

SUSTAINABLE FINANCE FRAMEWORK

1. Introduction

1.1 About Zhejiang Xinchang Investment Development Co., Ltd.

Zhejiang Xinchang Investment Development Co., Ltd. (浙江省新昌縣投資發展集團有限公司) (the “**Company**”, together with its subsidiaries, the “**Group**”) is wholly-owned by Xinchang SASAC and was established in 2003. The Group’s main businesses include (i) land development, (ii) public infrastructure construction, (iii) water supply and sewage treatment and (iv) trading. The Group also expanded its business into other sectors such as transportation, leasing of commercial properties, tourism and food processing.

According to the National Environmental Plan for the 14th Five-Year Plan for Environmental Protection and Improvement, the Group is committed to ensuring that the social and environmental development benefits from its economic performance. The Group takes sustainable development as the cornerstone of its business operations. Coupled with development strategies and operating models, the Group strives to promote social responsibilities and meet the expectations of stakeholders, including the government, industry, employees, business partners and communities. The Group also aims to accelerate structural reform of the city, clean up the environment and build social civilisation.

1.2 The Objective of the Group’s Sustainable Finance Framework

The Group will adhere to the principle of green and sustainable development, and finance eligible sustainable projects (“**ESPs**”, including eligible social projects and eligible green projects) in accordance with the Sustainable Financing Framework (the “**Framework**”).

In terms of eligible green projects, it will include (1) Green Building and Energy Efficiency; (2) Sustainable Water Resources and Sewage Management; and (3) Environmentally Sustainable Management of Living Natural Resources and Land Use.

In terms of eligible social projects, it will include (1) Affordable Housing; (2) Affordable Basic Infrastructure; and (3) Employment Generation.

2. Sustainable Finance Framework

The Framework, covering the above-mentioned aspects in 1.2, provides the Group with an opportunity to emphasise its strategy for environmental protection and sustainable development. The Framework has also been developed to demonstrate how the Group could fund the projects that would deliver positive environmental impacts and foster sustainable practices in support of its green and sustainability strategy through Sustainability Financing Transactions (“**SFTs**”).

SFTs will include bonds, loans and other forms of debt financing, the proceeds of which will be applied to eligible projects under the Framework.

- Bonds issued under the Framework will be aligned with the Green Bond Principles 2021 (including the June 2022 Appendix 1) (“**GBP2021**”), Social Bond Principles 2023, Sustainability Bond Guidelines 2021 (“**SBG2021**”) or as they may be subsequently amended by the International Capital Market Association (“**ICMA**”) from time to time;

- Loans issued under the Framework will be aligned to 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;
- Other forms of financing may conform to other well-established green or sustainable finance principles that may have been established 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
- External Review



2.1 Use of Proceeds

For each SFT, the proceeds and/or commitments will be used exclusively to finance and refinance (with a maximum look-back period of 3 years) the ESPs under construction and operation by the Group based on the criteria below (the “**Eligibility Criteria**”). The Group expects the proceeds and/or commitments to be allocated in full within 3 years from the date of the issuance of such SFT.

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:

A. Green Building and Energy Efficiency

Mapping with SDGs ¹ , the GBP2021 environmental objectives, and GBEP ²	Eligible Green Projects Categories	Remarks
<p>➤ SDGs 9.4³ and 11.c⁴:</p> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;">  <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p> </div> <div style="text-align: center;">  <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p> </div> </div> <p>➤ GBP2021 environmental objectives: Pollution prevention and control.</p> <p>➤ GBEP 1.2.1.1⁵</p>	<p>Development, construction, refurbishment, maintenance, and operations of buildings (including the factories in the industry park) that meet the following regional, national or internationally recognised criteria.</p> <p>(1) standards for environmental performance (such as “PRC Green Building Evaluation Standard – GB/T50378-2019” or “Evaluation standard for green industrial building – GB50878-2013”, “Design Standard for Energy Conservation of Public Buildings – GB50189-2015”); or</p> <p>(2) certifications⁶ for environmental performance (such as “Chinese Green Building Evaluation Standard: two-star or above”, or other similar recognised standards).</p>	<ul style="list-style-type: none"> – Location: The location of the project will be approved by the planning department authority in accordance with national laws and regulations to avoid construction in protected areas; – In order to offset negative impacts on the environment, the Group will adopt the measures including but not limited to: <ul style="list-style-type: none"> • Use permeable ground. It can enhance the water permeability of the ground and reduce the heat island effect. • Control light pollution. Avoid large glass curtain walls. • Adopt a high-efficiency light source and lighting intelligent system to achieve the purpose of energy saving. • Adopt water-saving irrigation and use water-saving appliances, along with simple decorative components to conserve material resources. • Sound insulation and noise reduction. For buildings adjacent to major traffic roads, implement effective sound insulation and noise reduction measures.

