S&P Global Ratings

An S&P Global Second Party Opinion (SPO) includes S&P Global Ratings' opinion on whether the documentation of a sustainable finance instrument, framework, or program, or a financing transaction aligns with certain third-party published sustainable finance principles. Certain SPOs may also provide our opinion on how the issuer's most material sustainability factors are addressed by the financing. An SPO provides a point-in-time opinion, reflecting the information provided to us at the time the SPO was created and published, and is not surveilled. We assume no obligation to update or supplement the SPO to reflect any facts or circumstances that may come to our attention in the future. An SPO is not a credit rating, and does not consider credit quality or factor into our credit ratings.

Second Party Opinion

Qingdao Conson's Sustainable Finance Framework

Sept. 5, 2023

Founded in 2008, Qingdao Conson Development (Group) Co. Ltd. is majority owned by the Qingdao Municipal Government, with a role to support the city's development. The company is involved in agricultural commodities processing, financial services, commercial housing, construction services, hotel and cultural exhibition activities.

In our view, Qingdao Conson's Sustainable Finance Framework, published in September 2023, is aligned with:

✔ Social Bond Principles (SBP), ICMA, 2023
✔ Social Loan Principles (SLP), LMA/LSTA/APLMA, 2023
✔ Green Bond Principles (GBP), ICMA, 2021 (with June 2022 Appendix 1)
✔ Green Loan Principles (GLP), LMA/LSTA/APLMA, 2023
✔ Sustainability Bond Guidelines (SBG) ICMA, 2021

Issuer's Sustainability Objectives

As Qingdao Conson focuses on accompanying the city's infrastructure development and operations, the company recognizes its responsibility to the environment and society. The company follows the State Council's guidance on green development and the national 14th Five-Year Strategic Plan for the Environmental Protection and Development of Low Carbon Economy. It is committed to embedding sustainability into the development and subsequent monitoring of its business plans, with a focus on green building, water and energy saving, blue economy, and social projects.

Qingdao Conson has developed a sustainability financing framework to align its funding strategy with its sustainability commitments.
Second Party Opinion

Second Party Opinion Summary

Use of proceeds

Alignment ✔ Qingdao Conson’s Sustainable Finance Framework is aligned with this component of the SBP, SLP, GBP, GLP, and SBG.

Score Not aligned Aligned Strong Advanced

Qingdao Conson commits to allocating the net proceeds of the financing issued under the framework exclusively to eligible projects that contribute to specific environmental and social objectives and align with the U.N. Sustainable Development Goals (SDGs). Reporting will include the share of financing versus refinancing, with a maximum look-back period of 36 months for refinanced projects.

Process for project evaluation and selection

Alignment ✔ Qingdao Conson’s Sustainable Finance Framework is aligned with this component of the SBP, SLP, GBP, GLP, and SBG.

Score Not aligned Aligned Strong Advanced

Qingdao Conson’s framework outlines its process to screen eligible environmental and social projects. The Green and Sustainable Working Group (GSWG) will meet at least annually to discuss and select projects according to the framework’s eligibility and exclusion criteria. Shortlisted projects will then be presented to the board of directors for approval. The company will identify and manage the associated environmental and social risks based on feasibility analysis.

Management of proceeds

Alignment ✔ Qingdao Conson’s Sustainable Finance Framework is aligned with this component of the SBP, SLP, GBP, GLP, and SBG.

Qingdao Conson will deposit the net proceeds of each issuance in its general funding account and maintain a register to track the allocation of proceeds. Unallocated proceeds will be held in short-term time deposits or investment, or used to repay existing borrowings.

Reporting

Alignment ✔ Qingdao Conson’s Sustainable Finance Framework is aligned with this component of the SBP, SLP, GBP, GLP, and SBG.

Score Not aligned Aligned Strong Advanced

Qingdao Conson commits to reporting annually the allocation of net proceeds and the expected and actual impacts of the financed projects until full allocation of net proceeds. This information will be available on the company’s website.
Framework Assessment

Use of proceeds

The Principles make optional recommendations for stronger structuring practices, which inform our alignment opinion as aligned, strong, or advanced. For use of proceeds, we consider the commitments and clarity on how the proceeds are used.

