



聯合綠色發展  
Lianhe Green Development

#### Report Type

Sustainable Finance  
Framework Second-Party  
Opinion

#### Analytical Standards

- » Green Bond Principles (GBP) (June 2025 Edition)
- » Social Bond Principles (SBP) (June 2025 Edition)
- » Green Loan Principles (GLP) (March 2025 Edition)
- » Social Loan Principles (SLP) (March 2025 Edition)

#### Industry

Local Investment and  
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#### Country/Region

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# Yancheng Oriental Investment & Development Group Co., Ltd.

## Second-Party Opinion | Sustainable Finance Framework

### Summary

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

Lianhe Green Development Company Limited (hereafter referred to as “Lianhe Green”) has reviewed a series of documents including the “Sustainable Finance Framework” (hereafter referred to as “Framework”) issued by Yancheng Oriental Investment & Development Group Co., Ltd. (hereafter referred to as “the Company” or “the Group”), and assessed the company’s relevant work in respect of the Use of Proceeds, Process for Project Evaluation and Selection, Management of Proceeds, Reporting, and External Reviews. The Framework has received an assessment opinion of “Good” from Lianhe Green. Lianhe Green considers that the Framework are in compliance with the Green Bond Principles (GBP) (June 2025 Edition), the Social Bond Principles (SBP) (June 2025 Edition), the Green Loan Principles (GLP) (March 2025 Edition), and the Social Loan Principles (SLP) (March 2025 Edition). In addition, the eligible green projects listed in this Framework are in line with the Green Bond Principles (GBP) (June 2025 Edition) and the Green Loan Principles (GLP) (March 2025 Edition); the eligible social projects listed in this Framework are in line with the Social Bond Principles (SBP) (June 2025 Edition) and the Social Loan Principles (SLP) (March 2025 Edition). At the same time, Lianhe Green’s assessment includes the contributions of the project categories to the relevant United Nations Sustainable Development Goals (UN SDGs)<sup>1</sup>.

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



## About the Company

### Company Materials

Yancheng Oriental Investment & Development Group Co., Ltd. (the "Group") was established in July 2003 with the Yancheng Municipal People's Government as its sole shareholder. From 2021 to 2024, the Group has consistently delivered strong financial performance, with annual net profit attributable to the parent company exceeding RMB 700 million, local tax contributions surpassing RMB 500 million, and an average debt-to-asset ratio maintained below 65%, placing its key economic indicators among the top tier of comparable state-owned enterprises in the city. Through two decades of steady development, particularly nine years of strategic transformation, the Group has firmly established industrial investment as its core development pathway while actively integrating with Shanghai's economic sphere. By implementing a series of strategic initiatives including precision equity investments, attracting industrial projects, and modernizing corporate governance systems, the Group has achieved remarkable transformation results, successfully evolving from its initial role as a financing platform into a substantive, investment-focused, and performance-driven state-owned industrial enterprise. As the key entity responsible for development and management of housing and infrastructure within the Yancheng Economic-Technical Development Zone, the Group has developed solid business operations in five business segments: (i) infrastructure construction, (ii) real estate development, (iii) property leasing and management, (iv) trading and (v) others.

The Group operates within Yancheng Economic-Technical Development Zone (the "Development Zone"), the only state-level economic and technical development zone in Yancheng City, Jiangsu Province. It is an important gateway for foreign investment and plays an important role in Yancheng City's economic development. Due to its strategic location, Yancheng City is one of the three key designated cities under the Sino-Korea Industrial Park (中韓工業園) framework, as part of the Sino-Korea free trade agreement (中韓自由貿易協議) of 2015. Established in July 1992, the Development Zone forms the core area of Yancheng City's Sino-Korea Industrial Park (中韓工業園).

## Company Sustainability Strategy

### Company Material

The Group's Sustainable Finance Framework is closely aligned with the "industry-finance-investment" collaborative development strategy of Yancheng Economic-Technical Development Zone, which positions "industry as the foundation, finance as the safeguard, and investment as the driver." It aims to support the Group's strategic development through diversified financing instruments while practicing sustainable development concepts.

