

Second-Party Opinion

Yuzhou Properties Green Finance Framework



Evaluation Summary

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



USE OF PROCEEDS The eligible categories for the use of proceeds including, Green Buildings, Energy Efficiency, Pollution Prevention and Control, and Renewable Energy, are aligned with those recognized by the Green Bond Principles and the Green Loan Principles 2018. Sustainalytics considers that the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically goals 7, 9 and 11.



PROJECT EVALUATION / SELECTION Yuzhou Properties Co Ltd has established a Sustainability Taskforce that will be responsible for governing and implementing the Green Finance Framework. The Taskforce is comprised of senior representatives from the Design Management Department, Property Management Department, Cost Management Centre, and Financial Management Centre. The Taskforce will identify Eligible Projects based on the criteria outlined in this Framework. Sustainalytics considers the project selection process in line with market practice.



MANAGEMENT OF PROCEEDS Yuzhou Properties will establish a dedicated Green Bond Fund Allocation Account to deposit proceeds received under the Green Finance Framework. Its Sustainability Taskforce will be responsible for keeping track of the funds allocated into this account. Yuzhou Properties commits to achieving full allocation of proceeds raised under this Framework to eligible projects within three years of the date of issuance. Sustainalytics considers this to be in line with market practice.



REPORTING Yuzhou Properties Co Ltd intends to report on allocation of proceeds, the balance of unallocated proceeds, and examples of eligible green projects on its website on an annual basis until full allocation. Yuzhou Properties Co Ltd is also committed to, where feasible, reporting on relevant environmental and social impact metrics. Sustainalytics views Yuzhou Properties Co Ltd.’s allocation and impact reporting as aligned with market practice.

Evaluation date	26 February 2020
Issuer Location	Shanghai, China

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Introduction

Yuzhou Properties Co Ltd (“Yuzhou Properties”, or the “Company”) is a Chinese real estate developer. The Company engages in land acquisition, project planning, construction, sales and property management of residential units, offices, hotels, villas as well as large scale urban complexes. Headquartered in Shanghai, most of Yuzhou Properties’ operations and revenue comes from Mainland China.

Yuzhou Properties has developed the Green Finance Framework (the “Framework”) under which it intends to issue multiple green bonds, loans or other debt instruments, such as perpetual securities, corporate bonds and senior notes, and use the proceeds to finance or refinance, in whole or in part, existing as well as future projects that aim to reduce the carbon footprint and increase environmental performance of the properties it develops and manages. The Framework defines eligibility criteria in four areas:

1. Green buildings
2. Energy efficiency
3. Pollution prevention and control
4. Renewable energy

Yuzhou Properties engaged Sustainalytics to review the Green Finance Framework, dated February, 2020 and provide a second-party opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2018 (GBP)¹ as well as the Green Loan Principles 2018 (GLP)². This Framework has been published in a separate document.³

As part of this engagement, Sustainalytics held conversations with various members of Yuzhou Properties’ management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of Yuzhou Properties’ Green Finance Framework. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the 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 Loan Market Association and are available at: <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

³ The Green Finance Framework will be available on Yuzhou Properties’ website at: <http://ir.yuzhou-group.com/en/IRESGReports.aspx>

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Green Finance Framework

Summary

Sustainalytics is of the opinion that the Green Finance Framework is credible and impactful and aligns with the four core components of the GBP and GLP 2018. Sustainalytics highlights the following elements of Yuzhou Properties' Green Finance Framework:

- Use of Proceeds:
 - The eligible use of proceeds categories under the Green Finance Framework – (i) Green buildings, (ii) Energy efficiency, (iii) Pollution prevention and control and (iv) Renewable energy – are recognized by the GBP and GLP 2018. Sustainalytics is of the opinion that investments in these use of proceeds categories will result in improvement of Yuzhou Properties' environmental performance and further contribute to the advancement of resource efficiency in the construction industry.
 - Yuzhou Properties' Green Building use of proceeds category looks to finance CAPEX in existing buildings and new construction or renovation of residential and commercial buildings which are certified in accordance with the Chinese Green Building Evaluation Label 2 star or above, or LEED Gold or above or HK BEAM Plus Platinum. Sustainalytics has evaluated these standards and considers them to be robust and credible (for further details on the certification schemes see Appendix 1).
 - Through its Energy Efficiency and Pollution Prevention and Control use of proceeds, Yuzhou Properties aims at improving its energy and resource management. The Company commits to at least a 10% energy efficiency improvement by installing the energy efficient facilities or technologies, which may include energy efficient air conditioners, efficient and automated lighting systems, and variable voltage variable frequency (VVVF) type lift power systems.⁴ Yuzhou Properties also plans to install food waste recycling facilities in its commercial and residential buildings, and install rain water management systems.
 - Sustainalytics notes that Yuzhou Properties may install energy-efficient cooling units that depend on refrigerants and encourages Yuzhou Properties to promote systems that contain refrigerants with low global warming potential (low-GWP) and zero ozone depleting potential (zero-ODP). Additional related considerations include robust measures for refrigerant leak control, detection and monitoring, as well as to ensure recovery, reclaiming/recycling, or destruction of refrigerants at end of life.
 - The Company plans to support the use of renewable energy through installation of solar-energized streetlights and solar water heating systems for its commercial and residential buildings.
- Project Evaluation and Selection:
 - Yuzhou Properties has established a Sustainability Taskforce, comprised of senior representatives from its Design Management Department, Property Management Department, Cost Management Center, and Finance Management Center.
 - The Sustainability Taskforce generally meets once a month and will be responsible for governing and implementing the Green Finance Framework, as well as selecting eligible projects based on the eligibility criteria outlined in the Framework.
 - Based on the establishment of a formal Taskforce with defined responsibilities, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - Yuzhou Properties has established a dedicated Green Bond Fund Allocation Account (the Green Account) to deposit the proceeds received under the Green Finance Framework.
 - Yuzhou Properties' Sustainability Taskforce will keep track of the funds allocated into the Green Account and record information pertaining to type of fund transaction, namely tranche(s) information, repayment or amortization profile, interest or coupon rate. The Taskforce will also

⁴ Research shows that the VVVF type lift power system could reduce energy consumption by 19% when compared to a conventional system. Energy Efficient Elevators and Escalators, ISR-University of Coimbra (2010), European Commission. Further details can be found at https://ec.europa.eu/energy/intelligent/projects/sites/iee-projects/files/projects/documents/e4_publishable_report_en.pdf

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- track allocation of proceeds, such as amount and date of proceeds allocated to each eligible project, balance of unallocated proceeds as well as information about temporary investment instruments used to hold unallocated proceeds
- The settlement period of proceeds raised under Yuzhou Properties' Green Finance Framework is 3 years and the lookback period for refinancing purposes is 3 years prior to the issuance of a green bond/loan under this Framework.
 - In case of divestment from an eligible project or if a project is deemed ineligible for any reason, Yuzhou Properties commits to re-allocating or substituting with other eligible project(s).
 - Sustainalytics positively views Yuzhou Properties' commitment to refraining from investing unallocated proceeds to any high pollution activities that are in conflict with the eligibility criteria under the Framework.
 - Sustainalytics considers Yuzhou Properties' management of proceeds to be in line with market practice.
- Reporting:
 - Yuzhou Properties commits to undertake allocation reporting on an annual basis, until full allocation. Allocation reporting will contain information such as amount allocated to eligible projects, balance of unallocated proceeds and type of temporary investments. The Company, where feasible, also plans to report on the environmental and social impacts resulting from the eligible projects financed. Some of the impact metrics include – amount of energy saved (kWh), GHG emission avoided (tons of CO₂e), waste recycled (kg) and renewable energy generated (MWh).
 - The allocation and impact reports will be made available on Yuzhou Properties' website as well as its Environmental, Social and Governance report.
 - Sustainalytics views Yuzhou Properties' reporting practice as in line with market practice.

