

Second-Party Opinion

Yango Group Green Finance Framework



Evaluation Summary

Sustainalytics is of the opinion that the Yango Group Green Finance Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2018 and the Green Loan Principles 2020. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Green Buildings, Energy Efficiency, Pollution Prevention and Control, Sustainable Water Management – are aligned with those recognized by the Green Bond Principles 2018 and the Green Loan Principles 2020. Sustainalytics considers that the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 6, 7, 11 and 12.



PROJECT EVALUATION / SELECTION Yango Group's Green Bond Working Group will oversee the selection of eligible projects to be reviewed and ultimately approved by the Company's Chairman and senior management. Sustainalytics considers the project selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS Yango Group will track net proceeds through the Company's internal information system. Yango Group intends to maintain an Eligible Green Project Portfolio that matches or exceeds the net proceeds. Pending allocation, net bond proceeds will be held in cash and/or invested in short-term liquid instruments. This is in line with market practice.



REPORTING Yango Group intends to report allocation proceeds on its website on an annual basis until full allocation. Allocation reporting will include (i) the issuance amount or percentage of allocation to the Eligible Green Portfolio; (ii) examples of projects being financed; (iii) amount of proceeds allocated by Project Category; (iv) portion of net proceeds used for financing vs. refinancing; and (v) the balance of unallocated proceeds. In addition, Yango Group is committed to reporting on relevant impact metrics. Sustainalytics views Yango Group allocation and impact reporting as aligned with market practice.

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Introduction

Yango Group Co., Ltd. (“Yango Group”, or the “Group”) is a real estate development company that focuses on residential areas, office buildings, hotels and restaurants. Headquartered in Shanghai, China, the Group employs 9,676 people.

Yango Group has developed the Yango Group Green Finance Framework (the “Framework”) under which it intends to issue multiple green bonds, debentures or loans and use the proceeds to finance and/or refinance, in whole or in part, existing and future projects that bring about environmental benefits. The Framework defines eligibility criteria in four areas:

1. Green Buildings
2. Energy Efficiency
3. Pollution Prevention and Control
4. Sustainable Water Management

Yango Group engaged Sustainalytics to review the Framework, dated September 2020, and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2018 (GBP)¹ and the Green Loan Principles 2020 (GLP).² This Framework will be published in a separate document.³

Scope of work and limitations of Sustainalytics Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics independent⁴ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2018, as administered by ICMA, and the Green Loan Principles 2020, as administered by LMA⁵;
- The credibility and anticipated positive impacts of the use of proceeds;
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.5, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Yango Group’s 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 the Framework. Yango Group representatives have confirmed (1) they understand it is the sole responsibility of Yango Group to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

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

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Yango Group.

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.lsta.org/content/green-loan-principles/>.

³ The Yango Group Green Finance Framework is available on Yango Group Company Limited’s website at:

<http://www.yango.com.cn/index.php/Ch/Cms/Investor/shzr>.

⁴ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

⁵ In addition to the Loan Markets Association, the GLP is also administered by the Asia Pacific Loan Market Association and the Loan Syndications & Trading Association.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the intended allocation of proceeds but does not guarantee the realized allocation of the bond and loan proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument either in favor or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Yango Group has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Yango Group Green Finance Framework

