聯合綠色發展
Lianhe Green Development

Changde Urban Development 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 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 Development Companies

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Contacts
Darlina Luan
Analyst
+852 3104 2630
darlina.luan@lianhegreen.com

Kathleen Liu
Analyst
+852 3596 3052
kathleen.liu@lianhegreen.com

Summary

Not Aligned	Aligned	Good	Excellent

Pillar	Rating
Use of Proceeds	Good
Process for Project Evaluation and Selection	Excellent
Management of Proceeds	Good
Reporting	Excellent
External Reviews	Good

Lianhe Green Development Company Limited (hereafter referred to as "Lianhe Green") has reviewed a series of documents including the *Sustainability Finance Framework* (hereafter referred to as "*Framework*" or "SFF") issued by Changde Urban Development Group Co., Ltd. (hereafter referred to as "CUDG", "the issuer" or "the Group"), and assessed the Group'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* is in compliance with the *Sustainability Bond Guidelines (SBG) (June 2021 Edition)*, *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* is in line with *the Green Bond Principles (GBP) (June 2025 Edition)* and *the Green Loan Principles (GLP) (March 2025 Edition)*; the eligible social projects 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 ("UNSDGs")[1].

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

About the Company

Company Information

The Group was established in October 2019. CUDG is a state-owned enterprise approved by the Changde Municipal People's Government Office and wholly owned and supervised by the Changde State-owned Assets Supervision and Administration Commission. CUDG is designated to carry out Changde Municipal Government's blueprint for the municipal development of Changde Municipality, the Group has established itself as a leading state-owned asset investment company in Hunan Province and plays an important role in the urbanisation of Changde Municipality.

The Group's operations and investments primarily focus on the product sales, infrastructure construction, real estate development and engineering construction. The Group also conducts other businesses including land expropriation and compensation, water supply and others.

Company Sustainability Strategy

Company Information

CUDG has continuously supported sustainable development mainly through its business development, construction, and operation. The Group will continue adhering to the sustainable development, with focus on the urban infrastructure construction within the sustainable development philosophy. CUDG has adopted strict environmental and social measures and assessments to ensure the compliance with national laws and regulations that have a material impact on its business.

The Group complies with various environmental, health and safety, laws and regulations promulgated by the Chinese Government. In particular, the development and operations in China are subject to a wide range of national environmental and safety laws and regulations. The Group has a full set of internal control processes and is aware of control and mitigate its impact on the environment and to the communities to create long-term values. The Group will continue its efforts and contribute to responding to the demand for green and sustainable development and focus on ecological environment and resources protection. The Group applies the guiding principles for green construction promulgated by the regulator to the group's projects under feasibility study, design, environmental impact assessment, construction, and operation phases. The Group carries out the control of the process management, construction materials, water, energy, and land resources saving as well as the environmental protection and pollution control and mitigation. The Group formulates the strict internal policies on energy conservation, environmental protection and safe production management, specifying the responsibilities of all the departments of the Group for sustainability management and environment and social risk control.

The Group pays attention to stakeholders' demands and has introduced diversified stakeholder communication channels. Through the stakeholder engagements, CUDG could identify sustainable development issues, which relate to the Group's sustainable development. With respect to the project-level environmental and social risk and/or impact identification, implementation, management, and mitigation, the Group has implemented and strictly complied with the requirements of the National Laws and Regulations on the *Environmental Protection Law of the People's Republic of China, Environmental Impact Assessment Law of People's Republic of China, Atmospheric Pollution Prevention and Control Law of the People's Republic of China, Water Pollution Prevention and Control Law of People's Republic of China, Soil Pollution Prevention Law of the People's Republic of China, Law of the People's Republic of China on the Prevention and Control of Noise Pollution, Energy Conservation Law of People's Republic of China, Work Safety of the People's Republic of China, Occupational Disease Prevention and Control Law*.

The Group divides the risk identification, implementation, management and mitigation into three stages. In the early stage of the projects, the Group carries out the assessment of environmental and social risks

to comprehensively evaluate the impacts on the atmosphere, water sources, soil, natural resources, and local surrounding communities, for instance, the environmental impact assessment, water and soil conservation plan have to be approved by the local government expert group. In the construction stage, the Group carries out the proactive environmental and social risk management and mitigation according to the approved action plan from the environmental impact assessment, soil and water conservation plans, such as noise and light pollution control of the construction sites to mitigate the impact on surrounding communities. In the operation stage, the Group takes the initiative to identify the risks and hidden hazards, formulate corresponding management plans and operational procedures, and conduct risk prevention and hidden hazards management.

CUDG takes low-carbon economy, and green transition very seriously. As the role of CUDG is the investment arm of the local government, the Group is committed to aligning its business model with sustainable development. It has adopted management measures on air and greenhouse gas emissions, and water discharges, by implementing a series of environmental and safety management policies on daily operations to reduce the impact on the environment and contribute to the local communities, which leads CUDG towards a low-carbon economy and contributes to China's carbon peak in 2030, carbon neutrality in 2060 and rural revitalization.

Opinion of Lianhe Green

As a state-owned enterprise, CUDG actively practices the concept of green and sustainable development, strictly complying with relevant policy requirements of national and local governments. Grounded in its core businesses, including urban infrastructure construction and operation, the Group integrates environmental and social risk management throughout the entire project lifecycle—from planning and construction to operation. By fully implementing measures for energy conservation, emission reduction, ecological protection, and pollution control, CUDG proactively drives its green and low-carbon transition, making positive contributions to the achievement of China's "Dual Carbon" goals and Rural Revitalization strategy.

Based on the media review and the evidence obtained, Lianhe Green has identified some news. However, they do not lead us to believe that the Group has any major controversial concerns as of October 2026.

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 Information

The Group will allocate an amount at least equivalent to the net proceeds of Sustainability Financing Transactions (hereafter referred to as the "SFT") 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 project categories, as defined below.

The Group expects each issuance under the *Framework* to be fully allocated within 24 months from the date of issuance, and on a best-efforts basis. A maximum look-back period of 36 months would apply for refinanced projects. And the proportion of the finance and refinance to the eligible green and social projects will be disclosed.

i. Eligible Green Project Categories

Eligible Categories, Environmental Objectives & UNSDG mapping	Description/Condition of Eligible Green Projects
Renewable Energy **Key Objectives:** • Climate Change Mitigation 	Investment, acquisition and expenditures related to design, manufacture, construction, installation, and operation of renewable energy systems, including photovoltaic solar and wind power (onshore/offshore). **Mapping with Recognized Taxonomy / Catalogue:** Green Finance Endorsed Project Catalogue (2025 Edition): • 4.1.1 Production of wind generators • 4.1.2 Production of solar generators • 4.2.1 Construction and operation of wind power facilities • 4.2.2 Construction and operation of solar energy utilization facilities Hong Kong Taxonomy for Sustainable Finance (Phase 2A): • A-002 Electricity generation using solar photovoltaic technology • A-003 Electricity generation from wind power
Energy Efficiency **Key Objectives:** • Climate Change Mitigation 	Investment, acquisition and expenditures related to design, manufacture, construction, installation, and operation of facilities that storage electricity and return it at a later time in the form of electricity, including 1) pumped hydropower storage; 2) large-scale battery energy storage systems. **Technical screening criteria and/or actions prior to the investment:** • Battery energy storage systems must have a dedicated connection to a power generation plant with an emissions intensity below 100 gCO_2/kWh. **Mapping with Recognized Taxonomy / Catalogue:** Green Finance Endorsed Project Catalogue (2025 Edition): • 4.3.2 Operation and construction of new type storage facilities • 4.3.3 Construction and operation of pumped-storage power stations Hong Kong Taxonomy for Sustainable Finance (Phase 2A): • A-006 Storage of electricity
Clean Transportation	Investment, acquisition and expenditures related to purchase, manufacture, construction, installation and maintenance of 1) public transportation system (i.e. subways, light railways, trams, public transportation vehicles and other urban rail transportation

