

## SUSTAINABILITY FINANCE FRAMEWORK OVERVIEW

This Sustainability Finance Framework (“**Framework**” or “**SFF**”) has been developed to demonstrate the Group’s intention to issue bonds, loans, or any other similar forms of debt instruments (“**Sustainability Financing Transactions**” or “**SFTs**”) and to fund projects that would deliver positive environmental and social impacts and foster sustainable practices.

- With respect to bonds, bonds issued under this SFF will be aligned with the Green Bond Principles (“**GBP**”) 2021 (with June 2022 Appendix 1), Social Bond Principles (“**SBP**”) 2023, and Sustainability Bond Guidelines (“**SBG**”) 2021 by International Capital Markets Association<sup>1</sup> (“**ICMA**”), or as they may subsequently be updated.
- With respect to loans, loans issued under this SFF will be aligned with the Green Loan Principles (“**GLP**”) 2023, Social Loan Principles (“**SLP**”) 2023 by Loan Market Association<sup>2</sup> (“**LMA**”), Asia Pacific Loan Market Association<sup>3</sup> (“**APLMA**”), and Loan Syndications and Trading Association<sup>4</sup> (“**LSTA**”) or as they may subsequently be updated.

Other SFT(s) may conform to other sustainable finance principles as may have been established at the time of such a financing transaction being undertaken.

Each SFT issued under this framework, the Group is committed to aligning it with the following elements: (1) Use of Proceeds; (2) Project Evaluation and Selection; (3) Management of Proceeds; and (4) Reporting, as set out in this framework.

SFTs do not have restrictions on tenor nor 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 commercial discussions between the Issuer/Borrower and Manager/Arranger/Lender.

SFTs may be done in any jurisdiction or market in accordance with the Group’s current and future business needs.

### 1. Use of proceeds

The Group will exclusively allocate an amount at least equivalent to the net proceeds of an 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 projects categories, as defined below.

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

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<sup>1</sup> <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks>

<sup>2</sup> <https://www.aplma.com/en/gsl>

<sup>3</sup> <https://www.aplma.com>

<sup>4</sup> <https://www.lsta.org>

## 1.1 Eligible Green Project Categories



Green Project Categories, Environmental Objectives & UNSDGs	Eligibility Criteria	Technical screening criteria and/or reference to Green Taxonomy/Catalogue
<b>Green Building</b> Key Objectives: <ul style="list-style-type: none"> <li>Climate Change Mitigation</li> <li>Natural Resource Conservation</li> </ul>  	Investment, acquisition and expenditures related to new construction, renovation, refurbishment of existing owned and/or managed properties that will reduce building environmental impact in accordance with any one of the green building certification schemes.	<ul style="list-style-type: none"> <li>U.S. Leadership in Energy and Environmental Design (LEED) – minimum certification of Gold; or</li> <li>BREEAM – minimum certification level of Excellent; or</li> <li>Chinese Green Building Evaluation Label<sup>5</sup> (GBL) – minimum certification level of 2 stars; or</li> <li>BEAM Plus – minimum certification level of Gold; or</li> <li>EDGE Green Building Certificate – minimum certification level of level 1; or</li> <li>China Green Bond Endorsed Projects Catalogue<sup>6</sup> 5.2.1.2 and 5.2.1.5.</li> </ul>
<b>Clean Transportation</b> Key Objectives: <ul style="list-style-type: none"> <li>Climate Change Mitigation</li> <li>Pollution Prevention and Control</li> </ul>  	Investment, acquisition and expenditures related to purchase, construction, installation and maintenance of the new energy vehicles (i.e. electric vehicles, electric buses, electric trucks, etc), hybrid vehicles, and its infrastructure such as electric vehicle charging stations.	<ul style="list-style-type: none"> <li>The electric vehicles will have zero direct tailpipe CO<sub>2</sub> emission; or</li> <li>The hybrid vehicles will have a direct GHG emission under 50g CO<sub>2eq</sub>/p-km until 2025, and zero emission 2026 onward; or</li> <li>China Green Bond Endorsed Projects Catalogue 5.5.1.5 and 5.5.4.1.</li> </ul>
<b>Renewable Energy</b> Key Objectives: <ul style="list-style-type: none"> <li>Climate Change Mitigation</li> </ul> 	Investment, acquisition and expenditures related to design, manufacture, construction, installation, and operation of renewable energy systems, including photovoltaic solar and wind power facilities, and renewable energy storage system.	<ul style="list-style-type: none"> <li>The minimum of 85% of power generation from the facility is derived from solar energy sources; or</li> <li>The energy storage system dedicated connection to a power production plant eligible under the low carbon power threshold of 100gCO<sub>2</sub>/kWh; or</li> <li>China Green Bond Endorsed Projects Catalogue 3.2.2.1, 3.2.2.2 and 3.2.3.2</li> </ul>
<b>Sustainable Water and Wastewater Management</b> Key Objectives: <ul style="list-style-type: none"> <li>Pollution prevention and control</li> <li>Reducing wastewater and hazardous materials</li> </ul> 	Investment, acquisition and expenditures related to construction, development, upgrades, installation, operation and maintenance the facilities of water supply infrastructure, urban drainage system, flood control and defences, pumping stations, climate resilient infrastructure, urban waste water treatment and recycling systems (i.e. rainwater collection, urban water and waste water networks, remediation and treatment of urban black and malodorous water, clean up the rubbish and carry out dredging activities etc.)	<ul style="list-style-type: none"> <li>The waste water discharge standard will at least meet the national pollutants discharge standard for municipal wastewater treatment plant<sup>7</sup> (GB 18918-2002); or</li> <li>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 reduce the most water related physical climate risks;</li> <li>China Green Bond Endorsed Projects Catalogue 1.3.2.3, 4.2.1.6, 5.3.1.1, 5.4.2.4 and 5.4.2.5</li> </ul>

