

【LOGO】

UETD CONSTRUCTION & DEVELOPMENT STATE-OWNED CAPITAL INVESTMENT
OPERATION (GROUP) CO., LTD.

Social Finance Framework

August 2024

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1. Introduction

1.1 About UETD CONSTRUCTION & DEVELOPMENT STATE-OWNED CAPITAL INVESTMENT OPERATION (GROUP) CO., LTD.

Founded in 1992, UETD Construction & Development State-owned Capital Investment Operation (Group) Co., Ltd. (the Group) is one of the principal state-owned entities operating in the Urumqi ETDZ. It is a key provider of major services in the Urumqi EDTZ, and is critical to the growth and development of Urumqi. The Group was one of the earliest state-owned entities established by the Urumqi ETDZ, and is directly and wholly owned by the Urumqi ETDZ SASAC, which is tasked with ensuring the continued development of the Urumqi ETDZ and the proper deployment of state-owned assets. From its inception, the Group has been instrumental in the construction and management of infrastructure projects within the Urumqi ETDZ. Since then, the Group has expanded its suite of products and services to include property leasing, trade, landscape maintenance, shantytown redevelopment and sale of properties.

The Group plays a pivotal and strategic role in the continuous development of the Urumqi ETDZ, one of the primary drivers in the growth of Urumqi, the capital of the Xinjiang Uyghur Autonomous Region ("Xinjiang") in northwestern China. Xinjiang has served as a fulcrum in the development of China's western region as well as the "One Belt One Road" national policy, which, among other goals, seeks to link China with the emerging markets of Central Asia, the Middle East, South and Southeast Asia and beyond.

1.2 The Objective of the Group's Social Finance Framework

The 14th Five-Year Plan for National Economic and Social Development and Long-Range Objectives through the Year 2035 of Urumqi (the "14th Five-Year Plan"), including the following major development objectives:

- Urban Development Reaches New Heights: The pivotal role of Urumqi as the central city in its metropolitan area has been further strengthened, achieving integration in regional infrastructure, industrial development, market environment, public services, and ecological protection.
- New heights in people's well-being have been achieved: Social employment has become more sufficient, stable, and of higher quality. The per capita disposable income of residents has increased basically in sync with the growth of regional GDP, and the distribution structure has become more rational.

The Group attaches great importance to sustainable development, and integrates the philosophy of sustainable development into its overall business strategy, investment, construction, and operations. The Group will actively take social responsibility in support of green and sustainable economic development, promote the transformation of urban functions into diversified functions such as economy, people's livelihood and ecology, build an ecological civilization system, deeply implement the strategy of sustainable development.

As one of the most important state-owned enterprises in the Urumqi EDTZ, the Group undertakes the responsibility for actively guiding the direction of government investment in accordance with the

requirements of national regulations of sustainable development and industrial layout. The Group has adopted strict environmental and social measures and assessments to ensure compliance with national laws and regulations on sustainable development. As so far, the Group is not aware of any environmental proceedings or investigations to which it is or might become a party.

2. Social Finance Framework

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

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

- Bonds issued under the Framework will be aligned with the the Social Bond Principles 2023 by International Capital Markets Association (“**ICMA**”), or as they may subsequently be updated;
- Loans issued under the Framework will be aligned with the Social Loan Principles 2023 by Loan Market Association (“**LMA**”), Asia Pacific Loan Market Association (“**APLMA**”), and Loan Syndications and Trading Association (“**LSTA**”) or as they may subsequently be updated.

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



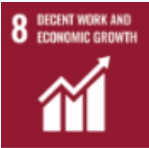
- Use of Proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting

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 **【XX】** 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 **【XX】** months of issuance.

2.1.1 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
- Affordable housing	<ul style="list-style-type: none"> ➤ Construct and operate low-cost housing in accordance with local government and regulatory definitions. <ul style="list-style-type: none"> - Examples would include but not limited to public rental housing, social security housing for talents and resettlement houses. 	 
- 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. For example construction of industrial parks and logistics facilities targeted for adding value to generating employment and providing additional income opportunities for local rural work force. <ul style="list-style-type: none"> - Target Population: <ul style="list-style-type: none"> - rural residents with subdued employment prospect due to adverse socioeconomic changes, or - those living in underprivileged areas with less than adequate income from farm work. 	

2.1.2 Exclusion List

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

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone-depleting substances, polychlorinated biphenyls (PCBs), wildlife or products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).

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

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 Social 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 consists of representative of senior management at the Group’s level and senior representatives from the following departments, including:

- Engineering Department
- Strategic Development Department
- Financial Audit Department

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

The Team is responsible for:

- Evaluating the compliance of projects with the Eligibility Criteria outlined in the Use of Proceeds under the Framework;
- Approving the inclusion of pre-selected Eligible Projects in Social Project List (the Team has full discretion to object the inclusion of any project);
- Monitoring and managing the Social 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 social 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 **general funding accounts**, which will then be earmarked for allocation to the Eligible Projects in accordance with the Framework. Net proceeds of each SFT awaiting allocation will be held in accordance with the Group's normal liquidity management policy. The Team will track the allocation of net proceeds from the issuance of any SFTs to Eligible Projects.

The Group will maintain a register to keep track the use of an amount equivalent to net proceeds of each SFT through the internal information system, and the Team will review the Social 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
Affordable housing	<ul style="list-style-type: none">➤ Number of housing units constructed➤ Number of individuals/households benefitted
Employment generation	<ul style="list-style-type: none">➤ Number of new jobs generated➤ Average increase of individual income for the benefitted 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 SBP and SLP.