Key Objectives: • Climate Change Mitigation • Pollution Prevention and Control   	facilities) in urban and rural areas, 2) new energy vehicles (i.e. electric buses, electric trucks, etc), and 3) its infrastructure such as electric vehicle charging stations. **Technical screening criteria and/or actions prior to the investment:** • The transportation assets will have zero direct tailpipe CO2 emission; and • The road transport electric vehicle (EV) charging infrastructure complies with one of the following criteria a) Upgrades to electricity grid connections for EV charging. b) Solutions and charging equipment related to optimising and/or providing the necessary electrical capacity for EV charging. **Mapping with Recognized Taxonomy / Catalogue:** Green Finance Endorsed Project Catalogue (2025 Edition): • 6.2.2 Green transformation of transportation hubs and stations • 6.2.3 Construction and operation of charging, battery replacement and gas refueling facilities • 6.2.6 Construction and operation of urban and rural passenger transport system • 6.2.8 Construction and operation of environmental-friendly rail transport and green transformation of railways Hong Kong Taxonomy for Sustainable Finance (Phase 2A): • B-001 Public transportation system in urban and suburban areas • B-006 Low-carbon transport infrastructure
Sustainable Water and Wastewater Management **Key Objectives:** • Pollution Prevention and Control • Reducing wastewater and hazardous materials  	Investment, acquisition and expenditures related to construction, development, upgrade, installation, operation and maintenance of the facilities of water supply infrastructure, wastewater treatment infrastructure, urban drainage systems, flood and drought protection infrastructure, pumping stations, distribution network, water recycling systems (i.e. recycling or reuse water, rainwater collection) to save water, improve the water leakage performance and the efficiency. **Technical screening criteria and/or actions prior to the investment:** • The waste water discharge standard will meet the national and/or regional pollutants discharge standard for municipal wastewater treatment plant[2] (i.e. GB 18918-2002); or

[2] https://www.mee.gov.cn/ywgz/fgbz/bz/bzwb/shjbh/swrwpfbz/200307/t20030701_66529.shtml

	• The flood defences and climate resilient projects that implement chronic and acute physical climate risks identification and vulnerability assessments, and the corresponding adaptation and resilience solutions can minimise water-related physical climate risks. **Mapping with Recognized Taxonomy / Catalogue:** Green Finance Endorsed Project Catalogue (2025 Edition): • 2.3.3 Remediation and treatment of urban black and malodorous water • 3.2.2 Efficient and recycled use of water • 6.4.2 Construction and operation of "sponge city"
Terrestrial and Aquatic Biodiversity **Key Objectives:** • Biodiversity conservation • Pollution prevention and control • Natural resource conservation  	Investment, acquisition and expenditures related to river, lake, water system and environment management projects (i.e. remediation and treatment of urban black and malodorous water, clean up the rubbish and carry out dredging activities), restoration of public wetland reserve, and conservation of terrestrial and river biodiversity and ecosystems and greening of landscapes. **Technical screening criteria and/or actions prior to the investment:** • The wetland restoration and management plan should at least contain consideration and assessment of local hydrological and pedological conditions. **Mapping with Recognized Taxonomy / Catalogue:** Green Finance Endorsed Project Catalogue (2025 Edition): • 2.3.3 Remediation and treatment of urban black and malodorous water • 5.2.12 Wetland protection and restoration
Climate Change Adaptation **Key Objectives:** • Climate change adaptation and resilience  	Investment, acquisition and expenditures related to construction, refurbishment and operation of infrastructure for urban flood protection and mitigation such as river works, dams and dykes[3], "sponge cities" projects and others for flood control, waterlogging prevention in order to mitigate the physical climate change risk and improve the environmental resilience. **Technical screening criteria and/or actions prior to the investment:** • The investment and projects that implement chronic and acute physical climate risks identification and vulnerability assessments, and the corresponding adaptation and resilience solutions can minimise water-related physical climate risks.

[3] For the avoidance of doubt, the dams and dykes will not serve the purpose of generating hydropower.

	Mapping with Recognized Taxonomy / Catalogue: Green Finance Endorsed Project Catalogue (2025 Edition): • 5.2.11 Drought and flood management for water-related ecosystem Hong Kong Taxonomy for Sustainable Finance (Phase 2A): • G-001 Implementation of stormwater separation

ii. Eligible Social Projects Categories

Eligible Categories, Social Objectives & UNSDG mapping	Description/Condition of Eligible Social Projects
Affordable Housing – Resettlement Houses and Shanty Town and Houses[4] **Key Objectives:** • Improve urban dilapidated housing • Improve housing conditions for low-income/homeless families • Provide housing for Indigenous residents affected by resettlement 	Investments and expenditures in projects that provide affordable housing for the general public and vulnerable groups, including indemnificatory public rental housing, economically affordable housing construction projects and government-supported affordable housing construction projects. These include urban renewal / old city reconstruction, resettlement houses, shanty town[5] and houses projects to improve the living conditions of residents living in shantytowns, as well as construction of new community agglomeration projects, which are for the purpose of providing affordable housing units for resettled populations. **Target population：** • The low-income families [6] in accordance with PRC government definitions, families affected by demolition and reconstruction work, the families requiring temporary accommodation, newly employed workers without housing, migrant workers, as well as populations currently living in shantytown, dangerous and dilapidated housing and other underdeveloped areas with inadequate housing conditions and backward infrastructure.
Access to Essential Services – Healthcare and Education **Key Objectives:**	Investment and expenditures of projects related to the provision, construction and operation of the affordable and access to healthcare and education for the general public and vulnerable groups. These include nursing homes and supporting medical facilities to improve the living conditions, healthcare accessibility,

[4] Housing for the general public and vulnerable groups in accordance with local government and regulatory definitions, in order to improve quality of life, safety of living and independence for vulnerable groups and underprivileged population. Such housing will not be offered on the market for profit, and interest rates on loans for the purchase of such housing will be in line with prevailing market rates.

[5] According to the Ministry of Housing and Urban-Rural Development of the People's Republic of China, shanty town and houses generally refer to area or houses in city where there are damage and dangerous.
[6] Ministry of Civil Affairs of the PRC, On the printing of "Definition of low-income households".

• Improve the healthcare and nursing homes conditions • Improve the accessibility to education and ratio of regional teenager population to education resources 	additional care and support to elderly people, as well as the school facilities and educational resources to improve the accessibility and affordability of the regional teenagers population to education resources ratio, provide more teenagers with educational opportunities, in order to help address the issue of inadequate educational resources allocation and enables more teenagers to receive education. **Target population：** Elderly individuals, and individuals who are unable to take care of themselves, as well as the teenagers, including individuals and families that do not have access to quality basic nursing homes and education infrastructures.

