



Pizhou Industrial Investment Holding Group Co., Ltd.

Sustainability Finance Framework

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1. Introduction

1.1 About Pizhou Industrial Investment Holding Group Co., Ltd.

Pizhou Industrial Investment Holding Group Co., Ltd. (the “Group”), established in February 2014 with a registered capital of RMB 4 billion, is a state-owned enterprise 100.0 per cent. owned by Pizhou Municipal Finance Bureau, located in Pizhou City, Jiangsu Province.

The Group is positioned to be an important infrastructure construction and state-owned asset operation entity for promoting the goal of “industrialising the city and strengthening the city”, mainly responsible for the infrastructure construction, land development, resettlement housing construction and sales, and property leasing business in Pizhou Economic Development Zone and Pizhou High-tech Industrial Development Zone. It also participates in equity investment and is responsible for the construction and operation of the industrial heating pipe network within the scope of Pizhou City. It has an irreplaceable regional monopoly position in the municipal development and construction of Pizhou City.

1.2 The Objective of the Group’s Sustainability Finance Framework

Located in the northern part of Jiangsu Province, Pizhou City stands at the crossroads of four provinces, and nestled at the intersection of the Beijing-Hangzhou Grand Canal and the Longhai Railway, serves as a pivotal node on the East Longhai Industrial Belt. The city embarked on a strategic and integrated approach to development, effectively coordinating the construction of its central city, the establishment of a modern urban system, and the implementation of rural revitalization strategies. In 2023, Pizhou’s efforts were recognized nationally, securing the 36th position in the comprehensive strength ranking and the 29th spot in the industrial strength ranking for the top 100 counties nationwide.

In recent years, Pizhou City has unwaveringly embraced the path of prioritizing ecological conservation and boosting green development, fully committed to building a national high-tech industrialization base, and a national innovative industrial cluster. As an important operating entity in Pizhou Economic Development Zone and Pizhou High-tech Industrial Development Zone, the Group has leveraged the resource and location advantages of these two districts, and taken environmental and social measures and assessments in line with the requirements of national sustainable development regulations and industrial layout.

The Group is subject to environmental laws and regulations governing air pollutants, noises, hazardous substances, water and waste discharge and other environmental matters promulgated by the governmental authorities in the PRC. The Group believes that it complies with all material respects to applicable environmental laws and regulations.

2. Sustainability Finance Framework

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

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

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

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


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

2.1 Use of Proceeds

An amount equivalent to net proceeds from each SFT will be used exclusively to finance and/or refinance, in whole or in part, new or existing assets and projects aligned with one or more of the following eligible green and/or social categories. Refinancing of Eligible Projects will have a look-back period of no longer than 60 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.

2.1.1 Eligible Green Projects


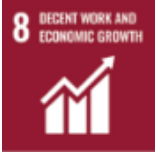
The Eligible Green Project Categories that may be utilised under the Framework, together with associated selection criteria are set out below:

| Green Projects Categories | Eligibility Criteria | UN SDG Mapping | Environmental Objectives |
|---------------------------|---|---|---|
| - Energy Efficiency | <ul style="list-style-type: none"> ➤ Investment in new energy and new technologies industrial parks. <ul style="list-style-type: none"> - Examples would include but not limited to amorphous material industry for the manufacturing of energy-efficient motors. ➤ Design, construct, and operate the fixed-asset investment projects in accordance with national and local energy consumption standards and energy-saving design specifications <ul style="list-style-type: none"> - Examples would include but not limited to intelligent lighting control system, energy-saving lamps, energy efficient water pumps, etc. |  | <ul style="list-style-type: none"> ➤ Climate change mitigation |

2.1.2 Eligible Social Projects

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

| Social Projects Categories | Eligibility Criteria | UN SDG Mapping | Social Objectives |
|----------------------------|----------------------|----------------|-------------------|
| | | | |

| | | | |
|--|---|---|---|
| <ul style="list-style-type: none"> - Access to Essential Services | <ul style="list-style-type: none"> ➤ Investments and expenditure to provide access to community-based elderly care and healthcare services that bring social benefits. <ul style="list-style-type: none"> - Examples would include but not limited to construction or expansion of residential buildings, rehabilitation and health care centers cooperating with local hospitals, and the leisure and recreational centers for the elderly. ➤ Target Population: <ul style="list-style-type: none"> - Elderly individuals requiring geriatric care and health care services. |  | <ul style="list-style-type: none"> ➤ Enhance the physical and mental health standards of the elderly |
| <ul style="list-style-type: none"> - Employment Generation | <ul style="list-style-type: none"> ➤ Investments in projects that have the capacity to generate employment and prevent unemployment stemming from socioeconomic crises. <ul style="list-style-type: none"> - Examples would include but not limited to construction of industrial parks aiming strategic emerging industries such as new energy, new material and semiconductor sectors. ➤ Target Population: <ul style="list-style-type: none"> - Local residents with subdued employment prospect due to structural transformation of the economy. |  | <ul style="list-style-type: none"> ➤ Generate employment opportunities |

2.1.3 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 fibers. This does not apply to the purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20 per cent.
- Drift net fishing in the marine environment using nets over 2.5 kilometers in length.
- Production or activities involving harmful or exploitative forms of forced labor/harmful child labor.

- Commercial logging operations for use in primary tropical forest.
- Production or trade in wood or other forestry products other than from sustainably managed forests.
- Projects related to fossil fuel.

2.2 Process for Project Evaluation and Selection

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:

- Investment Department
- Financing Department

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

The Team is responsible for:

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

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

2.3 Management of Proceeds

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

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

The register will contain the following information:

- Type of Funding Transaction :
- Key information includes issuer/borrower entity, transaction date, the principal amount of proceeds, repayment or amortization profile, maturity date; interest or coupon, the ISIN number etc.
- Allocation of Use of Proceeds
- Name and description of the eligible projects to which the proceeds of the SFT have been

allocated in accordance with the Framework

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

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

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

2.4 Reporting

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

2.4.1 Allocation Reporting

The report includes but not limited to:

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

2.4.2 Impact Reporting

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

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

| Eligible Project Category | Impact Indicators |
|------------------------------|---|
| Energy Efficiency | <ul style="list-style-type: none">➤ Amount of energy saved (MWh)➤ Annual greenhouse gas emissions avoided (in tonnes of CO₂e) |
| Access to Essential Services | <ul style="list-style-type: none">➤ Number of beds provided in the residential buildings for the elderly |
| Employment Generation | <ul style="list-style-type: none">➤ Number of new jobs created, supported, and/or retained➤ Average increase of individual income for the benefited population |

3. External Review

The Group has engaged CCX Green Finance International Limited as the external reviewers to evaluate the appropriateness of the Framework, and alignment with the GBP, SBP, SBG, GLP and SLP.