✔ Qingdao Conson’s Sustainable Finance Framework is aligned with this component of the SBP, SLP, GBP, GLP, and SBG.

Commitments score

We consider Qingdao Conson’s overall use of proceeds commitments to be aligned.

Qingdao Conson commits to allocating the net proceeds of financings issued under the framework exclusively to finance or refinance eligible projects within two years of each sustainable instrument’s issuance.

The framework lists out eight eligible green categories: 1) green buildings; 2) energy efficiency; 3) pollution prevention and control; 4) sustainable water management; 5) climate change adaptation; 6) terrestrial and aquatic biodiversity; 7) clean transportation; and 8) environmentally sustainable management of living natural resources. It also includes two eligible social categories: 1) access to essential services; and 2) affordable housing.

In each category, Qingdao Conson describes potential projects and provides sample existing and potential investments, in addition to environmental or social objectives the financed projects aim to contribute to, associated target populations and SDG alignment. For example, sustainable water management projects involve water saving features in domestic and commercial buildings, water recycling systems such as rainwater harvesting, and river clean-up and quality management, which aim to contribute to climate change mitigation and pollution prevention and control. Affordable housing projects include the construction, maintenance and upgrading of affordable houses and resettlement housing projects, benefiting low-to-middle income groups as defined by the local government. The framework references national standards and local definitions in some project categories’ eligibility criteria. The extensive list of projects and breadth of some target populations mirror the ownership of the company, and its mandate to accompany the development of the city and cater for its inhabitants. This means the sustainability impact may vary substantially from one project to another.

Qingdao Conson commits to reporting the share of financing versus refinancing, with a maximum look-back period of 36 months for refinanced projects. Such disclosure on refinancing adds transparency to the framework.

Process for project evaluation and selection

The Principles make optional recommendations for stronger structuring practices, which inform our alignment opinion as aligned, strong, or advanced. For our process for project selection and evaluation, we consider the commitments and clarity on the process used to evaluate and select eligible projects to fund with the proceeds of the sustainable finance instrument.

✔ Qingdao Conson’s Sustainable Finance Framework is aligned with this component of the SBP, SLP, GBP, GLP, and SBG.

Commitments score

We consider Qingdao Conson’s overall process for project selection and evaluation commitments to be aligned.

The framework outlines the process that Qingdao Conson will use to screen eligible environmental and social projects. The company will set up a Green and Sustainable Working Group (GSWG), consisting of senior representatives from financial management, investment, general department, project division, and discipline inspection and supervision office. The GSWG
Second Party Opinion

will meet at least annually to discuss and select eligible projects according to the framework’s eligibility and exclusionary criteria, as well as corporate, and local environmental and social guidelines. Shortlisted projects will then be presented to the board of directors for approval.

The company commits to not allocating proceeds to activities listed on the International Finance Corporation’s Exclusion List. They include weapons, alcohol, tobacco, gambling, radioactive materials, unbonded asbestos fibers, drift net fishing and production and trade in fossil fuel.

Qingdao Conson will identify and manage potential environmental and social risks associated with the financed projects based on feasibility analysis. The feasibility report will cover analysis and potential environmental and social impacts and metrics.

The company incorporates some thresholds and market standards as part of the eligibility criteria for projects. For example, the framework specifies minimum levels for different green building certifications, such as two stars for Chinese Green Building Evaluation Label or Gold for LEED (Leadership in Energy and Environmental Design). The company also references national standards in the energy efficiency and pollution prevention and control categories, and local definitions (such as the announcement of the Ministry of Industry and Information Technology Joint Enterprise) for its employment generation category. However, not all environmental project categories include clearly defined thresholds and/or taxonomies.