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:

1) Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone-depleting substances, polychlorinated biphenyls (PCBs), wildlife or products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).
2) Production or trade in weapons and munitions.
3) Production or trade in alcoholic beverages (excluding beer and wine).
4) Production or trade in tobacco.
5) Gambling, casinos, and equivalent enterprises.
6) Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where any international financial company considers the radioactive source to be trivial and/or adequately shielded.
7) 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.
8) Drift net fishing in the marine environment using nets over 2.5 kilometers in length.
9) Production or activities involving harmful or exploitative forms of forced labor/harmful child labor.
10) Commercial logging operations for use in primary tropical forest.
11) Production or trade in wood or other forestry products other than from sustainably managed forests.
12) Projects related to nuclear production.
13) Projects related to fossil fuel production.
14) Projects related to coal mining.
15) Hydropower projects with an installed capacity > 25MW

Opinion of Lianhe Green

Not Aligned	Aligned	Good	Excellent

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 and SBP. The eligible green project categories align with China's *Green Finance Endorsed Project Catalogue (2025 Edition)* and *Hong Kong Taxonomy for Sustainable Finance (Phase 2A) ("Hong Kong Taxonomy")*.

The environmental and social benefits of all the eligible green and social categories are clear and their contributions to UNSDGs are clearly stated. The Group also referenced the GBP and clearly outlined the environmental objectives of the eligible green categories. The category of social projects complies with SBP standards, with target beneficiary groups specified for each. Detailed analysis will be elaborated in the following paragraphs.

A maximum 3-year look-back period would be applied on refinanced projects, which is longer than the market best practice. Through communication, the raised proceeds will be allocated 100% toward refinance.

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

1) Eligible Green Projects: Renewable Energy

Eligible Green Project Categories Under Principles

Lianhe Green considers that this project category under the *Framework* is most relevant to the eligible Green Project Category "Renewable energy (including production, transmission, appliances and products)" under GBP and "Renewable energy (including production, storage systems, transmission, appliances and products)" under GLP.

Alignment with *Green Finance Endorsed Project Catalogue (2025 Edition)*, *Hong Kong Taxonomy* and *EU Taxonomy*

Lianhe Green believes the *Framework*'s description on "Investment, acquisition and expenditures related to design, manufacture, construction, installation, and operation of renewable energy systems, including photovoltaic solar and wind power (onshore/offshore)" is aligned with the description of "4.1.1 Production of wind generators", "4.1.2 Production of solar generators", "4.2.1 Construction and operation of wind power facilities" and "4.2.2 Construction and Operation of Solar Energy Utilization Facilities" under the *Green Finance Endorsed Project Catalogue (2025 Edition)*.

The provisions on photovoltaic solar energy set out in the *Framework* comply with the requirements of Activity "A-002 Electricity generation using solar photovoltaic technology" under the Energy sector of the *Hong Kong Taxonomy*. Projects and relevant activities that meet the criteria that "construction or operation of electricity generation facilities that produce electricity using solar photovoltaic technology" shall be deemed consistent with the standards of the *Hong Kong Taxonomy*. The provisions on wind power energy set out in the *Framework* comply with the requirements of Activity "A-003 Electricity generation from wind power" under the Energy sector of the *Hong Kong Taxonomy*. Projects and relevant activities that meet the criteria that "construction or operation of electricity generation facilities that produce electricity from wind power, including offshore wind power" shall be deemed consistent with the standards of the *Hong Kong Taxonomy*. In conclusion, relevant contents of the *Framework* are in line with the *Hong Kong Taxonomy*.

Lianhe Green assesses that this type of projects is eligible for the activities and satisfy the substantial contribution criteria for both "Electricity generation using solar photovoltaic technology" and "Electricity generation from wind power" under the *EU Taxonomy*, which both positively contribute to climate change mitigation objectives.

Relevant Key United Nations Sustainable Development Goals

Lianhe Green believes this eligible Green Project category contributes positively to the United Nations Sustainable Development Goals, in particular, it makes significant contributions to Target 7.2 of Goal 7 (Affordable and Clean Energy) “By 2030, increase substantially the share of renewable energy in the global energy mix”.

Environmental Benefits

At present, China's energy structure remains dominated by traditional fossil fuels, including coal, crude oil, and natural gas. In recent years, the central government has vigorously promoted the transition to renewable energy and issued a series of policies to support this objective. For instance, the *Action Plan for Energy Conservation and Carbon Reduction in the Energy Sector (2026–2028)*, issued by the National Energy Administration (NEA) in June 2026, explicitly states that energy conservation and carbon reduction efforts must be integrated across all stages of energy production, supply, storage, marketing, and consumption. It stresses deepening carbon reduction in the fossil energy sector, expanding the substitution of fossil fuels with non-fossil energy, driving peak coal and oil consumption, and providing solid support for the comprehensive green transformation of economic and social development.

At the local level, the People's Government of Changde City issued the *Implementation Plan for Carbon Peaking in Changde City*, which further specifies that during the "15th Five-Year Plan" period, the proportion of non-fossil energy consumption will be steadily increased while coal consumption will be gradually reduced. By 2030, the proportion of non-fossil energy consumption will reach around 25%, with cumulative installed capacities of wind power and photovoltaic power reaching 1.0 million kW and 5.0 million kW, respectively. The reduction rates of energy consumption and carbon dioxide emissions per unit of GDP will fully meet the targets set by Hunan Province, ensuring the smooth achievement of the carbon peaking goal before 2030.

The Issuer commits that the proceeds under this category will be dedicated to financing or refinancing projects related to the design, manufacture, construction, installation, and operation of renewable energy systems. Lianhe Green believes that these projects will effectively contribute to climate change mitigation, support Changde City in achieving its energy conservation and carbon reduction targets during the "15th Five-Year Plan" period, and provide strong support for the green and low-carbon transition in Hunan Province and across China.

2) Eligible Green Projects: Energy Efficiency

Eligible Green Project Categories Under Principles

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

Alignment with *Green Finance Endorsed Project Catalogue (2025 Edition), Hong Kong Taxonomy* and *EU Taxonomy*

Lianhe Green believes that the description in the *Framework* regarding "Investment, acquisition and expenditures related to design, manufacture, construction, installation, and operation of facilities that storage electricity and return it at a later time in the form of electricity, including 1) pumped hydropower storage; 2) large scale batteries storage system " is consistent with "4.3.2 Operation and construction of new type storage facilities" in the *Green Finance Endorsed Project Catalogue (2025 Edition)*, which refers to "empirical, demonstration, and industrialization project operation activities of various new type storage technologies and composite storage technologies, including but not limited to electrochemical energy storage (such as sodium-ion batteries, lithium-ion batteries, flow batteries, lead-carbon batteries, and supercapacitors), compressed air energy storage, gravity energy storage,

flywheel energy storage, and nuclear power steam extraction energy storage, in renewable energy power generation enterprises, power grid enterprises, and enterprises in electricity-using and heat-/cold-using industries." The description of pumped hydropower storage in the *Framework* is consistent with "4.3.3 Construction and operation of pumped-storage power stations" in the *Green Finance Endorsed Project Catalogue (2025 Edition)*, which refers to "operation and construction activities of pumped-storage power stations in hydropower generation activities."

