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LOAN NUMBER 3888-PRC

PROJECT AGREEMENT

(Anhui Huangshan Xin'an River Ecological Protection and Green Development Project)

between

ASIAN DEVELOPMENT BANK

and

ANHUI PROVINCIAL GOVERNMENT  
HUANGSHAN MUNICIPAL GOVERNMENT

DATED 17 June 2020

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PRC 52026

## PROJECT AGREEMENT

PROJECT AGREEMENT dated 17 June 2020 between ASIAN DEVELOPMENT BANK ("ADB") of one part, and ANHUI PROVINCIAL GOVERNMENT ("APG") and HUANGSHAN MUNICIPAL GOVERNMENT ("HMG"), of the other part.

### WHEREAS

(A) by a Loan Agreement of even date herewith between the People's Republic of China ("Borrower") and ADB, ADB has agreed to make to the Borrower a loan of ninety million ninety thousand Euros (€90,090,000) on the terms and conditions set forth in the Loan Agreement, but only on the condition that the proceeds of the loan be made available through APG to HMG; and HMG in turn makes available the proceeds of the loan to the IAs, and HMG and IAs agree to undertake certain obligations towards ADB set forth herein; and

(B) APG and HMG in consideration of ADB entering into the Loan Agreement with the Borrower, have agreed to undertake the obligations set forth herein;

NOW THEREFORE the parties hereto agree as follows:

## ARTICLE I

### Definitions

Section 1.01. Wherever used in this Project Agreement, unless the context otherwise requires, the several terms defined in the Loan Agreement and in the Loan Regulations (as so defined) have the respective meanings therein set forth.

## ARTICLE II

### Equity Investments

Section 2.01. (a) HMG shall enter into a Onlending Agreement with HTIC prior to requesting any withdrawal under the Loan Agreement for onlending from HMG to HTIC. APG shall cause HMG to implement the Onlending Agreement.

(b) Except as ADB may otherwise agree, €13,060,000 of the Loan shall be onlent to HTIC for GIF to make equity investment to Qualified Investees to facilitate the implementation of the Qualified Subprojects.

Section 2.02. (a) Whenever GIF proposes to make an Equity Investment in an amount exceeding the equivalent of CNY60 million or any Equity Investment that constitutes greater than 50% of the total share of the Qualified Investee, or such other sum or percentage, respectively, as shall from time to time be agreed between ADB and HMG,

HMG shall, before requesting a withdrawal, submit to ADB an application for approval of such Equity Investment. Such application shall be in a form satisfactory to ADB and shall contain a description and appraisal of the Qualified Subproject, the terms and conditions of the proposed Equity Investment and such other information as ADB shall reasonably request. An Equity Investment shall be deemed to exceed the equivalent of the amount specified in or agreed pursuant to this subsection if the amount of such Equity Investment, when added to the amount of any other Equity Investment or Equity Investments previously made or authorized for the same Qualified Subproject, exceeds the equivalent of the amount so specified or agreed.

(b) Whenever GIF has made or proposes to make an Equity Investment in an amount not exceeding the equivalent of the amount specified in or agreed pursuant to subsection (a) hereinabove, HMG through HTIC shall, promptly and before requesting a withdrawal, furnish to ADB a statement as set out in the PAM or otherwise in a form satisfactory to ADB, describing the Qualified Subproject and the terms and conditions of the Equity Investment.

(c) Prior to committing to provide the first Equity Investment to the Qualified Investee, HMG shall cause HTIC through HXIC and GIF to submit for ADB's prior review and approval, all relevant documentation related to such proposed investment including the appraisal report in such form and detail as ADB may request, the terms and conditions of the proposed use of proceeds and draft of the Equity Investment Agreement.

(d) APG shall not make or permit any withdrawal in respect of an Equity Investment falling within the provisions of subsection (a) or (c) unless ADB shall have authorized withdrawals from the Loan Account for such Equity Investment.

Section 2.03. Notwithstanding any other provision of this Project Agreement, no withdrawals shall be made from the Loan Account for onlending from HMG to HTIC for the Equity Investment purpose prior to receipt by ADB either of the application for approval of such Qualified Subproject pursuant to Section 2.02(a) of this Project Agreement, or of the information required by Section 2.02(b) of this Project Agreement.

Section 2.04. In addition to any other provisions which a prudent lender would request, each Equity Investment Agreement shall include provisions to the effect that:

- (a) the Qualified Investee shall carry out and operate the Qualified Subproject with due diligence and efficiency and in accordance with sound applicable technical, financial, business and development practices, including maintenance of adequate accounts and records;
- (b) where, and to the extent feasible, the Qualified Investee undertakes procurement of Goods, Works and Services, it shall procure such Goods, Works and Services with due attention to economy and efficiency and in accordance with established private sector or commercial practices acceptable to ADB, and as set out in the procurement manual;
- (c) the Goods, Works and Services shall be used exclusively in the carrying out of the Qualified Subproject for which they were provided;