The Yancheng Oriental Group Sustainable Finance Framework focuses on serving regional high-quality development as its core objective, prioritizing support for the following eligible project areas: (1) Infrastructure Enhancement Projects: Including urban infrastructure construction such as road and bridge development, sewage pipeline renovation, and flood control improvement projects; (2) Livelihood Security Projects: Emphasizing the advancement of affordable housing and other public welfare initiatives; (3) Employment Promotion Programs: Driving job growth through industrial investments. The Group is committed to sustainable development and integrates this philosophy into its overall business strategy, investments, construction, and operations. As a key participant in housing and infrastructure development within Yancheng Economic-Technical Development Zone, the Group actively explores and provides products and services that align with the Yancheng municipal government's development strategy while ensuring long-term sustainability. The Group will continue to contribute to the improvement of Yancheng's municipal infrastructure and accelerate the growth of a green and socially responsible urban economy.



### Opinion of Lianhe Green

As a state-owned enterprise, the Group's core business is highly aligned with the local government's sustainable development policies. It actively implements the requirements of the local government, vigorously develops eligible green projects involving sustainable water and wastewater management and green building, and actively contribute to the realization of the national 2030 carbon peak target. The Group is also actively engaged in various qualified social responsibility projects, such as affordable housing and basic infrastructures, which have provided a solid safeguard for local people's livelihoods.

Based on the media review and the evidence obtained, nothing has come to Lianhe Green's attention that causes us to believe that the Group has any significant negative ESG news or controversial issues as of July 2025.

It is common market practice for issuers of sustainable financing instruments to disclose issuer-level environmental or social information, in accordance with globally accepted reporting frameworks (e.g., GRI or ISSB). However, the Group has not disclosed relevant information yet.



## 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 Sustainable categories. Refinancing of Eligible Projects will have a look-back period of no longer than 36 months from the time of issuance. The Group is committed to fully allocating the net proceeds of each SFT on a best effort basis within 36 months of issuance.

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



#### i. Eligible Green Projects

Eligible Green Projects Categories	Description/Condition of Eligible Green Projects
<b>Sustainable Water and Wastewater Management</b>  <b>Applicable SDGs</b>  	<p>Construction, operation and maintenance of wastewater treatment plants and supporting facilities:</p> <ul style="list-style-type: none"><li>➤ Examples would include but not limited to wastewater pipe and treatment plants, water recycling systems, and water/rainwater collection pipes and other facilities.</li></ul> <p>Construction and maintenance of sustainable urban drainage systems, river training, and other forms of flooding mitigation:</p> <ul style="list-style-type: none"><li>➤ Examples would include but not limited to urban drainage systems, "Sponge City", dam, levees and other forms of flooding prevention and mitigation.</li></ul>



	
<p><b>Environmentally Sustainable Management of Living Natural Resources and Land Use</b></p> <p><b>Applicable SDGs</b></p> 	<p>Develop/redevelop green landscapes that facilitate the preservation or restoration of natural landscapes and enhance the ecological integrity.</p> <p>➤ Examples would include but not limited to construction of eco-sightseeing, recreation, culture, sports, and health care facilities based on natural resources without damaging surface vegetation, biodiversity.</p>
<p><b>Green Building</b></p> <p><b>Applicable SDGs</b></p>  	<p>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"> <li>• Chinese Green Building Evaluation Label – 1 Star or above (Design / Operations Label); or</li> <li>• Building Research Establishment Environmental Assessment Method (BREEAM) – Excellent or above; or</li> <li>• U.S. Leadership in Energy and Environmental Design (LEED) – Gold or above; or</li> <li>• Hong Kong BEAM Plus – Gold or above; or</li> <li>• Building and Construction Authority (BCA) Green Mark – Gold or above.</li> </ul>

