



Pingxiang City Construction Investment Group Co., Ltd.

Second-Party Opinion | Sustainability Finance Framework

Report Type

Sustainability 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

23rd December 2024

Summary

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

Lianhe Green Development Company Limited (“Lianhe Green”) has reviewed a series of documents including the “Pingxiang City Construction Investment Group Co., Ltd. Sustainability Finance Framework”, and 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. The Framework has received an Excellent 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 Social Bond Principles (SBP) (June 2023 Edition), the Green Loan Principles (GLP) (February 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

Established in 2002, Pingxiang City Construction Investment Group Co., Ltd. (hereinafter referred to as the “Company” or “PCCIGC” together with its subsidiaries, “the Group”) is engaged in urban construction, management and services in Jiangxi Province and surrounding municipal areas in China. Positioned as a diversified public services provider and municipal operator, the Group’s principle activities include investment, construction and management of municipal projects essential to the livelihood and wellbeing of local residents, businesses and industries.

Company Sustainability Strategy

In alignment with China’s 14th five-year plan and the nation’s goal to achieve carbon peaking by 2030 and carbon neutrality by 2060, the Group is dedicated to embarking on a new journey to focus on thematic opportunities such as sustainable urbanization, urban-rural integration and rural revitalization. By providing upgrades for obsolete and marginalized urban areas, the Group takes active actions to drive development of environment, society, people and the economy to fit for future. The Group aims to integrate ESG and sustainability factors into the three pillars of its strategy.

Ecosystem nurturing for urban-rural co-development: make continuous efforts in creating better living environment for urban and rural residents and contributing to positive environmental and social outcomes.

Investment and incubation for high-impact industries: identify opportunities and nurture innovative solutions to support inclusive and sustainable industrialization.

Asset improvement and revitalization: for assets in special situation however demonstrates long-term value, explore alternative paths for resilient development.

The Group is dedicated to continuously expanding market-oriented businesses. The Group believes the issuance of Sustainability Bonds will allow investors to join on the efforts in pursuit towards its goal to build sustainable living space together.

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 Sustainability Finance Framework (“SFF” or “Framework”) is designed to demonstrate how the Group intends to direct finance to projects, which align with its business objectives and meanwhile show substantive contributions to environmental-, climate- and social-related objectives. For these projects, the Group also consider whether any safeguards have been put in place to avoid significant harms to other sustainability-related objectives. Fundraising will include bonds, loans and other debt instruments.

- With respect to bonds, bonds issued under this framework will be aligned with the Green Bond Principles (“GBP”) 2021 (with June 2022 Appendix 1), Social Bond Principles (“SBP”) 2023, and Sustainability Bond Guidelines (“SBG”) 2021 by International Capital Market Association² (“ICMA”), or as they may subsequently be updated.
- With respect to loans, loans borrowed under this SFF will be aligned with the Green Loan Principles (“GLP”) 2023, Social Loan Principles (“SLP”) 2023 by Loan Market Association³ (“LMA”), Asia Pacific Loan Market Association⁴ (“APLMA”), and Loan Syndications and Trading Association⁵ (“LSTA”) or as they may subsequently be updated.

Other SFT(s) may conform to other sustainable finance principles as may have been established at the time of such a financing transaction being undertaken.

² <https://www.icmagroup.org/>

³ <https://www.aplma.com/en/gsl>

⁴ <https://www.aplma.com>

⁵ <https://www.lsta.org>



In alignment with the above principles and guidelines, the Framework consists of the following core components, which will be described in more detail below:

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

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 review.

A. Use of Proceeds

Company Materials

The Group will exclusively allocate an amount at least equivalent to the net proceeds of a sustainability financing transaction issued under this framework to finance or refinance, in whole or in part, new or existing projects which meet the eligibility criteria of the following eligible green and social projects categories, as defined below.

The Group expects each issuance under this framework to be fully allocated within 36 months from the date of issuance, and on a best-efforts basis. A maximum of 36 months look-back period would apply for refinanced projects. The proportion of financing and refinancing for the eligible green and social projects will be disclosed.

