



Yangzhou Economic and Technological  
Development Zone Development (Group)  
Co., Ltd

Green Finance Framework  
March 2022

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## 1. Introduction

### 1.1 Overview

Established in June 1992, Yangzhou Economic and Technological Development Zone Development (Group) Co., Ltd (the “Company”, together with its subsidiaries the “**Group**”) is directly and wholly-owned by the People’s Government of Yangzhou Municipality (the “**Municipal Government of Yangzhou**”). The Group plays a strategic role and is a leading player in promoting the social and economic development of the Yangzhou Economic and Technological Development Zone (the “**Yangzhou Development Zone**”). The Group is the largest entity in terms of both assets and operating income commissioned by the Management Committee of Yangzhou Economic and Technological Development Zone (the “**Development Zone Management Committee**”) to conduct primary land development for industrial use and commercial use in the Yangzhou Development Zone. It leads and manages various types of key municipal infrastructure projects in the area, including roads and bridges, water conservancy facilities, schools, public and social welfare facilities and river improvement facilities. In addition, the Group is also entrusted by the Development Zone Management Committee to carry out the development and construction of resettlement housing in the Yangzhou Development Zone.

Since its establishment, the Group is engaged in various business segments, namely, (i) land development, including primary land development and municipal infrastructure construction; (ii) real estate, including resettlement housing, residential and non-residential buildings and

factories and industrial facilities; (iii) sale of building materials; and (iv) others, including property leasing, property management and greening and landscape engineering.

Leveraging on the favourable policies support from the central government of the People's Republic of China and the People's Government of Jiangsu Province and its strategic geographical location, the Yangzhou Development Zone has developed various technological industries including semiconductor lighting, electronic information, solar photovoltaic, smart grid, automotive equipment and port logistics industries. The Yangzhou Development Zone also aims to develop other technologically advanced and emerging scientific industries including energy saving and environmental protection, biomedical, new-generation information technology, high-end light industry, automotive, primary energy, machinery manufacturing, military-civilian integration and other technological innovation industries. Acting as the largest development, construction and operation platform of the Municipal Government of Yangzhou in terms of both assets and operating income in the Yangzhou Development Zone, the Company believes that the Group is well-positioned to capture business opportunities arising from the economic and technological development of the Yangzhou Development Zone to further develop the various businesses it conducts in the Yangzhou Development Zone.

## 1.2 Green and Sustainable Vision

As a pioneer in sustainable urban development in the Yangzhou Development Zone, the Group operates on the foundation of “sustainable development”, and coupled with strategy and operating models, continuously

promotes “social responsibilities”. The Group adopts a comprehensive work safety system to ensure employee safety, and the Company believes the Group is in compliance with all material respects of applicable environmental laws and regulations governing air pollution, noise emissions, hazardous substances, water and waste discharge and other environmental matters issued by the governmental authorities in the People’s Republic of China.

To meet its commitment towards sustainable development, the Group not only undertakes various important environmental protection projects, but also is an important participant in the plant constructions and operations for leading and distinctive New Energy industries in the Yangzhou Development Zone, subsequently promoting the development of the solar photovoltaic, semiconductor lighting, smart grid and e-book industries (“**Three New, One Net and One Book**”) in the area.

### **Environmental Protection Projects**

The group plays a strategically important role in environmental protection in Yangzhou, and has undertaken many environmental protection projects, including various greening, river training, city transformation and landscape construction and design projects including ecological management, river improvement and optimisation of urban water environment. Landmark projects include Grand Canal ecological restoration, Yangtze River shoreline flood control and reinforcement.

### **“Three New, One Net and One Book” Industry Plant constructions and operations**

As part of an ongoing effort to promote the development of “Three New, One Net and One Book” industries in the Yangzhou Development Zone, the

Group actively participates in the plant constructions and operations for new enterprises settling in the area to promote the production of renewable energy, new material, and the development of the “Three New, One Net and One Book” industries in the area. In addition, the Group uses environmental-friendly materials in the construction of plants, which provides energy saving and environmental protection benefits.

## 2. Green Finance Framework Overview

The Group has developed this Green Finance Framework (the "**Framework**") to demonstrate the Group's plans to conduct green financing transactions ("**GFTs**") in due course. The Framework will explain how the Group supports its green and sustainable development strategy by implementing projects that have a positive impact on the environment and promote sustainable development through GFTs.

GFTs include bonds, loans and other forms of debt financing with structures tailored to contribute to sustainable development by application of the proceeds to Eligible Project Categories as defined in the Framework.

- Bonds issued under the Framework will be aligned with the Green Bond Principles 2021 ("**GBP**") released by International Capital Market Association ("**ICMA**"), or as they may be subsequently amended;
- Loans issued under the Framework will be aligned to the Green Loan Principles 2021 ("**GLP**") published by the Loan Market Association ("**LMA**"), Asia Pacific Loan Market Association ("**APLMA**"), and the

Loan Syndications and Trading Association (“**LSTA**”), or as they may be subsequently amended; and

- Other forms of financing may conform to other well-established green finance principles as may have been established at the time of such GFTs being undertaken.

