

## SUSTAINABLE FINANCE FRAMEWORK

### Background

Suzhou SND Group Company Limited (“**SND Group**” or “**Group**”) is the key state-owned enterprise directly owned by Suzhou New District Administrative Committee (“**SND Administrative Committee**”), with 90.34% of the shares controlled by SND Administrative Committee and 9.66% of the shares held by the Jiangsu Department of Finance, and SND Group is the most important infrastructure construction, investment and financing platform in Suzhou New District. Under the guidance of SND Administrative Committee, with the vision of being the integrated regional development and operation service provider, SND Group focuses on urban construction, land acquisition and industry development, and provide comprehensive solutions for urban and rural construction and development, people’s well beings and advanced industry integration.

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 company adheres to a positive sense of environmental and social responsibility, and integrates the spirit of sustainability into its rules, regulations and business development plans. Based on its major business segment of infrastructure construction and real estate development, etc., the Group actively integrates sustainability into the economic development of Suzhou New District and is committed to making contributions in the fields of green building, sustainable water and wastewater management, affordable basic infrastructure and employment generation. Meanwhile, the Company 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.

### The Rationale of the Group’s Sustainable Finance Framework

The Group adheres to high environmental standards with sustainable development at low carbon emissions and regards environmental protection and sustainable development as its core values. The Group is acutely aware of the need to control and mitigate the impact of its actions on the environment and the communities in order to fulfill its green commitment towards creating long-lasting value. The Group’s Board is responsible for leading and guiding the Group’s policies on sustainable development at low carbon emissions and working together with management to identify, evaluate and address environmental issues on an ongoing basis. The Group’s Board also oversees environmental and social affairs and plans the Group’s long-term environmentally-friendly sustainable development goals.

In order to have an enhanced dialogue with Socially Responsible Investors, the Group’s Sustainable Finance Framework (“**SFF**”) will be an opportunity to emphasize the Group’s core strategy in terms of sustainable development and combating climate change, and to diversify the Group’s investor base, and will also help ensure the State Council and national vision of sustainable development as well as carbon peaking and neutrality goals under the 14th Five-Year Plan and beyond, is fulfilled.

### Framework Overview

The SFF aims to describe how the Group could, with Sustainable Financing Transactions (each an “**SFT**”, the issuance of Sustainable Financing Instruments, each an “**SFI**”, including green bonds, social bonds, sustainability bonds, green loans, social loans, or any other debt-like sustainable financing instruments), to finance the projects that have positive environmental and/or social impact and align with it business strategy and goals (the “**Eligible Projects**”, including “**Eligible Green Projects**” and “**Eligible Social Projects**”). The net proceeds of SFTs will be applied exclusively to the Eligible Projects that will deliver environmental and/or social benefits, and support the Group’s business strategy and sustainability commitment.

- With respect to bonds, bonds issued under the SFF will be in alignment with the Green Bond Principles (GBP) 2021(with June 2022 Appendix I), Social Bond Principles 2023 (SBP)<sup>(1)</sup> released by the International Capital Market Association (ICMA), and/or the Green Bond Endorsed Projects Catalogue (2021 Edition)<sup>(2)</sup> jointly announced by the People's Bank of China (PBOC), the National Development and Reform Commission (NDRC) and the China Securities Regulatory Commission (CSRC) or as they may be subsequently amended.
- With respect to loans, loans issued under the Framework will be aligned to the Loan Market Association, Asia Pacific Loan Market Association, Loans Syndicated and Transactions Association Green Loan Principles 2023<sup>(3)</sup> and Social Loan Principles 2023<sup>(4)</sup> 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 the Manager/Arranger/Lender.

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

In accordance with the above principles and guidelines, the Group's SFF is presented through four core components as well as its recommendations for external review and amendments to the SFF as necessary from time to time:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting
5. External Review
6. Amendments to the SFF

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(1) In alignment with ICMA Green Bond Principles (GBP) 2021(with June 2022 Appendix I) and Social Bond Principles, June 2023, <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>, <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/social-bond-principles-sbp/>

(2) In alignment with the Green Bond Endorsed Projects Catalogue (2021 Edition) [http://www.gov.cn/zhengce/zhengceku/2021-04/22/content\\_5601284.htm](http://www.gov.cn/zhengce/zhengceku/2021-04/22/content_5601284.htm)

(3) In alignment with LMA Green Loan Principles, February 2023, <https://www.lsta.org/content/green-loan-principles/>

(4) In alignment with LMA Social Loan Principles, February 2023, <https://www.lsta.org/content/social-loan-principles-slp/>

## 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 projects which meet the eligibility criteria of the following Eligible Green/Social Project Categories (“**Eligible Green/Social Projects**”), 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 and Description/Conditions of Eligible Green Projects.