## ii. Eligible Social Project

Eligible Social Projects Categories	Description/Condition of Eligible Social Projects
<p><b>Employment Generation</b></p> <p><b>Applicable SDGs</b></p>  	<p>Construction, operation and maintenance in projects that generate employment, prevent unemployment and/or alleviate unemployment stemming from socioeconomic crisis, e.g., development, operation and maintenance of industrial parks and infrastructure such as roads and bridges to generate employment and provide additional income opportunities for the local workforce.</p> <p><b>Target Population:</b></p> <p>Local labour force with subdued employment prospects due to adverse socioeconomic changes; or unemployed or at-risk individuals in the upstream and downstream sectors of the industry chain; or agricultural workers in impoverished areas with insufficient income, who can benefit from diversified employment opportunities and income sources through industrial park projects.</p>



	
<p><b>Affordable Housing</b></p> <p><b>Applicable SDGs</b></p>  	<p>Construction and development of affordable housing in accordance with local government and regulatory definitions, including but not limited to resettlement housing, which contribute to reductions in the number of people without adequate, safe and affordable housing.</p> <p><b>Target Population:</b> Indigenous residents affected by housing demolition and relocation, and low- and middle-income groups.</p>
<p><b>Affordable Basic Infrastructure</b></p> <p><b>Applicable SDGs</b></p> 	<p>Construction and operation projects that provide affordable basic transportation infrastructure for the general public and vulnerable groups, e.g., road and underground passage construction and renovation projects, etc.</p> <p><b>Target population:</b> The migrants, or the rural underserved due to a lack of access to basic transportation services.</p>

#### 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, in accordance with the relevant assessment criteria, reviewed the Framework and other related documents, and the issuer's policies on Use of Proceeds.

After the assessment, Lianhe Green believes that the Group has clearly categorized the eligible projects into the listed categories of GBP, GLP, SBP and SLP. All the Group's projects are located in China. The eligible green project categories align with *China's Green Bond Endorsed Projects Catalogue (2021 Edition)*.

The Group clearly outlined the UN SDGs of eligible categories, and specified the target population of the eligible social project categories referenced as the SLP. However, there has been no clear disclosure of the environmental and social benefits of eligible green and social projects and environmental objectives in accordance with the requirements of the GLP and SLP. Lianhe Green urged the Group to disclose the benefits of eligible projects and environmental objectives for eligible green project categories, and ensure that they are clear. Detailed analysis will be elaborated in the following paragraphs.

Through communication, the proportion of proceeds to be used for refinancing remain unclear. Lianhe Green recommends that the Group disclose the proportion of financing and refinancing to stakeholders prior to the bond issuance. A maximum 3-year look-back period would be applied on refinanced projects, which is longer than the market best practice. The Framework clearly stated the exclusion list, including 12 activities, assets and technologies.

Lianhe Green's assessment of the Group's Use of Proceeds is "Good".

#### 1) Eligible Green Projects: Sustainable Water and Wastewater Management

##### Eligible Green Project Categories Under Principles

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 GBP, and "Sustainable water and wastewater management (including sustainable infrastructure for clean and/or drinking water, smart irrigation and wastewater treatment)" under GLP.

##### Alignment with *Green Bond Endorsed Project Catalogue (2021 Edition)*, *Hong Kong Taxonomy for Sustainable Finance* and *EU Taxonomy*

Lianhe Green believes the Framework's description on "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" is aligned with the description of "5.3.1.3 Inspection, Upgrade, Construction and Renovation of Urban Sewage Collection System" under *Green Bond Endorsed Project Catalogue (2021 Edition)*, which states that "Inspection, dredge; repair and renovation of urban sewer network; construct and renovate sewage (rain) storage facilities; develop and operate geographic information system (GIS) for sewer network." Furthermore, Lianhe Green believes the Framework's description





on “Construction and maintenance of sustainable urban drainage systems, river training, and other forms of flooding mitigation: Examples would include but not limited to urban drainage systems, ‘Sponge City’, dam, levees and other forms of flooding prevention and 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 states that “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 systems; rainwater shoreline purification facilities; coastal dry pipes; sediment filtration, artificial wetlands, other overflow wastewater purification facilities and rainwater storage facilities, etc.”