Eligible Green Project Categories	Eligibility Criteria
<p>Sustainable Water and Wastewater Management</p>	<p>Investment, acquisition and expenditures related to construction, development, upgrade, installation, operation and maintenance the facilities and projects of water supply infrastructure, pumping stations and urban wastewater treatment.</p> <ul style="list-style-type: none"> • The waste water discharge standard will at least meet the national pollutants discharge standard for municipal wastewater treatment plant⁶ (GB 18918-2002); • China Green Bond Endorsed Projects Catalogue 5.3.1.1.
<p>Environmentally Sustainable Management of Living Natural Resources and Land Use</p>	<p>Investment, acquisition and expenditures related to environmentally sustainable forestry, including afforestation or reforestation, and preservation or restoration of natural landscapes, specifically forestry resource cultivation, such as variety improvement of forestry, seedling cultivation, and forest planting, tending, logging, and regeneration, etc.</p> <ul style="list-style-type: none"> • The forest restoration and management plan should at least contains consideration and assessment of local forestry and land conditions. Sustainable business activities in line with the standards and requirements of China Forest Certification – Forest Management ⁷ (GB/T28951), the China Forest

⁶ https://www.mee.gov.cn/ywqz/fgbz/bz/bzwb/shjhb/swrwpfbz/200307/t20030701_66529.shtml

⁷ <https://std.samr.gov.cn/gb/search/gbDetailed?id=C3386C490C218B79E05397BE0A0AC288>



	<p>Certification-Production and Marketing Chain of Supervision⁸ (GB/T28952) and other relevant standards;</p> <ul style="list-style-type: none"> China Green Bond Endorsed Projects Catalogue 4.2.2.1.
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Eligible Social Project Categories	Eligibility Criteria
Affordable Housing – Resettlement Houses and Shanty Town and Houses⁹	<p>Investment, acquisition and expenditures related to construction, operation and compensations of affordable houses¹⁰, (i.e. resettlement houses, shanty town house renovation etc.) which contribute to reductions in the number of people without adequate, safe and affordable housing.</p> <ul style="list-style-type: none"> The residents who have permanent residence registration in Pingxiang City and living in dilapidated housing, shanty town, poor conditions and homeless families defined by the local authority¹¹; or The low-income families¹² in accordance with local government announced standards.

Exclusion Criteria

Based on the latest International Finance Corporation Exclusion List, the Group has added the following activities to the Exclusion List. In any case, Eligible Green and Social Projects under this SFF will exclude the following activities from consideration for eligibility:

- 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 fibers. 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 kilometers in length.

⁸ <https://std.samr.gov.cn/gb/search/gbDetailed?id=14156507D1940337E06397BE0A0AE656>

⁹ Housing for the general public and vulnerable groups in accordance with local government and regulatory definitions, i.e. 1) houses which mainly use wooden boards, adobe, and 240mm thick bricks wall as load-bearing structures, 2) houses that are low lying and prone to waterlogging and lack of basic infrastructures, 3) houses that are rated as a severely damaged house or dangerous houses according to the Ministry of Construction's "House damage rating standards" and "Dangerous house appraisal standards"; shanty houses with a construction area more than 50,000m² are shanty towns.

¹⁰ The housing is dedicated to be used for resettlement purposes, and where the target population will be the only recipients of the eligible projects, in order to improve quality of life, safety of living and independence for vulnerable groups and underprivileged population. The housing will not be sold to the public market for profit generation and the financing terms of housing will be in line with market standards

¹¹ Housing and Urban-Rural Development Administration of Jiangxi Province.

¹² Ministry of Civil Affairs of the PRC, on the printing of "Definition of low-income households".



- Production or activities involving harmful or exploitative forms of forced labor/harmful child labor.
- 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 nuclear production.
- Projects related to fossil fuel production.
- Projects related to coal mining.
- Projects related to hydropower which installed capacity > 25MW.

Opinion of Lianhe Green

Not Aligned	Aligned	Good	Excellent
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Lianhe Green has reviewed a number of documents, including the Sustainability Finance Framework, and has conducted a comprehensive review of the Group's policy 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 Endorsed Project Catalogue (2021 Edition)." In addition, Lianhe Green generally considers all the green categories to positively contribute to the environment and to be in alignment or partial alignment with the HK Taxonomy and EU Taxonomy. In some activity categories, further specific criteria are required. Further detailed findings will be described in the corresponding project category assessment. Moreover, the eligible green and social projects contribute to the United Nations Sustainable Development Goals¹³. Lianhe Green considers that the Group's Use of Proceeds is Excellent, 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 projects 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 2023, Pingxiang city's government issued the "[Notice on the Work Plan for Strengthening the Supervision and Management of Discharge Outlets into Rivers in Pingxiang City](#)", the main purpose of which is to strengthen and standardize the supervision and management of discharge outlets throughout the city in line with the actual situation of Pingxiang city. The plan clarifies that by the end of 2025, the rectification work of discharge outlets of rivers such as the Ping River will be basically

¹³ 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.



completed. At the same time, the urban built-up area will basically eliminate the direct discharge of domestic sewage, eliminate the blank areas of collection and treatment facilities, and effectively solve the problems of illegal sewage overflow and direct discharge.