Sustainalytics is of the opinion that the Yango Group's Framework is credible and impactful, and aligns with the four core components of the GBP and GLP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - Yango Group's four eligible categories – Green Buildings, Energy Efficiency, Pollution Prevention and Control, Sustainable Water Management – are aligned with those recognized by the GBP and GLP.
 - Under the Green Buildings category, the Company intends to finance the construction or retrofit of buildings that achieve LEED (Gold or above), Green Mark (Gold plus or above), China Three Star System (two stars or higher), BEAM Plus (Gold or higher), BREEAM (Very Good or higher)⁶ or for buildings that achieve a minimum 20% improvement in energy use and/or carbon emissions reduction compared to mandated local or regional baseline. Sustainalytics notes positively the use of credible third-party certification systems for the green building eligibility criteria. Sustainalytics has conducted an evaluation of the certifications and considers such certification standards and levels as having a positive impact (see Appendix 1 for additional details on the certification schemes).
 - Under the Energy Efficiency category, the Framework allows for the financing of systems for tracking energy usage and upgrades to facilities or equipment such as LED lights, efficient lift systems, and glass curtain walls and ventilation systems that reduce interior heat. Systems should have a 10% energy efficiency improvement or a 10% improvement against the development's original energy consumption level based on a third-party assessment. Sustainalytics views positively the Framework's inclusion of a defined energy efficiency threshold for the installation of energy-efficient systems, equipment, and technologies.
 - Under the Prevention Pollution and Control category, Yango Group intends to finance facilities, systems, and equipment that deliver waste reduction during the construction and/or operation of buildings such as waste management for tenants and the procurement of building materials derived from recycled content. The Company further confirms that waste management activities specifically pertain to waste collection, storage and processing, and will ensure the segregation of waste.
 - Under the Sustainable Water Management category, the Company will finance projects that increase water saving for domestic and commercial water consumption, such as rainwater harvesting and wastewater treatment systems. The Company has confirmed to Sustainalytics that wastewater treatment from fossil fuel operations is excluded.

⁶ Sustainalytics recognizes that BREEAM Very Good is considered to be in line with market practice in some contexts, while in others BREEAM Excellent is preferred. In any case, Sustainalytics encourages the selection of BREEAM buildings that achieve a minimum score of 70% in the Energy category.

- Yango Group has provided a list of activities to be excluded from financing related to its green bond and loan issuances under the Framework, such as any activity or technology associated with the extraction, production, storage, refining, transmission and distribution of fossil fuels; child and/or forced labor. Sustainalytics is of the opinion that the exclusionary criteria strengthen the Framework.
- Project Evaluation and Selection:
 - Yango Group has created the Green Bond Working Group, comprised of representatives from the Finance, Design and Architecture, Building Engineering and Internal Audit and Risk Management teams, which will be in charge of selecting eligible projects (“Eligible Green Projects”). The Green Bond Working Group will meet on a semi-annual basis or when amendments to the Eligible Green Project Portfolio are required. In addition, Eligible Green Projects must meet Yango’s policies on environmental and social standards. Eligible Green Projects will be reviewed and ultimately approved by the Company’s Chairman and senior management.
 - Based on the establishment of a Green Bond Working Group and the commitment to ongoing project review, Sustainalytics considers this evaluation and selection process to be in line with market practice.
- Management of Proceeds:
 - Net proceeds from the green bonds will be held in the Yango Group’s general account, while an equal amount will be earmarked for allocation to Eligible Green Projects. Net proceeds will be tracked using the Company’s internal information system.
 - Yango Group intends to maintain an Eligible Green Project Portfolio that matches or exceeds the net proceeds from green bonds issued under the Framework. The Company will remove any projects that no longer meet the Framework’s criteria and will be replaced with other eligible projects as soon as reasonably practicable. The Green Bond Working Group will be in charge of managing the Eligible Green Project Portfolio.
 - Pending allocation, net bond proceeds will be held in cash and/or invested in short-term liquid instruments in line with Yango Group’s policy. The Company has communicated to Sustainalytics their intention to fully allocate within two years of the issue date. Sustainalytics considers this timeframe to be in line with market practice for full allocation and encourages Yango Group to ensure that this practice is applied for all future issuances.
 - Based on the establishment of a portfolio and the handling of unallocated net proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - Yango Group commits to publishing on its website an allocation report within a year following the issuance of each instrument, and to be renewed annually until full allocation. Allocation reporting will include (i) the issuance amount or percentage of allocation to the Eligible Green Portfolio; (ii) examples of projects being financed; (iii) amount of proceeds allocated by Project Category; (iv) portion of net proceeds used for financing vs. refinancing; and (v) the balance of unallocated proceeds.
 - The Company also intends to report on the aggregated impact, where feasible, of the Eligible Green Portfolio. The impact reporting will include impact indicators such as (i) level of certification by property; (ii) annual greenhouse gas (GHG) emissions reduced/avoided tCO₂e; (iii) amount of waste reused or recycled (tonnes or percentage of total waste); and (iv) amount of water recycled (liters).
 - Based on the commitment to both allocation and impact reporting, Sustainalytics considers the reporting process to be in line with market practice.