- (d) ADB, HMG, and HTIC through HXIC and GIF shall each have the right to inspect such Goods and Works, the Qualified Investee, the Qualified Subproject and any relevant records and documents;
- (e) the Qualified Investee shall take out and maintain with responsible insurers insurance against such risks and in such amounts as shall be consistent with sound business practice, and without any limitation upon the foregoing, such insurance shall cover hazards incident to the acquisition, transportation and delivery of Goods to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable to replace or repair such Goods;
- (f) ADB and HTIC through HXIC and GIF shall each be entitled to obtain all such information as each shall reasonably request relating to the Equity Investment, the Goods, Works and Services, the Qualified Subproject, the Qualified Investee and other related matters;
- (g) the Qualified Investee shall design, build, implement, monitor and report on its Qualified Subproject in compliance with all relevant requirements of the ESMS;
- (h) HTIC, through HXIC and GIF shall be entitled to suspend or terminate further access by the Qualified Investee to the use of the Loan proceeds upon failure by the Qualified Investee to perform its obligations under the Equity Investment Agreement; and
- (i) the Qualified Investee shall maintain sound financial management systems in accordance with ADB's Financial Management and Analysis, including the establishment of separate Project accounts and the maintenance of minimum balances to ensure smooth cash flow and the timely settlement of Qualified Subproject related liabilities.

Section 2.05. HMG shall cause HTIC, through HXIC and GIF, to promptly and effectively exercise its rights in relation to each Qualified Subproject in accordance with the standards of a prudent lender and in such manner as to protect the interests of the Borrower, APG, HMG and ADB.

Section 2.06 HMG shall require HTIC and HXIC at all times to make adequate provision to protect themselves against any loss resulting from changes in the rate of exchange between the CNY and the currency or currencies in which the GIF's outstanding money obligations shall have to be met.

### ARTICLE III

#### Particular Covenants

Section 3.01. (a) HMG shall, and shall cause IAs to, carry out the Project with due diligence and efficiency, and in conformity with sound applicable technical,

financial, business, and development practices and in accordance with this Project Agreement and the PAMs.

(b) In carrying out the Project and operating the Project facilities, HMG shall perform or cause to be performed by the IAs all obligations set forth in the Loan Agreement to the extent that they are applicable to HMG and the IAs, and all obligations set forth in the Schedule to this Project Agreement.

Section 3.02. APG shall, and shall cause HMG to make available, promptly as needed, the funds, facilities, services, land and other resources as required, in addition to the proceeds of the Loan, for the carrying out of the Project.

Section 3.03. (a) In carrying out the Project, HMG shall, and shall cause the Project Counties and Districts to, employ competent and qualified consultants and contractors, acceptable to ADB, to an extent and upon terms and conditions acceptable to ADB.

(b) Except as ADB may otherwise agree, HMG shall, and shall cause the Project Counties and Districts to, procure all items of expenditures to be financed out of the proceeds of the Loan in accordance with the provisions of Schedule 3 to the Loan Agreement. ADB may refuse to finance a contract where any such item has not been procured under procedures substantially in accordance with those agreed between the Borrower and ADB or where the terms and conditions of the contract are not acceptable to ADB.

(c) HMG shall appoint a procurement agent to carry out the Project in accordance with the terms and conditions set forth in the Procurement Plan. HMG shall ensure that such procurement agent follows all of the requirements of the Loan Agreement, this Project Agreement and the Procurement Plan.

Section 3.04. HMG shall, and shall cause the Project Counties and Districts to, carry out the Project in accordance with plans, design standards, specifications, work schedules and construction methods acceptable to ADB. HMG shall, and shall cause Project Counties and Districts to, furnish, or cause to be furnished, to ADB, promptly after their preparation, such plans, design standards, specifications and work schedules, and any material modifications subsequently made therein, in such detail as ADB shall reasonably request.

Section 3.05. (a) HMG shall, and shall cause the Project Counties and Districts to, take out and maintain with responsible insurers, or make other arrangements satisfactory to ADB for, insurance of Project facilities to such extent and against such risks and in such amounts as shall be consistent with sound practice.

(b) Without limiting the generality of the foregoing, HMG shall or cause the Project Counties and Districts to undertake to insure, or cause to be insured, the Goods to be imported for the Project against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable to replace or repair such Goods.

Section 3.06. HMG shall maintain, or cause to be maintained, records and accounts adequate to identify the items of expenditure financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including

the cost thereof) and to reflect, in accordance with consistently maintained sound accounting principles, its operations and financial condition.

Section 3.07. (a) ADB, APG, and HMG shall, and HMG shall cause the IAs to, cooperate fully to ensure that the purposes of the Loan will be accomplished.

(b) APG and HMG shall, and shall cause IAs to, promptly inform ADB of any condition which interferes with, or threatens to interfere with, the progress of the Project, the performance of its obligations under this Project Agreement, the Onlending Agreement, or the Equity Investment Agreement, or the accomplishment of the purposes of the Loan.

(c) ADB, APG, and HMG shall, from time to time, at the request of either party, exchange views through their representatives with regard to any matters relating to the Project, APG, HMG, IAs, and the Loan.