<sup>5</sup> Assessment Standard for Green Building GB/T 50378-2019

<sup>6</sup> <http://www.gov.cn/zhengce/zhengceku/2021-04/22/5601284/files/48dd95604d58442da1214c019b24228f.pdf>

<sup>7</sup> [https://www.mee.gov.cn/ywgz/fgbz/bzwb/shjbh/swrwpfbz/200307/t20030701\\_66529.shtml](https://www.mee.gov.cn/ywgz/fgbz/bzwb/shjbh/swrwpfbz/200307/t20030701_66529.shtml)

## 1.2 Eligible Social Project Categories

Social Project Categories, Social Objectives & UNSDGs	Eligibility Criteria	Target Population
<b>Affordable housing – Resettlement houses and shanty town and houses<sup>8</sup></b> Key Objectives: <ul style="list-style-type: none"> <li>• Improve urban dilapidated housing</li> <li>• Improve housing conditions for low-income/homeless families</li> <li>• Provide housing for Indigenous residents affected by reestablishment</li> <li>• Adequate living standards and wellbeing for end-users</li> </ul>  	Investments and expenditures in projects that provide affordable housing, relocation and resettlement fees for the general public and vulnerable groups, including indemnificatory public rental housing, economically affordable housing and government-supported affordable housing construction projects. These include urban renewal/old city reconstruction, resettlement houses, shanty town <sup>9</sup> and houses projects to improve the living conditions of residents living in shantytowns projects, which are for the purpose of providing affordable housing units for resettled populations.	<ul style="list-style-type: none"> <li>• The low-income families<sup>10</sup> in accordance with PRC government definitions, families have affected by demolish and reconstruction work, the families who needs temporary accommodation, newly employed school-leavers, 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.</li> </ul>

## 1.3 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:

- 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.

<sup>8</sup> Housing for the general public and vulnerable groups in accordance with local government and regulatory definitions, i.e. 1) houses which mainly use wooden boards, adobe, and 240mm thick bricks wall as load-bearing structures, 2) houses that are low lying and prone to waterlogging and lack of basic infrastructures, 3) houses that are rated as a severely damaged house or dangerous houses according to the Ministry of Construction's "House damage rating standards" and "Dangerous house appraisal standards"; shanty houses with a construction area more than 50,000 m<sup>2</sup> are shanty towns.

<sup>9</sup> Ministry of Construction of the PRC, shanty town and houses generally refers to area or houses in city where there are damage and dangerous.