Management of proceeds

The Principles require disclosure of the issuer’s management of proceeds from sustainable finance over the life of the funding. The alignment opinion focuses on how clear in the documentation is the issuer’s commitment to ensure that the funds raised will remain dedicated to eligible sustainability projects throughout the life of the sustainable finance funding.

✔ Qingdao Conson’s Sustainable Finance Framework is aligned with this component of the SBP, SLP, GBP, GLP, and SBG.

Qingdao Conson’s financial management team will manage the net proceed and maintain a register to keep track of the proceeds for each issuance deposited in the general funding accounts. The register will contain information such as issuer or borrower entity, transaction date, interest or coupon, name and description of financed projects. If projects cease to fulfil the eligibility criteria, the company is committed to replacing them as soon as practicable.

If necessary, the company commits to adjusting the tracked net proceeds to match allocations to eligible projects during the time sustainable instruments are outstanding.

Pending allocation, the company will hold unallocated proceeds in accordance with its liquidity guidelines in short-term time deposits or investments, or repay existing borrowings. While borrowings repayment is an accepted use of unallocated proceeds, it is a weak practice, as all company’s outstanding debt instruments may not be sustainable per se.

Reporting

The Principles make optional recommendations for stronger disclosure practices, which inform our disclosure opinion as aligned, strong, or advanced. We consider commitments for reporting on the allocation of proceeds to eligible projects and the expected or actual impact of the projects financed, as well as the frequency of reporting.

✔ Qingdao Conson’s Sustainable Finance Framework is aligned with this component of the SBP, SLP, GBP, GLP, and SBG.

Disclosure score

We consider Qingdao Conson’s overall reporting practices to be aligned.

Qingdao Conson commits to reporting annually the allocation of net proceeds and the environmental and social impacts of the financed projects until full allocation of all the net proceeds. Such information will be available on the company’s website.
Second Party Opinion

Allocation reporting will include a brief description of financed projects, the aggregated amount of allocated proceeds, the percentage of financing versus refinancing, and the remaining balance of unallocated funds and type of temporary investment.

The company will also report both the expected and actual impacts of financed projects, subject to the nature of the projects and data availability. The framework includes indicators such as total floor area of certified green buildings, annual greenhouse gas emissions reduced, amount of aquatic restoration area, number of marine species protected. The social indicators focus on the number of beneficiaries rather than the impact per se, which is customary for social projects.

However, Qingdao Conson will not engage an independent third-party for post-issuance verification of its allocation reporting and nor commit to disclosing the assumption used to calculate the quantitative performance measures. Such commitments are good market practice.
Mapping To The U.N.’s Sustainable Development Goals

The Sustainable Development Goals (SDGs), which the United Nations (U.N.) set up in 2015, form an agenda for achieving sustainable development by 2030.

We use the International Capital Market Association’s (ICMA’s) SDG mapping for this part of the report. We acknowledge that ICMA’s mapping does not provide an exhaustive list of SDGs and that ICMA recommends each project category be reviewed individually to map it to the relevant SDGs.

Qingdao Conson’s Sustainable Finance Framework intends to contribute to the following SDGs:

<table>
<thead>
<tr>
<th>Use of proceeds</th>
<th>SDGs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Green Buildings</td>
<td>9. Industry, innovation, and infrastructure</td>
</tr>
<tr>
<td></td>
<td>11. Sustainable cities and communities*</td>
</tr>
<tr>
<td>Energy Efficiency</td>
<td>7. Affordable and clean energy*</td>
</tr>
<tr>
<td></td>
<td>11. Sustainable cities and communities</td>
</tr>
<tr>
<td>Pollution Prevention and Control</td>
<td>12. Responsible consumption and production*</td>
</tr>
<tr>
<td>Sustainable Water Management</td>
<td>6. Clean water and sanitation*</td>
</tr>
<tr>
<td></td>
<td>12. Responsible consumption and production*</td>
</tr>
</tbody>
</table>
Second Party Opinion