Section 3.08. (a) HMG shall, and shall cause the IAs to, furnish to ADB all such reports and information as ADB shall reasonably request concerning (i) the Loan and the expenditure of the proceeds thereof; (ii) the items of expenditure financed out of such proceeds; (iii) the Project; (iv) the Qualified Investees, the Qualified Subprojects and the Equity Investment; (v) the administration, operations and financial condition of the GIF; and (v) any other matters relating to the purposes of the Loan and HMG shall ensure that the GIF and other IAs promptly inform HMG of all such matters and provide HMG all relevant reports so that HMG can inform ADB.

(b) Without limiting the generality of the foregoing, HMG shall, and shall cause the IAs to furnish to ADB periodic reports on the execution of the Project and on the operation and management of the Project facilities, the Green Incentive Fund and the GIF. Such reports shall be submitted in such form and in such detail and within such a period as ADB shall reasonably request, and shall indicate, among other things, progress made and problems encountered during the period under review, steps taken or proposed to be taken to remedy these problems, and proposed program of activities and expected progress during the following period.

(c) Promptly after physical completion of the Project for Components 1, 2 and 4 and after the Loan Closing Date for Component 3, but in any event not later than 3 months thereafter or such later date as ADB may agree for this purpose, HMG shall prepare and furnish to ADB a report, in such form and in such detail as ADB shall reasonably request, on the execution and initial operation of the Project, the Green Incentive Fund and the GIF, including its cost, the performance by HMG and IAs of their respective obligations under this Project Agreement and the accomplishment of the purposes of the Loan.

Section 3.09. (a) For Components 1, 2, 3, and 4, other than GIF Component, HMG shall maintain or shall cause each Project County and District to (i) maintain separate accounts and records for the Project; (ii) prepare annual financial statements for the Project in accordance with financial reporting standards acceptable to ADB; (iii) have such financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with auditing standards acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report, which includes the auditors' opinion(s) on the financial statements and the use of the Loan proceeds; and a management letter (which sets out the deficiencies in the internal control of the Project that were identified in the course of the audit, if any); and (v) furnish to ADB, no

later than 6 months after the close of the fiscal year to which they relate, copies of such audited financial statements, audit report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

(b) For the GIF Component, HMG shall cause HTIC to (i) maintain separate accounts and records for the GIF, (ii) prepare annual consolidated statements of utilization of funds in accordance with the government's accounting laws and regulations which are consistent with international accounting principles and practices acceptable to ADB, (iii) have such statements of utilization of funds audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with auditing standards acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report, which includes the auditors' opinion(s) on (1) whether the project financial statements present an accurate and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting standards; (2) whether the proceeds of the loan were used only for the purposes of the Project; and (3) whether the HTIC was in compliance with the financial covenants contained in the legal agreements and the PAM (where applicable); and (v) furnish to ADB, no later than 6 months after the close of the fiscal year to which they relate, copies of such audited financial statements, audit report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

(c) ADB shall disclose the annual audited financial statements and the annual audited statement of utilization for the Project and the opinion of the auditors on the financial statements within 14 days of the date of ADB's confirmation of their acceptability by posting them on ADB's website.

(d) In addition to the annual audited financial statements referred to in subsection (a) and annual audited statements of utilization referred to in subsection (b) hereinabove, HMG shall cause HTIC and HXIC to (i) have its respective financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international auditing standards or the national equivalent acceptable to ADB; (ii) as part of each such audit, have the auditors prepare the auditor's opinion(s) on the financial statements and compliance with any financial covenants HTIC or HXIC is required to maintain, respectively, as specified in the Loan and Project Agreements; (iii) furnish to ADB not later than 6 months after the end of the fiscal year to which they relate, copies of such audited financial statements and auditor's opinion(s), all in the English language, and such other information concerning these documents and the audit as ADB shall from time to time reasonably request.

(e) HMG shall, and shall cause the IAs to, enable ADB, upon ADB's request, to discuss the financial statements for the Project, HTIC and HXIC, and their financial affairs where they relate to the Project with the auditors appointed by HMG pursuant to subsections (a)(iii), (b)(iii) and (d)(ii) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB. This is provided that such discussions shall be conducted only in the presence of an authorized officer of HMG, HTIC and HXIC, unless HMG, HTIC, and HXIC shall otherwise agree.

Section 3.10. HMG shall, and shall cause the IAs to, enable ADB's representatives to inspect the Project, any Qualified Investee, any Qualified Subproject, the

Goods, Works and Services financed out of the proceeds of the Loan, and any relevant records and documents.

Section 3.11. (a) HMG shall cause HTIC and HXIC to promptly as required, take all action within their powers to maintain the corporate existence of HTIC, HXIC, and GIF to carry on their operations, and to acquire, maintain and renew all rights, properties, powers, privileges and franchises which are necessary in the carrying out of the Project or in the conduct of their business.