<sup>10</sup> Ministry of Civil Affairs of the PRC, on the printing of "Definition of low-income households".

- 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 nuclear production.
- Projects related to fossil fuel production.
- Projects related to coal mining.
- Projects related to hydropower which installed capacity > 25MW

## **2. Process for project evaluation and selection**

The Group imposes strict environmental and social risk management during the daily operations. In terms of the process for project evaluation and selection, the Group has set up a Sustainability Financing Working Group (the “SFWG”), which is responsible for ensuring that proceeds from SFTs or an equivalent amount will be allocated to the eligible projects under the framework. The SFWG will also be responsible for managing any future updates of the framework, including any expansion of requirements of the use of proceeds.

The potential eligible green and social projects were identified, selected and nominate via a process that involves participants from various functional departments. The project related department will pre-select and evaluate green and social projects by its feasibility study report, environment impact assessment report, project preliminary design etc. and will submit the potential eligible projects to the SFWG to further evaluate whether the project fulfils the eligibility and exclusion criteria of this framework and also to ensure that the mitigation measures against environmental and social risks are in place. The endorsed 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 in the eligible green and social projects list.

The SFWG is responsible for the management and compliance of all the financings issued under this framework. The SFWG consists of senior management members from various departments of the Group, including the financial management department and risk and legal department.

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 undertake regular monitoring of the asset pool to ensure the eligibility of green and social projects with the criteria set out in section 1, whilst replacing any ineligible green and social projects with new green and social projects and facilitate regular reporting on any SFTs issuance in alignment with the reporting commitments.

### 3. Management of proceeds

The Group intends to allocate an amount equal to the net proceeds of the SFT(s) over time to finance or refinance the eligible green and social projects, which are selected according to the eligibility criteria 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. A sustainability finance allocation register will be established to record the allocation of proceeds.

The register will contain information including the following:

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

### 4. Reporting

For the SFT(s) issued under this framework, the Group will provide an allocation report and an impact report on its eligible green and/or social projects, on an annual basis via the Company's website, as detailed below. This reporting will be updated annually until full allocation of the net proceeds of any SFT issued, or until the SFT is no longer outstanding. Furthermore, additional reports are intended to be provided on a timely basis in case of material developments.

#### *Allocation Report*

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

- the net proceeds of each SFT outstanding;
- 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 clarification on which investment or project portfolios will be refinanced;

- the balance of unallocated proceeds held in cash, cash equivalents or short-term deposits and its temporary treatment (if any); and
- the types of temporary unallocated funds placements and uses.

### ***Impact Report***

The Group will report on both expected and achieved 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 (2023) and Harmonised Framework for Impact Reporting for Social Bonds (2023)” subject to the availability of suitable information and data.

Examples of impact reporting indicators include:

<b>Eligible Categories</b>	<b>Impact Indicators</b>
Green Building	– Type and level of green building certifications obtained
Clean Transportation	– Number of new energy vehicles deployed (e.g. electric)
	– Number and type of new energy transportation infrastructure built
	– Annual GHG emission reduced/avoided (tonnes of CO <sub>2</sub> equivalent/a)
Renewable Energy	– Annual renewable energy generation (GWh for electricity and GJ for other energy)
	– Annual GHG emission reduced/avoided (tonnes of CO <sub>2</sub> equivalent/a)
Sustainable Water and Wastewater Management	– Annual absolute (gross) amount of wastewater treated, reused or avoided before and after the project (m <sup>3</sup> /a)
	– Amount of rain water collected and reused (m <sup>3</sup> /a)
	– Annual absolute amount of water supplied (m <sup>3</sup> /a)
	– Annual reduction in water consumption (m <sup>3</sup> /a)
Affordable Housing	– Number of dwellings constructed
	– Reduction in number of people experiencing poor housing and homelessness
	– Number of individuals/families benefiting from subsidized housing

## **External review**

### Pre-issuance:

The Group has engaged Sustainable Fitch and CCX Green Finance International to provide a Second-Party Opinion on this framework to review and confirm its alignment with the GBP, SBP, SBG, GLP and SLP. The Second-Party Opinion together with the framework will be published on the Group's website.

### 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 impact that is disclosed in the Group's annual reporting.