Alignment with Green Bond Principles 2018 and Green Loan Principles 2020

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

Section 2: Sustainability Strategy of Yango Group

Contribution of Framework to Yango Group's sustainability strategy

Yango Group is committed to promoting residential and commercial developments that consider the best interests of society, vulnerable groups and the environment.⁷ In 2018, Yango Group launched Green Wise Home,⁸ a residential property strategy which outlines goals around the adequate environmental management and tenant well-being in the development of its properties.⁹ The Green Wise Home initiative implements environmentally friendly strategies and technologies such as designs to reduce electricity consumption; thermal preservation and heat-insulation for better resource management; energy saving equipment; improved design to reduce water consumption; and utilize rainwater harvesting techniques for purification and recycling; and ensure the prevention of soil contamination throughout the construction process.¹⁰ Per the first half of 2020, 76 out of the Company's 433 projects adhere to its Green Wise Home guidelines. The Company has communicated its ambitions to ensure most of its projects to be fully aligned with the Green Wise Home guidelines per end of 2023.

Yango Group has implemented a governance structure that supports its commitments to managing and minimizing the impact of the Company's operations on the natural environment. As part of the structure, the Company's Board, including the Chairman, are responsible for developing the Group's environmental, social and governance ("ESG") strategies, assessing ESG risks on an ongoing basis, supervising ESG management, and reviewing and approving internal policies related to stakeholder engagement.

Sustainalytics recognizes the importance of the above commitments and ambitions expressed by Yango Group and encourages the company to develop a comprehensive sustainability strategy with defined time-bound and quantifiable targets. Furthermore, Sustainalytics recognizes that this green bond issuance will help the company develop and improve their current and future sustainability strategy and performance.

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

While Sustainalytics recognizes that the net proceeds from the bonds and/or loans issued under the Framework will be directed towards eligible projects that are recognized by the GBP and GLP and anticipated to have a positive environmental impact, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects could include occupational health and safety, land use-change, biodiversity loss, community relations/stakeholder participation, and emissions and waste generated in construction.

In order to address these risks, the Company has communicated to Sustainalytics a series of measures it has in place for risk mitigation. Sustainalytics is of the opinion that Yango Group can manage and/or mitigate potential risks through the implementation of the following aspects:

- The Board is responsible for overseeing the formulation and reporting of ESG strategies and risks, and to ensure the Company maintains effective risk management measures and internal control systems. The Company further confirms to Sustainalytics that the Board takes ESG considerations into account when assessing a broad number of factors, including the management of environmental and social risks throughout its supply chain, and the development of green buildings.
- The Company has shared with Sustainalytics the Green Wise Home project review process consisting of several stages of revision along the project development phases. Starting with project managers reviewing the initial stages, the review process needs to be reviewed by the Head of the Green Wise Home Innovation who verifies that projects are in compliance with the strategy.
- To safeguard workers' health and safety, Yango Group has shared with Sustainalytics its "Quality and Safety Management Regulations"¹¹ that applies to all regions and projects under construction. The document outlines a three-tiered system consisting of (i) Yango Group's Quality and Safety Department, (ii) regional departments and (iii) "project leaders" who are responsible for implementing quality and safety management practices in each project.

⁷ Yango Group, "2019 CSR Report", at: <http://www.yango.com.cn/Upload/Ch/Cms/SheHuiZeRen/2020-09-25/2019%E5%B9%B4%E5%BA%A6%E7%A4%BE%E4%BC%9A%E8%B4%A3%E4%BB%BB%E6%8A%A5%E5%91%8A.pdf>.

⁸ Yango Group, "Ingenious Products", at: https://www.yangoholdings.com/en/industry_sun.html.

⁹ NCBI, "Global commitments and China's endeavors to promote health and achieve sustainable development goals", (2018), at: <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5898031/>.

¹⁰ Yango, "Green Wise Home", at: <http://www.yango.com.cn/webpage/ch/cms/cpfw/lshzhj.html>.

¹¹ Yango Group, "阳光城集团股份有限公司质量安全管理规定" has been shared with Sustainalytics for review.

