



温州市鹿城区  
国有控股集团有限公司  
Wenzhou Lucheng District State-owned Holding Group Co., Ltd.

Wenzhou Lucheng District State-owned Holding Group Co., Ltd.

Green Finance Framework

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## Contents

|   |          |
|---|----------|
| <b>1. Introduction .....</b>  | <b>1</b> |
| 1.1 About Wenzhou Lucheng District State-owned Holding Group Co., Ltd. .... | 1        |
| 1.2 The Objective of the Group's Green Finance Framework .....              | 1        |
| <b>2. Green Finance Framework .....</b>                                     | <b>2</b> |
| 2.1 Use of Proceeds .....   | 2        |
| 2.1.1 Eligible Green Projects .....   | 3        |
| 2.1.2 Exclusion List .....  | 3        |
| 2.2 Process for Project Evaluation and Selection .....                      | 5        |
| 2.3 Management of Proceeds .....  | 6        |
| 2.4 Reporting .....   | 6        |
| 2.4.1 Allocation Reporting .....  | 7        |
| 2.4.2 Impact Reporting .....  | 7        |
| <b>3. External Review .....</b>   | <b>7</b> |

## **1. Introduction**

### **1.1 About Wenzhou Lucheng District State-owned Holding Group Co., Ltd.**

Wenzhou Lucheng District State-owned Holding Group Co., Ltd.(The Group) is a major investment, construction and state-owned assets operation platform in Lucheng District and is wholly owned by the Lucheng District SASAO. The Group is also the core operating entity carrying out urban development activities and providing public services in Lucheng District, including the development of resettlement housing, agent construction, parking service, municipal management service, public housing operation service and property leasing. Leveraging on the development of Lucheng District and Wenzhou City, strong shareholder's support and the experienced management team of the Group, the Group has undertaken and completed a large number of resettlement housing and construction projects and played an important role in the development of Lucheng District.

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

Following the national "14th Five-Year" Strategic Plan of "Environmental Protection and Development of Low-Carbon Economy" and the State Council's overall guidelines on green development, the Group is committed to ensuring that its economic performance supports the sustainable development of society and the environment. The Group makes sure that its economic growth is environmentally friendly and views sustainable development as the cornerstone of its business strategy. The Group incorporates sustainability into its policies, procedures, and business development strategies. It also upholds a strong sense of social and environmental responsibility.

Additionally, the Group is concerned about eliminating negative impacts on the environment throughout the engineering design and construction phases. By doing this, it guarantees that its environmental protection philosophy is applied to all phases of the project. The Group is subject to environmental rules and regulations imposed by the PRC's governmental authorities that include hazardous materials, air pollution, noise emissions, water and waste discharge, and other environmental issues.

## 2. Green 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 Green Financing Transactions (“**GFTs**”).

GFTs will include bonds, loans and other forms of debt financing instruments, the proceeds of which will be applied to eligible green projects (“Eligible Projects” or “EGPs”) 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)**” ) or as it may subsequently be updated;
- Loans issued under the Framework will be aligned with the Green Loan Principles 2023 ( “**GLP2023**” ) by Loan Market Association ( “**LMA**” ), Asia Pacific Loan Market Association ( “**APLMA**” ), and Loan Syndications and Trading Association ( “**LSTA**” ) or as it may subsequently be updated.

For each GFT, 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 GFT will be used exclusively to finance and/or refinance, in whole or in part, new or existing assets and projects aligned with one or more of the following eligible green and/or social categories.

### 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  |
|---------------------------|---|---|
| - Clean transportation    | <ul style="list-style-type: none"> <li>➤ Investment, acquisition, and expenditures related to the purchase, construction, installation, and maintenance of new energy vehicles and related infrastructure, including but not limited to electric vehicle charging stations and electric bicycle charging stations.</li> <li>➤ Construct and operate electronic toll collection (ETC) system, including but not limited to parking spaces payment facilities.</li> </ul> |   |
| - Energy Efficiency       | <ul style="list-style-type: none"> <li>➤ Construct and operate distributed energy storage power stations.</li> </ul>  |    |

### 2.1.2 Exclusion List

In any case, EGPs (including the temporary placement of unallocated proceed) 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.
- 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 GFT will be allocated to projects that meet the criteria set out in the Use of Proceeds under the Framework.

The Group has established a Green Financing Team (the “Team”), which is dedicated to ensuring that the proceeds from each GFT 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:

- Project Management Department
- Business Development Department
- Asset Operation Department
- Finance and Financing Department

The Team will hold meetings on an annual basis to discuss and select EGPs 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 Eligible Projects List (the Team has full discretion to object the inclusion of any project);
- Monitoring and managing the Eligible Projects List. The Group will maintain a register to keep track the use of net proceeds of the GFTs through the internal information system on an annual basis;
- Replacing projects that no longer meet the Eligible Criteria or due to any divestments;
- Observing the development of Green 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 EGP 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 EGPs 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 EGPs, 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 GFT will be deposited in **general funding accounts**, which will then be earmarked for allocation to the Eligible Projects in accordance with the Framework. Net proceeds of each GFT 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 GFTs to Eligible Projects.

The Group will maintain a register to keep track the use of an amount equivalent to net proceeds of each GFT through the internal information system, and the Team will review the Eligible Projects 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 GFT(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 GFT have been allocated in accordance with the Framework
- Amount and date of the GFT 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 EGPs 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 GFTs via the website, social media, or report. Such information will be



updated on an annual basis until all the net proceeds of the GFTs have been fully allocated.

#### 2.4.1 Allocation Reporting

The report includes but not limited to:

- 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.

#### 2.4.2 Impact Reporting

Where possible, the Group will report on the environmental and/or social impacts associated with the Eligible Projects.

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

| Eligible Project Category | Impact Indicators  |
|---------------------------|--|
| Clean transportation      | <ul style="list-style-type: none"><li>➤ Number of new energy vehicles deployed (e.g. electric)</li><li>➤ Number and type of new energy transportation infrastructure built</li></ul> |
| Energy Efficiency         | <ul style="list-style-type: none"><li>➤ Additional installed capacity of Distributed Energy Storage Stations constructed or expanded in kWh</li></ul>                                |

### 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 and GLP.