Currently, sewage sludge treatment is included in *Hong Kong Taxonomy*, but it emphasizes “anaerobic digestion or co-digestion with the resulting production and utilisation of biogas or chemicals” of this activity, which is not stated in the Framework.

Lianhe Green believes that these types of projects are partially eligible for the activity “Urban Waste Water Treatment” of *EU Taxonomy*, which states that “Construction, extension, upgrade, operation and renewal of urban waste water infrastructure including treatment plants, sewer networks, storm water management structures”. However, *EU Taxonomy* has more requirements on the capacity and treatment technology, which is not stated in the Framework.

#### **Relevant Key United Nations Sustainable Development Goals**

Lianhe Green believes this eligible Green Project category contributes positively to the UNSDGs, in particular, it makes significant contributions to Target 6.b of Goal 6 (Clean Water and Sanitation) “Support and strengthen the participation of local communities in improving water and sanitation management”.

#### **Environmental Benefits**

According to [data](#) released by the Ministry of Housing and Urban-Rural Development, from 2011 to 2022, the total volume of wastewater discharge in China continued to rise, increasing from 48.322 billion cubic meters to 75.390 billion cubic meters. In 2023, the total wastewater discharge was approximately 78.429 billion cubic meters. The [United Nations](#) pointed out that 42% of household wastewater is not treated properly, which seriously damages ecosystems and human health.

By removing contaminants, protecting ecosystems, safeguarding human health, mitigating eutrophication, and supporting sustainable water management, wastewater treatment serves as a crucial tool in [addressing the global water crisis](#). Therefore, the reduction, recycling, treatment, and reuse of wastewater are of vital importance. In accordance with the [Notice on Issuing the Implementation Opinions on the Integrated Construction and Operation Management of Urban Sewage Treatment Facilities in the Whole City](#) by the Yancheng Municipal Government, Yancheng has set a general goal for 2025, which is to achieve a centralized collection and treatment rate of 70% for domestic sewage in urban areas. By integrating the pipeline network and promoting sewage treatment projects, strengthening organizational leadership and division of responsibilities, and further accelerating the pace of sewage treatment facility construction, the city aims to enhance the operational management of sewage treatment facilities.

The Yancheng city government has fully implemented the national development policy, the [14<sup>th</sup> Five-Year Plan for Urban Sewage Treatment and Resource Utilization Development](#), and has improved the sewage collection and treatment mechanism. As a state-owned enterprise in Yancheng City, the Group actively constructs and operates sewage treatment facilities and supporting facilities, while also optimizing the urban drainage system, which will largely achieve the environmental goal of pollution prevention and control. In addition, such projects not only help to alleviate urban flooding in extreme weather conditions, but also enhance the city’s resilience to climate change and play an important role in achieving the environmental goal of climate change mitigation. Therefore, the Group provides strong support for the construction of a water-saving society and makes a positive contribution to the achievement of the urban sewage treatment goals set by the government.



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

### Eligible Green Project Categories Under Principles

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 GBP, and “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; preservation or restoration of natural landscapes; eco-tourism; and sustainable traceability mechanisms)” under GLP.

### Alignment with *Green Bond Endorsed Project Catalogue (2021 Edition)*, *Hong Kong Taxonomy for Sustainable Finance* and *EU Taxonomy*

Lianhe Green believes the Framework’s description on “Develop/redevelop green landscapes that facilitate the preservation or restoration of natural landscapes and enhance the ecological integrity.” is aligned with the description of “4.2.2.4 Forest Recreation and Health Rehabilitation Industry” under *Green Bond Endorsed Project Catalogue (2021 Edition)*, which states that “Construction of eco-sightseeing, recreation, culture, sports, and health care facilities based on natural resources such as forests, grasslands, wetlands, deserts, and wild animals and plants without damaging surface vegetation, biodiversity and ecosystems. Sustainable business activities that meet the requirements of the China Forest Certification-Forest Management (GB/T 28951) and relevant standards”.