### Eligible Green Project Categories

#### Green Building



### Criteria of Eligible Green Projects

#### Acquisition, construction, maintenance and renovation of buildings that have received, or expect to receive the below recognized green building certifications:

- Chinese Green Building Evaluation Label — 2-Star or above (Design / Operations Label); or
- Building Research Establishment Environmental Assessment Method (BREEAM) — Excellent or above; or
- U.S. Leadership in Energy and Environmental Design (LEED) — Gold or above; or
- Hong Kong BEAM Plus — Gold or above; or
- Building and Construction Authority (BCA) Green Mark — Gold or above; or
- Construction of Ultra-Low Energy Consumption Buildings: Construction of public and residential buildings adapted to climate characteristics and site-specific conditions that reduce the demand for heating, air conditioning and lighting through passive building designs, and adopt active technical measures to improve the efficiency of building energy equipment and systems in public and residential buildings as well as the acquisition of consumption building technical indicators needed to meet the requirements of the “*Technical Standard for Near-Zero Energy Building*” (GB/T 51350); or
- Green Warehousing Logistics: Construction, operation and renovation of logistics warehouses in accordance with the national green building codes and standards, for which they have obtained national green building evaluation marks. For example, the technical indicators of green logistics warehouse building shall meet the requirements of the “*Green Warehouse Requirements and Evaluation*” (SB/T 11164) 2 Stars or above; or
- Any other green building label, that is an equivalent standard of the above.

## Eligible Green Project Categories

### Energy Efficiency



## Criteria of Eligible Green Projects

### Increase energy efficiency and reduce building and facility energy consumption by at least 15 per cent. by investing in and spending on projects such as, but not limited to:

- In the design and construction process, in accordance with the requirements of “*Intelligent Building Design Standards (GB/T50314-2015)*”, adopt timely and feasible intelligent technology to realize the functions of saving resources and optimizing environmental quality management, including but not limited to effective utilization and management of renewable energy based on building equipment monitoring systems, building Information Modeling (BIM) technology, etc.; or
- Install energy-efficient equipment, replace and/or maintain existing equipment to reduce energy consumption or avoid greenhouse gas emissions, including but not limited to smart metering systems, high-efficiency HVAC systems, etc. Relevant products should comply with the current national standards “*Energy-saving Design Standards for Public Buildings*” (GB50189-2015), “*Energy-saving Domestic Water Appliances*” (CJ/T164-2014) and other standards; or
- Renovation of green lighting, using LED lamps, high/low pressure sodium lamps, metal halide lamps, tri-color double-ended straight fluorescent lamps (Type T8, T5), etc., as well as the use of natural light sources, intelligent lighting control systems, etc. Relevant lighting products should meet the first-level energy efficiency requirements of relevant national and/or regional energy efficiency standards; or
- Prefabricated Buildings: Construction of buildings using prefabricated components at construction sites through the method of assembly construction. The building-related technical indicators should meet or exceed the requirements of Grade AA and under the “*Evaluation Standard for Assembled Buildings*” (GB/T 51129) within the validity period; or
- Energy Conservation and Environmentally-friendly Renovation of Existing Buildings: Technical indicators of the building meet relevant national or local energy conservation standards for existing buildings and relevant requirements for energy-saving renovation activities of building energy systems after renovation. Renovation, operation and purchase of the existing buildings which have obtained relevant national green building star-level within the validity period; and the renovation, operation and purchase of existing buildings that have reached the national-relevant green building star-level within the validity period after renovation. For example, the building technology complies with technological standards such as the “*Statistical Standard for Civil Buildings*” (GB 50352), the “*Standard for Energy-Saving in Public Buildings*” (GB 50189) and the “*Standard for the Evaluation of Green Retrofit of Existing Buildings*” (GBT 51141).