(b) HMG shall, and shall cause IAs to, at all times conduct their business in accordance with sound administrative, financial, environmental and business, development and operational practices and under the supervision of competent and experienced management and personnel.

(c) HMG shall, and shall cause the Project Counties and Districts to, at all times operate and maintain its plant, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound applicable technical, financial, business, development, operational and maintenance practices.

Section 3.12. Except as ADB may otherwise agree, HMG shall not, and shall cause the Project Counties and Districts not to, sell, lease or otherwise dispose of any of its assets which shall be required for the efficient carrying on of its operations or the disposal of which may prejudice its ability to perform satisfactorily any of its obligations under this Project Agreement or the PAM.

Section 3.13. Except as ADB may otherwise agree, APG and HMG shall, and shall cause IAs to, duly perform all their respective obligations under this Project Agreement and the Onlending Agreement, and further shall not take, or concur in, any action which would have the effect of assigning, amending, abrogating or waiving any rights or obligations of the parties under the Onlending Agreement or the Equity Investment Agreement that would make it inconsistent with the Loan Agreement, this Project Agreement or the PAM.

Section 3.14. HMG shall promptly notify ADB of any proposal to amend, suspend or repeal any provision of its or the IAs' constitutional documents, which, if implemented, could adversely affect the carrying out of the Project or the operation of the Project facilities or GIF. HMG shall afford ADB an adequate opportunity to comment on such proposal prior to taking any affirmative action thereon.

#### ARTICLE IV

##### Effective Date; Termination

Section 4.01. This Project Agreement shall come into force and effect on the date on which the Loan Agreement comes into force and effect. ADB shall promptly notify APG and HMG of such date.



Section 4.02. This Project Agreement and all obligations of the parties hereunder shall terminate on the date on which the Loan agreement shall terminate in accordance with its terms.

Section 4.03. All the provisions of this Project Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the Loan Agreement.

## ARTICLE V

### Miscellaneous

Section 5.01. Any notice or request required or permitted to be given or made under this Project Agreement and any agreement between the parties contemplated by this Project Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand, mail or facsimile to the party to which it is required or permitted to be given or made at its address hereinafter specified, or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

#### For ADB

Asian Development Bank  
6 ADB Avenue  
Mandaluyong City  
1550 Metro Manila  
Philippines

Facsimile Numbers:

(632) 8636-2444  
(632) 8636-2534

#### For APG

Anhui Provincial Government  
1 Zhongshan Road  
Hefei, Anhui Province, PRC

Facsimile Number:

(86) 551-68150162

#### For HMG

Huangshan Municipal Government  
Floor 16, No. 1 Tiandu Road,

Huangshan Municipal Government Building  
Anhui Province, PRC

Facsimile Number:

(86) 559-2355370.

Section 5.02. (a) Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Project Agreement (i) by or on behalf of APG may be taken or executed by its governor or vice governor, and (ii) by or on behalf of HMG may be taken or executed by its mayor or vice mayor, or by such other person or persons as he or she shall designate in writing and notify to ADB as such,

(b) APG and HMG shall furnish to ADB sufficient evidence of the authority of each person who will act under subsection (a) hereinabove, together with the authenticated specimen signature of each such person.

Section 5.03. No delay in exercising, or omission to exercise, any right, power or remedy accruing to either party under this Project Agreement upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default; nor shall the action of such party in respect of any default, or any acquiescence in any default, affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Project Agreement to be signed in their respective names as of the day and year first above written, and to be delivered at the principal office of ADB.

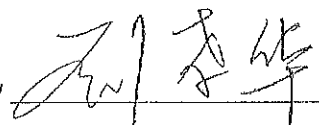
ASIAN DEVELOPMENT BANK

By   
YOLANDA FERNANDEZ LOMMEN  
Authorized Signatory

ANHUI PROVINCIAL GOVERNMENT

By   
Authorized Signatory

HUANGSHAN MUNICIPAL  
GOVERNMENT

By   
Authorized Signatory

## SCHEDULE

### Execution of Project; Financial and Other Matters

#### Implementation Arrangements

1. APG and HMG shall, and shall cause the IAs to, ensure that the Project is implemented in accordance with the detailed arrangements set forth in the PAM. The PAM may be reviewed and adjusted from time to time, as necessary, to ensure proper project implementation. Any change to the PAM after Loan approval shall become effective only after approval of such change by HMG and ADB. In the event of any discrepancy between the PAM, the Loan Agreement and this Project Agreement, the provisions of the Loan Agreement and this Project Agreement shall prevail.

#### Counterpart Funds and Sustainability

2. APG and HMG shall ensure that (a) all counterpart funds are made available by the IAs in a timely manner for the implementation of the Project; and (b) operation and maintenance of all Project facilities is fully funded. In addition to the foregoing, HMG shall ensure that (i) the IAs have sufficient funds to satisfy its liabilities arising from any Works, Goods and/or Services contract, as well as additional funds to meet any shortfall or cost overruns in completing the Project and (ii) HTIC makes available funds to the Qualified Investees necessary for the Qualified Subprojects on a timely basis.