Climate Change Adaptation

13. Climate action*
15. Life on land

Terrestrial and Aquatic Biodiversity

14. Life below water*
15. Life on land*

Clean Transportation

11. Sustainable cities and communities*

Environmentally Sustainable Management of Living Natural Resource

12. Responsible consumption and production*
14. Life below water*
15. Life on land*

Access to essential services

3. Good health and well-being*
4. Quality education*
9. Industry, innovation, and infrastructure*
11. Sustainable cities and communities

Affordable Housing
1. No poverty*

11. Sustainable cities and communities*

*The eligible project categories link to these SDGs in the ICMA mapping.
Second Party Opinion

Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P) receives compensation for the provision of the Sustainable Financing Opinions product (Product). S&P may also receive compensation for rating the transactions covered by the Product or for rating the issuer of the transactions covered by the Product. The purchaser of the Product may be the issuer.

The Product is not a credit rating, and does not consider credit quality or factor into our credit ratings. The Product does not consider, state or imply the likelihood of completion of any projects covered by a given financing, or the completion of a proposed financing. The Product encompasses Second Party Opinions and Transaction Evaluations. Second Party Opinions consider features of a financing transaction and/or financing framework and provide an opinion regarding alignment with certain third-party published sustainable finance principles and guidelines ("Principles"). For a list of the Principles addressed by our Second Party Opinions, see the Analytical Approach and Analytical Supplement, available at www.spglobal.com. Transaction Evaluations provide an opinion which reflects our assessment of the potential relative environmental benefit of the funded or resilience projects. The Product is a statement of opinion and is neither a verification nor a certification. The Product is a point in time evaluation reflecting the information provided to us at the time that the Product was created and published, and is not surveilled. The Product is not a research report and is not intended as such.

S&P maintains a separation between commercial and analytic activities. S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units.

S&P's credit ratings, opinions, analyses, rating acknowledgment decisions, any views reflected in the Product and the output of the Product are not investment advice, recommendations regarding credit decisions, recommendations to purchase, hold, or sell any securities or to make any investment decisions, an offer to buy or sell or the solicitation of an offer to buy or sell any security, endorsements of the suitability of any security, endorsements of the accuracy of any data or conclusions provided in the Product, or independent verification of any information relied upon in the credit rating process. The Product and any associated presentations do not take into account any user’s financial objectives, financial situation, needs or means, and should not be relied upon by users for making any investment decisions. The output of the Product is not a substitute for a user’s independent judgment and expertise. The output of the Product is not professional financial, tax or legal advice, and users should obtain independent, professional advice as it is determined necessary by users.

While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Product. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for reliance of use of information in the Product, or for the security or maintenance of any information transmitted via the Internet, or for the accuracy of the information in the Product. The Product is provided on an "AS IS" basis. S&P PARTIES MAKE NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, INCLUDED BUT NOT LIMITED TO, THE ACCURACY, RESULTS, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE WITH RESPECT TO THE PRODUCT, OR FOR THE SECURITY OF THE WEBSITE FROM WHICH THE PRODUCT IS ACCESSED. S&P Parties have no responsibility to maintain or update the Product or to supply any corrections, updates or releases in connection therewith. S&P Parties have no liability for the accuracy, timeliness, reliability, performance, continued availability, completeness or delays, omissions, or interruptions in the delivery of the Product.

To the extent permitted by law, in no event shall the S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence, loss of data, cost of substitute materials, cost of capital, or claims of any third party) in connection with any use of the Product even if advised of the possibility of such damages.

S&P maintains a separation between commercial and analytic activities. S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

For PRC only: Any "Sustainable Financing Opinions" or "assessment" assigned by S&P Global Ratings: (a) does not constitute a credit rating, rating, sustainable financing framework verification, certification or evaluation as required under any relevant PRC laws or regulations, and (b) is not intended for use within the PRC for any purpose which is not permitted under relevant PRC laws or regulations. For the purpose of this section, "PRC" refers to the mainland of the People’s Republic of China, excluding Hong Kong, Macau and Taiwan.

Copyright © 2023 by Standard & Poor’s Financial Services LLC. All rights reserved.