¹ Sustainable Development Goals (“SDGs”)

² Green Bond Endorsed Projects Catalogue (2021 Edition) (“GBEP”)

³ SDGs 9.4: By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities



⁴ SDGs 11.c: Support least developed countries, including through financial and technical assistance, in building sustainable and resilient buildings utilising local material

⁵ With reference to GBEP 1.2.1.1 Manufacturing of Green Building Materials

⁶ if an eligible project falls into such sub-categories, the Company shall obtain the pre-rating certificate in due course, and manage to get an official green building certification by no later than 2 years since the completion of the building construction or other time frame requested by the law and regulations (if any)

B. Sustainable Water Resources and Sewage Management

Mapping with SDGs, the GBP2021 environmental objectives, and GBEPC

	Eligible Green Projects Categories	Remarks
<p>➤ SDGs 6.1⁷, 6.3⁸ and 12.5⁹</p> <div>   </div> <p>➤ GBP2021 environmental objectives: Pollution prevention and control.</p> <p>➤ GBEPC 1.3.1.1¹⁰, 1.5.3.3¹¹, and 5.3.1.1</p>	<p>1. Provide sustainable water sources for domestic use and farmland irrigation</p> <p>2. Construction and maintenance of sewage treatment stations, supporting facilities and sewage collection pipes</p> <p>Construction, operation and upgrading of urban and rural sewage treatment and recycling facilities</p> <p>3. Sponge city for flood prevention</p>	<ul style="list-style-type: none"> – Lay pipe network to provide the user with a safe and stable water environment – Construction or expansion of reservoir to utilise the surface water source – Construction or expansion of water plants to extend water – Reduce groundwater overexploitation and restore groundwater environment, along with protection of water resources – The treated sewage will meet the relevant national discharge standards such as Pollutant Discharge Standards for Urban Sewage Treatment Plants (GB18918-2002) – The domestic sewage from the discharge outlet is collected and sent to the sewage treatment plant for treatment by using the intercepting trunk pipe – Construction and operation of sponge buildings and communities – Construction and operation of sponge roads and squares – Construction and operation of sponge parks and greenspace

⁷ SDGs 6.1: By 2030, achieve universal and equitable access to safe and affordable drinking water for all

⁸ SDGs 6.3: By 2030, improve water quality by reducing pollution, eliminating dumping and minimising release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally


⁹ SDGs 12.5: By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

¹⁰ For water pipe network, with reference to GBEPC 1.3.1.1 Equipment Manufacturing for Water Pollution Prevention and Control

¹¹ For sewage treatment stations, with reference to GBEPC 1.5.3.3 Comprehensive Utilisation of Sludge from Urban Sewage Treatment Plants, GBEPC 5.3.1.1 Construction and Operation of Facilities for Sewage Treatment, Recycling, and Sludge Treatment and Disposal, and 5.4.2 Sponge City for Flood Prevention

C. Environmentally Sustainable Management of Living Natural Resources and Land Use

Mapping with SDGs, the GBP2021 environmental objectives, and GBEPC

	Eligible Green Projects Categories	Remarks
<p>➤ SDGs 11.6¹²</p>  <p><i>GBP environmental objectives: Pollution prevention and control and natural resource conservation</i></p>	<p>1. Urban greening</p> <p>2. Conservation and restoration of Natural ecosystems</p>	<p>– Invest in land greening and landscape protection or restoration of natural landscapes, including but not limited to public landscaping, urban forestry projects, etc.</p> <p>– Eco-tourism, leisure and recreation, featured species breeding, which do not harm surface vegetation and biodiversity protection</p>
➤ GBEPC 1.3.3.2 and 5.6.1 ¹³		

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:

A. Affordable Housing

Mapping with SDGs, the SBP2021 objectives

	Eligible Social Projects Categories	Remarks
<p>➤ SDGs 1.4¹⁴ and 11.1¹⁵</p>   <p><i>SBP objectives: Affordable housing</i></p>	<p>Construction and operation of Talent Apartments:</p> <p>Construction, maintenance, operation and upgrade of Talent Apartments and supporting living facilities</p>	<p>– Target group: Vulnerable youth</p>


¹² SDGs 11.6: By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management

¹³ For Urban greening project, with reference to GBEPC 1.3.3.2 Comprehensive Treatment and Control of Urban Dust Pollution, 5.6.1 Urban Ecological Protection and Construction, 4.2.1 Conservation and Restoration of Natural Ecosystems