Furthermore, this project category emphasizes the construction of eco-sightseeing and recreation facilities based on natural resources such as forests. The *EU Taxonomy* regulates the activities of “rehabilitation and restoration” and “Forest management and conservation”, which not regulates the relationship with rehabilitation industry listed in the Framework. The *Hong Kong Taxonomy* hasn’t currently designated a specific activity as a forestry activity.

### Relevant Key United Nations Sustainable Development Goals

Lianhe Green believes this eligible Green Project category contributes positively to the UNSDGs, in particular, it makes significant contributions to Target 15.1 of Goal 15 (Life on Land) “By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements”.

### Environmental Benefits

The [National Forestry and Grassland Administration](#) (NFGA) has noted that the development of eco-tourism reflects the significant changes in people’s lives since the reform and opening up. In recent years, the NFGA has actively promoted green industries such as eco-tourism, guiding various regions to develop tourism products based on strict ecological conservation. The launch of 14 characteristic eco-tourism routes, which connect representative natural landscapes such as forests, grasslands, lakes, and rivers, has greatly enriched the supply of eco-tourism products and services.

This type of economic activity is an effective way to achieve coordinated development of resource protection and utilization. It not only meets the public’s growing and diverse demands for eco-tourism but also demonstrates the new value of eco-tourism and activates its new functions by developing





new business formats and products. As an emerging industry, eco-tourism continues to release economic vitality and plays an irreplaceable role in meeting people's needs for a better life.

As a state-owned enterprise, the group actively follows national guidelines and is committed to developing green space projects that can protect and restore natural landscapes and enhance ecological integrity. Through scientific management and operation, the group aims to enhance the value of ecosystem services. Lianhe Green believes that the environmental benefits of such projects are clear and have a positive impact on ecological protection.

### 3) Eligible Green Projects: Green Building

#### Eligible Green Project Categories Under Principles

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

#### **Alignment with *Green Bond Endorsed Project Catalogue (2021 Edition)*, *Hong Kong Taxonomy for Sustainable Finance* and *EU Taxonomy***

Lianhe Green believes the Framework's description on "Acquisition, construction, maintenance and renovation of building that have received, or expect to receive certified the below recognized green building certifications: Chinese Green Building Evaluation Label – 1 Star or above (Design / Operations Label)" is aligned with the description of "5.2.1.2 Green Building" 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)".

However, the market generally demands a 2-star and 3-star rating for green buildings. In contrast, the Framework sets a 1-star requirement for green buildings, which is lower than the common market practice. At the same time, the requirements for green building certification in the Framework vary significantly across different regions. In China, only the one-star standard of the Green Building Evaluation Label is required, while in other regions, mid- to high-level certifications such as LEED Gold, BREEAM Excellent, or BEAM Plus Gold are required. Given that the relevant green building projects are expected to be implemented in China, the one-star standard is relatively low and cannot be compared with the environmental benefits generated by the mid- to high-level certifications in the aforementioned systems. This may have an adverse impact on the environmental performance of the projects and the overall consistency of the Framework. Lianhe Green suggests that the Group clearly explain the reasons for the current 1-star green building standard in project promotions and disclosed reports, enhancing transparency to gain the understanding and trust of stakeholders. Meanwhile, it is recommended that the Group develop a medium- to long-term improvement plan, with specific timeframes and measures, to gradually upgrade to a two-star or higher green building standard.

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, in addition to obtaining BEAM Plus certification at the gold level or above, the *Hong Kong Taxonomy's* requirements for the construction of new buildings in Hong Kong includes additional specific carbon and energy performance improvements, such as a



20% energy savings compared to the *Building Energy Code (BEC) 2021* baseline for projects certified under BEAM Plus 2.0.

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, such as the Primary Energy Demand (PED), which defines the energy performance of the building resulting from the construction, is at least 10% lower than the threshold set for the nearly zero-energy building (NZEB) requirements in national measures implementing Directive 2010/31/EU of the European Parliament and of the Council.

#### Relevant Key United Nations Sustainable Development Goals

Lianhe Green believes this eligible Green Project category contributes positively to the UNSDGs, in particular, it makes significant contributions to Target 9.4 of Goal 9 (Industry, Innovation and Infrastructure) "By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities".