- In addition, Yango Group adheres to China's Environmental Impact Assessment Act,¹² which requires companies to perform an environmental risk assessment for all projects (construction, reconstruction, expansion or refurbishment) during the initial phase of project design and feasibility analysis; and China's Occupational Disease Prevention Law and the Safe Production Law which requires enterprises to report their possible occupational hazard to the work safety administrative department for supervision of occupational health and safety.¹³ According to China's Environmental Impact Assessment Act, companies must perform an environmental risk assessment for all projects (construction, reconstruction, expansion or refurbishment) during the initial phase of project design and feasibility analysis. Moreover, the Chinese Act requires that companies undergo an assessment by an independent and certified environmental impact assessment agency to avoid potential conflict of interest.¹⁴ Yango Group has further confirmed to Sustainalytics that prior to each project development the Company seeks input from city planning departments and local communities.

Based on the above, Sustainalytics believes that Yango Group is adequately positioned to identify, manage and mitigate environmental and social risks commonly associated with the use of proceeds. Sustainalytics encourages the Company to further establish publicly available risk management policies per risk mentioned above and disclose details on their community consultation processes in the design and construction phase of all large infrastructure projects.

Section 3: Impact of Use of Proceeds

All four use of proceeds categories are aligned with those recognized by the GBP and GLP. Sustainalytics has focused below on how the impact is specifically relevant in the local context.

Importance of facilitating investments in green buildings and energy efficiency in China

In September 2020, President Xi Jinping announced at the UN General Assembly, the intention to scale up China's Nationally Determined Contribution (NDC) to address climate change by "adopting more vigorous policies and measures in an effort to peak CO₂ emissions before 2030 and reach carbon neutrality before 2060."¹⁵ In order to achieve these goals, a concerted effort to reduce CO₂ emissions across industries will be necessary. China has experienced average annual electricity consumption growth of 10% in the period 2000-2018,¹⁶ with buildings accounting for around 17.7% to 20.3% of the country's energy consumption,¹⁷ contributing significantly to CO₂ emissions steadily rising over the past decade.¹⁸ In addition, global energy use in buildings and building construction make up more than one-third of energy consumption and nearly one-quarter of GHG emissions.¹⁹

With expectations for the urban population to reach 1 billion people by 2030 in China,²⁰ the urban real estate sector will continue to grow, making it an important player in controlling carbon emissions and energy consumption. According to the United Nations Environment Program (UNEP), globally the building sector has the potential to avoid 50% of the projected growth in energy consumption through highly energy efficient or net-zero energy buildings in new construction, along with building retrofitting of the existing building stock by 2030.²¹ Similarly, the Intergovernmental Panel on Climate Change (IPCC) reiterates that the building sector

¹² Zhengzhou Foreign-funded Enterprise Service Center, "Environmental Impact Assessment Law of the People's Republic of China", at: <https://www.waizi.org.cn/law/11686.html>.

¹³ NCBI, "Regulatory system reform of occupational health and safety in China", (2015), at:

<https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4466881/#:~:text=In%20China%2C%20Occupational%20Disease%20Prevention,and%20work%20safety%20administrative%20department>.

¹⁴ China's Environmental Impact Assessment Law available at: <http://www.waizi.org.cn/law/11686.html>

¹⁵ WRI, "4 Questions About China's New Climate Commitments", (2020), at: <https://www.wri.org/blog/2020/09/4-questions-about-chinas-new-climate-commitments>.

¹⁶ IEA, "Southeast Asia Energy Outlook Report 2019", (2019), at:

https://webstore.iea.org/download/direct/2887?filename=southeast_asia_energy_outlook_2019.pdf.

¹⁷ Huo, Tengfei et al. (2018), "China's Energy Consumption in the Building Sector: A Statistical Yearbook-Energy Balance Sheet based splitting method", at: <https://www.sciencedirect.com/science/article/pii/S0959652618306152>.

¹⁸ Carbon Brief, "Analysis: Global fossil-fuel emissions up 0.6% in 2019 due to China", (2019), at: <https://www.carbonbrief.org/analysis-global-fossil-fuel-emissions-up-zero-point-six-per-cent-in-2019-due-to-china>

¹⁹ Global Alliance for Buildings and Construction, "Towards zero-emission efficient and resilient buildings: Global Status Report" (2016), available at: https://www.worldgbc.org/sites/default/files/GABC_Global_Status_Report_V09_november_FINAL.pdf.