3. APG and HMG shall ensure that the IAs are equipped with professionally skilled staff, reasonable office space, equipment, and the IAs shall provide financial resources required throughout the Project implementation. APG and HMG shall further ensure that (a) necessary measures are taken promptly to resolve any issues identified during implementation of the Project; and (b) appropriate budgetary allocations are made for the continued achievement of Project benefits.

#### Financial Management

4. APG and HMG shall ensure that the IAs implement the financial management action plan specified in the Financial Management Assessment to improve the financial management arrangement for the implementation of the Project.

#### Labor Standards, Health, and Safety

5. HMG shall, and shall cause the IAs to, ensure that the core labor standards and the applicable laws and regulations of the Borrower are complied with during Project implementation. HMG shall ensure that IAs and Qualified Investees include, specific provisions in the bidding documents and contracts financed by ADB under the Project requiring that the contractors, among other things (a) comply with the applicable labor law and regulations of the Borrower and incorporate applicable workplace occupational safety norms; (b) do not use child labor; (c) do not discriminate workers in respect of employment and occupation; (d) do not use forced labor; (e) do not restrict the workers from developing a legally permissible means of expressing their grievances and protecting their rights regarding working conditions and terms of employment; (f) do not delay any lawful payment to the workers; and (g) disseminate, or engage appropriate service providers to disseminate, information on the risks of sexually

transmitted diseases, including HIV/AIDS, to the employees of contractors engaged under the Project and to members of the local communities surrounding the Project area, particularly women. HMG shall, and shall cause the IAs to, further ensure that this paragraph shall be applicable to any workers regardless of their nationality, and strictly monitor compliance with the requirements set forth in this paragraph and provide ADB with regular reports.

#### Governance and Anticorruption

6. HMG shall, and shall cause the IAs to, (a) acknowledge, and also cause the Qualified Investees, to acknowledge, ADB's right to investigate, directly or through its agents, any alleged corrupt, fraudulent, collusive or coercive practices relating to the Project and the Qualified Subprojects; and (b) agree to cooperate, and also cause the Qualified Investees and all other government offices, organizations and entities involved in implementing the Project to cooperate, fully with any such investigation and to extend all necessary assistance, including providing access to all relevant books and records, as may be necessary for the satisfactory completion of any such investigation. In particular, HMG shall, and shall cause the IAs to, ensure that (a) periodic inspections of the Project contractors' activities related to fund withdrawals and settlements are carried out; (b) relevant provisions of ADB's Anticorruption Policy (1998, as amended to date) are included in all bidding documents for the Project including any Qualified Subprojects; and (c) contracts, financed under the Project, include provisions specifying the right of ADB to audit and examine the records and accounts of the IAs, the Qualified Investees, contractors, suppliers, consultants, and other service providers as they relate to the Project. HMG shall cause HTIC to ensure that HXIC and GIF maintains proper internal controls in its operations and shall cause GIF to adopt acceptable computerized accounting and management information system, and prepare financial statements and reports in accordance with national accounting standards.

7. HMG shall cause the IAs to develop and maintain relevant websites that describe the Project in order to provide the public with information on the Project and Project progress including setting out (a) a summary of the audited financial statements of the Project, (b) the Procurement Plan and tracking of procurement contract awards, (c) any proposed tariff increases and associated scheduled public hearings, (d) relevant laws and regulations; and (e) job opportunities.

#### Gender and Social Development

8. HMG shall ensure that (a) the GAP is implemented in accordance with its terms; (b) the bidding documents and contracts for Goods, Works and Services include relevant provisions for contractors to comply with the measures set forth in the GAP; (c) adequate resources are allocated for implementation of the GAP; and (d) progress on implementation of the GAP, including progress toward achieving key gender outcome and output targets in the GAP, are regularly monitored and reported to ADB.

#### Prohibited List of Investments

9. HMG shall ensure that no proceeds of the Loan are used to finance any activity included in the list of prohibited investment activities provided in Appendix 5 of the SPS.

Specific Assurances for Components 1, 2 and 4Environment

10. HMG shall, and shall cause the IAs to, ensure that the preparation, design, construction, implementation, operation and decommissioning of the Project and all Project facilities comply with (a) all applicable laws and regulations of the Borrower relating to environment, health and safety; (b) the Environmental Safeguards; and (c) all measures and requirements set forth in the IEE, the EMP, and any corrective or preventative actions (i) set forth in a Safeguards Monitoring Report, or (ii) subsequently agreed between ADB and HMG.

11. HMG shall, and shall cause the IAs to, ensure that agricultural chemicals listed as hazardous under Classes I or II by the World Health Organization, or listed as prohibited or strictly controlled use under the Borrower's national regulations for pesticide management are not be used within the Project area.

Land Acquisition and Involuntary Resettlement

12. HMG shall, and shall cause the IAs to, ensure that all land and all rights-of-way required for the Project and all Project facilities are made available to the Works contractor in a manner and within timeframes compliant with (a) all applicable laws and regulations of the Borrower relating to land acquisition and involuntary resettlement, (b) the Involuntary Resettlement Safeguards; and (c) all measures and requirements set forth in the respective RP, and any corrective or preventative actions (i) set forth in any Safeguards Monitoring Report, or (ii) subsequently agreed between ADB and HMG.

