

Second-Party Opinion

SDIC Green Finance Framework

Evaluation Summary

Sustainalytics is of the opinion that the SDIC Green Finance Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2018 and Green Loan Principles 2018. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds (i) Sustainable water and wastewater management and (ii) Renewable energy are aligned with those recognized by the Green Bond Principles and the Green Loan Principles. Sustainalytics considers that the eligible projects for SDIC will improve the water quality, expand efficient water use and contribute to increase renewable energy production in China and globally. Sustainalytics views that the eligible projects will advance the UN Sustainable Development Goals 6 and 7.



PROJECT EVALUATION / SELECTION SDIC’s process for project evaluation and selection will be executed through a Green Finance Working Group. The GFWG will be responsible for implementing and governing the green finance framework (“GFF”), as well as the project selection and evaluation process. The GFWG is comprised of SDIC’s Strategy Development Department, Finance Department, Operation and Safety Department in particular Technology and Environmental Protection, as well as Rongshi International Holding Company Limited. In addition, SDIC sets up the Technology and Environmental Protection Department (“TEPD”) to ensure environmental and social policies and regulations are adhered to for eligible projects. Sustainalytics views this process aligned with market practice.



MANAGEMENT OF PROCEEDS SDIC’s process for the management of proceeds is in line with market practices. SDIC’s green finance proceeds will be deposited in the company’s general funding accounts register and will be earmarked to Eligible Green Projects. Pending full allocation, the unallocated process will be held in accordance with SDIC’s normal liquidity management policy.



REPORTING SDIC commits to publish an annual Green Finance Report containing the allocation reporting and the impact reporting. The allocation reporting will comprise transaction detail such as date, type, principal amount, the actual allocation of the use of proceeds to eligible projects, and the amount of unallocated proceeds. The impact reporting will include relevant key performance indicators for each Eligible Green Asset Category, such as: annual volume of sewage/wastewater collected, conveyed, treated, reused and avoided (in tonnes) or population (number of people) with access to improved sanitation facilities, and installed capacity (GW) or total energy generated in (GWh) for renewable energy projects, among other KPIs. The frequency and scope of allocation and impact reporting is in line with current market practices.

Evaluation date	April, 2019
Issuer Location	Beijing, China

Report Sections

Introduction	2
Sustainalytics’ Opinion.....	3
Appendices	7

For inquiries, contact the Sustainable Finance Solutions project team:

Lili Hocke (Amsterdam)
 Project Manager
 lili.hocke@sustainalytics.com
 (+31) 20 205 00 40

Begum Gursoy (Timisoara)
 Project Support
 begum.gursoy@sustainalytics.com
 (+40) 0356 089 978

Mihai Cojocaru (Timisoara)
 Project Support
 mihai.cojocaru@sustainalytics.com
 (+31) 20 888 7292

Nicholas Gandolfo (Singapore)
 Client Relations
 susfinance.apac@sustainalytics.com +852
 3008 2391

Introduction

State Development & Investment Corp., Ltd., (“SDIC”) is a Chinese investment holding company which engages in infrastructure-related investment and financial services, among others. SDIC mainly invests in infrastructure-related industries such as power generation, and emerging industries such as healthcare and biomass energy, among others. The company was founded in 1995 and operates in China and internationally. SDIC is based in Beijing China.

SDIC has developed the SDIC Green Finance Framework (the “Framework”) under which it intends to engage in green finance activities (green bonds, green loans, revolving credit facilities and structured bonds) to finance and/or refinance, in whole or in part, existing and future projects that will contribute to China’s climate-related targets, expand efficient water use and improve access to renewable energy consumption while supporting the company’s business strategy and vision. The Framework defines eligibility criteria in two areas:

1. Sustainable water and wastewater management
2. Renewable energy

SDIC engaged Sustainalytics to review the SDIC Green Finance Framework, dated April 2019, and provide a second-party opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2018 (GBP)¹ and the Green Loan Principles.² This Framework has been published in a separate document.³

As part of this engagement, Sustainalytics exchanged information with the issuer to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of SDIC’s green finance. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the SDIC Green Finance Framework and should be read in conjunction with that Framework.

¹ The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

² The Green Loan Principles are administered by the International Capital Market Association and are available at: https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/LMA_Green_Loan_Principles_Booklet-220318.pdf

³ The SDIC Green Finance Framework is available on SDIC’s website at: <http://www.sdic.com.cn>

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the SDIC Green Finance Framework

Summary

Sustainalytics is of the opinion that the SDIC Green Finance Framework is credible and impactful, and aligns with the four core components of the Green Bond Principles 2018 and the Green Loan Principles 2018. Sustainalytics highlights the following elements of SDIC Green Finance Framework.