Alignment with Green Bond Principles 2018

Sustainalytics has determined that the Green Finance Framework aligns to the four core components of the GBP and GLP 2018. For detailed information please refer to Appendix 2: Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Strategy of Yuzhou Properties

Contribution of framework to Yuzhou Properties' sustainability strategy

Yuzhou Properties recognizes the adverse impacts that climate change can bring on societies and therefore seeks to reduce the environmental impacts of its construction projects. Under its Green Building initiative, Yuzhou Properties commits to review in detail all stages of the construction lifecycle as well as its operation and maintenance in order to enhance energy efficiency.⁵

Yuzhou Properties plans to increase its green construction⁶ by about 35% in the next 3 years⁷ and this is expected to subsequently result in reduction of energy and material consumption. The Company also confirms that all the 800,000 m² of projects under construction currently, are expected to be compliant with Chinese Green Building Evaluation Label 1 star or above. Yuzhou Properties has established policies and measures on environmental protection throughout its value chain, including regulatory compliance during the land development stage and international green building requirement compliance during the project design phase. Resource and energy monitoring and minimizing are embedded during site management and energy efficiency measurements are incorporated in its property sale and management policies. All projects are to be aligned with relevant local and national laws, such as the Environmental Protection Laws of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Water Pollution and the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution.⁸

Based on Yuzhou Properties' sustainability strategies and policies, Sustainalytics is of the opinion that the Green Finance Framework is aligned with the company's overall sustainability efforts and will further advance

⁵ Yuzhou Properties Co. Ltd. Environmental, Social, and Governance Report 2018. To be retrieved from: <http://ir.yuzhou-group.com/documents/esg2018.pdf>

⁶ Yuzhou Properties has confirmed with Sustainalytics that they define green construction as construction projects that are compliant with Chinese Green Building Evaluation Label 2 star or above.

⁷ Yuzhou Properties has not publicly committed to this target but has conveyed to Sustainalytics that they intend to achieve this goal by end of 2022

⁸ Yuzhou Properties Co. Ltd. Environmental, Social, and Governance Report 2018. To be retrieved from: <http://ir.yuzhou-group.com/documents/esg2018.pdf>

the Company's action on its key environmental priorities. Sustainalytics further encourages Yuzhou Properties to incorporate quantitative measurements and targets for its sustainability strategies.

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

While Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards eligible projects that are recognized by the GBP and create positive environmental impacts, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental risks associated with the eligible projects including air, water, and soil pollution during the construction phase, biodiversity loss and land use change as a result of new project development. Relevant social risks may include workers' health and safety during construction, public opposition on project development, and potential relocation risks posed on the local communities due to the new project developments.

Sustainalytics is of the opinion that Yuzhou Properties is able to manage and mitigate potential environmental, social and governance (ESG) risks.⁹

- Emissions and waste – Since 2016, Yuzhou Properties has been monitoring and measuring its GHG emissions at its offices. The company has also implemented initiatives to minimize its construction waste through careful planning and maximizing reusable materials. The Company requires its contractors to strictly perform the duties of controlling emissions, including construction sewage, dust, as well as segregation of hazardous and non-hazardous waste which is then processed according to the local laws and regulations.
- Health and safety – Yuzhou Properties has a 'Standardization Guideline on Safe and Civilized Operations' which sets out guidelines and a mandate for on-site safety practices. The Company is compliant with ISO 45001 Occupational health and safety and holds regular employee health seminars.
- Supply chain management – Yuzhou Properties has set out criteria for selecting suppliers as well as outlining a tender mechanism under its "Regulations Governing Suppliers" and "Operational Guidelines for Procurement, Invitation and Submission of Tenders". Before the Company selects its suppliers, inspections are made to ensure the production equipment, quality of materials and workers' operation level. Furthermore, the suppliers are requested to provide corporate production safety licenses as well as authentication certificates in quality, environment and occupational health and safety.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Yuzhou Properties has implemented sufficient measures and is well positioned to mitigate environmental and social risks commonly associated with the eligible categories. Furthermore, Sustainalytics encourages Yuzhou Properties to incorporate communications and engagement practices with existing residents and communities where the Company operates in order to broaden its positive environmental impact to a broader population.