Lianhe Green considers that the description of electricity storage in the *Framework* is consistent with the "pumped hydropower storage" and “electrochemical storage systems, including batteries and capacitors” activity under "A-006 Storage of electricity" in the Energy category of the *Hong Kong Taxonomy.* Therefore, the eligibility criteria established in the *Framework* align with the recognized scope of the *Hong Kong Taxonomy*.

Lianhe Green considers that such projects fall within the economic activity category of "Storage of electricity" under the *EU Taxonomy* and meet its substantial contribution criteria—namely, "The activity is the construction and operation of electricity storage including pumped hydropower storage." Meanwhile, the description of large-scale battery storage systems in the *Framework* aligns with the scope of the "Manufacture of batteries" activity under the *EU Taxonomy*. However, the *EU Taxonomy* sets explicit requirements for the substantial contribution criteria of this activity, that it manufactures rechargeable batteries, battery packs and accumulators (and their respective components), including from secondary raw materials, that result in substantial greenhouse gas (GHG) emission reductions in transport, stationary and off-grid energy storage and other industrial applications, or involve the recycling of end-of-life batteries. These requirements are not explicitly specified in the *Framework*.

Relevant Key United Nations Sustainable Development Goals

Lianhe Green believes this eligible Green Project Category contributes positively to the United Nations Sustainable Development Goals (UNSDGs), in particular, it makes significant contributions to Target 7.3 of Goal 7 (Affordable and Clean Energy) “By 2030, double the global rate of improvement in energy efficiency” and Target 13.1 of Goal 13 (Climate Action) “Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries”.

Environmental Benefits

As highlighted in the Working Group III report *Climate Change 2022: Mitigation of Climate Change* of the Intergovernmental Panel on Climate Change (IPCC), energy storage technologies act as both demand and generation sources, providing essential capabilities such as system balancing, ancillary services, and network management. Long-duration energy storage can significantly enhance the utilization of renewable energy sources while reducing reliance on firm low-carbon generation. Concurrently, the *Opinions of the CPC Central Committee and the State Council on Accelerating the Comprehensive Green Transformation of Economic and Social Development* emphasizes the strategic deployment of pumped hydropower storage, new-type energy storage, and concentrated solar power to reinforce power system safety and overall regulation capacity, setting a target for pumped hydropower storage installed capacity to exceed 120 GW by 2030.

As a key state-owned enterprise in Changde, CUDG actively aligns with national transition strategies by advancing the development of energy storage projects, contributing substantively to regional power system flexibility, clean energy integration, and local energy conservation and emission reduction targets.

3) Eligible Green Project: Clean Transportation

Eligible Green Project Categories Under Principles

Lianhe Green considers that this project category under the *Framework* is most relevant to the eligible Green Project Category “Clean transportation (such as electric, hybrid, public, rail, non-motorised, multi-modal transportation, infrastructure for clean energy vehicles and reduction of harmful

emissions)" under GBP and GLP.

Alignment with *Green Finance Endorsed Project Catalogue (2025 Edition)*, *Hong Kong Taxonomy* and *EU Taxonomy*

Lianhe Green considers that the descriptions in the *Framework* regarding "investment, acquisition and expenditures related to purchase, manufacture, construction, installation and maintenance of 1) public transportation system (i.e. subways, light railways, trams, public transportation vehicles and other urban rail transportation facilities) in urban and rural areas, 2) new energy vehicles (i.e. electric buses, electric trucks, etc), and 3) its infrastructure such as electric vehicle charging stations" are consistent with the descriptions in the *Green Finance Endorsed Project Catalogue (2025 Edition)* under "6.2.2 Green transformation of transportation hubs and stations", "6.2.3 Construction and operation of charging, battery replacement and gas refueling facilities", "6.2.6 Construction and operation of urban and rural passenger transport system", and "6.2.8 Construction and operation of environmental-friendly rail transport and green transformation of railways".

The investments, acquisitions, and expenditures related to "public transportation systems" and other items listed in the *Framework* can be classified under "B-001 Public transportation system in urban and suburban areas" within the transport sector of the *Hong Kong Taxonomy*. However, the *Hong Kong Taxonomy* sets a stricter standard for such green activities, requiring that transportation assets have zero direct tailpipe CO_2 emissions. Meanwhile, supporting facilities such as EV charging stations fall under the scope of "B-006 Low-carbon transport infrastructure", and the *Framework* stipulates that road transport electric vehicle (EV) charging infrastructure complies with criteria such as upgrades to electricity grid connections or solutions and charging equipment related to optimising and/or providing the necessary electrical capacity. These expressions fully align with the normative requirements of the *Hong Kong Taxonomy*.

Furthermore, Lianhe Green considers that the descriptions in the *Framework* regarding investments, acquisitions, and expenditures for EV charging stations and related infrastructure align with the economic activity category of " Infrastructure enabling low-carbon road transport and public transport" under the *EU Taxonomy*. This activity is classified as an enabling activity and satisfies the substantial contribution criteria—namely, that " the infrastructure is dedicated to the operation of vehicles with zero tailpipe CO_2 emissions: electric charging points, electricity grid connection upgrades, hydrogen fuelling stations or electric road systems (ERS)"—and is expected to make a positive environmental contribution to climate change mitigation.

Relevant Key United Nations Sustainable Development Goals

Lianhe Green believes this eligible Green Project category contributes positively to the UNSDGs, particularly through its significant contribution to Target 9.1 of Goal 9 (Industry, Innovation and Infrastructure) "Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all". In addition, it makes 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".

Environmental Benefits

The transportation sector represents a critical domain for achieving deep decarbonization globally and in China. According to *An Energy Sector Roadmap to Carbon Neutrality in China* published by the International Energy Agency (IEA), electrification is key to decarbonizing the transport and buildings sectors. New investments in subways, light rail, and electric buses in cities, along with high-speed rail between cities, reduce the energy intensity of passenger travel. Under the Announced Pledges Scenario (APS), carbon emissions from the transportation sector are projected to rise in the short term, peaking at slightly above 1 billion tonnes around 2030. Therefore, vigorously developing new

energy vehicles (NEVs) and accelerating the construction of supporting infrastructure serve as the core pathway to controlling transport-related carbon emissions and fulfilling national climate targets.

The *New Energy Vehicle Industry Development Plan (2021–2035)* issued by the State Council explicitly highlights that developing NEVs is an imperative path for China to transform from a major automotive nation into an automotive powerhouse, as well as a strategic initiative to tackle climate change and advance green development. To actively implement this national strategy, the Changde Municipal People's Government comprehensively planned and issued the *Special Territorial Spatial Planning for Charging Infrastructure in the Central Urban Area of Changde (2024–2035)*, proposing the basic establishment of a "moderately ahead, vehicle-pile-compatible, and smart-efficient" charging infrastructure system in the central urban area by 2035. The plan also specifies the near-term construction of 107 new public charging stations from 2024 to 2027 to ensure the charging service demands of NEVs are met.