¹⁴ SDGs 1.4: By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance

¹⁵ SDGs 11.1: By 2030, ensure access for all adequate, safe and affordable housing and basic services and upgrade slums

B. Affordable Basic Infrastructure

Mapping with SDGs, the SBP2021 objectives	Eligible Social Projects Categories	Remarks
<p>➤ SDGs 9.1¹⁶</p>  <p>➤ <i>SBP objectives: Affordable basic infrastructure</i></p>	<p>1. Construction of roads connecting urban areas and villages</p> <p>2. Construction and operation of public transportation systems in urban and rural areas</p>	<p>– Target group: underserved people, owing to a lack of quality access to essential goods and services and undereducated people</p> <p>– It will improve the traffic conditions in the surrounding areas, facilitate the input and output of production materials, create conditions for the development of enterprises on the plot, improve the investment environment in the project area, and promote the development and utilisation of land along the project and industrial upgrading.</p> <p>– It brings convenience to the travel of residents and enterprise employees along the line, and provides great convenience for people's lives.</p> <p>– Target group: underserved people, owing to a lack of quality access to essential goods and services and undereducated people - Purchase and operation of public transportation vehicles</p>

C. Employment Generation

Mapping with SDGs, the SBP2021 objectives	Eligible Social Projects Categories	Remarks
<p>➤ SDGs 8.3¹⁷ and 8.9¹⁸</p>  <p>➤ <i>SBP objectives: Employment generation</i></p>	<p>1. Building industrial parks to attract companies to settle in</p> <p>2. Construction of agricultural and sideline products trading and logistics center</p>	<p>– Target group: Unemployed</p> <p>– Construction, operation and maintenance of industrial parks and supporting commercial facilities;</p> <p>– Target group: Unemployed</p>

¹⁶ SDGs 9.1: Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all

¹⁷ SDGs 8.3: Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services

¹⁸ SDGs 8.9: By 2030, devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products

2.2 Process for Project Evaluation and Selection

When evaluating if a project is eligible for sustainable finance, the Group will follow the definition and categorisation in ICMA's GBP 2021, SBP 2023 and SBG 2021 and APLMA, LMA and LSTA's GLP2023 and SLP2023 to ensure domestic and international compliance.

The Group has established a sustainability project work group ("SPWG"), which is dedicated to ensuring that the proceeds from each SFT or an equivalent amount will be allocated to eligible projects under the Framework. The SPWG will also be responsible for managing any future updates of the Framework, including any expansion of requirements on the use of proceeds. The SPWG comprises members from various functions, including:

- Finance and Financing Department
- Investment Development Department
- General Office

SPWG will convene at least once every 12 months to discuss and select ESPs according to the Eligibility Criteria defined in section 2.1 of the Framework. SPWG will select projects that comply with *Environmental Protection Law of the People's Republic of China*, *Environmental Impact Assessment Law of the People's Republic of China*, *Green Bond Endorsed Projects Catalogue (2021 Edition)*, *Regulations on Environmental Protection Management of Construction Projects*, and other relevant policies and regulations enforcing sustainability considerations. Then, SPWG will evaluate each project based on its feasibility report. The shortlisted projects will be presented to the Group's board of directors for approval. After receiving the assessment and approval from the Group's board of directors, the selected projects will become ESPs.

SPWG will ensure that each ESP not only aligns with the Use of Proceeds section of the Framework but also adheres to the environmental guidelines that are applicable to the Group, as well as all applicable national and international environmental standards and local laws and regulations. The ESPs will also be selected with reference to the United Nations Sustainable Development Goals. SPWG will be responsible for managing any future updates of the Framework, including any expansion of requirements for the use of proceeds.

Additionally, during the design stage, environmental impact assessments will be conducted according to application regulations to identify the environmental and social impact, and controls and mitigation measures will be made to minimise the impact on the environment. During the construction stage, mitigation measures and protection of the ecosystem are strictly implemented and monitored.

The feasibility study for each ESP shall include environmental impact assessment (EIA) and social impact assessment (SIA) that comply with local requirements. The EIA and SIA will be conducted by an accredited professional agency and a report will be issued, which includes the identification, analysis and management of various environmental and social factors and their impacts on the environment and society throughout the lifecycle of the project.

2.3 Management of Proceeds

The Group intends to allocate, an amount equal to the net proceeds over time 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 from each SFT will be managed by the Group's finance team and the proceeds from each SFT will be deposited in general funding accounts and be earmarked for the ESPs. The Group will maintain a register to keep track of the use of proceeds for each SFT.

