



Shangrao Urban Operation (Holding) Group Co., Ltd

SUSTAINABILITY FINANCE FRAMEWORK

July 2024

Table of Contents

Overview of Shangrao Urban Operation (Holding) Group	3
SUOG's Sustainability Finance Framework ("Framework")	3
1. Use of proceeds	4
1.1 Eligible Green Project Categories	5
1.2 Eligible Social Project Categories	8
1.3 Exclusion Criteria	10
2. Process for project evaluation and selection	11
3. Management of proceeds	12
4. Reporting	13
Allocation Report.....	13
Impact Report.....	14
External review.....	15

Overview of Shangrao Urban Operation (Holding) Group

Shangrao Urban Operation (Holding) Group Co., Ltd. ("SUOG" or "the Group") was established in 2020 and formerly known as Shangrao City Urban Investment Cultural Tourism Development Co., Ltd. SUOG is an important local infrastructure investment and financing Companies ("LIIFCs") in Shangrao City after equity transfer and capital injection in December 2022. The Company is mainly responsible for land development, shantytown renovation, resettlement housing construction, urban infrastructure construction and state-owned assets operation in Shangrao City as well as commercial businesses including self-operated projects construction, production and trading of aluminum, electricity generation, expressway operation, property sales, engineering construction and hotel management. As of 31 March 2024, the State-owned Assets Supervision and Administration Commission of Shangrao City ("Shangrao SASAC") was the ultimate controller of the Company holding 100% stakes of the Company through Shangrao Investment Holding Group Co., Ltd. ("SIHG").

SUOG's Sustainability Finance Framework ("Framework")

This Sustainability Finance Framework ("Framework" or "SFF") has been developed to demonstrate the SUOG'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 framework 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 Market Association¹ ("ICMA"), or as they may subsequently be updated.

¹ <https://www.icmagroup.org/>

- With respect to loans, loans borrowed under this SFF will be aligned with the Green Loan Principles (“GLP”) 2023, Social Loan Principles (“SLP”) 2023 by Loan Market Association² (“LMA”), Asia Pacific Loan Market Association³ (“APLMA”), and Loan Syndications and Trading Association⁴ (“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 SUOG 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 SUOG 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 SUOG’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 Project 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.

² <https://www.aplma.com/en/gsl>

³ <https://www.aplma.com>

⁴ <https://www.lsta.org>

1.1 Eligible Green Project Categories




Green Project Categories, Environmental Objectives & UNSDGs	Eligibility Criteria	Technical screening criteria and/or actions prior the investment
<p>Green Building⁵</p> <p>Key Objectives:</p> <ul style="list-style-type: none"> • Climate Change Mitigation • Natural Resource Conservation <div data-bbox="251 1066 376 1186">  </div> <div data-bbox="251 1224 376 1346">  </div>	<p>Investment, acquisition and expenditures related to new construction, renovation, refurbishment⁶ of existing owned and/or managed properties that will reduce building environmental impact in accordance with any one of the certification systems.</p>	<ul style="list-style-type: none"> • U.S. Leadership in Energy and Environmental Design (LEED) – minimum certification of Gold; or • BREEAM – minimum certification level of Excellent; or • Chinese Green Building Evaluation Label⁷ (GBL) – minimum certification level of 2 starts; or • BEAM Plus – minimum certification level of Gold; or • EDGE Green Building Certificate – minimum certification level of level 1; or • China Green Bond Endorsed Projects Catalogue⁸ 5.2.1.2 and 5.2.1.5.



⁵ All eligible green building projects are required to obtain Green Building Certification Labels within 24 months after construction is completed.

⁶ For avoidance of doubt, for renovation and refurbishment of existing properties projects, it should improve at least one level to reach the green building certification mentioned in the technical screening criteria.