For each GFT issued under the Framework, the Group is committed to align with the following elements:

- (1) Use of Proceeds;
- (2) Process for Project Evaluation and Selection;
- (3) Management of Proceeds; and
- (4) Reporting.

The Framework has received a “second party opinion” (the “**Second Party Opinion**”) by CECEP Environmental Consulting Group.




## **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 and/or existing assets and projects (“**Eligible Projects**<sup>1</sup>”) aligned with one or more of the following categories (the “**Eligible Project Categories**”). Refinancing of Eligible Projects will have a look-back period of no longer than 36 months from the time of issuance. The Group is committed to fully allocate the net proceeds of each GFT on a best-effort basis within 36 months of issuance.



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<sup>1</sup> The Group may own Eligible Projects directly or indirectly through its subsidiaries.

The Eligible Projects means projects that fall within the Eligible Project Categories and meet the eligibility criteria (the “**Eligibility Criteria**”) stated below.

Eligible Project Categories	Eligibility Criteria & Examples	UN SDG Mapping
Aquatic biodiversity conservation	<ul style="list-style-type: none"> <li>Investment in ecological protection along rivers and lakes</li> <li>Investment in restoring wetlands and other aquatic ecosystems</li> <li>Artificial wetland water purification projects</li> </ul>	
Environmentally sustainable management of living natural resources and land use	<ul style="list-style-type: none"> <li>Protection and recovery-oriented ecological restoration projects</li> <li>Afforestation and planting, terrain transformation and river improvement projects</li> </ul>	
Sustainable water and wastewater management	<ul style="list-style-type: none"> <li>Investment in rainwater and sewage diversion treatment facilities</li> <li>Upgrade of rainwater and sewage pipe network</li> </ul>	



Eligible Project Categories	Eligibility Criteria & Examples	UN SDG Mapping
	<ul style="list-style-type: none"> <li>• Comprehensive rainwater utilisation projects that adhere to the sponge city model</li> <li>• Installation of wastewater treatment facilities to reduce environmental pollution</li> </ul>	
Green buildings	<ul style="list-style-type: none"> <li>• Development, construction, renovation, maintenance and operation of green buildings that meet national or international third-party environmental certifications, such as Chinese Green Building Evaluation Label: two-star or above; or any other green building certifications of similar standards</li> </ul>	 

Eligible Project Categories	Eligibility Criteria & Examples	UN SDG Mapping
Renewable energy	<ul style="list-style-type: none"> <li>• Construction of plants for use in the new energy industry</li> <li>• Installation of solar power systems</li> <li>• Adoption of environmentally friendly and efficient construction technologies and materials to improve energy efficiency</li> </ul>	
Energy efficiency	<ul style="list-style-type: none"> <li>• Reducing building energy consumption through proper planning and design and selection of energy-efficient building materials</li> <li>• Use of latent heat recovery technology from refrigeration systems to provide hot water for living areas and reduce</li> </ul>	

Eligible Project Categories	Eligibility Criteria & Examples	UN SDG Mapping
	carbon emissions and combustion pollution	

## 2.2 Process for Project Evaluation and Selection

The project evaluation and selection process ensure that an amount equivalent to net proceeds from each GFT will be allocated to projects that meet the Eligibility Criteria set out in the Use of Proceeds under the Framework. The Group has established a Green Financing Team (the “**Team**”) consisting of senior management of the Group and members from the Investment and Development Department to govern such process. The Team will hold meetings on an annual basis and is responsible for:

- Evaluating the compliance of projects with the Eligibility Criteria outlined in the Use of Proceeds section of the Framework;
- Approving the inclusion of pre-selected Eligible Projects in a list of green projects (the “**Green Project List**”) (the Team has full discretion to object the inclusion of any project in the Green Project List);
- Monitoring and managing the Green Project List. The Team will maintain a register to keep track of the use of net proceeds of the GFTs through the internal information system on an annual basis;
- Replacing projects that no longer meet the Eligibility Criteria or reallocating divested proceeds to Eligible Projects; and

- Observing the development of green finance market and approving updates to the Framework accordingly to reflect relevant changes in the Group's corporate strategy or market developments.

Environmental impact assessment (the “**EIA**”) is one of the risk management tools to identify and mitigate negative social and/or environmental impacts of relevant projects, if any. The assessment of environmental benefits in the feasibility study of each Eligible Project requires an EIA in accordance with the local requirements of the project. The EIA is carried out by a designated professional body which prepares an EIA report. The results of the EIA include the identification and analysis of the different environmental factors and their impacts on the environment throughout the project life cycle, as well as the description of measures needed to reduce the impact on the environment. The unit that is responsible for the EIA report then submits the EIA report to the local regulatory department, and the project is carried out after approval by the regulatory department.