### Pollution prevention and control



- Pollution control of traffic vehicles by renovating and replacing old high-energy-consumption and high-emission operating vehicles with the vehicles that meet new energy efficiency and pollutant emission standards, by constructing real-time monitoring systems for pollution emissions from motor vehicles and non-road mobile machinery, by building road remote sensing, monitoring, and positioning systems, and by controlling pollution of vehicle maintenance waste oil, wastewater and exhaust gas;
- Treatment and control of construction land pollution including detailed investigation and monitoring, and risk assessment of construction land pollution, reduction of the level of soil pollutants by the use of physical, chemical, and biological engineering technical measures such as transfer, absorption, and degradation, etc., so as to ensure that the soil quality of construction land meets the environmental requirements for that of relevant planned sites and to improve the value of soil use.

## Eligible Green Project Categories

**Circular economy adapted products, production technologies and processes and/or certified eco-efficient products**



**Sustainable Water and Wastewater Management**




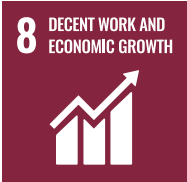
**Environmentally sustainable management of living natural resources and land use**



## Criteria of Eligible Green Projects

- Recycling of waste resources such as waste metal, waste rubber, waste plastic, waste glass, waste electrical and electronic products, waste solar equipment, waste textiles, waste mineral oil, waste biomass, waste paper (waste printed products, etc.), waste denitrification catalyst, waste cloth bag for dust removal, etc. For example, the construction and operation of facilities for recycling, sorting, and processing of waste resources, in line with the Guidelines for Calculation Methods of Product Recyclable Utilization Rate (GB/T 20862), the Technical Specifications for Waste Product Treatment of Enterprises (GB/T 27873), the Statistical Indicator System for Waste Product Recycling and Treatment of Enterprises (GB/T 28744), the Technical Specifications for Waste Plastic Recycling and Utilization (GB/T 37821), the Technical Specifications for Waste Textile Recycling (GB/T 38926), and other national standards.
- Construction and operation of sewage pretreatment systems, sewage collection systems, and sewage centralized treatment and recovery facilities in industrial areas, such as the Economic and Technological Development Zones, High-Tech Industrial Development Zones, Export Processing Zones, etc. that comply with national standards, such as the Principles and Requirements for the Classification and Recycling of Water in the Industrial Parks (GB/T 36575).
- Construction, maintenance, and operation of wetland parks, etc.

## Eligible Social Project Categories and Description/Conditions of Eligible Social Projects.

Eligible Social Projects Categories	Example of Eligible Social Projects
<b>Affordable basic infrastructure</b> 	Tap water supply for people living in areas with no or insufficient access to safe drinking water.
<b>Employment generation</b> 	Providing small and medium-sized enterprises (SMEs) with financial services including but not limited to, financial leasing and small-size loan.

## 2. Process for Project Evaluation and Selection

In terms of the process for project evaluation and selection, the Group has established a relatively refined control system. The process for green/social project evaluation and selection consists of two parts, namely project screening and project review.

The Group's Sustainable Finance Working Group ("SFWG") collect compliance documents of the proposed green/social projects and check whether the documents are complete, thereafter examining the compliance documents to assess the green/social features of the projects against the Green Bond Principles (GBP) 2021 (with June 2022 Appendix I) and the Social Bond Principles 2023 (SBP) released by International Capital Market Association (ICMA) or the Green Bond Endorsed Projects Catalogue (2021 Edition) jointly announced by the People's Bank of China (PBOC), the National Development and Reform Commission (NDRC) and the China Securities Regulatory Commission (CSRC), or the Green Loan Principles 2023 (GLP) and Social Loan Principles 2023 (SLP) updated by the Asia Pacific Loan Market Association (APLMA), the Loan Market Association (LMA) and the Loan Syndications and Trading Association (LSTA). For the potentially qualified green/social projects, the SFWG will perform a preliminary calculation on its environmental and social impact, and submit the compliance documents and preliminary calculation results to the SFWG for project review.