⁷ Assessment Standard for Green Building GB/T 50378-2019



⁸ <http://www.gov.cn/zhengce/zhengceku/2021-04/22/5601284/files/48dd95604d58442da1214c019b24228f.pdf>

<p>Clean Transportation</p> <p>Key Objectives:</p> <ul style="list-style-type: none"> • Climate Change Mitigation • Pollution Prevention and Control  	<p>Investment, acquisition and expenditures related to purchase, construction, installation and maintenance of the new energy vehicles (i.e. electric buses, electric trucks, etc), hybrid vehicles, and its infrastructure such as electric vehicle charging stations.</p>	<ul style="list-style-type: none"> • The electric buses/trucks will have zero direct tailpipe CO₂ emission; or • The hybrid vehicles will have a direct GHG emission under 50g CO_{2eq}/p-km until 2025, and zero emission 2026 onward; or • China Green Bond Endorsed Projects Catalogue 1.6.1.2 and 5.5.1.5.
<p>Renewable Energy</p> <p>Key Objectives:</p> <ul style="list-style-type: none"> • Climate Change Mitigation 	<p>Investment, acquisition and expenditures related to design, manufacture, construction, installation, and operation of renewable energy systems, including photovoltaic (solar) and wind power facilities and solar system for rooftops of the property sites.</p>	<ul style="list-style-type: none"> • The solar PV and concentrated solar power with a minimum 85% of power generation derived from solar sources; or • China Green Bond Endorsed Projects Catalogue 3.2.2.2.
<p>Sustainable Water and Wastewater Management</p>	<p>Investment, acquisition and expenditures related to construction, development, upgrades, installation, operation and maintenance the facilities of city water supply infrastructure, centralised urban</p>	<ul style="list-style-type: none"> • The waste water discharge standard will meet the national pollutants discharge standard for municipal

<p>Key Objectives:</p> <ul style="list-style-type: none"> • Pollution prevention and control • Reducing wastewater and hazardous materials 	<p>waste water treatment and recycling systems (i.e. drinking water, recycling or reuse water, rainwater collection, treatment, urban water networks etc.) to saving water, improve the water leakage performance and the efficiency.</p>	<p>wastewater treatment plant⁹ (GB 18918-2002); or</p> <ul style="list-style-type: none"> • The eligible water saving and water leakage prevention projects that should achieve at least 20% improvement; or • China Green Bond Endorsed Projects Catalogue 1.3.1.1, 1.5.3.3 and 5.3.1.1.
<p>Energy Efficiency</p> <p>Key Objective:</p> <ul style="list-style-type: none"> • Climate Change Mitigation 	<p>Investment, acquisition and expenditure related to manufacture, construction, installation, projects involving the smart system/facilities/equipment that reduce energy consumption or improve operational energy efficiency (i.e., air-conditioning system, lift system, LED lighting system, smart meters etc.).</p>	<ul style="list-style-type: none"> • The eligible projects that achieve at least 15% improvement in total energy consumption; or • China Green Bond Endorsed Projects Catalogue 1.1.3.1.
<p>Climate Change Adaptation</p> <p>Key Objective:</p> <ul style="list-style-type: none"> • Climate change 	<p>Investment, acquisition and expenditures related to construction and operation of rivers works, dams and dykes¹⁰ and others for flood control, waterlogging prevention in order to mitigate the physical climate change risk and improve the environmental resilience.</p>	<ul style="list-style-type: none"> • The investment and projects that implement chronic and acute physical climate risks identification and vulnerability assessments, and the

⁹ https://www.mee.gov.cn/ywgz/fgbz/bz/bzwb/shjbh/swrwpfbz/200307/t20030701_66529.shtml

¹⁰ For the avoidance of doubt, the dams and dykes will not serve the purpose of generating hydropower.

<p>adaptation and resilient</p>  		<p>corresponding adaptation and resilience solutions can reduce the most water related physical climate risks; or</p> <ul style="list-style-type: none"> China Green Bond Endorsed Projects Catalogue 4.2.1.6, 4.2.1.11 and 5.4.2.4.
---	--	---





1.2 Eligible Social Project Categories

Social Project Categories, Social Objectives & UNSDGs	Eligibility Criteria	Target Population
<p>Affordable housing – Resettlement houses and shanty town and houses¹¹</p> <p>Key Objectives:</p> <ul style="list-style-type: none"> Improve urban dilapidated housing Improve housing conditions for low-income/homeless families Provide housing for Indigenous residents 	<p>Investment, acquisition and expenditures related to construction, operation and compensations of affordable houses¹², (i.e. resettlement houses, shanty town house renovation etc.) which contribute to reductions in the number of people without adequate, safe and affordable housing.</p>	<ul style="list-style-type: none"> The residents who have permanent residence registration in Shangrao City and living in dilapidated housing, shanty town, poor conditions and homeless families defined by the local authority¹³; or

¹¹ 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 50,000m² are shanty towns.