#### Environmental Benefits

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

In 2025, the Yancheng Municipal Government issued the [Notice on Further Expanding the Scope of Government Procurement to Support Green Buildings and Promote the Improvement of Building Quality](#). The notice requires the active promotion and application of green buildings and green building materials through government procurement policies. It also calls for the vigorous development of new types of construction industrialization, such as prefabricated and intelligent construction methods. The aim is to build green buildings, establish a long-term mechanism to support the green and low-carbon transformation of the construction sector, and lead the high-quality development of the building materials and construction industries.

As a city investment company in Yancheng, the Group actively implements local policies and is committed to the development of green building projects. The Group focuses on the construction, maintenance, and renovation of buildings that have obtained or are expected to obtain green building certifications listed in the Framework. When procuring engineering projects, the Group must strictly follow the requirements of the Green Building Evaluation Standard (GB/T 50378) to ensure that projects meet green building standards. Meanwhile, the Group's actions will further improve the government's green building system and have a positive impact on projects within the scope of the policy implementation for promoting building quality improvement through the use of green building materials, thereby advancing sustainable development.

Nevertheless, Lianhe Green continues to believe that the "1-star" requirement for green buildings in the Framework falls short of the common market standard. Therefore, Lianhe Green recommends that the Group provide detailed disclosure of the actual energy consumption and the realization of environmental benefits after project implementation to enhance market transparency.

#### 1) Eligible Social Projects: Employment Generation



### Eligible Social Project Categories Under Principles

Lianhe Green considers that this project category under the Framework is most relevant to the eligible Social Projects 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 SBP, and “Employment generation, re-skilling and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic inequality and vulnerability, climate transition projects and/or other considerations for a “just transition”, including through the potential effect of small and medium enterprise financing and microfinance and dedicated procurement programs” under SLP.

### Relevant Key United Nations Sustainable Development Goals

Lianhe Green believes this eligible Social Project category contributes positively to the 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”.

### Social Benefits

The [Future of Jobs Report 2025](#) published by the World Economic Forum indicates that the outlook for the global labor market from 2025 to 2030 presents a complex situation. Under the influence of emerging drivers such as increasing geopolitical fragmentation, rising living costs, and the widespread adoption of AI tools in the workforce, global macro trends have created an increasingly complex environment for policymakers, employers, and workers, with uncertainty remaining high.

Amidst the uncertain employment landscape, [China Ministry of Human Resources and Social Security](#) emphasizes the profound understanding that promoting high-quality and ample employment represents the new orientation and mission for employment work in the new era and new journey. Advancing high-quality and ample employment is a strategic and foundational task in the process of modernization with Chinese characteristics. As a state-owned enterprise in Yancheng City, the group actively engages in the construction and operation of projects capable of generating employment, preventing unemployment, and/or mitigating job losses caused by socio-economic crises. For instance, the development, operation, and maintenance of various industrial parks and infrastructure projects such as roads and bridges not only provide employment opportunities for the local community but also expand the sources of income for residents. Full employment helps to alleviate the wealth gap and enhance social cohesion.

Lianhe Green observes that the target demographic for this project category encompasses the general public, particularly local workers whose employment prospects may be dimmed by socio-economic shifts. However, the project does not specifically allocate job positions for low-income laborers in impoverished areas, nor does it develop skill training programs tailored to local characteristics and project requirements to cultivate specialized skill talents. Lianhe Green recommends that the group clearly identify the target groups within vulnerable populations and define the social benefits of the project explicitly.

## 2) Eligible Social Projects: Affordable Housing

### Eligible Social Project Categories Under Principles

Lianhe Green considers that this project category under the Framework is most relevant to the eligible Social Projects Category “Affordable housing” under SBP, and “Affordable, social or supported housing” under SLP.

### Relevant Key United Nations Sustainable Development Goals



Lianhe Green believes this eligible Social Project category contributes positively to the 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".