13. Without limiting the application of the Involuntary Resettlement Safeguards, the RP, HMG and the IAs shall ensure that no physical or economic displacement takes place in connection with the Project until:

- (a) compensation and other entitlements have been provided to the displaced persons under the Involuntary Resettlement Safeguards as described in and in accordance with the related RP; and
- (b) a comprehensive income and livelihood restoration program has been established in accordance with the related RP.

Ethnic Minorities

14. HMG shall, and shall cause the IAs to ensure that the Project does not have any impact on the ethnic minorities, all within the meaning of the SPS. In the event that the Project does have any such impact, HMG shall take all steps required to ensure that the Project complies with the applicable laws and regulations of the Borrower and with the SPS.

Human and Financial Resources to Implement Safeguards Requirements

15. HMG shall, and shall cause the IAs to, make available necessary budgetary and human resources to fully implement the EMP and the RPs.

Safeguards -- Related Provisions in Bidding Documents and Works Contracts

16. HMG shall ensure that all bidding documents and contracts for Works entered into by HMG contain provisions that require contractors to:

- (a) comply with the measures and requirements relevant to the contractor set forth in the IEE, EMP, the related RP (to the extent they concern impacts on the respective affected people under the Environmental Safeguards and the Involuntary Resettlement Safeguards during construction) and any corrective or preventative actions set forth in (i) a Safeguards Monitoring Report, or (ii) subsequently agreed between ADB and HMG;
- (b) make available a budget for all such environmental and social measures;
- (c) provide HMG with a written notice of any unanticipated environmental, resettlement or indigenous peoples/ethnic minorities risks or impacts that arise during construction, implementation or operation of the Project that were not considered in the IEE, the EMP, and the RPs;
- (d) adequately record the condition of roads, agricultural land and other infrastructure prior to starting to transport materials and construction; and
- (e) fully reinstate pathways, other local infrastructure, and agricultural land to at least their pre-project condition as early as possible but no later than the completion of construction.

Pre-construction Readiness

17. HMG shall ensure that each IA: (a) appoint at least one qualified environment officer and one social officer as full time Project management office staff to coordinate implementation of the EMP, the RP, and the GAP; (b) recruit a start-up loan implementation consultant to support the Project management office; and (c) ensure that the Project management office has engaged one external social monitoring specialist.

18. Before and during the implementation of Works, HMG shall cause each IA to organize and conduct training on implementation and supervision of the EMP for construction supervision companies, and contractors, and shall ensure that the appropriate staff and officers receive such training.

Safeguards Monitoring and Reporting

19. HMG shall do the following:

- (a) submit semiannual Safeguards Monitoring Reports to ADB until the issuance of ADB's Project completion report, unless a longer period is agreed in the EMP, and disclose relevant information from such reports

to the respective affected people under the Environmental Safeguards promptly upon submission;

- (b) if any unanticipated environmental and/or social risks and impacts arise during construction, implementation or operation of the Project that were not considered in the IEE, the EMP, or the RP, promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan; and
- (c) report any actual or potential breach of compliance with the measures and requirements set forth in the EMP or the RP promptly after becoming aware of the breach.

#### Grievance Redress Mechanism

20. HMG shall ensure that a safeguards grievance redress mechanism acceptable to ADB is established and maintained in accordance with the provisions of the IEE, the EMP, the RP and the PAM, to consider safeguards complaints.

#### Operational Requirements

21. HMG shall and cause each IA to ensure that: (a) sustainable financial support for operation and maintenance of all Project facilities shall be provided after construction, including the rural wastewater treatment stations (WWTS), water supply plants (WSP), and pipeline networks; (b) qualified operation and maintenance personnel shall be assigned for WWTS and WSP during the Project implementation and thereafter; and (c) periodical inspection on the performance of WWTS and WSP is conducted to identify and promptly resolve any operational issues.

22. For the linked facilities, as described in the IEE (e.g. through physical connections for wastewater treatment and water supply), HMG shall ensure that such facilities shall continue to be maintained in accordance with domestic requirements for environmental management, including, but not limited to, environmental safety measures, treated wastewater discharge approvals, and worker and community health and safety. Further, HMG shall immediately advise ADB if any changes are made to such facilities that adversely impact their capacity or function and affect the viability of the Project. In such event, HMG and ADB shall agree on any necessary corrective actions.

#### Specific Assurances for Component 3- Green Incentive Fund

##### Selection of Qualified Recipient

23. HMG shall (a) ensure compliance with the reward guidelines to be agreed between HMG and ADB; (b) review and approve all Qualified Recipient in accordance with the detailed procedures to be agreed between ADB and HMG; (c) execute an Incentive Payment Agreement with each Qualified Recipient; and (d) disburse funds to the Qualified Recipient pursuant to the appropriate disbursement arrangement to be agreed between ADB and HMG. HMG shall further ensure that the activities carried out by the Qualified Recipient do not involve



(i) any adverse impact on environment, or (ii) any involuntary resettlement or ethnic minorities impacts, all within the meaning of the SPS.