Lianhe Green believes the Framework's description on "Investment, acquisition and expenditures related to construction, development, upgrade, installation, operation and maintenance the facilities and projects of water supply infrastructure, pumping stations and urban waste water treatment" is aligned with the description of "5.3.1.1 Construction and Operation of Facilities for Sewage Treatment, Recycling, and Sludge Treatment and Disposal" under "Green Bond Endorsed Project Catalogue (2021 Edition)", which states that "Construction, operation and upgrading of urban and rural sewage treatment and recycling facilities. Construction, operation, and upgrading of sludge disposal facilities. Construction and operation of the regional recycled water circulation system in accordance with the concepts of pollution control, ecological protection and recycling, including the construction and operation of ecological treatment facilities such as artificial wetlands that treat water discharged from urban wastewater treatment plants that have met corresponding standards, and the operation and maintenance of the recycled water dispatch and management system of the regional recycling system for recycled water." The requirement that the wastewater discharge standard will at least meet the national pollutants discharge standard for municipal wastewater treatment plant mentioned in the Framework contribute positively to the environment.

Lianhe Green generally acknowledges that these types of projects have a positive environmental impact. However, the requirement that "Construction, extension and operation of waste water collection and treatment" under the EU taxonomy is more stringent than that of the Framework. The substantial contribution criteria regulate that "for the construction and extension of a wastewater treatment plant or a wastewater treatment plant with a collection system, an assessment of the direct GHG emissions is performed. The results are disclosed to investors and clients on demand. And it also standardizes the net energy consumption of the wastewater treatment plant." On the other hand, the Hong Kong Taxonomy hasn't designated a specific activity to match the activities in this project category.

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 6.3 of Goal 6 (Clean Water and Sanitation) "By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally".

2) 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 projects 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 September 2023, the [Forestry Bureau](#) of Pingxiang City convened a meeting to clarify the management boundaries of forest land and to advance key tasks in the protection and management of forest resources across the city. The meeting emphasized the need to focus on piloting sustainable forest management. Sustainable forest management is crucial for improving forest quality, increasing income for forestry enterprises and farmers, and boosting the economic development of the forestry sector. It is necessary to guide more operators to participate in sustainable forest management and promote high-quality development in Pingxiang's forestry industry.

Lianhe Green considers that the Framework's description on "Investment, acquisition and expenditures related to environmentally sustainable forestry, including afforestation or reforestation, and preservation or restoration of natural landscapes, specifically forestry resource cultivation, such as variety improvement of forestry, seedling cultivation, and forest planting, tending, logging, and



regeneration, etc. Sustainable business activities in line with the standards and requirements of China Forest Certification – Forest Management (GB/T28951), the China Forest Certification-Production and Marketing Chain of Supervision (GB/T28952) and other relevant standards” is aligned with the description of “4.2.2.1 Forest Resources Cultivation Industry” under “Green Bond Endorsed Project Catalogue (2021 Edition)”, which states that “Forestry resource cultivation projects, such as variety improvement of forestry, seedling cultivation, and forest planting, tending, logging, and regeneration, etc. Sustainable business activities in line with the standards and requirements of the China Forest Certification - Forest Management (GB/T 28951), the China Forest Certification-Production and Marketing Chain of Supervision (GB/T 28952) and other relevant standards”.

Lianhe Green generally acknowledges that these types of projects have a positive environmental impact and assesses that they are partially eligible for the 'Afforestation' and 'Forest Management' activities under the EU Taxonomy. Lianhe Green evaluates that the EU taxonomy's substantial contribution criteria for “Afforestation” and “Forest management” include the technical screening criterion mentioned in the Framework that “The forest restoration and management plan should at least contain consideration and assessment of local forestry and land conditions,” making these project types partially eligible for EU taxonomy activities. This is because the substantial contribution criteria to both activities require more technical standards, norms and regulations in addition to certain considerations and assessments, which requires the forest management plan or equivalent instrument, climate benefit analysis, guarantee of performance, audit and group assessment. On the other hand, the Hong Kong Taxonomy hasn't currently designated a specific activity as a forestry activity.

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 15.2 of Goal 15 (Life on Land) “By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally”.