Use of Proceeds:

- The use of proceeds categories of the SDIC Green Finance Framework – (i) Sustainable water and wastewater management and (ii) Renewable energy – are recognized as impactful by the Green Bond Principles 2018 and the Green Loan Principles 2018. Sustainalytics believes that investments in water and wastewater treatment infrastructure and renewable energy are crucial to drive a low-carbon and resource-efficient economy.
- SDIC intends to use part of the proceeds to finance water and wastewater treatment, water recycling, reuse and saving measures, as well as the construction and maintenance of clean and drinking water infrastructure to improve efficiency of the networks. While Sustainalytics acknowledges that the activities may be financed in a variety of sectors, Sustainalytics highlights that the proceeds will not be directed to fossil-fuel-based assets and technologies.
- SDIC confirmed to Sustainalytics that the first issuance will be entirely dedicated for refinancing purposes.
- Sustainalytics recognizes that the use of proceeds may be allocated to OPEX (operational expenditures) that is specific to water infrastructure and renewable energy production and distribution. Given the nature of the projects, Sustainalytics believes that OPEX will be important to maintain projects and will contribute to sustaining positive environmental impacts. Sustainalytics recommends SDIC to identify the amount of proceeds allocated to OPEX expenditures and that it tracks OPEX project-by-project.

Project Selection and Evaluation Process:

- SDIC will establish a Green Finance Working Group (“GFWG”), responsible for project selection and evaluation, and which also oversees the implementation and governance of the GFF, and it will be comprised of the Strategy Development Departments, Finance Department, Operation and Safety Department in particular Technology and Environmental Protection Department, as well as Rongshi International Holding Company Limited.

Management of Proceeds:

- SDIC commits to deposit all green finance proceeds in the company’s general funding accounts register and earmark them to Eligible Green Projects. Pending full allocation, the unallocated green finance proceeds will be held in line with SDIC’s normal liquidity management policy. Sustainalytics views this process to be aligned with market practice.

Reporting:

- SDIC commits to publish an annual Green Finance Report, which will comprise the allocation and impact reporting.⁴ The allocation reporting will comprise data on each green funding transaction (“GFT”), information on the allocation of use of proceeds (name and description of Eligible Projects and the amount of GFT proceeds allocated to each project), and amount of unallocated proceeds. The impact reporting will cover the environmental outcomes of Eligible Projects through dedicated key performance indicators tailored for each Eligible Green Asset Category. The outcomes of the Sustainable water and wastewater management projects will be measured through KPIs such as (i) the annual volume (or population equivalence) of sewage/wastewater collected, conveyed, treated, reused and avoided (in tonnes), (ii) volume of leakage prevented (in tonnes), (iii) CO₂ and other GHG emissions avoided (in CO_{2e}) and where appropriate in tonnes, (iv) or population (number of people) with access to improved sanitation facilities. With regards to renewable energy projects, SDIC will report the environmental outcomes through KPIs such as (i) installed capacity (in GW) and renewable energy generated (in GWh), CO₂ and other GHGs avoided (CO_{2e}) and where appropriate in tonnes, or the area covered (in km²). Sustainalytics views the scope and granularity of SDIC’s reporting to be in line with current market practices.

Alignment with Green Bond Principles 2018 and Green Loan Principles 2018

⁴ The Green Finance Report will be disclosed on SDIC’s website: <http://www.sdic.com.cn>

Sustainalytics has determined that the SDIC Green Finance Framework aligns to the four core components of the Green Bond Principles 2018 and the Green Loan Principles 2018. For detailed information please refer to Appendix 1: Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Strategy of the Issuer

Contribution of framework to issuer's sustainability mandate

SDIC complies with the ownership policies of China's State-owned Assets and Administration Commission of the State Council ("SASAC"), which supervises and manages all state-owned assets on behalf of the Central Government of the People's Republic of China.⁵ As such, SASAC's corporate social responsibility policies, laws and regulations are applicable to all of SDIC's business operations.⁶ SDIC confirmed to Sustainalytics that the company follows the government's vision policy direction and sustainability commitments, following the guidelines and obligations set out by the 13th Five-Year Plan for Economic and Social Development of the People's Republic of China⁷ ("China's 13th Five-Year Plan"). China's 13th Five-Year Plan comprises a set of environmental, social and economic targets which all Chinese State-owned companies are mandated to uphold during the 2016-2020 cycle. Some of the Chinese 13th Five-Year Plan requirements include:

- The strengthening of water security measures through the improvement of water conservancy infrastructure networks and the efficient and sustainable allocation of water resources. The plan targets the upgrading of water-saving equipment in industrial parks and encourages the use of recycled water and advanced wastewater treatment facilities.
- The conversion of 75% of China's national industrial parks and 50% of provincial industrial parks to promote circular operations. The Chinese 13th Five-Year Plan also mandates the construction of an additional 50 industrial centers that close the circular gap by utilizing their own industrial waste in their operations, in addition to the establishment of platforms for online recycling of urban waste, resource management in industrial parks and waste trading.
- The expansion of renewable energy capacities countrywide. The 13th Five-Year Plan requires the construction of 60 GW of new hydropower capacities, with a clear focus on South Western China. Sustainalytics highlights that SDIC has been actively developing renewable energy facilities in China, and, until Mar 2019, the total installed capacity of clean energy is over 1,800MW

Sustainalytics is of the opinion that the green finance proceeds from SDIC's issuances will positively contribute to the above commitments under China's 13th Five-Year Plan. Sustainalytics encourages SDIC to internally coordinate timebound and quantifiable targets complementing the implementation of the sustainability objectives set out by the Chinese 13th Five-Year Plan.

Well positioned to address common environmental and social risks associated with the projects

Sustainalytics recognizes that infrastructure development such as waste, water, wastewater, hydropower projects or green buildings have potential related environmental and social risks. Such risks may include disruption of ecosystems and biodiversity loss due to land use change for large infrastructure projects, as well as worker's health and safety or community opposition.

- To avoid adverse effects on the ecosystems, SDIC confirmed that the company adheres to China's Environmental Impact Assessment Act.⁸ The Chinese legislation requires that the company carry out an environmental impact assessment for all the projects. Moreover, the Chinese Environmental Impact Assessment Act mandates that the environmental agency conducting the impact assessment, must identify prevention and remediation solutions, and provide advice on technologies. Following the engagement with the environmental agency, SDIC is required to submit the Environmental Impact Assessment report to the Ministry of Environmental Protection of China for final approval.
- Furthermore, SDIC has established the Technology and Environmental Protection Department ("TEPD") to ensure compliance with environmental and social standards and policies. SDIC shared with Sustainalytics the processes of assessing projects on whether they meet SDIC's internal environmental protection guidelines,

⁵ State-owned Assets Supervision and Administration Commission of the State Council http://en.sasac.gov.cn/2018/07/17/c_7.htm

⁶ Guidelines to the State-owned Enterprises Directly under the Central Government, including corporate social responsibilities available at: http://en.sasac.gov.cn/2011/12/06/c_313.htm

⁷ The 13th Five-Year Plan for Economic and Social Development of the People's Republic of China 2016 2020 available at: <http://en.ndrc.gov.cn/newsrelease/201612/P020161207645765233498.pdf>

⁸ China's Environmental Impact Assessment Act available at: http://www.commissiomer.nl/docs/os/sea/legislation/china_s_ea_legislation_03.pdf

which also apply to overseas projects. The process includes a feasibility stage, which depending on size and importance of the project, includes a nationally recognized third-party assessment on environmental risks, protection measures and data on pollution. After the execution of third-party assessment regarding environmental regulations, TEPD analyzes each project to ensure all investments are aligned with company's energy saving targets and government's environmental protection standards,⁹ which include environmental protection, resource conservation and ecological protection measures.

- Since SDIC may use part of the proceeds for renewable energy projects within the United Kingdom (UK), Sustainalytics conducted an assessment on UK's Environmental Impact Assessment Regulation,¹⁰ specifically Article 5G Permission in Principle¹¹ and Article 15 of the Development Management Procedure,¹² which require consultation processes for large renewable energy projects. Given the UK's community involvement standards, Sustainalytics is of the opinion that SDIC's renewable energy projects in UK are well positioned to ensure related community risk are mitigated. Sustainalytics recommends SDIC to implement equivalent community consultation procedures in China and other overseas locations.

Overall, Sustainalytics is confident that the legislative framework in the UK and China, as well as SDIC's internal environmental protection standards adequately address environmental risk associated with the projects. While community consultation is required in the UK, Sustainalytics encourages SDIC to assess community relations risks and ensure communities consent also in other legislations where SDIC plants finance large-scale infrastructure.