### Specific Assurances for Component 3- Green Investment Fund Component

#### Onlending Agreement

24. HMG shall, prior to advancing any loan funds for GIF, enter into a legally valid and binding Onlending Agreement with HTIC, in the form approved by ADB that clearly sets out all of the obligations to be performed by the HTIC under the Loan Agreement, this Project Agreement, the PAM, the ESMS, and the GAP.

#### Investment Manual

25. HMG shall endorse and shall cause HTIC to adopt a comprehensive investment manual for GIF setting out the selection criteria, appraisal and approval procedures, due diligence requirements on the Qualified Investees and Qualified Subproject. The content of the manual shall be in line with the requirements as agreed between ADB and HMG and set out in the PAM.

#### Qualified Investee

26. HMG shall cause HTIC to ensure that HXIC and GIF (a) select and approve each Qualified Investee, except for the Qualified Investee already agreed by ADB, in accordance with the comprehensive investment manual described in paragraph 25; and (b) enter into an Equity Investment Agreement with each Qualified Investee.

27. HMG shall cause HTIC to ensure that each Equity Investment shall not exceed (i) CNY60 million in amount; or (ii) 50% of the total share of the Qualified Investee, whichever is smaller.

#### Qualified Subprojects

28. HMG shall cause HTIC to ensure that HXIC and GIF (a) select and approve all Qualified Subprojects to be implemented by each Qualified Investee under the Project, except for the Subprojects already agreed by ADB, in accordance with the comprehensive investment manual described in paragraph 25, and (b) supervise the implementation of the Qualified Subprojects. Specifically, HMG shall, through HTIC, ensure that Qualified Subprojects are selected in accordance with the selection criteria to specifically ensure that (i) no Subproject with (1) significant adverse impact on environment, or (2) any involuntary resettlement or ethnic minorities impacts, all within the meaning of the SPS, shall be included in the Qualified Subproject, and (ii) all subproject proposals are screened in accordance with the ESMS to confirm that there are no such significant environmental or social impacts.

29. Notwithstanding any other provision of this Project Agreement, no withdrawals shall be made for purposes of depositing into the Revolving Account for the Qualified Subproject until the GIF has established the ESMS in a manner satisfactory to ADB.

#### Safeguards

30. At least 3 months prior to establishing GIF, HMG shall cause HTIC to issue a formal Presidential Directive to integrate the ESMS into HTIC business procedures relevant to the GIF and deliver it to ADB. The Presidential Directive shall: (a) officially recognize the ESMS as HTIC policy from the date of the Presidential Directive; (b) instruct the subproject proposal reviewers of GIF that the ESMS steps are now part of investment proposal assessment and approval procedures; (c) identify by name and position the managerial and review arrangements for steps and decisions taken while implementing the ESMS; (d) confirm that breaches of environmental and social conditions by the Qualified Investee will be treated by HTIC in the same way as breaches in other investment conditions, including imposition of similar remedies; (e) confirm the working relationship between HTIC and its Qualified Subproject implementation supervision consultants; (f) ensure the wide dissemination within HTIC of Chinese-language ESMS documents; (instruct that copies of the ESMS Workbook [Appendix 3] are used in the field and filled out as part of the Qualified Subproject implementation); and (g) commit to the training plan in the ESMS by facilitating HTIC officers' attendance at training courses as required.

31. HMG shall cause HTIC to ensure that HXIC and GIF comply with and implement the Presidential Directive. ADB shall be notified and consulted immediately should there be any changes to the Presidential Directive.

32. HMG shall cause HTIC to ensure that HXIC and GIF appoint one qualified environment staff and one qualified social staff for coordination and implementation of the ESMS for GIF, at least 3 months before the signing of the first Equity Investment Agreement.

33. HMG shall cause HTIC to ensure that HXIC and GIF require all the Qualified Investees to comply with the ESMS.

34. HMG shall cause HTIC to ensure through HXIC that (a) all Qualified Subprojects to be financed under GIF are screened as per the procedures set out in the ESMS and (b) as part of the ESMS, HTIC shall cause HXIC and GIF to submit to ADB for prior review and approval the proposed safeguards screening documents and proposed safeguard classification, together with the project description and the draft IEEs for all Qualified Subprojects that have environmental safeguards category B under the ESMS for the first two Qualified Subprojects from each type of project category (e.g. agro-forestry, ecotourism), as set out in PAM. If such proposed safeguards classification and the project description and documentation are satisfactory to ADB, any subsequent Qualified Subproject shall only be subject to post review in the annual ESMS performance report required to be submitted to ADB as described in the ESMS. Further, HMG shall, through HTIC, ensure that before any Qualified Subproject is approved, an IEE and RP, as applicable, are prepared for such Qualified Subproject, as required pursuant to ESMS.