This eligible project category executed by CUDG aligns closely with national and local green transportation development plans. By expanding the supply of urban and rural public transportation systems, NEV charging networks, and supporting low-carbon transportation infrastructure, the project provides robust infrastructural support for local governments to deliver on their green and low-carbon transition goals. The project plays a significant role in reducing direct vehicle tailpipe emissions, improving regional air quality, and advancing medium-to-long-term greenhouse gas emission reductions, delivering substantial environmental benefits.

4) Eligible Green Project: 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 Project Category “Sustainable water and wastewater management (including sustainable infrastructure for clean and/or drinking water, wastewater treatment, sustainable urban drainage systems and river training and other forms of flooding mitigation)” under 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 Finance Endorsed Project Catalogue (2025 Edition)*, *Hong Kong Taxonomy* and *EU Taxonomy*

Lianhe Green considers that the descriptions in the *Framework* regarding "wastewater treatment infrastructure" make a positive contribution to "2.3.3 Remediation and treatment of urban black and malodorous water" in the *Green Finance Endorsed Project Catalogue (2025 Edition)*. Meanwhile, the descriptions in the *Framework* regarding "urban drainage systems, flood control and defences, pumping stations, distribution network, and water recycling systems (i.e. recycling or reuse water, rainwater collection)" are consistent with "3.2.2 Efficient and recycled use of water" and "6.4.2 Construction and operation of 'sponge city'" in the *Green Finance Endorsed Project Catalogue (2025 Edition)*.

Currently, adapting measures within wastewater collection and treatment as well as water supply have been incorporated into the Water Sector of the *Hong Kong Taxonomy*, representing prioritized categories in the climate change adaptation domain. The projects covered in the *Framework*, such as wastewater treatment infrastructure, urban drainage systems, and water recycling systems, align with the adapting measure "G-001 Implementation of stormwater separation" under the Water Sector of the *Hong Kong Taxonomy*, directly reducing the physical vulnerability of urban infrastructure to flood damage by separating rainwater from wastewater systems. Furthermore, water supply infrastructure projects comply with adapting measures including "G-002 Installing water metering" and "G-003 Implementation of automated water control systems" in the Taxonomy, optimizing water usage and mitigating risks associated with water stress. The descriptions in the *Framework* conform to the corresponding normative requirements of the *Hong Kong Taxonomy*.

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, connections to the waste water infrastructure, decentralised wastewater treatment facilities, including individual and other appropriate systems, and discharge structures for treated effluent". 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 Project category contributes positively to the UNSDGs, particularly through its significant contribution to Target 6.1 of Goal 6 (Clean Water and Sanitation) "By 2030, achieve universal and equitable access to safe and affordable drinking water for all". And Target 6.3 "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".

Environmental Benefits

Water resources management and conservation constitute a core pillar in addressing global climate change and achieving sustainable development. According to *Blueprint for Acceleration: Sustainable Development Goal 6 Synthesis Report on Water and Sanitation 2023* published by UN-Water, UN research indicates that approximately 42% of global household wastewater is discharged without proper treatment, posing a severe threat to aquatic ecosystem balance and human health. Furthermore, organic degradation during wastewater treatment accounts for 1.57% of global GHG emissions and 5% of global non-CO_2 GHG emissions (such as methane and nitrous oxide). Consequently, advancing the upgrading, retrofitting, and efficient operation of wastewater treatment facilities serves as a crucial strategic tool for reducing water pollutant discharges and controlling GHG intensity.

The Department of Housing and Urban-Rural Development of Hunan Province issued the *Notice on Promoting Actions to Enhance the Quality and Efficiency of Urban Domestic Sewage Treatment*, which explicitly mandates that local authorities must accelerate the preparation of special plans for drainage and sewage treatment and strictly enforce the standards for stormwater and sewage separation. The notice sets the target that by 2027, direct domestic sewage discharge outlets and areas lacking sewage treatment facilities in urban built-up areas will be basically eliminated, and the centralized collection rate of urban domestic sewage will be raised to over 73%, thereby comprehensively enhancing the overall efficiency of urban domestic sewage collection and treatment.

As a leading state-owned investment and capital operation platform in Hunan Province, CUDG actively responds to national and local policy directives, demonstrating a strong leadership role in the construction and operation of water infrastructure, including sustainable water utilization and wastewater treatment. The eligible project category executed by CUDG takes "pollution prevention and control" alongside "reducing wastewater and hazardous materials" as its key objectives, providing robust infrastructural support for the local development of a water-saving society.

5) Eligible Green Project: Terrestrial and Aquatic Biodiversity

Eligible Green Project Categories Under Principles

Lianhe Green considers that this project category under the *Framework* is most relevant to the eligible Green Project Category "Terrestrial and aquatic biodiversity conservation (including the protection of coastal, marine and watershed environments)" under GBP, and "Terrestrial and aquatic biodiversity restoration, conservation and enhancement (including for coastal, marine and watershed environments as well as urban ecosystems)" under GLP.

Alignment with *Green Finance Endorsed Project Catalogue (2025 Edition), Hong Kong Taxonomy* and *EU Taxonomy*

Lianhe Green considers that the descriptions in the *Framework* regarding " remediation and treatment of urban black and malodorous water, clean up the rubbish and carry out dredging activities" make a positive contribution to "2.3.3 Remediation and treatment of urban black and malodorous water" in the *Green Finance Endorsed Project Catalogue (2025 Edition)*. Meanwhile, the descriptions in the *Framework* regarding " restoration of public wetland reserve, and conservation of terrestrial and river biodiversity and ecosystems and greening of landscapes" align with "ecological protection engineering construction" under "5.2.12 Wetland conservation and restoration" in the *Green Finance Endorsed Project Catalogue (2025 Edition)*. The *Framework* explicitly requires that " the wetland restoration and management plan should at least contain consideration and assessment of local hydrological and pedological conditions", which complies with the requirements in the *Catalogue* that relevant activities must meet prevailing normative standards, including the *Guidelines for Planning of Ecological Protection and Restoration of Rivers and Lakes*.

Currently, the *Hong Kong Taxonomy* has not incorporated "terrestrial and aquatic biodiversity conservation" into its published scope of economic activities. However, the water environment governance and dredging activities in the *Framework* can indirectly support the "G-001 Sewage sludge treatment" activity in the taxonomy. Nevertheless, it emphasizes the activity of "construction and operation of facilities for the treatment of sewage sludge by anaerobic digestion or co-digestion with the resulting production and utilisation of biogas or chemicals", which is not mentioned 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, connections to the waste water infrastructure, decentralised wastewater treatment facilities, including individual and other appropriate systems, and discharge structures for treated effluent”. However, *EU Taxonomy* stipulates more stringent Substantial Contribution Criteria for this activity, which is not stated in the *Framework*.

Relevant Key United Nations Sustainable Development Goals

Lianhe Green believes this eligible Project category contributes positively to the UNSDGs, particularly through its significant contribution 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”.

Environmental Benefits

Biodiversity serves as the essential material foundation and ecological barrier for human survival and sustainable development. Beyond directly supplying food, fiber, timber, medicinal materials, and various industrial raw materials for socio-economic activities, biodiversity sustains vast livelihoods globally—over 3 billion people depend on marine and coastal biodiversity for their livelihoods, more than 1.6 billion rely on forests and non-timber forest products, and approximately 70% of the global impoverished population directly maintain their livelihoods through agriculture, fisheries, and forestry. Furthermore, biodiversity possesses irreplaceable ecological regulation functions, including maintaining natural ecological balance, conserving water sources, purifying soil and water environments, facilitating nutrient cycling, and enhancing resilience against natural disasters, thereby providing long-term safeguards for regional ecological security.

