

ZHUJI STATE-OWNED ASSETS MANAGEMENT CO., LTD.

Sustainable Finance Framework

June 2024

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1. Introduction

1.1 Overview

Established in December 1992 by the Zhuji Government, Zhuji State-owned Assets Management Co., Ltd. (“the Group”) is beneficially controlled by the Zhuij SASAC. As the main platform for market-oriented operation of state-owned capital in Zhuji City, the Group conducts policy and public welfare business on behalf of the Zhuji Government and is of unique strategic significance to Zhuji City. In addition, the Zhuij SASAC maintains stringent supervision and management on the Group’s decisions and operations through appointment of the board of director, supervisors and senior management.

1.2 Sustainability Vison

In accordance with the State Council’s overall guidance on green development and the national “14th Five-Year” Strategic Plan of “Environmental Protection and Development of Low-Carbon Economy”, the Group is committed to ensuring that its economic performance is conducive to the sustainable development of the environment and society. The Group regards sustainable development as its business foundation and ensures that its economic development is beneficial to the environment and society. The Group adheres to a positive sense of environmental and social responsibility, and integrates the spirit of sustainability into its rules, regulations and business development plans.

Since its inception, the Group has been the primary platform in Zhuji City for construction, resettlement housing construction and has been the sole provider of water to Zhuji City and the sole entity responsible for Zhuji City’s water supply network. Leveraging on its extensive experience, dominant position in its primary businesses and large number of ongoing and pipeline projects, the Group plans to continue to focus on construction, resettlement housing construction and water supply in Zhuji City to maintain business growth. The Group will continue to vigorously develop the water supply business, realise the overall development of water supply and water related construction, build an efficient water system, thereby contributing to the construction of the public’s livelihood infrastructure in Zhuji City.

In addition, the Group also insists on reducing the negative impact on the environment during the engineering design and construction process, in doing so, ensuring it applies its principle of environmental protection to every work stage.

2. Sustainable Finance Framework Overview

This Sustainable Finance Framework (the “Framework”) has been developed to demonstrate how the Group and its subsidiaries intends to, with Sustainable Financing Transactions (“SFTs”), fund projects that would deliver positive environmental and/or social impacts and take sustainable initiatives in support of the Group’s green and sustainability strategy. It is our intention to follow market best practices as relevant standards develop.

SFTs include bonds, loans and other forms of debt financing instruments with structures tailored to contribute to sustainable development by application of the proceeds to Eligible Project Categories as defined in this Framework.

- Bonds issued under the Framework will be aligned to the International Capital Markets Association (“ICMA”) *Green Bond Principles 2021 (with June 2022 Appendix 1)*, *Social Bond Principles 2023* and *Sustainability Bond Guidelines 2021* or as they may be subsequently amended;
- Loans issued under the Framework will be aligned to the Loan Market Association, Asia Pacific Loan Market Association, Syndicated Loans and Transactions Association *Green Loan Principles 2023* and *Social Loan Principles 2023* or as they may be subsequently amended;
- Other forms of financing may conform to other well-established green and/or social and/or sustainable finance principles as may have been established at the time.

SFTs do not place restriction on the tenor and currency and can include other terms and conditions (including covenants) to reflect the financing strategy and plans of the Group, as well as the outcome of the commercial discussions between the Issuer/Borrower and Manager/Arranger/Lender.

SFTs may be issued in any jurisdiction and market reflecting the Group’s current and future business needs.

The Framework is developed in accordance with the above principles and aligning with the following elements:



- I. Use of proceeds
- II. Project evaluation and selection
- III. Management of proceeds
- IV. Reporting

The Framework has received a Second Party Opinion by an independent external reviewer.

2.1 Use of Proceeds


The Group will allocate an amount at least equivalent to the net proceeds of the SFTs issued under the SFF to finance and/or re-finance, in whole or in part, new and/or existing projects¹ which meet the eligibility criteria of the following Eligible Green/Social Project Categories, as defined below.

A maximum 3-year look-back period would apply for refinanced projects and the Group expects each issuance under the SFF to be fully allocated while the bond remains outstanding.