35. HMG shall cause HTIC, through HXIC and GIF, to ensure that (a) Qualified Investee prepare, design, construct, implement, operate and decommission the Qualified Subproject in accordance with (i) all applicable laws and regulations of the Borrower relating

to environment, health and safety; (ii) the ESMS; (iii) all measures and requirements set forth in an IEE, where such measures are required for a Qualified Subproject with environmental safeguards category B under the ESMS; and (iv) any corrective or preventative actions set forth in a Safeguards Monitoring Report; (b) the institutional arrangements for effective implementation of environmental and social safeguards as described in the ESMS are in place before commencement of any Works under the Qualified Subproject; and (c) any adverse impact on the environment that may arise from Qualified Subproject implementation activities is promptly mitigated or minimized and reported to ADB in accordance with the ESMS.

36. HMG shall cause HTIC, through HXIC and GIF, to ensure that all land and rights-of-way required for each Qualified Subproject are made available to the Works contractor in accordance with the schedule agreed under the related Works contract and all land acquisition and resettlement activities are implemented in compliance with (a) all applicable laws and regulations of the Borrower relating to land acquisition and involuntary resettlement; (b) the Involuntary Resettlement Safeguards; (c) the ESMS; and (d) all measures and requirements set forth in the respective RP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

37. Without limiting the application of the Involuntary Resettlement Safeguards, the ESMS or the RP, HMG shall cause HTIC, through HXIC and GIF, to ensure that no physical or economic displacement takes place in connection with any Qualified Subproject until:

- (a) compensation and other entitlements have been provided to affected people in accordance with the RP; and
- (b) a comprehensive income and livelihood restoration program has been established in accordance with the RP.

38. HMG shall cause HTIC, through HXIC and GIF, to ensure that the Qualified Subproject does not have any indigenous peoples/ethnic minorities impacts, all within the meaning of the SPS. In the event that the Project does have any such impact, HMG shall take all steps required to ensure that the Project complies with the applicable laws and regulations of the Borrower and with the SPS.

39. HMG shall and shall cause HTIC to ensure that (a) necessary budgetary and human resources are made available to fully implement the ESMS; and (b) each Qualified Investee under the Qualified Subproject makes necessary budget and human resources to fully implement the respective EMP and RP, as applicable.

40. HMG shall cause HTIC, through HXIC and GIF, to ensure that throughout the duration of the Qualified Subproject, so long as any Equity Investment is remaining in the Qualified Investee (a) any changes to the design of the Qualified Subproject that may potentially cause negative environmental impacts shall be screened and assessed, and (b) environmental monitoring and mitigation measures shall be revised pursuant to procedures as set out in the ESMS.

41. HMG shall cause HTIC, through HXIC and GIF, to ensure that each Qualified Subproject that relates to the establishment or development of a new production base includes sustainable and climate smart farming practice screening, including water-saving technologies, as more fully described in the ESMS.

42. HMG shall cause HTIC, through HXIC and GIF, to submit semiannual progress reports on the implementation of the ESMS. HMG and HTIC shall review the effectiveness of its ESMS implementation after 12 months of Project implementation, and make any necessary changes as required by ADB and HMG following such review.

43. HMG shall cause HTIC, through HXIC and GIF, to ensure that measures to avoid, reduce and/or mitigate environmental and/or social impacts, as applicable, in each Qualified Subproject are included in the Equity Investment Agreement with respective Qualified Investee or in a separate written undertaking from the Qualified Investee that gives HTIC the right to exercise any remedies for failure to comply with any such measures by the Qualified Investee.

44. HMG shall cause HTIC, through HXIC and GIF, to ensure that all personnel with responsibility for approving Qualified Subprojects and Qualified Investees complete all training provided by the Project for implementation of the ESMS.

#### Financial Covenant

45. HMG shall require HTIC to maintain a debt service coverage ratio of at least 1.2, and report the ratio as part of project progress reporting at the end of the second quarter of each fiscal year during project implementation. If HMG identifies poor financial performance of HTIC, HMG shall consult with ADB and HTIC regarding measures to be taken to resolve the poor financial performance. For purposes of this paragraph:

- (a) "Debt service coverage ratio" means the ratio of: (i) EBITDA of the past 12 months, plus cash, cash equivalents, short term investments and investments in marketable securities as shown in the audited financial statements at the end of the fiscal year; to (ii) debt service payable in the next 12 months.
- (b) "EBITDA" means the sum of: (i) net profits before foreign exchange gain or loss, income tax expenses, interest expense, financing fees, depreciation, amortization, loss from appraisal or disposal of assets; minus (ii) gain from appraisal or disposal of assets.

#### Financing of Any Qualified Subproject after the Loan Closing Date

46. HMG shall ensure that after the Loan Closing Date, any Qualified Subproject to be financed through the GIF shall be selected and implemented in accordance with all the provisions under the Loan Agreement and this Project Agreement to the extent that they are applicable to such Qualified Subprojects. In particular, all such Qualified Subprojects shall be selected in accordance with the selection criteria and implemented in accordance with the ESMS.