

Environmental and Social Due Diligence (ESDD) Summary

Issuer	China Water Affairs Group Limited (“CWA” or the “Company”)
Use of CGIF’s guarantee	<ol style="list-style-type: none"> 1. Capital expenditures and/or operational costs for existing city water supply and pipeline drinking water projects (the “Projects”), that are covered by CWA’s existing environmental and social management system (ESMS) developed and implemented pursuant to the loan(s) from ADB; and 2. Refinancing of other borrowings incurred in relation to the Projects.
Countries of operations	China
Categorisation	General-purpose Corporate Bond (GCB) ESMS – Low

Environmental and social management system (ESMS)	<p>CWA has implemented an Asian Development Bank (ADB)-derived Environmental and Social Management System (ESMS) since August 2011 to ensure compliance with local and national regulations, as well as ADB Safeguards Policy Statement (SPS) requirements. The ESMS has remained in place since ADB’s investment and was reviewed by ADB as part of its Extended Annual Review (XARR) in 2020 and confirms that CWA has a robust EHS management system. CGIF has also reviewed the ESMS, which confirmed compliance to CGIF Safeguards requirements. CWA adheres to the Environmental Protection and Environmental Impact Assessment Laws, incorporating required control measures as well as ADB and CGIF requirements.</p> <p>The Environmental and Social Due Diligence (ESDD) confirmed that CWA and its relevant subsidiaries (for supported projects) comply with national/regional, and local E&S laws and regulations, as well as CGIF requirements. It was also noted that some projects are already ISO 14001:2015 certified, and others acquired more recently are working towards this certification. The ESDD also confirmed that through the ESMS, multiple E&S management procedures are already in place, including environmental, human resources (HR) and safety management procedures, and CWA’s legal department monitors updates to E&S regulations and laws, ensuring subsidiaries are informed through monitoring and training. However, the ESDD identified minor administrative improvements, such as enhancing CWA’s E&S Monitoring Framework at the corporate level, and strengthening the E&S Training Framework for CWA to fully comply with CGIF (and ADB) requirements and cover the full range of potential E&S risks.</p>
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<p>Screening and identification of risks</p>	<p>The ESDD confirmed that the overall Environmental and Social Safeguards (ESS) categorization for this transaction is LOW, as an ADB-derived ESMS is already in place and being implemented. This is also supported by ADB’s earlier categorization of the CWA projects as Category B.</p> <p>The ESDD confirmed that no projects under the UOP are included on ADB’s Prohibited Investment Activities List (PIAL). CWA’s business activities, primarily water supply projects, generate limited E&S impacts that can be minimized, avoided or mitigated by adhering to generally recognized performance standards. Potential impacts include noise, construction, occupational health and safety, and operational safety risks. CGIF notes the Company’s operations pose “low to medium” environmental health and safety (EHS) risks that are local in nature, all are temporary, not irreversible or unprecedented, and can be fully managed through the implementation of the ADB-derived ESMS and underlying E&S management procedures. Under CGIF environment categorisation, this would be deemed a B rated transaction.</p> <p>CWA is considered fully aligned to the Paris Agreement requirements where water supply systems are classified as "universally aligned". Additionally, through its commitment to energy conservation, transformation, ecological restoration, and minimal overall GHG emissions CWA have evidenced Paris Alignment in practice for climate transition risk. In certain high climate risk regions where CWA operates, a risk list has been established as a response measure in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. To this extent CWA is also considered aligned in the BB2 assessment of climate adaptation.</p> <p>No further land is required or to be acquired utilizing CGIF’s guarantee proceeds; hence, no involuntary resettlement (IR) impacts are expected and supports a deemed Category C under IR. While the ESDD noted recent land acquisitions (LA) during project appraisal, compensation for the affected land was provided to the affected communities by the responsible government unit and no legacy issues or compensation payments exist. Given the minimal scale of the impacts which did not involved household relocations, no resettlement action plan or resettlement monitoring was required. Furthermore, there were no grievances reported during the LA process, or remain outstanding.</p> <p>The ESDD also confirmed that no Project sites belong to Indigenous Peoples or vulnerable ethnic minority groups, nor are any project sites being claimed as ancestral domain areas, supporting a deemed Category C classification.</p>
<p>Institutional capacity, commitment and development</p>	<p>CWA has established an ESMS Department to oversee the implementation of the ESMS across its projects and relevant subsidiaries. The Department is headed by the Deputy General Manager of CWA and consists of capable and qualified team members at the Corporate and Project or subsidiary level. CWA has appointed the</p>

	<p>designated ESMS manager, that reports to CWA's senior management and to ADB and CGIF. The ESMS Manager is responsible for supervising the environmental and social issues, ensures the resources are made available for environmental and social management and training of the project staff, reporting any material issues to ADB and CGIF and will prepare the annual environmental and social safeguards performance report (ESSPR) to CGIF.</p> <p>As a post-issuance requirement, CWA is recommended to enhance its E&S Training Framework at CWA level and develop a Subsidiary (Manager) Training Plan that includes ESMS and E&S regulatory requirements and training records. Ongoing monitoring of ESMS implementation and its dissemination to operational staff is required under the financing agreement through the annual reporting framework (ESSPR) and CGIF monitoring missions.</p>
<p>Stakeholder communication, participation and consultation</p>	<p>CWA has been disclosing details of its environmental and social (E&S) safeguards performance to stakeholders through annual reports; and has been posting environment, sustainability, and governance (ESG) reports on its website. The ESDD undertaken indicated that a grievance redress mechanism had been established at the corporate and project levels to address worker and community grievances. There are no grievances filed as of the time of ADB's Extended Annual Review (XARR) review in 2020 and CGIF also did not identify any grievances during the 2024 ESDD process. The subsidiaries have been responsive to community requests and has implemented beneficial community development programs in the project areas.</p>
<p>Reporting requirements</p>	<p>The Company will report E&S performance to CGIF through the Annual Environmental and Social Safeguards Performance Reports (ESSPR). These reports will provide summary updates on the implementation of E&S measures, progress or closure of any corrective actions, any incidents or non-compliance issues and their mitigation measures, alongside OHS performance and project progress.</p>

ESDD Summary Issued: 29 January 2025