The *Hunan Biodiversity Conservation Strategy and Action Plan (2025–2030)* issued by the Department of Ecology and Environment of Hunan Province explicitly stipulates that by 2035, the

ecological security barrier of "One River, One Lake, Three Mountain Ranges, and Four Rivers" shall be comprehensively fortified, driving a fundamental improvement in the condition of natural ecosystems across the province, including forests, grasslands, rivers, lakes, and wetlands. Specific targets include maintaining the proportion of protected areas anchored by national parks at approximately 12% of total land area, preserving ecological protection red line areas at no less than 41,800 square kilometers, significantly improving the aquatic integrity index of key rivers and lakes, and comprehensively enhancing the diversity, stability, and sustainability of ecosystems.

Rooted in the natural ecological setting of Northwestern Hunan and the Dongting Lake basin, CUDG deeply integrates biodiversity conservation and ecological restoration into its urban infrastructure investment and operation practices. The "Terrestrial and Aquatic Biodiversity Conservation" use-of-proceeds category delineated under the *Framework* takes "Biodiversity conservation", "Pollution prevention and control", and "Natural resource protection" as its primary objectives. By establishing a pre-investment evaluation framework for wetland hydrological and soil conditions, this category sets a clear ecological baseline for screening candidate projects in the future, actively contributing to the consolidation of ecological security barriers across Changde City and Hunan Province.

6) Eligible Green Project: Climate Change Adaptation

Eligible Green Project Categories Under Principles

Lianhe Green considers that this project category under the *Framework* is most relevant to the Eligible Green Project Category “Climate change adaptation (including efforts to make infrastructure more resilient to impacts of climate change, as well as information support systems, such as climate observation and early warning systems)” under GBP, and “Climate change resilience and adaptation (including nature-based solutions, investments to make infrastructure, urban spaces and communities more resilient to impacts of climate change, as well as information support systems, such as climate observation and early warning systems, sustainable urban drainage systems and river draining and other forms of flooding mitigation)” under GLP.

Alignment with *Green Finance Endorsed Project Catalogue (2025 Edition), Hong Kong Taxonomy* and *EU Taxonomy*

Lianhe Green considers that the relevant descriptions of "urban flood prevention and disaster mitigation infrastructure" in the *Framework* contribute positively to Category "5.2.11 Flood and Drought Prevention and Response for Aquatic Ecosystems" in the *Green Finance Endorsed Projects Catalogue (2025 Edition)*. Meanwhile, the *Framework*'s relevant descriptions of "Sponge City" align with "Ecological Protection Project Construction" under Category "6.4.2 Sponge City Construction and Operation" in the *Green Finance Endorsed Projects Catalogue (2025 Edition)*.

Currently, the *Hong Kong Taxonomy* has not established "Climate Change Adaptation" as a standalone economic activity category. However, the relevant descriptions in the *Framework* regarding " urban flood protection and mitigation such as river works, dams and dykes, “sponge cities” projects and others for flood control, waterlogging prevention" can indirectly support the adaptation measure "G-001 Implementation of stormwater separation" set out in the taxonomy when addressing the climate hazard "Flood Damage". Through the separation of stormwater from wastewater systems, it achieves "Reduced physical vulnerability due to separation of rainwater from wastewater systems", thereby indirectly serving climate change adaptation and resilience enhancement functions.

Under the *EU Taxonomy*, the activities in the *Framework* regarding " urban flood protection and mitigation such as river works, dams and dykes, “sponge cities” projects and others for flood control, waterlogging prevention" partially align with the activity scope of "Flood risk prevention and protection infrastructure" under the environmental objective of "Climate Change Adaptation". This activity covers both structural measures (e.g., dykes, buffer basins, hydraulic water-regulation structures, sewer overflow structures, and sediment control structures) and non-structural measures (e.g., flood early warning systems and risk mapping) implemented to protect people, ecosystems, and infrastructure

against floods. Furthermore, the *Framework* explicitly covenants that dams and dykes shall not serve the purpose of hydropower generation, which complies with the *EU Taxonomy*'s exclusion criteria prohibiting the construction or modification of water retaining structures that result in impoundment primarily for the purposes of hydropower use or irrigation. Regarding the Substantial Contribution Criteria, the *Framework* establishes baseline principles and preliminary screening mechanisms requiring the "implementation of chronic and acute physical climate risk identification and vulnerability assessments", without comprehensively covering or specifying the granular evaluation procedures and indicator monitoring details. Consequently, when specific candidate projects are implemented and allocated proceeds in the future, supplementary granular materials—including targeted adaptation solution evaluations, pre-defined indicator monitoring, etc.—will still be required to demonstrate full compliance with the Substantial Contribution Criteria under the *EU Taxonomy*.

Relevant Key United Nations Sustainable Development Goals

Lianhe Green believes this qualified green project category contributes positively to the United Nations Sustainable Development Goals (UNSDGs), particularly through its significant contribution to Target 13.1 of Goal 13 (Climate Action) “Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries”.

Environmental Benefits

The increasing frequency of extreme weather events driven by climate change poses severe challenges to the global ecological environment, urban infrastructure, and socio-economic development. As explicitly highlighted in the UN-Water *Policy Brief on Climate Change and Water*, over the last decade, over 90% of major natural disasters have been caused by floods, storms, heatwaves, droughts, and other weather-related events that are expected to change in frequency and intensity as a consequence of climate change. Furthermore, Chapter 6 (Cities, Settlements and Key Infrastructure) of the Intergovernmental Panel on Climate Change (IPCC) Sixth Assessment Report (AR6) emphasizes that extreme precipitation and storm surges combined with urbanization will elevate the risks of urban waterlogging and riverine flooding. Flood control infrastructure—such as river regulation, levees, and "Sponge City" developments—serves as pivotal measures for urban climate adaptation. By detaining stormwater, facilitating flood discharge, shaving peak flows, and alleviating pressure on drainage systems, such infrastructure safeguards critical lifeline infrastructure including transportation and water supply, while preserving river and lake ecosystems, reducing soil erosion, mitigating economic and livelihood losses from flood hazards, bolstering urban climate resilience, and supporting sustainable development.

As one of China's inaugural national pilot "Sponge Cities", Changde City actively implements regional climate adaptation strategies. *The Changde Sponge City Development Plan (2021–2035)* issued by the Changde Municipal Housing and Urban-Rural Development Bureau explicitly mandates protecting and restoring urban aquatic ecosystems, conserving water resources, and enhancing urban waterlogging prevention capacities to drive harmonious co-existence between humanity and nature, thereby continuing to lead holistic Sponge City demonstration construction. The Plan establishes clear urban flood protection targets: by 2035, the flood control standards for the Jiangbei, Jiangnan Urban Area, and Economic Development Zone flood protection rings in Changde City will all be upgraded to a 100-year flood return period.