Section 3: Impact of Use of Proceeds

All four use of proceeds categories are recognized as impactful by GBP and GLP. Sustainalytics has focused on the impacts that Yuzhou Properties' projects will have on China's construction industry.

Importance of promoting a sustainable construction industry and green buildings in China

China is the largest CO₂ emitter, responsible for approximately 27.2% of global emissions, in 2017¹⁰ It is estimated that buildings' life cycle energy accounted for approximately 43% of China's total energy consumption (estimates based on year 2011, 2012 and 2013).¹¹

China faces major air and land pollution issues. In 2016, about 75% (254 cities)¹² of all Chinese cities failed to meet national ambient air quality standards.¹³ Rapid urbanization has resulted in production of large amounts of construction waste. China produces more construction waste than any other country. It is

⁹ Yuzhou Properties Co. Ltd. Environmental, Social, and Governance Report 2018. To be retrieved from: <http://ir.yuzhou-group.com/documents/esg2018.pdf>

¹⁰ World Economic Forum, Chart of the day: These countries create most of the world's CO₂ emissions, June 2019, at: <https://www.weforum.org/agenda/2019/06/chart-of-the-day-these-countries-create-most-of-the-world-s-co2-emissions/>

¹¹ Yan Zhang et al., China's energy consumption in the building sector: A life cycle approach, 2015, at: <https://www.sciencedirect.com/science/article/abs/pii/S0378778815002030>

¹² Ministry of Environmental Protection The People's Republic of China, Report on the State of the Environment in china, (2016), at: <http://english.mee.gov.cn/Resources/Reports/soe/ReportSOE/201709/P020170929573904364594.pdf>

¹³ 'Air quality meeting the standard: the ambient air quality meets the standard when the concentrations of all pollutants under assessment meet the standard.' – Defined by Ministry of Environmental Protection the People's Republic of China.

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estimated that every year, demolition and renovation projects produce about 2 billion tons of waste¹⁴, of which only about 10% is recycled.¹⁵ With projections that 70% of China's population will reside in urban areas by 2035,¹⁶ as compared to the 58.5% in 2017,¹⁷ the energy consumption, emissions, and waste production figures are likely to steeply rise unless steps are taken enhance resource efficiency in the buildings sector, specifically during the construction phase.

While focusing on expanding its urbanization, China also recognizes that it needs to do so in a sustainable way. Therefore, one of the focuses under China's National Plan on New Urbanization (2014 – 2020), is to 'enhance the environmental sustainability of cities by 2020'.¹⁸ In 2017, The Ministry of Housing and Urban-Rural Development of China issued the '13th Five-year plan for Building Energy Efficiency and Green Building Development' under which a 20% growth in energy efficiency level (as compared to 2015 levels) for newly constructed building has been planned.¹⁹ This plan also aims to have 50% of all newly constructed buildings in urban areas certified green buildings.

Based on the above, Sustainalytics considers that Yuzhou Properties' financing of construction and/or renovation projects that aim at complying to recognized certifications, and the investment in facilities and technologies that improve energy efficiency will contribute to improving energy and resource efficiency in the building sector in China, and further advance China's 13th Five Year Plan for Building Energy Efficiency and Green Building Development.

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 / loan advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Green buildings	9. Industry, innovation and infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Energy efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Pollution prevention and control	11. Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
Renewable energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix

Conclusion

Yuzhou Properties has developed the Green Finance Framework under which it intends to issue green bonds, loans or other debt instruments, including perpetual securities, corporate bonds and senior notes, to finance construction or renovation of green buildings, implementation of technologies that improve building energy efficiency and waste reduction, as well as development of renewable energy based infrastructure, such as

¹⁴ The Guardian, Concrete chokes our landfill sites – but where else can it go? (accessed in January 2020), at: <https://www.theguardian.com/cities/2019/feb/26/concrete-chokes-our-landfill-sites-but-where-else-can-it-go>