Section 3: Impact of Use of Proceeds

Both use of proceeds categories are recognized as impactful by the GBP and the GLP. While SDIC intends to use the proceeds also for projects located in Europe, Sustainalytics focused on the impact of the eligible categories in the local context of China.

Importance of investing in renewable energy to sustain China's position as a global leader

Although China is the world's largest GHG emitter, responsible for 27% of global CO₂ emissions,¹³ it has committed to achieve a 60-65% carbon intensity reduction by 2030, compared to 2005 levels. In 2017, China has been declared the world's largest investor in renewable energy.¹⁴ The country's total expenditure in clean-energy projects accounted for more than USD 44 billion in investment, representing a 38% growth compared to 2016 levels, which was a record for Chinese low-emissions-sector investment overseas,¹⁵ demonstrating country's ambition to empower renewable energy investments across the globe. Moreover, China is considered as leader in the expansion of solar energy capacity around the world, representing 60% of global solar cell production and 46% of the global solar installation.¹⁶ China also led the world in installation of onshore wind power with 19 GW and hydropower with almost 13 GW.¹⁷

Since China represents more than half of the global annual net renewable energy capacity¹⁸, demonstrating country's significant impact on global market development, demand, supply and cost, Sustainalytics is of the opinion that SDIC's use of proceeds for renewable energy will contribute to extend renewable energy capacity while accelerating the development globally.

Importance of increasing water efficiency in China

In conjunction with China's rapid development of the economy and the growth of population, sustainable water management has become a significant challenge in China.¹⁹ According to 2017 figures, China covers almost 20% of the world's population with only 6% of the world's fresh water reserves.²⁰ The agriculture sector consumes the largest proportion of the country's water sources (62.4%).²¹ Groundwater has accounted for about 30% of China's total urban water supply, while only 63% of the groundwater provided to urban areas can be regarded as 'potable without

⁹ Environmental Protection Law of the People's Republic of China available at: <http://www.china.org.cn/english/environment/34356.htm>

¹⁰ The Town and Country Planning (Environmental Impact Assessment) Regulations 2017 available at:

http://www.legislation.gov.uk/ukxi/2017/571/pdfs/ukxi_20170571_en.pdf

¹¹ Article 5G of the Town and Country Planning (Permission in Principle) Order 2017 available at: <http://www.legislation.gov.uk/ukxi/2017/1309/article/4/made>

¹² The Town and Country Planning Development Management Procedure available at: <http://www.legislation.gov.uk/ukxi/2015/595/article/15/made>

¹³ https://www.globalcarbonproject.org/carbonbudget/18/files/GCP_CarbonBudget_2018.pdf

¹⁴ <https://www.carbonbrief.org/china-leading-worlds-clean-energy-investment-says-report>

¹⁵ China 2017 Review, IEEFA, January 2018: <http://ieefa.org/wp-content/uploads/2018/01/China-Review-2017.pdf>

¹⁶ <http://ieefa.org/wp-content/uploads/2018/01/China-Review-2017.pdf>

¹⁷ IEA, Renewables 2017: Analysis and Forecasts to 2022

¹⁸ China leads the way to the global renewable energy revolution available at: <http://www.climateaction.org/news/china-leads-the-way-to-the-global-renewable-energy-revolution>

¹⁹ Sustainable Water Resource Management in China: A Great Challenge, Z.X. Xu and J.Y. Li, 14 August 2010

²⁰ Water Resources in China, Ministry of Water Resources <http://www.mwr.gov.cn/english/mainsubjects/201604/P020160406508110938538.pdf>

²¹ National Bureau of Statistics of China, China Statistical Yearbook; China Statistics Press: Beijing, China, 2017

treatment²². While 70% of groundwater samples were classified to be fit for human use in the first half of 2018, 6.9% of groundwater was classified as “lost all functionality” (below Grade V)^{23,24}, underlining the need for water quality improvement. Moreover, 70% of China’s rivers and lakes are polluted²⁵, 65% lakes were found to be atrophied.²⁶ Today, China is facing a crucial challenge as water resources begin to constrain the nation’s economic and social development.²⁷

To cope with effects of long-term deficient water and wastewater management, China has integrated several plans for water resource management in the current 13th Five Year Environmental Protection Plan (2016-2020) such as: (i) unit-based management of water resource quality, (ii) protection of good-quality water bodies, (iii) improving polluted urban water bodies, and (vi) improving water quality of river mouth and nearshore areas.²⁸

Sustainalytics is of the opinion that SDIC’s use of proceeds for sustainable water and waste water management is impactful and contribute to China’s water quality related targets through improving water use efficiency and water quality.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This green bond advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Sustainable water and wastewater management	6 Clean Water and Sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially recycling and safe reuse globally. 6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity
Renewable energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.

