includes "Energy-saving technology upgrading of high-efficient lighting products using LED, high / low pressure sodium lamps, metal halide lamps, three primary color double-ended tubular fluorescent lamps (Type T8 and T5), and other lighting facilities using natural light sources, both indoors and outdoors".

Furthermore, Lianhe Green believes the framework's description on "Reducing building energy consumption by adopting energy-saving equipment and energy-efficient building materials" is aligned with the description of "5.2.1.5 Energy Conservation and Environmental-friendly Renovation of Existing Buildings" under "Green Bond Endorsed Project Catalogue (2021 Edition)", which includes "Technical indicators of the building meet relevant national or local energy conservation standards for existing buildings and relevant requirements for energy-saving renovation activities of building energy systems after renovation".

Lianhe Green considers the criteria set by the Hong Kong taxonomy for the renovation of existing buildings to be more stringent compared to the framework requirements. According to the Hong Kong taxonomy, the building renovation should lead to a reduction of primary energy demand, energy consumption, or direct GHG emissions of at least 30% against the building's historic average for both existing commercial buildings and residential buildings. For existing commercial buildings, buildings may also use HKGBC's Zero-Carbon-Ready Building, with at least Extra Low or Level 2 improvement (i.e., 25% reduction) according to Zero-Carbon-ready building Certification Scheme. However, the framework does not include numeric targets for energy efficiency.

The EU Taxonomy includes the installation, maintenance, and repair of energy efficiency equipment. Information relevant to EU taxonomy's substantial contribution criteria will be required after project commencement or completion to determine EU taxonomy eligibility, in Lianhe Green's opinion.

Lianhe Green believes this qualified green project category contributes positively to the United Nations Sustainable Development Goals (UNSDGs), in particular, there is significant contributions to Target 7.3 of Goal 7 (Affordable and Clean Energy) "By 2030, double the global rate of improvement in energy efficiency".

1) Eligible Social Projects: Employment Generation

Lianhe Green Findings / Suggestions

Lianhe Green considers that this project category under the framework is most relevant to the eligible social project category "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)" under both SBP and SLP.

In March 2021, Dalian City government published the "[The 14th Five-Year Plan for the National Economic and Social Development of Dalian and the Outline of the Long-Term Goals for 2035](#)". The plan aims to ensure employment for key groups. It will strive to find jobs for graduates, the unemployed, surplus rural labor force, people with disabilities, demobilized military officials and retired soldiers. It will strengthen employment assistance for disadvantaged groups, formulate exclusive assistance programs, and ensure that zero-employment families remain dynamic.

Lianhe Green believes that such projects will help generating employment and providing additional income opportunities for local work force, especially those with subdued employment prospect due to adverse socioeconomic changes and those living in underprivileged areas, thereby promoting sustainable economic and social development.

Lianhe Green believes this qualified green project category contributes positively to the United Nations Sustainable Development Goals (UNSDGs), in particular, there is significant contributions to Target 8.3 of Goal 8 (Decent Work and Economic Growth) "Promote development-oriented policies



that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services”.

B. Process for Project Evaluation and Selection

Company Materials

The evaluation and selection process ensures that an amount equivalent to net proceeds from each SFT will be allocated to projects that meet the criteria set out in the Use of Proceeds under the Framework.

The Group has established a Sustainable Financing Team (the “Team”), which is dedicated to ensuring that the proceeds from each SFT will be allocated to eligible projects under the Framework. The Team will also be responsible for managing any future updates of the Framework, including any expansion of requirements on the use of proceeds. The Team comprises members from various functions, including:

- Engineering Department
- Investment Development Department
- Financial Audit Department

The Team will hold meetings on an annual basis to discuss and select ESPs according to the Eligibility Criteria defined in section 2.1 of the Framework.