1) Eligible Social Projects: Affordable Housing – Resettlement Houses and Shanty Town and Houses

Lianhe Green Findings / Suggestions

Lianhe Green considers that this project category under the Framework is most relevant to the eligible social projects category “Affordable housing” under both SBP and SLP.

In September 2023, the Pingxiang City's government issued a circular entitled “[Pingxiang City 2023 Rural Dangerous Housing Reconstruction Implementation Programme](#)”, which determines that the target of subsidy is the rural low-income group. To guarantee the continuity of the rural dangerous housing reconstruction policy and the rural housing assistance policy, support will be given to rural low-income marginal households and other households out of poverty that have not enjoyed the support of the rural housing security policy and are unable to solve the problem of housing security by their own strength.

The Group actively develops affordable housing to support national policies and permanent residence in Pingxiang City, and makes solid contributions to addressing the housing needs of specific groups. Lianhe Green is in view that this type of project can increase the number of affordable housing and departments, and solve the housing problems of the rural and suburban population, villagers and low-income families, which is an urgent need for China's real estate industry and social and economic development. It not only can meet the housing needs of special communities, but also promote sustainable economic and social development.

Lianhe Green believes this qualified social project category contributes positively to the United Nations Sustainable Development Goals (UNSDGs), in particular, there is significant contributions to Target 11.1 of Goal 11 (Sustainable Cities and Communities) “By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums”.

B. Process for Project Evaluation and Selection



Company Materials

The Group has established systematic processes and procedures to manage environmental and social risks during the course of daily operations. In terms of the process for project evaluation and selection, the Group has set up a Sustainability Financing Working Group (the "SFWG"), which is responsible for ensuring that proceeds from Sustainable Financing Transactions ("SFTs") or an equivalent amount will be allocated to the eligible projects under the Framework. The SFWG will also be responsible for managing any future updates of the framework, including any expansion of requirements of the use of proceeds.

The potential eligible green and social projects were identified, selected and nominate via a process that involves participants from various functional departments. Relevant departments, usually finance and legal teams, will conduct pre-screening against eligible categories as listed in the framework to narrow down the scope of projects – this is to ensure only the projects demonstrating clear intention in contributing to the sustainability-related impacts are selected in the first place. Then relevant departments will inspect project-related documents, including but not limited to feasibility studies, environmental impact assessment reports, stakeholder impact assessment reports, project preliminary design plans etc. to ensure that substantive and additional sustainability-related impacts can be generated from the projects of interest and meanwhile no significant harms can be made to other sustainability objectives before endorsement of certain projects. The endorsed projects will then be shortlisted and presented to the board of directors of the company for final approval. After receiving the assessment and approval from the board of directors, the selected projects will be included in the eligible green and social projects list.

The SFWG is responsible for the management and compliance of all the financings issued under this framework. The SFWG consists of senior management members from various departments of the Group, including the financial management department and risk and legal department.

The SFWG will at least annually to discuss, assess and select eligible green and social projects according to the eligibility and exclusion criteria under this framework. The SFWG will undertake regular monitoring of the asset pool to ensure the eligibility of green and social projects with the criteria set out in section 2.1, whilst replacing any ineligible green and social projects with new green and social projects and facilitate regular reporting on any SFTs issuance in alignment with the reporting commitments.

Opinion of Lianhe Green

Not Aligned	Aligned	Good	Excellent
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Lianhe Green has reviewed the Sustainability 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 comprehensive process for screening, identifying, and evaluating green and/or social projects. The Group has a process that involves participants from various functional departments to evaluate and select eligible projects. The SFWG consists of senior management members from various departments of the group, and the endorsed projects will be presented to the company's board of directors for final approval. Through communication with the Group, Lianhe Green assesses that the SFWG is supported by industry expertise in sectors, which provides technical analysis for project evaluation and selection.

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

C. Management of Proceeds

Company Materials



The Group intends to allocate an amount equal to the net proceeds of the SFT(s) over time to finance or refinance the eligible green and social projects, which are selected according to the eligibility criteria using the evaluation and selection process outlined above.

The net proceeds of each SFT will be deposited in the general funding accounts and earmarked for allocation towards the eligible green and social projects. The Group will maintain a SFT Register to track the use of proceeds for the SFT. A sustainability finance allocation register will be established to record the allocation of proceeds.