### Accountability Mechanism for the Group's Sustainable Finance

The SFWG is responsible for the management of this SFF and the compliance of all financing instruments issued under the SFF. The SFWG consists of senior representatives from the following departments, including:

- Group Party and Government Office
- Group Financial Management Department
- Group Investment Management Department
- Group Safety Management Office

- Group Internal Control Department
- Group Operation Management Department

The process to evaluate, select and allocate sustainable bond proceeds under the SFF will be administered by the SFWG. This will be done through the following steps:

- Potential projects will be screened to ensure compliance with the SFF's gateway selection criteria. All projects submitted for approval will identify and quantify the expected outputs and outcomes, in line with the UoP criteria for the SFF.
- Suitable projects will be submitted to the Group Safety Management Office and Group Operation Management Department to confirm they have no objections to those that will go forward for detailed assessment.
- Shortlisted projects will undergo a detailed assessment before being recommended to the Group Party and Government Office, Group Financial Management Department and Group Internal Control Department and
- The Group Party and Government Office, Group Financial Management Department, and Group Internal Control Department will be solely responsible for approving eligible projects for financing. Decisions to allocate finance will require a consensus decision by the Group Party and Government Office, Group Financial Management Department, and Group Internal Control Department, and will be documented and filed.

The SFWG may be supplemented from time to time, or expanded, by the inclusion of representatives from other relevant teams. The SFWG will convene meetings at least twice a year and will be responsible for the following matters:

- Ratifying of Eligible Green/Social Projects, which are initially proposed by the SFWG members, and it is at the SFWG members' discretion to reject any project.
- Undertaking of regular monitoring of the asset pool to ensure the eligibility of Green/Social Projects with the criteria set out in the Group's SFF Section 1, Use of Proceeds, whilst replacing any ineligible Green/Social Projects with Eligible Green/Social Projects.
- Ensuring that projects comply with the Group's risk management requirements as well as applicable local government regulations. In cases where funds are withdrawn from the projects, or the projects are no longer eligible for the green/social project criteria, ensuring that the funds will be re-allocated to other Eligible Green/Social Projects.
- Facilitation of regular reporting on any green, social or sustainability issues in alignment with the Group's reporting commitments.
- Managing any future updates to the SFF.
- Ensuring that the approval of Eligible Green/Social Projects will follow the Group's existing credit/loan/investment approval processes.

### Stakeholder Management

The Group has established a process for conducting stakeholder engagement at the corporate level. In addition, the SFWG would be responsible for conducting stakeholder engagement at the project level. Project level stakeholder engagement activities would be carried out subject to local regulatory requirements. Where applicable, stakeholder engagement exercises would be conducted by the Group along with the environmental and social impact assessment. The Group would obtain a copy of the environmental/social impact assessment report prepared either by itself or by professional agencies/consultancies, and the applicable local regulator's approval document for the Eligible Green Projects.

Stakeholder engagement activities would be carried out in the project design, operation, and construction stages throughout the project lifecycle. According to the analysis (e.g., materiality analysis) performed at corporate level, stakeholders include but are not limited to government, corporate clients, industry peers and industrial organizations, employees, partners, and communities. The SFWG would communicate with the stakeholders of the corresponding project through two-way communication channels, such as surveys, interviews, public disclosures and company hotlines and emails, to gather opinions and comments on environmental (e.g., environmental impact) and social (e.g., potential impact on people's lives) issues. The Group would categorize the stakeholders' comments and opinions collected and then assign relevant department(s) to address the issues (e.g., Human Resource Department will handle employee-related issues) and respond to stakeholder feedback. Opinions would be responded to through the company website, telephone feedback, etc.

The Group confirms that records on the results of stakeholder engagements, including a summary of the engagement, identified stakeholders, engagement method, feedback collected, and relevant responses would be retained.

### **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.

The Register will contain, for each SFT launched, information including:

1. SFT Details: ISIN (if applicable), Issue Date, Maturity Date and etc.
2. Eligible Green/Social Project Allocation List: Information including:
  - The Eligible Green/Social Projects List, including for each Eligible Green/Social Project, the Eligible Green/Social Project Category, project description, project location, Group's ownership percentage, total project cost, amount allocated, settled currency, etc.
  - Amount of unallocated proceeds



#### Management of the unallocated proceeds

The Group plans to deploy proceeds of each of the Group's SFT to Eligible Green/Social Projects while the SFT remains outstanding. If part of the proceeds cannot be allocated to Eligible Green/Social Projects at the moment, the Group can deposit the unallocated proceeds into the designated account for the sustainable bond, or invest the unallocated proceeds into qualified money market products or debt instruments according to the relevant rules and regulations set out by the competent authorities. In the meanwhile, the Group declares that the proceeds will not be used for the following purposes:

1. activities that violate national laws, regulations or international conventions and agreements, or are subject to international bans;
2. production or trade in arms and ammunition;
3. production or trade in alcoholic beverages (other than beer and wine);
4. production or trade in tobacco;
5. gambling, casinos and equivalent businesses;
6. production or trade in radioactive materials (radioactive sources considered insignificant and/or adequately shielded, such as quality control equipment, are not covered);
7. production, generation, or trade in fossil fuel;
8. commercial logging operations for use in the primary tropical forests;
9. production or trade in wood or other forestry products other than from sustainably managed forests;
10. projects related to nuclear production;
11. projects related to coal mining;
12. production or activities involving harmful or exploitative forms of forced labor or harmful child labor.

#### **4. Reporting**

##### Allocation Reporting

The Group will consolidate information on the allocation of the net proceeds of its SFIs. Such information will be prepared on an annual basis until all the net proceeds have been allocated. The information will contain at least the following details:

1. List of Eligible Green/Social Projects for the current year
2. The amount of proceeds allocated to each Eligible Green/Social Project category
3. When possible, descriptions of the Eligible Green/Social Projects financed, such as project locations, amount allocated, etc.
4. Selected examples of projects financed

5. Percentage of financing vs. refinancing
6. Amount of unallocated proceeds

Furthermore, the Group will confirm that the use of proceeds of the SFT conforms to this SFF.

### Impact Reporting

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. In addition, calculation methodologies and key assumptions will be disclosed.

<b>Eligible Green Project Categories</b>	<b>Environmental Impact Indicators</b>
<b>Green Building</b>	<ul style="list-style-type: none"> <li>• Type and level of green building certifications obtained</li> <li>• Annual energy savings (in MW)</li> <li>• Annual greenhouse gas (GHG) emissions reduced / avoided (in t CO<sub>2</sub> eq p.a.)</li> <li>• Annual reduction in water consumption (in m<sup>3</sup>)</li> </ul>
<b>Energy Efficiency</b>	<ul style="list-style-type: none"> <li>• Amount of energy saved (in MWh)</li> <li>• Annual energy efficiency improvement in percentage</li> </ul>
<b>Circular economy adapted products, production technologies and processes and/or certified eco-efficient products</b>	<ul style="list-style-type: none"> <li>• Recovery rate and purity of electronic waste and equipment materials (%), and reuse rate of valuable materials (%)</li> </ul>
<b>Sustainable Water and Wastewater Management</b>	<ul style="list-style-type: none"> <li>• Annual amount of water / rainwater / wastewater collected / treated / recycled / reused (in m<sup>3</sup>/year)</li> </ul>
<b>Affordable basic infrastructure</b>	<ul style="list-style-type: none"> <li>• Total annual water supply (in m<sup>3</sup>/year)</li> </ul>
<b>Employment generation</b>	<ul style="list-style-type: none"> <li>• Number of SMEs settled in</li> <li>• Number of job positions created</li> </ul>

The allocation and impact reporting mentioned above will be disclosed to the Group's stakeholders upon request, and abstracts of which will be published on the Group's website.

## **5. External Review**

The Group has engaged Sustainable Fitch Hong Kong Limited and CCX Green Finance International Limited to assess this SFF and its alignment with the relevant principles, standards and catalogues released by the relevant organizations or authorities mentioned earlier in the Group's SFF, and issue a Second-party Opinion (SPO).

The Group's SFF, together with the report(s) issued by the external third-party organization(s) will be disclosed according to the relevant requirements.

## **6. Amendments to the SFF**

The SFWG will review the SFF on a regular basis, including its alignment to updated versions of the principles as and when they are released, with the aim of adhering to best practices in the market. Such review may result in the SFF being updated and amended. The updates, if not minor in nature, will be subject to the prior approval of the Group and Sustainable Fitch Hong Kong Limited and CCX Green Finance International Limited. Any future updated version of the SFF that may exist will either keep or improve the current levels of transparency and reporting disclosures, including the corresponding review by an external reviewer. The updated SFF, if any, will be published on the Group's website and will replace the previous SFF.