The Team is responsible for:

- Evaluating the compliance of projects with the Eligibility Criteria outlined in the Use of Proceeds under the Framework;
- Approving the inclusion of pre-selected Eligible Projects in Sustainable Project List (the Team has full discretion to object the inclusion of any project);
- Monitoring and managing the Sustainable Project List. The Group will maintain a register to keep track the use of net proceeds of the SFTs through the internal information system on an annual basis;
- Replacing projects that no longer meet the Eligible Criteria or due to any divestments;
- Observing the development of sustainable financing market and approving updates to this Framework accordingly to reflect relevant changes in our corporate strategy or market development.

The Team will ensure that each ESP not only aligns with the Use of Proceeds section of the Framework but also adheres to the mission and vision that are applicable to the Group, as well as all local laws and regulations. The ESPs will also be selected with reference to the United Nations Sustainable Development Goals. At the same time, the Team will assess each project by its feasibility study report, Environment Impact Assessment Report and other information to ensure that project’s environmental and social risks are at a controllable level.

Opinion of Lianhe Green

Not Aligned	Aligned	Good	Excellent
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Lianhe Green has reviewed the Sustainable Finance Framework and other series of documents, and the company's policies on process for project evaluation and selection based on the relevant assessment criteria.

The Group has established a Sustainable Financing Team to ensure that the proceeds from each SFT will be allocated to eligible projects under the Framework. The Team will hold meetings on an annual basis to discuss and select ESPs according to the Eligibility Criteria. The Team will ensure that each ESP not only aligns with the Use of Proceeds section of the Framework but also adheres to the mission and vision that are applicable to the Group, as well as all local laws and regulations. At the same time, the Team will assess each project by its feasibility study report, Environment Impact Assessment Report and other information to ensure that project's environmental and social risks are at a controllable level.

Lianhe Green considers that the Group's process for project evaluation and selection is Good, which meets the requirements of the assessment criteria.

C. Management of Proceeds

Company Materials

The Group intends to allocate the net proceeds 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 or the equivalent amount of the net proceeds of each SFT will be deposited in general funding accounts, which will then be earmarked for allocation to the Eligible Projects in accordance with the Framework. Net proceeds of each SFT awaiting allocation will be held in accordance with the Group's normal liquidity management policy. The Team will track the allocation of net proceeds from the issuance of any SFTs to Eligible Projects.

The Group will maintain a register to keep track the use of an amount equivalent to net proceeds of each SFT through the internal information system, and the Team will review the Sustainable Project List annually. If any of the Eligible Projects cease to fulfil requirements of Use of Proceeds under the Framework, the Group will identify other projects that comply with the Framework and re-allocate to those assets as soon as is practicable. The balance of the tracked net proceeds will be on a best effort basis annually adjusted to match allocations to Eligible Projects made during the outstanding of the SFT(s).

The register will contain the following information:

Type of Funding Transaction:

- Key information includes issuer/borrower entity, transaction date, the principal amount of proceeds, repayment or amortization profile, maturity date; interest or coupon, the ISIN number etc.

Allocation of Use of Proceeds:

- Name and description of the eligible projects to which the proceeds of the SFT have been allocated in accordance with the Framework
- Amount and date of the SFT proceeds allocated to each eligible project
- The remaining balance of unallocated proceeds is yet to be earmarked for eligible projects
- Other relevant information such as information in relation to temporary investment for unallocated proceeds (the investment amount and investment type)

Any remaining balance of issuance proceeds that are not yet allocated to the ESPs will be:

- held in temporary investment instruments that are assets with high liquidity and safety such as cash or cash equivalent instruments; or
- held in temporary placements that do not include projects, assets or activities that are inconsistent with the nature of green and/or social debt instruments.



Opinion of Lianhe Green

Not Aligned	Aligned	Good	Excellent
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Lianhe Green has reviewed a series of documents such as the Sustainable Finance Framework and the company's policies on the management of proceeds based on the relevant assessment criteria.