The register will contain the following information:

(1) Type of Funding Transaction

- Key information includes Group/borrower entity, transaction date, tranche(s) information, the principal amount of proceeds, repayment or amortisation profile, maturity date, and interest or coupon (and in the case of bonds, the ISIN number)

(2) Allocation of Use of Proceeds

- Name and description of the ESPs 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 ESP
- The remaining balance of unallocated proceeds is yet to be earmarked for the ESPs
- Other relevant information such as information in relation to temporary investment for unallocated proceeds (the investment amount and investment type)

Before the proceeds are allocated to the ESPs, the Finance and Financing Department must submit an application and plan for use for approval. The deputy general manager will review and sign the application, after which the proceeds will be allocated by the Finance and Financing Department of the Group.

The Group will monitor the net proceeds of all outstanding SFTs, which includes appropriately tracking the proceeds and adjusting the balance of net proceeds to match allocations to the ESPs. Any remaining balance of issuance proceeds that are not yet allocated to the ESPs will be held in short-term deposits. The Group will disclose to investors the types of temporary placement they use for unallocated proceeds. The Group commits not to invest unallocated proceeds in any high-pollution activities or any projects that conflict with the Eligibility Criteria under the Framework.

During the term of the SFTs issued, if the designated ESPs cease to fulfil the Eligibility Criteria, the net proceeds or an amount equal to these net proceeds will be re-allocated to the replacement ESPs that comply with the Eligibility Criteria, as soon as reasonably practicable. The Group strives to maintain a total investment amount to ESPs at least equal to the total net proceeds of all SFTs outstanding.

Additionally, if the investment of proceeds changes, the changes must be reviewed and approved by the Group's board of directors. The changes can only be made after the bondholders' meeting and the related consent is obtained. After that, the proceeds will still be used for the ESPs.

If there is any change in the use of proceeds, the Group will disclose the interim report to the market on time through channels approved by the regulatory authorities. The interim report will include, but not be limited to, the progress of the fund-raising projects, the reasons for changes and the adjusted investment plans of the proceeds.

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:

- 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 per cent.
- 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.

2.4 Reporting

2.4.1 Allocation Reporting

The Group is committed to reporting the allocation of net proceeds and the impact of financed projects at least annually until full allocation. The Group will annually disclose the information and progress of the Group's committed projects through announcements, social media or sustainability reports, including but not limited to:

- the proportion of net proceeds allocated to financing and refinancing
- the proportion of net proceeds allocated to the sustainable project categories covered by the Framework (undisclosable if the use of proceeds is refinancing)
- the balance of the unallocated proceeds from each SFT and temporary placement thereof

2.4.2 Impact Reporting

The Group is committed to reporting the allocation of net proceeds and the impact of financed projects at least annually until full allocation. The Group will make available a report on the environmental and social impacts resulting from ESPs based on the availability of project data. The report may include the following impact indicators (including the expected and actual figures).

Eligible Sustainable Project Category	Impact Indicators
Green Building and Energy Efficiency	<ul style="list-style-type: none">– Level of certification by building– Approval of the green building construction plan issued by local authorities– The amount of green building constructed– The area of water-saving irrigation and water-saving appliances (square metres)– The area of permeable ground (square metres)– energy reduction % (including the water and electronic)
Sustainable Water Resources and Sewage Management	<ul style="list-style-type: none">– Water supply network (km)– Length of inspected sewer lines (m)– Amount of wastewater treated (tonne)– Sewage treatment volume (10,000 tons/day)– Sewage treatment rate (%)– Area of sponge city-related facilities
Environmentally Sustainable Management of Living Natural Resources and Land Use	<ul style="list-style-type: none">– Annual area of land greening, landscape protection or restoration (km²), eco-tourism area etc and percentage of increased urban afforestation area (%)
Affordable Housing	<ul style="list-style-type: none">– Number of talent apartments– Number of beneficiary target population

**Eligible Sustainable
Project Category**

Impact Indicators

Affordable Basic Infrastructure

- The length of the road constructed (km)
- No. of villages connected
- Number of people living in underdeveloped areas benefited
- Number of people provided with basic service

Employment Generation

- Number of new jobs

2.5 External Review

The Group has engaged Lianhe Green Development Company Limited and CCX Green Finance International Limited as external reviewers to evaluate the appropriateness of the Framework, and alignment with the GBP, SBP, SBG, GLP and SLP. The assessment result document(s) will be available on the Group's website or other social media platform if available.