¹² The housing are dedicated to be used for resettlement purposes, and where the target population will be the only recipients of the eligible projects, in order to improve quality of life, safety of living and independence for vulnerable groups and underprivileged population. The housing will not be sold to the public market for profit generation and the financing terms of housing will be in line with market standards.

¹³ Housing and Urban-Rural Development Administration of Jiangxi Province.

<p>affected by reestablishment</p> <ul style="list-style-type: none"> Adequate living standards and wellbeing for end-users  		<ul style="list-style-type: none"> The low-income families¹⁴ in accordance with local government announced standards.
<p>Access to Essential Services – Healthcare and Education</p> <p>Key Objectives:</p> <ul style="list-style-type: none"> Improve the healthcare and nursing homes conditions Improve the accessibility to education and ratio of regional teenager population to education resources  	<p>Investment and expenditures of projects related to provide, construction and operation the affordable and access to healthcare and education for the general public and vulnerable groups. These include nursing homes and supporting medical facilities to improve the living conditions, healthcare accessibility, additional care and support to elderly people, as well as the elementary and middle school facilities and educational resources to improve the accessibility and affordability of the regional teenagers population to education resources ratio, provide more teenagers with educational opportunities, in order to helps address the issue of inadequate</p>	<ul style="list-style-type: none"> Elderly individuals, and individuals who unable to take care of themselves, as well as the teenagers, including individuals and families that do not have access to quality basic nursing homes and education infrastructures.

¹⁴ Ministry of Civil Affairs of the PRC, on the printing of "Definition of low-income households".

	educational resources allocation and enables more teenager to receive education.	
--	--	--

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.
- 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 of forced labor and 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.

- Palm oil related activities.
- Projects related to nuclear energy 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 and project construction. In terms of the process for project evaluation and selection, the Group has set up a sustainable 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. For the potential eligible green and social projects, the project related department will pre-select and evaluate green projects according to its feasibility study report, environment impact assessment report, project preliminary design documents etc. and will submit the potential eligible green and social projects to the SFWG to further assess and 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 Corporate Finance and Financing Department, Corporate Investment Department and Planning and Development 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 eligible 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 the framework, the Group will make and keep readily available category level disclosure reports via the issuer's website, or include in the Group's annual report. The Group will disclose the allocation and impact of the net proceeds raised under the framework or an amount equal to these net proceeds, on an annual basis starting from the first year of issuance until the full allocation of the net proceeds to the eligible green and social projects, and thereafter in the event of any material changes.

Allocation Report

The allocation report will include the following information at SFT and eligible category levels 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 and Harmonised Framework for Impact Reporting for Social Bonds" subject to the availability of suitable information and data.

Examples of impact reporting indicators include:

Eligible Categories	Impact Indicators
Green Building	<ul style="list-style-type: none"> - Type and level of green building certifications obtained
Clean Transportation	<ul style="list-style-type: none"> - 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 CO₂ equivalent/a)
Renewable Energy	<ul style="list-style-type: none"> - Annual renewable energy generation (GWh for electricity and GJ for other energy) - Annual GHG emission reduced/avoided (tonnes of CO₂ equivalent/a)
Sustainable Water and Wastewater Management	<ul style="list-style-type: none"> - Annual absolute (gross) amount of wastewater treated, reused or avoided before and after the project (m³/a) - Amount of rain water collected and reused (m³/a) - Annual absolute amount of water supplied (m³/a) - Annual reduction in water consumption (m³/a)

Energy Efficiency	<ul style="list-style-type: none"> - Annual energy saving (MWh/a for electricity) and (GJ for other energy)
Climate Change Adaptation	<ul style="list-style-type: none"> - Additional water availability and/or increased water catchment (m³/a) - Reduction in number of operating days lost due to floods
Affordable Housing	<ul style="list-style-type: none"> - Number of dwellings constructed - Reduction in number of people experiencing poor housing and homelessness - Number of individuals/families benefiting from subsidized housing
Access to Essential Services	<ul style="list-style-type: none"> - Number of people received education/training - Number of people received healthcare service

External review

The Group has engaged XXX 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.