The net proceeds will be deposited in general funding accounts, which will then be earmarked for allocation to the Eligible Projects in accordance with the Framework. The Team will track the allocation of net proceeds from the issuance of any SFTs to Eligible Projects. Unallocated proceeds will be held in temporary investment instruments that are assets with high liquidity and safety such as cash or cash equivalent instruments or held in temporary placements that do not include projects, assets or activities that are inconsistent with the nature of green and/or social debt instruments.

Lianhe Green considers that the Group's management of proceeds is Good, which meets the requirements of the assessment criteria.

D. Reporting

Company Materials

The Group will provide information on the allocation of the net proceeds or equivalent amount of the net proceeds of the SFTs via the website, social media, or report. Such information will be updated on an annual basis until all the net proceeds of the SFTs have been fully allocated.

Allocation Reporting

The report includes but not limited to:

- Amount of allocated proceed by Eligible Categories, with a brief description of green and/or social projects;
- The remaining balance of funds which have not yet been allocated;
- Share of financing vs. refinancing.

Impact Reporting

Where possible, the Group will report on the environmental and/or social impacts associated with the Eligible Projects.

Impact Report may contain, on a best effort basis and subject to data availability, such as but not limited to the following information:

Eligible Project Categories	Impact Indicators
Sustainable Water and Wastewater Management	<ul style="list-style-type: none"> » Amount of rainwater collected and re-used (in m³) » Annual absolute (gross) amount of wastewater treated (in tonnes p.a.)
Green Building	<ul style="list-style-type: none"> » Level of certification by building » The amount of green building constructed
Environmentally sustainable management of living natural resources and land use	<ul style="list-style-type: none"> » Reduction in marine and freshwater pollution / Waste discharged, nitrogen discharged from the farm and total discharge of wastes from farms (per ton of production / per ton of fish) » Decrease in the dependence on the direct wild capture of fish in favour of farm-raised broodstocks (% total stock for fish production)
Energy Efficiency	<ul style="list-style-type: none"> » Amount of energy saved (MWh)



	» Annual greenhouse gas emissions avoided (in tonnes of CO ₂ e)
Employment Generation	» Number of new jobs created, supported, and/or retained

Opinion of Lianhe Green

Not Aligned	Aligned	Good	Excellent
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Lianhe Green has reviewed a series of documents, including the Sustainable Finance Framework and the company's policy based on the relevant assessment criteria.

The Group will provide project category level disclosure reports annually until the proceeds of the SFTs have been fully allocated. Where possible, the Group will report on the environmental and/or social impacts associated with the Eligible Projects.

Lianhe Green considers that the Group's information disclosure and reporting is Good, which meets the requirements of the assessment criteria.

E. External Reviews

Company Materials

The Group has engaged China Chengxin Green Finance International Co., Ltd. and Lianhe Green Development Company Limited as the external reviewers to evaluate the appropriateness of the Framework, and alignment with the GBP2021 (with June 2022 Appendix 1), SBP2023, SBG2021, GLP2023 and SLP2023.

Opinion of Lianhe Green

Not Aligned	Aligned	Good	Excellent
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The company 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.

Lianhe Green considers that the Group's management system for external reviews is Aligned and meets the requirements of the assessment standards.



Analysis of Environmental and Social Benefits

Eligible Green Project: Sustainable Water Resources and Sewage Management

Environmental Benefits

In China, where water scarcity and pollution are major challenges, sustainable water resources and sewage management initiatives deliver crucial environmental benefits. Water resource projects help conserve, protect, and efficiently utilize water supplies through infrastructure development and water-efficient technologies, reducing freshwater withdrawal and preserving aquatic ecosystems. Sewage management investments in modernized collection, treatment, and disposal systems mitigate water pollution, limiting eutrophication, protecting biodiversity, and safeguarding public health. Beyond the direct benefits, these projects support climate change adaptation by enhancing water security and resilience. They also create green jobs, improve sanitation, and contribute to sustainable development in China.