Rooted in the natural hydrological setting of the Dongting Lake basin, CUDG deeply integrates climate change adaptation and climate resilience enhancement into its urban infrastructure investment and operation practices. The "Climate Change Adaptation" use-of-proceeds category delineated under the *Framework* takes "Climate change adaptation and resilience" as its primary objective, actively contributing to the consolidation of comprehensive flood mitigation capacities and climate resilience barriers across Changde City and Hunan Province.

1) Eligible Social Project: 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, particularly through its significant contribution to Target 1.3 of Goal 1 (No Poverty) “Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable”. And, 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

According to the *Guiding Opinions of the General Office of the State Council on the Construction and Management of Affordable Housing Projects*, large-scale advancement of affordable housing construction represents a major initiative to promote scientific development, accelerate the transformation of economic development modes, and guarantee and improve public livelihoods. Efforts aim to substantially resolve housing difficulties for urban lower-middle and low-income households, effectively relieve housing strain for newly employed staff, and significantly improve living conditions for migrant workers. Delivering public guarantee housing and affordable housing helps low-income families lift themselves out of poverty, reduces homelessness, and fosters social integration alongside support for vulnerable populations. A stable living environment enhances residents' productivity and work efficiency, thereby exerting a positive impact on the overall economy.

To accelerate the refinement of the municipal housing guarantee system and improve human settlement environments, the Changde Municipal People's Government and relevant authorities continuously advance affordable housing construction and urban renewal. The *Implementation Plan for Urban Renewal and Quality Enhancement Special Action of Changde City (2022–2026)* proposes implementing the renewal and renovation of old urban residential communities, advancing the construction of public rental housing, and accelerating the development of affordable rental housing to meet the housing needs of lower-middle-income households facing housing difficulties, newly employed staff without housing, and migrant new urban residents. The *Administrative Measures for Affordable Housing for Purchase in Changde City (Trial)* further specifies expanding the supply of affordable housing, focusing on resolving housing difficulties for wage-earning families in hardship, recruited talents, and new urban residents, while reinforcing project delivery and closed-loop management to comprehensively elevate the city's overall living quality and housing security level.

CUDG deeply integrates the improvement of living conditions and social equity into its urban construction and operational practices. The "Affordable Housing" category under the *Framework* encompasses public rental housing, affordable housing, resettlement housing, and shantytown renovation projects, precisely providing safe housing for target populations such as low-income families, relocation-affected households, newly employed staff, and migrant workers. Lianhe Green believes that such projects will significantly improve the quality of life for vulnerable groups, enhance community carrying capacity and social inclusiveness, with target populations reasonably defined and demonstrating significant social benefits.

2) Eligible Social Project: Access to Essential Services

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 “Access to Essential Service (e.g. health, education and vocational training,

healthcare, financing and financial services)" under both SBP and SLP.

Relevant Key United Nations Sustainable Development Goals

Lianhe Green believes this eligible Social Project category contributes positively to the UNSDGs, in particular making contributions to Target 3.8 of Goal 3 (Good Health and Well-being) "Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all". And, Target 4.3 of Goal 4 (Quality Education) "By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university".

Social Benefits

According to the *Operational Framework for Primary Health Care* jointly published by the World Health Organization (WHO) and UNICEF, strengthening primary health care-based medical services and community infrastructure represents a core strategy for achieving Universal Health Coverage (UHC) and the Sustainable Development Goals (SDGs). The framework highlights that enhancing physical infrastructure, optimizing primary healthcare delivery models, and expanding long-term care services effectively improve the accessibility and equity of essential public services, mitigate health risks for vulnerable populations and those at risk of poverty due to illness, and ease the caregiving burdens on informal caregivers and families. Meanwhile, integrating equitable and affordable educational resource developments improves the ratio between youth populations and educational resources, addressing inadequate resource distribution and enabling more youth to access quality education, thereby building robust human capital for sustainable regional socio-economic development.

To accelerate the refinement of the public service system and elevate social livelihood guarantees, Changde City actively implements national and provincial healthcare, elderly care, and education policies. The *Implementation Plans for the "Six-Site" Livelihood Practical Actions (2022–2026)* issued by the Changde Municipal People's Government focuses on key livelihood projects centered on "educational student placements (degrees)" and "healthcare/elderly care beds". Among these, the "degree" action explicitly targets achieving a coverage rate of over 85% for inclusive kindergartens, a gross enrollment rate of over 98% for senior secondary education, and full sufficiency of compulsory education degrees in urban areas by the end of 2026, while the "bed" action optimizes the supply of medical and elderly care services. Furthermore, the *15th Five-Year Medical Security Development Plan of Hunan Province* sets out to establish a comprehensive, multi-tiered medical security system covering all citizens, balancing urban and rural areas, with equitable, uniform, safe, regulated, and sustainable standards by 2030, further promoting balanced medical security benefits across urban and rural regions and ensuring fair and accessible healthcare rights for all.

CUDG integrates the enhancement of public service levels into its urban infrastructure development. The "Access to Essential Service" category under the *Framework* encompasses the construction and operation of nursing homes, medical facilities, and school infrastructure, targeting populations such as the elderly, youth, and relevant families. Lianhe Green considers that such projects contribute to supplementing regional healthcare, elderly care, and educational infrastructure, improving living and educational conditions for vulnerable groups, and enhancing community service functions.

B. Process for Project Evaluation and Selection

Company Information

CUDG has strict internal control mechanism to ensure that the environmental and social risks are well managed and mitigated. All-eligibility criteria and projects will comply with the national standards. And all the projects will undergo a feasibility study, environmental/social impact assessment to ensure the effective environmental protection, pollution control and safety measures as well as the positive social impacts.

The project evaluation and selection process of CUDG will ensure that an amount equivalent to net proceeds from each Sustainability Financing Transaction (the "SFT") will be allocated to projects that meet the criteria set out in the use of proceeds under this *Framework*. The Group has set up a Sustainability Financing Working Group (the "SFWG") to govern the process, consisting of senior members in various departments such as Board of Directors Office, Strategy and Investment Management Department, Operation and Management Department, Financing Department, and Legal and Audit Department of the company. The SFWG will meet at least every 12 months or whenever necessary to discuss, assess and select eligible green and social projects according to the eligibility and exclusion criteria under this *Framework*. The SFWG will select the projects that comply with *Environmental Protection Law of the People's Republic of China, Environmental Impact Assessment Law of People's Republic of China, Energy Saving Regulations of People's Republic of China, Water Pollution Prevention and Control Action Plan, Urban Black and Odorous Water Bodies Remediation Work Guidelines, China Catalogue*, and other related regulations and policies in China related to the sustainable development. The strategy and investment management team will submit the potential eligible projects to the SFWG for further review. Then the SFWG will assess each project by its feasibility study report, Environmental Impact Assessment Report etc., and the senior members from each department in the SFWG will evaluate whether the project fulfils the eligibility and exclusion criteria from their professional and expertise, for instance, the representative from operation and management department will evaluate from the perspective of the environment, health and safety, and the representative from legal and audit department will evaluate from the perspective of the effectiveness of internal control procedure and system, the projects compliance status etc. Then the selected projects will 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 on the list of eligible green and social projects.

SFWG will ensure that each eligible green and social project complies not only with this *Framework* but also with the environmental guidelines which are applicable to the Group, as well as all applicable national environmental standards and local laws and regulations. The eligible green and social projects will also be selected with reference to the United Nations Sustainable Development Goals.