The register will contain information including the following:

1. Type of funding transaction: ISIN (if applicable), pricing date, maturity date etc.; and
2. Eligible green and social projects allocation list, information including:
 - the eligible projects list, including for each eligible project, the eligible green and social project category, project description, project location, ownership percentage, total investment amount, amount allocated, settled currency, etc.;
 - the balance of unallocated proceeds; and
 - the information of temporary investment for unallocated proceeds.

Any balance of issuance proceeds which are not yet allocated to eligible green and social projects will be temporarily held in accordance with the Group's liquidity guidelines on cash, cash equivalents or short-term deposits, and the Group commits not to invest such unallocated net proceeds to the projects which are subject to exclusions criteria under this framework. For each issuance under this framework, the Group will review the register on an annual basis.

During the life of the SFT(s) issued, if the designated projects cease to fulfil the eligibility criteria, the net proceeds will be re-allocated to replacement projects that comply with the eligibility criteria as soon as reasonably practicable.

Opinion of Lianhe Green

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

The net proceeds of each issuance will be held as assets with high liquidity and safety such as cash, cash equivalent instruments, or short-term financial assets. The Group commits not to invest such unallocated net proceeds to the projects which are subject to exclusions criteria in the Use of Proceeds section.

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

D. Reporting

Company Materials

For the SFT(s) issued under the framework, the Group will make and keep readily available category-level disclosure reports via the website, or include in the Group's annual report. The Group will disclose the allocation and impact of the net proceeds raised under the framework or an amount equal to these net proceeds, on an annual basis starting from the first year of issuance until the full allocation of the net proceeds to the eligible green and social projects, and thereafter in the event of any material changes.

Allocation reporting



The allocation report will include the following information at SFT and eligible category level where applicable:

- the net proceeds of each SFT outstanding;
- list of eligible green and social projects with descriptions and the amount that has been allocated and earmarked;
- the proportion of the proceeds allocated to refinancing of existing eligible green and social projects, with clarification on which investment or project portfolios will be refinanced;
- the balance of unallocated proceeds held in cash, cash equivalents or short-term deposits and its temporary treatment (if any); and
- the types of temporary unallocated funds placements and uses.

Impact Reporting

The Group will report impacts arising from the eligible green and social projects and provide the methodology and assumptions used for calculation of the impact indicators.

The Group will commit to aligning the reporting with the project approach described in ICMA's "Handbook – Harmonised Framework for Impact Reporting (June 2024) and Harmonised Framework for Impact Reporting for Social Bonds (June 2023)" subject to the availability of suitable information and data.

Examples of impact reporting indicators include:

Eligible Green Project Categories	Impact Indicators
Sustainable Water and Wastewater Management	<ul style="list-style-type: none"> • Annual absolute (gross) amount of wastewater treated, reused or avoided before and after the project (m³/a) • Annual absolute amount of water supplied (m³/a) • Annual reduction in water consumption (m³/a)
Environmentally Sustainable Management of Living Natural Resources and Land Use	<ul style="list-style-type: none"> • Newly created afforestation area (m³/a) • Percentage of reduction in soil erosion and loss (%)
Eligible Social Categories	Impact Indicators
Affordable Housing – Resettlement Houses and Shanty Town and Houses	<ul style="list-style-type: none"> • Number of dwellings constructed • Reduction in number of people experiencing poor housing and homelessness • Number of individuals/families benefiting from subsidized housing

Opinion of Lianhe Green

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

The Group will provide green and social projects level disclosure reports annually until the proceeds of all the transactions have been allocated, and in the event of any material changes. And the group commits to align with ICMA's "Handbook – Harmonised Framework for Impact Reporting (June 2024) and Harmonised Framework for Impact Reporting for Social Bonds (June 2023)".

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



E. External Reviews

Company Materials

The Group has engaged Lianhe Green Development to provide a Second-Party Opinion on this Framework to review and confirm its alignment with the GBP, SBP, SBG, GLP and SLP. The Second-Party Opinion together with the Framework will be published on the Group's website.

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. An independent third party may be engaged to review and verify the internal tracking and allocation of funds from the SFTs to eligible green and social projects, as well as the eligible projects expected and actual impact that is disclosed in the Group's annual report.

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



Analysis of Environmental and Social Benefits

Eligible Green Project: Sustainable Water and Wastewater Management

Environmental Benefits

[“Wastewater-Turning Problem to Solution”](#) estimated that the degradation of organic matter during wastewater treatment contributes ~ 1.57 per cent of global GHG emissions and 5 per cent of global non-carbon dioxide GHG emissions. The [Synthesis Report on Water and Sanitation from United Nations](#) pointed out that 42% of household wastewater is not treated properly, which seriously damages ecosystems and human health. The untapped potential for wastewater reuse is around 320 billion m³/year, with the potential to supply more than 10 times the current global desalination capacity.