According to information from the Ecological and Environmental Protection [Report](#), China ensures water supply for nearly 20% of the global population with only 6% of the world's freshwater resources, and has made positive progress in implementing water-related Sustainable Development Goals (SDGs). As of the end of 2022, 6.78 million rural water supply projects have been built across the country, serving a rural population of 870 million people, and the rural tap water penetration rate has reached 87%. In 2023, the proportion of sections with excellent surface water quality (Category I-III) across the country will be 89.4%, a year-on-year increase of 1.5 percentage points; the overall seawater quality in coastal waters will maintain an improving trend, and the proportion of seawater sections with excellent (Category I and II) seawater quality will be 85.0%, a year-on-year increase of 3.1%. In order to further rectify black and smelly water bodies, the state has carried out spot inspections and follow-up supervision to promote the elimination rate of black and smelly water bodies in county-level cities to more than 70%³. China continues to ensure the safety of drinking water, promotes the construction of a water-saving society, improves water resource utilization efficiency, and is committed to water resources management and ocean protection.

Eligible Green Project: Green Building

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. According to "[Tech New Era](#)", green buildings can reduce energy consumption by 30% to 50% compared to traditional buildings.

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.

According to the "[Energy-saving and Carbon Reduction Action Plan for 2024-2025](#)", by the end of 2025, all new urban buildings will fully implement green building standards, with new public institution buildings and new factory buildings aiming for a photovoltaic coverage rate of 50% on rooftops, and the share of renewable energy in urban buildings reaching 8%. Additionally, the construction area of new ultra-low

³ [Work report at the 2024 National Ecological Environmental Protection Work Conference](#)



energy consumption buildings and nearly zero energy consumption buildings will increase by more than 20 million square meters compared to 2023.

The relevant technical indicators of buildings that have undergone energy-saving renovation shall meet the relevant national or local requirements for energy conservation and environmentally 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: Environmentally sustainable management of living natural resources and land use

Environmental Benefits

Developing green fishery and environment-friendly fishery projects offer numerous environmental benefits. The construction and operation of facilities for treating aquaculture wastewater significantly reduce water pollution by removing harmful substances like nitrogen and phosphorus. This helps maintain healthier aquatic ecosystems. Additionally, the comprehensive utilization of aquatic by-products, such as converting fish processing waste into valuable products like fish meal and fish oil, reduces waste and promotes resource efficiency. This not only minimizes environmental impact but also adds economic value. Lastly, the development of marine fisheries conservation projects, such as marine ranching, contributes to carbon sequestration. By cultivating seaweed and shellfish, these projects absorb significant amounts of carbon dioxide, helping mitigate climate change.

In 2021, the Ministry of Agriculture and the Ministry of Finance jointly published the [“Notice on Pilot Work on Green and Circular Development of Fishery”](#). The notice mentioned it will strive to make more than 80% of the ponds in the pilot area realize the water utilization of aquaculture tails and discharge standards by 2025, promote the formation of a number of standardized, intensive, mechanized, intelligent and clean large-scale aquaculture bases, and promote the green and high-quality development of aquaculture.

In July 2024, Dailian Daily [reported](#) that the marine food industrial park located in Dalijia Street, Dalian Jinpu New Area, is speeding up the construction recently. Covering an area of 150,000 square meters, the park will build a whole industrial chain from seaweed food research and development, breeding, processing and sales to cultural tourism. After completion, it will become a comprehensive marine economy demonstration zone integrating scientific and technological innovation, green ecology and cultural tourism industry, and help Dalian to build "China's Seafood Prepared Dish Capital". Jinpu New Area is the main wakame farming area in Liaoning Province, accounting for about 80% of the city's output and about 70% of the country. The marine food industrial park is invested and constructed by Dalian Deta New Nonghai Development Group Co., Ltd., with Dalian Deta Lingling Fresh Food Co., Ltd. as the main operator of the park, relying on the advantages of wakami farming resources in Jinpu New Area, adhering to the overall planning of land and sea, and strengthening to the sea map, and creating the world's leading marine food industry chain with the innovative development of seaweed healthy food. After the completion of the park, it will fully implement the scientific and environmentally friendly marine aquaculture operation standards in the aquaculture area, and innovate the use of seawater, sewage and renewable energy package solutions to achieve a low-carbon and near-zero pollution production environment. It is expected that after the park is put into operation, 5,000 jobs will be added and millions of tourists will be attracted every year.

