



**平度市城市开发集团有限公司**  
PINGDU CITY DEVELOPMENT GROUP CO., LTD

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Sustainable Finance Framework

September 2024

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## **1. Introduction**

### **1.1 About PINGDU CITY DEVELOPMENT GROUP CO., LTD.**

Pingdu City Development Group Co., Ltd. (the Group) is one of the primary entities for infrastructure construction in Pingdu City, especially within the Western New City Zone and the Southern New Zone. On 24 June 2018, the Group was established as a wholly state-owned enterprise of Pingdu State-owned Assets Management Service Centre.

The Group primarily conducts its businesses within Pingdu City. By leveraging on strong support (excluding credit support) from Pingdu Government and other local governmental authorities in Pingdu City, the Group has played an important role in the urbanization construction and development of Pingdu City.

### **1.2 The Objective of the Group's Sustainable Finance Framework**

The Group has been working on establishment of sustainable life in China, accelerating the integrated development of green and sustainable economy, actively implementing the Group's green and sustainable development strategy, and fulfilling its social responsibility of state-owned enterprises to help achieve carbon peaking and carbon neutrality goals.

The Group has adopted strict environmental and social measures and assessments to ensure compliance with national laws and regulations on sustainable development. As one of the most important state-owned enterprises in Pingdu city, 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 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 in all material respects with applicable environmental laws and regulations. As so far, the Group is not aware of any environmental proceedings or investigations to which it is or might become a party.

## 2. Sustainable 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 Sustainable 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 1) ("**GBP2021(with June 2022 Appendix 1)**"), 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 in accordance with the Sustainable Finance Framework.



#### 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
- Sustainable water and wastewater management	<ul style="list-style-type: none"> <li>- Construction and maintenance of sustainable urban drainage systems, urban water supply pipeline network, river training, and other forms of flooding mitigation:</li> <li>- Examples would include but not limited to urban drainage systems, urban public water supply facilities.</li> </ul>	  
- Green Building	<ul style="list-style-type: none"> <li>➤ Acquisition, construction, maintenance and renovation of building that meet regional, national green building codes or internationally recognised green building standards or certifications for environmental performance.</li> </ul>	 

### 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
- Affordable housing	<ul style="list-style-type: none"> <li>➤ Construct and operate low-cost housing in accordance with local government and regulatory definitions.</li> <li>- Examples would include but not limited to public rental housing, social security housing for and resettlement houses.</li> </ul>	 

### 2.1.3 Exclusion List

In any case, ESPs (including the temporary placement of unallocated proceeds) 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.

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

- Financing Management Department
- Financial Management Department
- Strategic and Investment Department
- Project Management Department (Safety Management Office)
- Asset Operation Department
- Risk Control and Legal Affairs 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;
- and
- 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 general funding, 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. Such information will include, but is not limited to information on:

- 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;
- Monitoring of environmental impact, etc.

Where disclosure of details is not feasible due to confidentiality, business competition or other reasons, the Group will disclose such information in the form of a general overview or summarisation.

## **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.