### **2.3 Management of Proceeds**

The Group's management team is responsible for establishing and improving the internal control system for the storage, use and management of the proceeds. Such a robust and comprehensive management system including finance management and investment management can basically cover the whole process of the Group's various business activities and provide clear provisions in the system for the storage, use, change, supervision, and accountability of the proceeds.

In order to facilitate the management and use of the proceeds, and to monitor the use of the proceeds, the Group will implement an earmarked account management policy for the funds raised. The Group will set up a sub-account in a bank for the funds raised for centralised management and earmarked allocation of the proceeds from the GFTs.

The Group has established a comprehensive fund management system, and the Finance Department of the Company is responsible for making timely accounting records on the use of the funds raised. The auditors of the Group will conduct on-site inspection and verification of the internal tracking method of the Group and the allocation of proceeds on an annual basis to ensure that the proceeds are used exclusively for the Eligible Projects.

The use of proceeds shall be subject to the approval procedures in accordance with the Group's fund management system. The spending of any raised fund shall be proposed by relevant department within the Group. The payment will be made after it has been reviewed by the staff in charge in the Finance Department of the Company as well as the approvals of the responsible persons in the relevant department and Finance Department are issued. In addition, the Group will:

(1) Regularly monitor the cash flow of each investment project, including the management and allocation of proceeds; and

(2) Make sure that, pending full allocation, the unallocated project funds will be used in accordance with the relevant management policies of the Group, such as for low-risk investments, including but not limited to time deposits. The ultimate purpose of such use of proceeds is for the investment and management of the Eligible Projects.

The Group commits not to invest unallocated proceeds in high pollution activities or projects that are not aligned with the Eligible Project Categories, including but not limited to the following sectors and activities:

(1) Activities that violate national laws and regulations, international conventions and agreements, or are subject to international bans and sanctions;

(2) Production or trade of weapons and ammunition;

(3) Production or trade of alcoholic beverages (except for beer and wine);

(4) Production or trade of tobacco;

(5) Enterprises engaged in gambling or casino operations or similar businesses;

(6) Production or trade of radioactive materials (excluding equipment which radioactive source is considered insignificant and/or adequately shielded, for example, quality control equipment); or

(7) Production or activities involving harmful or exploitative forced labor or harmful child labour.

The Group discloses the use of proceeds in a timely manner and fulfills information disclosure obligations in accordance with the relevant laws and regulations. The directors, supervisors, and senior management of the Group shall exercise due diligence, supervise the Company to use the funds raised in a standard manner, and consciously maintain the security of the Company's funds raised, and shall not participate, assist or connive in the Company's unauthorised or disguised change of use of funds raised. The controlling shareholder and the actual controller of the Company shall not

directly or indirectly occupy or misappropriate the funds raised by the Company, and shall not use the funds raised by the Company to obtain improper benefits.

## **2.4 Reporting**

### **Allocation Report**

The Group will provide information on the allocation of the proceeds of the GFTs via the designated information disclosure channels, for example, social media channel like the Group's WeChat Official Account “**扬开集团**” (WeChat Official Account no.: gh\_c9ac4466effc). Such information will be updated on an annual basis or in a timely manner when major events occur, until all the proceeds of the GFTs have been fully allocated.

An allocation report should contain the following information:

- A list of Eligible Projects to which proceeds have been allocated with a brief description, such as energy performance data;
- The total amount of proceeds allocated to each Eligible Project Category;
- The remaining balance of funds which have not yet been allocated as of the report date; and
- Share of financing vs. refinancing.

Where possible, the Group will report on the environmental impacts associated with the Eligible Projects.

### **Impact Report**

An 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 Categories	Impact Indicators <sup>2</sup>
Aquatic biodiversity conservation	<ul style="list-style-type: none"> <li>Length of shoreline maintained/protected p.a. (in kilometres) and growth (in percentage)</li> </ul>
Environmentally sustainable management of living natural resources and land use	<ul style="list-style-type: none"> <li>Natural landscape area maintained/protected/increased p.a. (in square kilometres) and growth (in percentage)</li> </ul>
Sustainable water and wastewater management	<ul style="list-style-type: none"> <li>Annual amount of wastewater treated (in cubic metres)</li> </ul>
Green buildings	<ul style="list-style-type: none"> <li>Type and level of green building certification obtained</li> </ul>
Renewable energy	<ul style="list-style-type: none"> <li>Annual renewable energy generation (in MWh or GWh)</li> <li>Annual greenhouse gas (GHG) emissions reduced/avoided (in tonnes of CO<sub>2</sub> equivalent)</li> </ul>
Energy efficiency	<ul style="list-style-type: none"> <li>Annual electricity savings (in MWh or GWh)</li> </ul>

**External Review:** The Group has engaged CECEP Environmental Consulting Group, an independent third party, to review the Framework and its alignment with GBP and GLP, and to issue an independent opinion (being the Second Party Opinion).

<sup>2</sup> Appropriate environmental and social impact indicators will be determined in reference to frameworks and resources published by ICMA, such as the “Harmonised Framework for Impact Reporting” published in June 2021.