Eligible Green Project: Energy Efficiency

Environmental Benefits

According to the [China Environment News](#), compared with traditional production lines, production lines equipped with smart meters can undertake 70% more production tasks. The carbon emission for producing a single smart meter is 50.15 kilograms (CO2 equivalent), which is an 8% carbon reduction compared to traditional production methods. Lianhe Green believes that smart meters, by providing real-



time data support, not only promote more efficient use of energy but also significantly reduce greenhouse gas emissions. This plays an important role in optimizing electricity consumption.

In May 2024, the State Council issued the "[Energy-saving and Carbon Reduction Action Plan for 2024-2025](#)". The plan proposes that by the end of 2025, the energy-saving rates of residential and public buildings that have been renovated will be increased by 30% and 20% respectively. Lianhe Green believes that upgrading the heating, ventilation, and air conditioning (HVAC) systems to more energy-efficient models can significantly reduce energy usage, which directly translates to lower carbon emissions. This plays a crucial role in optimizing power consumption.

LED lighting consumes less energy than traditional bulbs, lasts longer, and reduces energy consumption and waste. Finally, investing in energy storage technology can store excess energy during times of high energy production and release it during times of peak demand, thereby reducing dependence on fossil fuels, lowering carbon emissions, and boosting the use of renewable energy.

Eligible Social Project: - Employment Generation

Social Benefits

Investing in projects that generate employment and prevent unemployment due to socioeconomic crises, such as the construction of industrial parks and agricultural industrial parks, offers substantial social benefits. Firstly, these projects create numerous job opportunities, particularly for the local labor force facing subdued employment prospects due to adverse socioeconomic changes. By providing stable employment, these projects help reduce poverty and improve the standard of living for many families. For instance, industrial parks often attract a variety of businesses, from manufacturing to services, which collectively generate thousands of jobs. This influx of employment opportunities can significantly reduce local unemployment rates and stimulate economic growth.

Moreover, these investments are crucial for those living in underprivileged areas with inadequate income from farm work or fishing. Agricultural industrial parks, for example, not only provide direct employment in farming and processing activities but also offer additional income opportunities through value-added services such as packaging, marketing, and distribution. This diversification of income sources helps stabilize the local economy and makes it more resilient to external shocks. Additionally, these parks often include training programs that equip local workers with new skills, enhancing their employability and potential for higher earnings.

In December 2023, the Ministry of Agriculture and Rural Affairs of the People's Republic of China [reported](#) that in 2023, The Ministry of Agriculture and Rural Affairs and the Ministry of Finance have thoroughly implemented the decision-making and deployment of the Party Central Committee and The State Council, increased support and strengthened guidance services, created 50 national modern agricultural industrial parks, supported the construction of 300 national modern agricultural industrial parks in total, and led the construction of a number of provincial and county industrial parks across the country, demonstrating and leading the revitalization of rural industries, and achieved obvious results. 60 industrial parks have been built with an output value of more than RMB 10 billion, and the average output value of industrial parks is more than RMB 8 billion. The implementation of land transfer to rent, employment in the park to salary, family operation to cash, equity dividends to equity "four gold" model, have benefited more than 3 million households, with per capita dividend of more than RMB 3,900, to achieve industrial efficiency and farmers to increase income through "win-win" cooperation.



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 the Group 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

The Group'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 the Group. Lianhe Green will review all important data and documents, and issue conclusions. In addition, Lianhe Green will disclose information collected from the Group 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:

- » Performing a comprehensive review on the persons in charge of the relevant departments to understand the key matters related to the Group's policies and processes;
- » Review the Sustainable Finance Framework developed by the Group;
- » 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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