¹⁵ Ibid

¹⁶ China Daily, Urbanization rate to reach 70% by 2035, June 2019, at:

<https://www.chinadaily.com.cn/a/201906/24/WS5d1089b0a3103dbf14329ea7.html>

¹⁷ Yiping Xiaodong et al., How Far Has China's Urbanization Gone?, 2018, at:

https://www.researchgate.net/publication/327123913_How_Far_Has_China's_Urbanization_Gone

¹⁸ Ali Cheshmehzangi, China's New-Type Urbanization Plan (NUP) and the Foreseeing Challenges for Decarbonization of Cities: A Review, November 2016, at: https://www.researchgate.net/publication/307929866_China's_New-Type_Urbanisation_Plan_NUP_and_the_Foreseeing_Challenges_for_Decarbonisation_of_Cities_A_Review

¹⁹ World Resources Institute, TheCityFix, How Can China's Green Building Sector Grow Fivefold by 2030? 3 Cities Show Us the Way, May 2017, at:

<https://thecityfix.com/blog/how-can-chinas-green-building-sector-grow-500-by-2020-3-cities-show-us-the-way-debbie-weyl-miao-hong/>

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solar-energized streetlights. Sustainalytics considers that the projects funded under the Green Finance Framework will help improve energy and resource efficiency of the building sector in China.

The Green Finance Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics acknowledges that the Green Finance Framework is aligned with the overall sustainability strategy of the company and that the green use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 7, 9 and 11. Additionally, Sustainalytics is of the opinion that Yuzhou Properties has sufficient measures to identify, manage, and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that Yuzhou Properties Co Ltd is well-positioned to issue green bonds, loans or other debt instruments, and that that the Green Finance Framework is robust, transparent, and in alignment with the four core components of the GBP 2018, as well as the Green Loan Principles 2018.

Appendices




Appendix 1: Overview and Comparison of Real Estate Certification Schemes

	LEED ²⁰	HK BEAM Plus ²¹	China Three Star ²²
Background	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.	BEAM Society Limited (BSL), owner of the Building Environmental Assessment Method (BEAM), is a public body established in 2010. It owns BEAM Plus - a green building assessment tool tailor-made for the high-rise, high density built environment of sub-tropical climate in Hong Kong.	The Chinese 3-Star Green Building Standard is a Certification System used in China for residential and public buildings (including commercial, hotel and government-owned) that was introduced in 2006 by MOHURD (Ministry of Housing and Urban-Rural Development).
Certification levels	Certified Silver Gold Platinum	Bronze Silver Gold Platinum	1-Star 2-Star 3-Star
Areas of Assessment: Environmental Performance of the Building	<ul style="list-style-type: none"> • Energy and atmosphere • Sustainable Sites • Location and Transportation • Materials and resources • Water efficiency • Indoor environmental quality • Innovation in Design • Regional Priority 	<ul style="list-style-type: none"> • Site Aspects (location and design of building, emissions from the site, site management) • Materials Aspects (selection of materials, efficient use of materials, waste disposal and recycling) • Energy Use (annual CO2 emissions or energy use, energy efficient systems and equipment, energy management) • Water Use (water quality, water conservation, effluent discharges) • Indoor Environmental Quality (IEQ) 	<ul style="list-style-type: none"> • Land savings and outdoor environment • Energy savings and utilization • Water savings and utilization • Material savings and utilization • Indoor environment • Operations and management.