Eligible Green Project Categories	Eligibility Criteria & Examples	UN SDG Mapping
Sustainable water and wastewater management	<ul style="list-style-type: none"> Construction, maintenance and upgrade of facilities, equipment or infrastructure dedicated for collection, treatment, recycling or reuse of waste water 	
Energy efficiency	<ul style="list-style-type: none"> Acquisition, installation, maintenance and upgrade of the energy efficient equipment in the building, such as energy efficient ventilation and lighting systems. Such project shall achieve at least 15 per cent. improvement in the energy efficiency 	

Eligible Social Project Categories	Eligibility Criteria & Examples	UN SDG Mapping
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¹ The Group may own Eligible Projects directly or indirectly through its subsidiaries.

Eligible Social Project Categories	Eligibility Criteria & Examples	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, including but not limited to public rental housing and social security housing for talents 	 <p>The image shows two UN Sustainable Development Goal (SDG) icons. The top icon is red and represents SDG 1, 'NO POVERTY', featuring a white silhouette of a family (two adults and two children). The bottom icon is orange and represents SDG 11, 'SUSTAINABLE CITIES AND COMMUNITIES', featuring a white silhouette of a city skyline with a house, a tall building, and a construction crane.</p>

2.2 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 governs the process, consisting of representatives and senior members from the General Management Department, Supervision and Audit Department, Financial Management Department, Investment and Financing Management Department and Engineering Asset Management Department. The Team will hold meetings on an annual basis and is responsible for:

- Evaluating the compliance of projects with Eligible Green/Social Project Categories outlined in the Use of Proceeds under the Framework;
- Approving the inclusion of pre-selected Eligible Green/Social Projects in Sustainable Project List (the Team has full discretion to object the inclusion of any project);
- Monitoring and managing the Sustainable Project List. We 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 Green/Social Project Categories 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.

2.3 Management of Proceeds

The proceeds of each of the Group's SFT can be managed through using an earmarked account or keeping a SFT Register. Under the SFT Register method, the proceeds will be deposited in the general funding accounts and earmarked for allocation towards the Eligible Green/Social Projects. The Group will maintain a SFT Register to track the use of proceeds for the SFT. SFT Register will be established to ensure and monitor the allocation of green and/or social finance proceeds.

Type of Funding Transaction: Key information including the issuer/borrower entity, transaction date, principal amount, repayment or amortization profile, maturity date, interest or coupon, and the ISIN number.

Pending full allocation, unallocated proceeds 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.

The Group commits not to invest unallocated proceeds to high pollution activities or ineligible projects. The following sectors and activities will be excluded from Eligible Projects:

- activities that violate national laws and regulations, international conventions and agreements, or are subject to international bans and sanctions;
- production or trade of weapons and ammunition;
- production or trade of alcoholic beverages (except for beer and wine);
- production or trade of tobacco;
- enterprises engaged in gambling or casino operations or similar businesses;
- production or trade of radioactive materials (excluding equipment which radioactive source is considered insignificant and/or adequately shielded, for example, quality control equipment); or

- production or activities involving harmful or exploitative forced labor or harmful child labor.

2.4 Reporting

The Group will consolidate information on the allocation of the net proceeds or equivalent amount of the net proceeds of its SFTs. Such information will be updated on an annual basis until all the net proceeds of the SFTs have been fully allocated.

Allocation Report should contain the following information:

- Amount of allocated proceed by Eligible Green/Social Project 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

Where possible and subject to data availability, the Group will prepare to report on the environmental and social benefits of the Eligible Green and/or Social Projects potentially with the following environmental and social impact indicators.

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

Eligible Green/Social Project Categories	Impact Indicators
Sustainable water and wastewater management	<ul style="list-style-type: none"> ▪ Annual absolute (gross) amount of wastewater treated in tonnes p.a
Energy efficiency	<ul style="list-style-type: none"> ▪ Amount of energy saved (MW) ▪ Annual energy efficiency improvement in percentage
Affordable housing	<ul style="list-style-type: none"> ▪ Number of housing units constructed ▪ Number of individuals/households benefitted

External Review: the Group has engaged CCX Green Finance International Limited, an independent third party, to review and to issue an independent opinion (Second Party Opinion) on the Framework's alignment with the relevant principles and guidelines.