#### **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 "14<sup>th</sup> 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. The People's Government of Yancheng City actively implements housing security policies, vigorously promotes the construction of housing security projects, and strictly follows the national guidelines.

As a state-owned enterprise in Yancheng City, the Group mainly serves the economic and social development of the Yancheng National Economic and Technological Development Zone. It strictly conducts the development of affordable housing (including resettlement housing, etc.) in accordance with local government and regulatory requirements. This strategic move highlights the Group's commitment to addressing social housing needs through tangible and measurable actions. Lianhe Green believes that the target population of these qualified projects have been clearly defined, namely, indigenous residents affected by housing demolition and relocation, and low- and middle-income groups, with significant social benefits associated.

### **3) Eligible Social Projects: Affordable Basic Infrastructure**

#### **Eligible Social Project Categories Under Principles**

Lianhe Green considers that this project category under the Framework is most relevant to the eligible Social Projects Category "Affordable basic infrastructure (e.g. clean drinking water, sewers, sanitation, transport, energy)" under SBP, and "Affordable basic infrastructure (e.g. clean drinking water, sewers, sanitation, transport, energy, basic telecommunications)" under SLP.

#### **Relevant Key United Nations Sustainable Development Goals**

Lianhe Green believes this eligible Social Project category contributes positively to the UNSDGs, in particular, there is significant contributions to Target 11.2 of Goal 11 (Sustainable Cities and Communities) "By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons".

#### **Social Benefits**

The United Nations Environment Programme (UNEP)'s ["International Good Practice Principles for Sustainable Infrastructure"](#) indicates that Infrastructure supports human and economic development and is relevant to all 17 sustainable development goals, directly or indirectly affecting the achievement of 92% of the 169 sustainable development targets. Therefore, the infrastructure is an important



support for economic and social development. It is necessary to build a modern infrastructure system to lay a solid foundation for the comprehensive construction of a socialist modern country, which also ensures the safety, well-being and prosperity of communities.

According to the [Yancheng Integrated Three-dimensional Transport Network Plan \(2021-2035\)](#), despite the coordinated development of all elements of Yancheng's transportation network, including roads, railways, waterways, air, and ports in recent years, there are still the following shortcomings: the functionality of the integrated transport network needs to be enhanced, its structure still requires optimization, and the comprehensive transportation capacity of external channels is not strong; the quality and efficiency of services need to be improved; and the governance structure and capabilities also need to be strengthened.

As a state-owned enterprise, the Group is committed to developing and constructing large-scale infrastructure projects, such as but not limited to road and underground passage construction and renovation projects. These efforts have strongly supported the Yancheng Municipal Government's transportation infrastructure construction plan and goals for 2021-2035. They have played a vital role in addressing the existing shortcomings in Yancheng's infrastructure development and have made significant contributions to the development of local communities.

Lianhe Green views that these eligible projects are closely related to the company's key business activities, and have high relevance and significant benefits to the national and local contexts. Lianhe Green believes these initiatives are beneficial for the general public to communicate with other areas, especially for the migrants, or the rural underserved due to a lack of access to basic transportation services, and will facilitate trade between regions. By improving connectivity and accessibility, these efforts will also support the broader goals of urban-rural integration and sustainable development.

## **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:

- Project Management Department
- Finance Department
- Financing Department
- Group Office

The Team will hold meetings on an annual basis to discuss and select ESPs according to the Eligibility Criteria defined in Use of Proceeds 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 Sustainable risks are at a controllable level.

#### Opinion of Lianhe Green

Not Aligned	Aligned	Good	Excellent
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Lianhe Green, in accordance with the relevant assessment criteria, reviewed the Framework and other related documents, and the issuer's policies on Project Evaluation and Selection.

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. However, the Group has not achieved a separation of duties to effectively avoid conflicts of interest. For example, market best practices include that the board of directors will participate in the approval of eligible project proposals to meet two or more layers of project screening criteria. Additionally, the Group has not implemented strict environmental and social risk management procedures to regulate its day-to-day operations and project construction.