Conclusion

SDIC has developed the SDIC Green Financing Framework under which it intends to issue green finance (green bonds, green loans, revolving credit facilities and structured bonds) and use the proceeds to finance or refinance existing and/or future projects related to Renewable Energy, and Sustainable Water and Wastewater Management. Sustainalytics considers that the eligible projects will contribute to extend the development of renewable energy globally and improve water treatment technologies in China. Sustainalytics has assessed the framework and concluded that it aligns with the Green Bond Principles 2018 and Green Loan Principles 2018. SDIC’s processes for project selection and evaluation, management of proceeds and reporting are in alignment with market practice. In addition, the company established an exclusionary criterion regarding activities that support the expansion or maintenance of fossil fuel technology and assets.

Based on the above, Sustainalytics considers the SDIC Green Financing Framework to be credible, robust and transparent.

²² Eco-Complexity and Sustainability in China’s Water Management, Rusong Wang, Feng Li, 2008

²³ China grades its water in five categories. Grade three and above is deemed safe for direct human contact, while grades four and five can only be used in industry and agriculture. Water “below grade five” has “lost all functionality”. More information available at: <http://www.chinawaterrisk.org/resources/analysis-reviews/2016-state-of-environment-report-review/>

²⁴ <https://www.reuters.com/article/us-china-pollution-water/chinas-water-quality-improves-in-first-half-of-2018-ministry-idUSKBN1KF13V>

²⁵ To determine pollution levels, China measures phosphorus and ammonium nitrate concentrations as well as chemical oxygen demand

²⁶ Eco-Complexity and Sustainability in China’s Water Management, Rusong Wang, Feng Li, 2008

²⁷ https://chinadialogue-production.s3.amazonaws.com/uploads/content/file_en/10608/China_s_looming_water_crisis_v.2_1_.pdf

²⁸ <http://www.chinawaterrisk.org/notices/chinas-13th-five-year-plan-2016-2020/>

Appendices

Appendix 1: Green Bond / Green Bond Programme - External Review Form Section 1. Basic Information

Issuer name:	State Development & Investment Corp., Ltd., (“SDIC”)
---------------------	--

Green Bond ISIN or Issuer Green Bond Framework Name, if applicable: <i>[specify as appropriate]</i>	SDIC Green Finance Framework
--	------------------------------

Review provider’s name:	Sustainalytics
--------------------------------	----------------

Completion date of this form:	11 April 2019
--------------------------------------	---------------

Publication date of review publication: *[where appropriate, specify if it is an update and add reference to earlier relevant review]*

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (if applicable):

The use of proceeds categories of the SDIC Green Finance Framework – (i) Sustainable water and wastewater management and (ii) Renewable energy are recognized as impactful by the Green Bond Principles 2018 and the Green Loan Principles 2018. Sustainalytics believes that investments in water and wastewater treatment infrastructure and renewable energy are crucial to drive a low carbon and resource-efficient economy. SDIC confirmed to Sustainalytics that the first issuance will be entirely dedicated for refinancing purposes. Sustainalytics highlights that the proceeds will not be directed to fossil-fuel-based assets and technologies.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy | <input type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify): |

If applicable please specify the environmental taxonomy, if other than GBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

SDIC established a Green Finance Working Group (“GFWG”), responsible for project selection and evaluation, and which also oversees the implementation and governance of the GFF, and it will be comprised of Strategy Development Departments, Finance Department, Operation and Safety Department, in particular Technology and Environmental Protection Department as well as Rongshi International Holding Company Limited. Sustainalytics views this process to be aligned with market practice.

Evaluation and selection

- | | |
|--|--|
| <input checked="" type="checkbox"/> Credentials on the issuer’s environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification In-house assessment
- Other (please specify):

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

SDIC commits to deposit all green finance proceeds in the company's general funding accounts register and earmark them to Eligible Green Projects. Pending full allocation, the unallocated green finance proceeds will be held in line with SDIC's normal liquidity management policy. Sustainalytics views this process to be aligned with market practice.