The SFWG will be responsible for managing any future updates of the framework, including any expansion of requirements of the use of proceeds.

Opinion of Lianhe Green

Not Aligned	Aligned	Good	**Excellent**

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.

CUDG has established a governance mechanism for project evaluation and selection through the SFWG, which comprises senior representatives from the Board of Directors Office, Strategy and Investment Management Department, Operation and Management Department, Financing Department, and Legal and Audit Department. Potential eligible projects are initially screened by the relevant teams and then submitted to the SFWG for further review based on feasibility study reports, environmental impact assessment reports and departmental expertise. The review assesses whether projects meet applicable national laws and regulations, the relevant green catalogue requirements and the exclusion criteria. Selected projects are submitted to the Group's Board of Directors for final approval before inclusion in the list of eligible green and social projects. The SFWG meets at least once every 12 months, or as needed, and is responsible for subsequent updates to the *Framework*.

Lianhe Green's assessment of CUDG's Process for Project Evaluation and Selection is "Excellent".

C. Management of Proceeds

Company Information

The Issuer intends to allocate an amount equal to the net proceeds over time to finance or refinance the eligible green and social projects, which are selected according to the eligibility criteria, and 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. Sustainability finance allocation register will be established to record the allocation of proceeds.

The register will contain the following information including:

1. Type of funding transaction: ISIN (if applicable), pricing date, maturity date etc.
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
    - 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 the unallocated net proceeds in accordance with the Group's liquidity guidelines in cash, cash equivalents or short-term deposits, and commits not to invest to the projects which 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

Lianhe Green, in accordance with the relevant assessment criteria, reviewed the *Framework* and other related documents, and CUDG's policies on Management of Proceeds.

CUDG adopts a register management model, under which the net proceeds from each SFT will be deposited in the general funding accounts and earmarked specifically for allocation towards eligible green and social projects. CUDG will maintain a SFT Register to track the use of proceeds for the SFT. Sustainability Finance Allocation Register will be established to ensure and monitor the allocation of proceeds. 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 CUDG's Management of Proceeds is "Good".

D. Reporting

Company Information

For the SFT(s) issued under the *Framework*, the Group will make and keep reports readily at the eligible project category level via the Issuer's website, or the annual report on the allocation and impacts of the net proceeds raised under the *Framework* or an amount equal to these net proceeds, on an annual basis starting at one year from the first SFT 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 report

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

- The outstanding net proceeds of each SFT;
- 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 the clarification on which investment or project portfolios refinanced;
- The balance of unallocated proceeds held in cash, cash equivalents or short-term deposits and its temporary treatment (if any);
- The types of temporary unallocated funds placements and uses.

Impact Reporting

The Group will report the 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 (2026*) and *Harmonised Framework for Impact Reporting for Social Bonds (2026)*" subject to the availability of suitable information and data.

Examples of impact reporting indicators:

Eligible Green Project Categories	Impact Indicators
Renewable Energy	• Annual renewable energy generation (GWh/year) • Annual GHG emission or standard coal equivalent reduced/avoided (tonnes of CO_2 equivalent/year / tonnes of standard coal equivalent/year)
Energy Efficiency	• Annual energy saving in GWh (electricity)
Clean Transportation	• Number of clean vehicles deployed (e.g. electric) • Number and type of clean transportation infrastructure built • Annual GHG emission reduced/avoided (tonnes of CO_2 equivalent/a)
Sustainable water and wastewater management	• Annual absolute (gross) amount of wastewater treated, reused or avoided before and after the project in m^3/a • Amount of rain water collected and reused in m^3/a
Terrestrial and aquatic biodiversity	• Maintenance/safeguarding/increase of natural landscape area in m^2 and in % for increase

	• Restored, conserved or newly developed wetland/green area in m^2
Climate Change Adaptation	• Additional water availability and/or increased water catchment in m^3/year • Reduction in number of operating days lost due to floods

Eligible Social Project Categories	Impact Indicators
Affordable Housing	• Number of people reached • Number of dwellings constructed, improved, rented, financed, or acquired
Access to Essential Services	• Number of students, trainees benefiting, including from traditional or vocational education activities/programs, learning assessments, skills development, new/improved infrastructure or services, hiring of teachers, or other interventions • Number of people treated

Opinion of Lianhe Green

Not Aligned	Aligned	Good	Excellent

Lianhe Green has reviewed a series of documents, including the *Framework* and the company's policy based on the relevant assessment criteria.

CUDG commits to providing category level disclosure available reports via the Issuer's website, or the annual report on an annual basis starting at one year from the first SFT issuance until the full allocation of the net proceeds, and thereafter in the event of any material changes. In addition, CUDG will report the impacts arising from the eligible green and social projects based on the specified impact indicators; and subject to the availability of suitable information and data, commits to aligning its reporting indicators with the core metrics described in ICMA's "Handbook – Harmonised Framework for Impact Reporting (2026)" and "Harmonised Framework for Impact Reporting for Social Bonds (2026)".

Lianhe Green's assessment of CUDG's Reporting is "Excellent".

E. External Reviews

Company Information

Pre-Issuance

The Group has engaged Lianhe Green to provide a Second-Party Opinion on this *Framework* to review and confirm its alignment with the GBP, SBP, SBG, GLP and SLP.

Post-Issuance

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 impacts that is disclosed in the Annual Reporting.

Opinion of Lianhe Green

Not Aligned	Aligned	Good	Excellent

Prior to issuance, CUDG has engaged Lianhe Green, an independent external review provider, to assess this *Framework* and issue a Second-Party Opinion report to confirm its alignment with international and local sustainable finance standards. The Issuer may consider obtaining post-issuance assessment.

Given that ICMA recommends issuers engage external auditors or other third-party institutions to conduct periodic reviews of the tracking and allocation of proceeds during the life of the bond, Lianhe Green assigns an evaluation opinion of "Good" to CUDG's external review mechanism, which meets the evaluation criteria requirements.

Appendix

About Lianhe Green

Lianhe Green Development Company Limited ("Lianhe Green") was established in January 2023 and is a subsidiary of Lianhe Credit Information Service Co. Ltd. ("Lianhe Group") and Lianhe Equator Environmental Impact Assessment Co., Ltd. ("Lianhe Equator"). 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 and focuses on international business, providing green and sustainable finance external review, ESG reporting and consulting, and ESG training services, as well as undertaking carbon market-related activities.

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 CUDG to provide an assessment of the Group's *Sustainability Finance Framework*. The assessment is to provide a professional second-party opinion of the compliance of the *Sustainability Finance Framework* and does not provide any financial indicators or judgement on the investment values of the Group's issuance.

Responsibilities

CUDG

CUDG'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 CUDG. Lianhe Green will review all important data and documents, and issue conclusions. In addition, Lianhe Green will disclose information collected from CUDG and relevant parties to demonstrate whether its *Sustainability 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:

- Conduct interviews with the persons in charge of the relevant departments to understand the key matters related to CUDG's policies and processes;
- Review the *Sustainability Finance Framework* developed by CUDG;
- 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 CUDG.

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To avoid ambiguity, please refer to the English version published on the official website of Lianhe Green. The Chinese version is for reference only.

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