Lianhe Green's assessment of the Group's Process for Project Evaluation and Selection is "Aligned".

### 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 account, 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:

- (1) 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.
- (2) 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 Sustainable debt instruments.

#### Opinion of Lianhe Green

Not Aligned	Aligned	Good	Excellent
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Lianhe Green, in accordance with the relevant assessment criteria, reviewed the Framework and other related documents, and the issuer's policies on Management of Proceeds.

The net proceeds or the equivalent amount of the net proceeds of each SFT will be deposited in general account, 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. However, market best practice would allocate unassigned funds to other eligible projects and notify stakeholders of any significant changes in the allocation of proceeds.

Lianhe Green's assessment of the Group's Management of Proceeds is "Good".

## 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, Sustainable 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 Sustainable 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 Sustainable 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 Category	Impact Indicators
<b>Sustainable Water and Wastewater Management</b>	<ul style="list-style-type: none"> <li>• Amount of rainwater collected and re-used (in m<sup>3</sup>)</li> <li>• Annual absolute (gross) amount of wastewater treated (in tonnes p.a)</li> <li>• Area covered by sponge city-related projects (in km<sup>2</sup>)</li> </ul>
<b>Environmentally Sustainable Management of Living Natural Resources and Land Use</b>	<ul style="list-style-type: none"> <li>• Area of green landscape conserved/enhanced/created (in km<sup>2</sup>)</li> </ul>
<b>Green Building</b>	<ul style="list-style-type: none"> <li>• Level of certification by building</li> <li>• The amount of green building constructed</li> </ul>
<b>Employment Generation</b>	<ul style="list-style-type: none"> <li>• Reduced rate of unemployment (in %)</li> <li>• Jobs created, supported, and/or retained</li> <li>• Number of SMEs financed</li> </ul>
<b>Affordable Housing</b>	<ul style="list-style-type: none"> <li>• Number of dwellings built/upgraded</li> <li>• Number of individuals/families benefiting from built/upgraded affordable housing</li> <li>• Share of under-served beneficiaries (e.g., women, minorities)</li> </ul>
<b>Affordable Basic Infrastructure</b>	<ul style="list-style-type: none"> <li>• Newly built/rehabilitated road length (km)</li> <li>• Number of people with access to affordable transport systems</li> </ul>

### Opinion of Lianhe Green

Not Aligned	Aligned	<b>Good</b>	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 information on the allocation of the net proceeds or equivalent amount of the net proceeds of the SFTs via the website, Sustainable media, or report. Such information will be updated on an annual basis until all the net proceeds of the SFTs have been fully allocated. Besides, the Group will report on the environmental and social impacts resulting from ESPs. The report includes the impact indicators involving core indicators published by the ICMA, and calculation methodologies and assumptions will be disclosed.

Lianhe Green's assessment of the Group's Reporting is "Good".



## E. External Reviews

### Company Materials

The Group has engaged CCX Green Finance International Limited and Lianhe Green Development Company Limited as the external reviewers to evaluate the appropriateness of the Framework, and alignment with the GBP2025, SBP2025, SBG2021, GLP2025, and SLP2025, where a Second Party Opinion will be issued accordingly.

### 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 opinion. Also, the assessment result document(s) will be available on the Group's website or other social media platform if available.

Considering that, post issuance, ICMA recommends that an issuer's management of proceeds be supplemented by the use of an external auditor, or other third party, to verify the internal tracking and the allocation of funds from the proceeds to Eligible Projects. Therefore, Lianhe Green's assessment of the Group's management system for External Reviews is "Aligned".



## Appendix

### About Lianhe Green

Lianhe Green Development Company Limited (hereafter referred to as “Lianhe Green”) was established in 2023 and is a subsidiary of Lianhe Equator Environmental Assessment Co., Ltd. (hereafter referred to as “Lianhe Equator”) and Lianhe Credit Management Co., Ltd. (hereafter referred to as “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.

**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.**

### 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.

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A Lianhe Green SPO is an assessment of the green and sustainable financing frameworks of entities. It is not a credit rating.

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

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