Tracking of proceeds:

- Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (please specify):

Additional disclosure:

- Allocations to future investments only Allocations to both existing and future investments
- Allocation to individual disbursements Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds Other (please specify):

4. REPORTING

Overall comment on section (if applicable):

SDIC commits to publish an annual Green Finance Report containing the allocation reporting and the impact reporting. The allocation reporting will comprise transaction detail such as date, type, principal amount, the actual allocation of the use of proceeds to eligible projects, and the amount of unallocated proceeds. The impact reporting will include relevant key performance indicators for each Eligible Green Asset Category, such as: annual volume of sewage/wastewater collected, conveyed, treated, reused and avoided (in tonnes) or population (number of people) with access to improved sanitation facilities, and installed capacity (GW) or total energy generated in (GWh) for renewable energy projects, among other KPIs. The frequency and scope of allocation and impact reporting is in line with current market practices.

Use of proceeds reporting:

- Project-by-project On a project portfolio basis
- Linkage to individual bond(s) Other (please specify):

Information reported:

- Allocated amounts Green Bond financed share of total investment

Other (please specify):

Frequency:

Annual

Semi-annual

Other (please specify):

Impact reporting:

Project-by-project

On a project portfolio basis

Linkage to individual bond(s)

Other (please specify):

Frequency:

Annual

Semi-annual

Other (please specify): Where possible

Information reported (expected or ex-post):

GHG Emissions / Savings

Energy Savings

Decrease in water use

Other ESG indicators (please specify): Volume of leakage prevented (in tonnes), Population (number of people) with access to improved sanitation facilities, installed capacity (GW) and renewable energy generated (GWh), Area covered (in square kilometers)

Means of Disclosure

Information published in financial report

Information published in sustainability report

Information published in ad hoc documents

Other (please specify): corporate website

Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

Corporate website: <http://www.sdic.com.cn>

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

Consultancy (incl. 2nd opinion)

Certification

Verification / Audit

Rating

Other (please specify):

Review provider(s):**Date of publication:****ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP**

- i. **Second Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

Disclaimer

© Sustainalytics 2019. All rights reserved.

The intellectual property rights to this Second-Party Opinion (the “Opinion”) are vested exclusively in Sustainalytics. Unless otherwise expressly agreed in writing by Sustainalytics, no part of this Opinion may be reproduced, disseminated, comingled, used to create derivative works, furnished in any manner, made available to third parties or published, parts hereof or the information contained herein in any form or in any manner, be it electronically, mechanically, through photocopies or recordings, nor publicly released without the “Green Bond Framework” in conjunction with which this Opinion has been developed.

The Opinion was drawn up with the aim to provide objective information on why the analyzed bond is considered sustainable and responsible, and is intended for investors in general, and not for a specific investor in particular. Consequently, this Opinion is for information purposes only and Sustainalytics will not accept any form of liability for the substance of the opinion and/or any liability for damage arising from the use of this Opinion and/or the information provided in it.

As the Opinion is based on information made available by the client, the information is provided “as is” and, therefore Sustainalytics does not warrant that the information presented in this Opinion is complete, accurate or up to date, nor assumes any responsibility for errors or omissions. Any reference to third party names is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner.

Nothing contained in this Opinion shall be construed as to make a representation or warranty, express or implied, regarding the advisability to invest in or include companies in investable universes and/or portfolios. Furthermore, nothing contained in this Opinion shall be construed as an investment advice (as defined in the applicable jurisdiction), nor be interpreted and construed as an assessment of the economic performance and credit worthiness of the bond, nor to have focused on the effective allocation of the funds’ use of proceeds.

The client is fully responsible for certifying and ensuring its commitments’ compliance, implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that support investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world’s leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization, and supports various stakeholders in the development and verification of their frameworks. In 2015, Global Capital awarded Sustainalytics “Best SRI or Green Bond Research or Ratings Firm” and in 2018 and 2019, named Sustainalytics the “Most Impressive Second Party Opinion Provider. The firm was recognized as the “Largest External Reviewer” by the Climate Bonds Initiative as well as Environmental Finance in 2018, and in 2019 was named the “Largest Approved Verifier for Certified Climate Bonds” by the Climate Bonds Initiative. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan and the Minister of the Environment Award in the Japan Green Contributor category of the Japan Green Bond Awards in 2019.

For more information, visit www.sustainalytics.com

Or contact us info@sustainalytics.com