Therefore, it is crucial to reduce, recycle, treat, and reuse wastewater. Practices in key industries have shown that the reuse rate of industrial water can reach as high as 97% and 95.2%. During the “[13th Five-Year Plan](#)” period, large and medium-sized enterprises in water-intensive industries collectively reduced wastewater discharge by approximately 300 million cubic meters, saving about 2.1 billion cubic meters of fresh water. Classifying and treating industrial wastewater, recovering useful substances from it, and recycling water within or among enterprises are of significant importance in alleviating China's water scarcity, reducing the production water costs of enterprises, and advancing towards achieving carbon peak and neutrality goals.

In 2021, [“Implementation Plan for Industrial Wastewater Recycling”](#) pointed out that, by 2025, the reuse rate of industrial water above designated size will reach about 94%, essentially forming a new pattern of highly efficient wastewater recycling in major water-consuming industries.

Overall, the Group's water projects in Pingxiang city sustainably meet water demand, cut costs, and enhance treatment facilities, which benefits residents and supports sustainable economic growth.

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

Environmental Benefits

[The State of the World's Forests 2020 \(SOFO\)](#) pointed out that forests cover 31% of the global land area. Approximately half the forest area is relatively intact, and more than one-third is primary forest. The net loss of forest area has decreased substantially since 1990, but deforestation and forest degradation continue to take place at alarming rates resulting in significant loss of biodiversity. In both developing and developed countries and in all climatic zones, communities that live within forests rely the most directly on forest biodiversity for their lives and livelihoods. Other rural people, most of whom live in landscapes containing a mix of grasslands, farmlands and tree cover, often participate in the value chains of forest biodiversity. The conservation of biodiversity is therefore of paramount importance.

As the [World Economic Forum](#) has stated, forestry's carbon footprint is already quite low compared with other industries and increasing demand for sustainably produced forest products can drive reforestation at meaningful scales, delivering significant climate benefits. A durable market for sustainable wood products creates economic support for landowners to plant trees, manage the growing forests and replant new trees as they are harvested. The Group invests in environmentally sustainable forestry, including afforestation or reforestation, as well as the preservation or restoration of natural landscapes, which will make a positive contribution to the biodiversity of Pingxiang City and the world.

The 71st United Nations General Assembly reviewed and adopted the “[United Nations Forest Strategy Plan \(2017-2030\)](#)”, which is committed to reversing the trend of global forest cover decline through sustainable forest management, including the protection and restoration of forests, afforestation, and reforestation, and increasing efforts to prevent forest degradation and address climate change. At the same time, it aims to significantly increase the area of forest reserves and other sustainably managed forest areas around the world, and to increase the proportion of forest products from sustainably managed forest areas. The National Forestry and Grassland Administration also released the “[National Forest Sustainable Management Pilot Implementation Plan \(2023-2025\)](#)”, planning to initially form a



decision-making mechanism for sustainable forest management centered on forest management plans in pilot units by 2025.

Eligible Social Project: Affordable Housing – Resettlement Houses and Shanty Town and Houses

Social Benefits

The [World Economic Forum](#) has pointed out that currently, 1.1 billion people residing in informal settlements and urban slums is consistently exposed to the risks associated with extreme weather events, and a significant proportion of tenants are burdened with the financial strain of high rental costs.

Therefore, providing affordable housing is a necessary measure to promote social equity and economic development. The provision of affordable housing serves as a catalyst for alleviating poverty among low-income households, mitigating homelessness, and extending support to vulnerable demographics, thereby fostering social cohesion. A secure and stable housing environment is instrumental in enhancing the work efficiency and productivity of residents, which in turn exerts a salutary influence on the broader economic landscape.

In 2023, the State Council issued the "[Stabilization and Quality Improvement of Guaranteed Housing Construction](#)", emphasizing that in the "14th Five-Year Plan" period, China focuses on developing guaranteed rental housing, further improving the housing security system, increasing the supply of guaranteed housing, and striving to achieve housing for all people. Localities are actively constructing various types of housing, strengthening planning, operation and management, ensuring project quality, and promoting the high-quality development of housing security work.

The Group actively responds to national policies and provides a good living environment for the residents of Pingxiang City, which significantly impacts livelihood improvement and contributes to societal harmony and stability, benefiting a broad spectrum of individuals and families across China.



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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