²⁰ Leadership in Energy and Environmental Design, at: <https://new.usgbc.org/leed>

²¹ Hing Kong, Building Environmental Assessment Method, at: <https://www.hkgbc.org.hk/eng/beam-plus/beam-plus-new-buildings/>

²² Chinese Green Building Evaluation Label (China Three Star), at: <http://www.qbig.org/collections/14970%22>

<p>Requirements</p>	<p>Prerequisites (independent of level of certification) + Credits with associated points</p> <p>These points are then added together to obtain the LEED level of certification</p> <p>There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).</p>	<p>Prerequisites for each performance area + Credits with associated points</p> <p>Detailed compliance with legal requirements is a prerequisite for the award of credits.</p> <p>For every performance area BEAM prescribes different prerequisites. Every applicable prerequisite in every BEAM category must be achieved for the project to be assessed.</p> <p>Credits are allocated for each performance area, and every area is weighted as per international consensus. The Overall Assessment Grade is determined by the percentage (%) of the applicable credits gained under each performance category and its weighting factor.</p> <p>Verification of compliance with BEAM criteria is done by an independent BEAM Assessor.</p>	<p>Prerequisites</p> <p>The system functions on a checklist basis, with 1-Star buildings meeting 26 criteria, 2-Star an additional 43 items, and 3-Star on a further 14 items. Criteria and weighting differ for public and residential buildings. In public buildings, more weight is given to energy and material savings, while the standard for residential buildings places greater importance on urban land saving and outdoor environments.</p>
<p>Performance display</p>			

Appendix 2: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Yuzhou Properties Co Ltd
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable: <i>[specify as appropriate]</i>	Green Finance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	26 February, 2020
Publication date of review publication: <i>[where appropriate, specify if it is an update and add reference to earlier relevant review]</i>	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarize 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 eligible categories for the use of proceeds - Green Buildings, Energy Efficiency, Pollution Prevention and Control, Renewable Energy - are aligned with those recognized by the Green Bond Principles and the Green Loan Principles 2018. Sustainalytics considers that the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically goals 7, 9 and 11.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input checked="" 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 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 checked="" 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 (<i>please specify</i>): |

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (*if applicable*):

Yuzhou Properties Co Ltd has established a Sustainability Taskforce that will be responsible for governing and implementing the Green Finance Framework. The Taskforce is comprised of senior representatives from its Design Management Department, Property Management Department, Cost Management Centre, and Financial Management Centre. The Sustainability Taskforce will identify Eligible Projects based on the criteria outlined in this Framework. Sustainalytics considers the project selection process in line 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 (<i>please specify</i>): |

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):

Yuzhou Properties will establish a dedicated Green Bond Fund Allocation Account to deposit proceeds received under the Green Finance Framework. Its Sustainability Taskforce will be responsible for keeping track of the funds allocated into this account. Yuzhou Properties commits to achieving full allocation of proceeds raised under this Framework to eligible projects within 3 years from the date of issuance of the bond. Sustainalytics considers this to be in line 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:

- | | |
|---|--|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input checked="" type="checkbox"/> Other (please specify): Type of temporary investment |

4. REPORTING

Overall comment on section (if applicable):

Yuzhou Properties Co Ltd intends to report on allocation of proceeds, the balance of unallocated proceeds, and examples of eligible green projects on its website on an annual basis until full allocation. Yuzhou Properties Co Ltd is also committed to, where feasible, reporting on relevant environmental and social impact metrics. Sustainalytics views Yuzhou Properties Co Ltd.'s allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (<i>please specify</i>): |

Information reported:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Green Bond financed share of total investment |
| <input type="checkbox"/> Other (<i>please specify</i>):
Unallocated balance of Funds, aggregate amount allocated to various Eligible Green Projects | |

Frequency:

- | | |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Impact reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (<i>please specify</i>): |

Frequency:

- | | |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Information reported (expected or ex-post):

- | | |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| <input type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Other ESG indicators (<i>please specify</i>): Amount of waste recycled, renewable energy generated, number of green buildings financed with type of certification |

Means of Disclosure

- | | |
|---|--|
| <input type="checkbox"/> Information published in financial report | <input checked="" type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (<i>please specify</i>): Company website |
| <input type="checkbox"/> 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. <http://ir.yuzhou-group.com/en/IRESGReports.aspx>

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

The Green Finance Framework will be available on Yuzhou Properties' website at: <http://ir.yuzhou-group.com/en/IRESGReports.aspx>

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

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

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 specialized 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.

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