²⁰ IFC, "Climate Investment Opportunities in Emerging Markets", (2016), at: https://www.ifc.org/wps/wcm/connect/59260145-ec2e-40de-97e6-3aa78b82b3c9/3503-IFC_Climate_Investment_Opportunity-Report-Dec-FINAL.pdf?MOD=AJPERES&CVID=IBLd6Xq.

²¹ Global Alliance for Buildings and Construction, "Towards zero-emission efficient and resilient buildings: Global Status Report" (2016), available at: https://www.worldgbc.org/sites/default/files/GABC_Global_Status_Report_V09_november_FINAL.pdf.

offers the largest cost-effective GHG mitigation potential, delivering savings and economic gains through the implementation of existing technologies, building design, and sound policy development.²²

According to the China Construction Energy Saving Committee, energy consumption from the building sector accounted for 21% of China's aggregate energy use, and around 19.5% of energy-related CO₂ emissions in 2017.²³ Under the 13th Five Year Plan for Construction Development released by the State Council of China, the Chinese Government has set a target of increasing the share of urban green buildings to 50% of newly built green buildings, and increase the share of green building materials to be used for construction by 40%.^{24,25} To achieve this goal, energy-saving and emission-reduction technologies are being promoted by the Government.²⁶ Furthermore, the National Development and Reform Commission published the 13th Five Year Plan for Energy Development (2016-2020) to advance energy efficiency and energy consumption management, which aims to achieve a reduction in energy consumption per unit of GDP by 15% in 2020 compared to 2015.²⁷

The opportunities for the Chinese green buildings industry are significant, with an estimated USD 12.9 trillion in potential low carbon building investments by 2030.²⁸ Sustainalytics expects that Yango Group's financing for green buildings and energy efficiency projects will have a positive environmental impact by reducing GHG emissions from the built environment.

Importance of promoting sustainable water management in China

The World Bank notes that in order to ensure the continuity of China's economic prosperity, the effective management of water resources will play a critical role.²⁹ This will be a paramount consideration as the country seeks to continue its economic growth while addressing water scarcity that affects parts of the country due to uneven distribution of water resources.³⁰ With continued population growth, urbanization and socioeconomic advancements, stress on water resources has the potential to exacerbate well into the future.³¹ This could potentially have a significant impact on small and medium sized cities and other rural areas where there is less infrastructure to provide for water supply, sanitation and flood protection.³²

Similarly, China's socioeconomic development over the past decades has resulted in undesirable side-effects associated with water quality and availability.³³ Further expected urbanization and increasing domestic wastewater discharge is adding pressure on water quality and availability due to increased concentrated water demand and wastewater effluents.^{34,35} The 13th Five-Year Plan outlines important water-related targets including on surface water quality, water consumption and sewage processing rates in cities.³⁶ In 2020, the government allocated RMB 3.5 billion (USD 493 million) from the central budget to investments in project construction for water environment treatment,³⁷ and announced a plan to invest further RMB 1 trillion (USD 140 billion) in a series of water conservancy projects.

²² IPCC, "Climate Change 2014: Mitigation of Climate Change: 5th Assessment Report", (2014), at:

https://www.ipcc.ch/site/assets/uploads/2018/02/ipcc_wg3_ar5_frontmatter.pdf.

²³ CABEE, "China Construction Energy Consumption Report 2019", at: <http://www.cabee.org/site/content/23565.html>.

²⁴ WRI, "How Can China's Green Building Sector Grow Fivefold by 2030? 3 Cities Show Us the Way", (2017), at: <https://www.wri.org/blog/2017/05/how-can-china-s-green-building-sector-grow-fivefold-2030-3-cities-show-us-way>.

²⁵ Global Alliance for Buildings and Construction, "Towards zero-emission efficient and resilient buildings: Global Status Report" (2016), available at: https://www.worldgbc.org/sites/default/files/GABC_Global_Status_Report_V09_november_FINAL.pdf.

²⁶ The State Council of China, "13th Five Year Plan for Construction Development" (2017), at:

<http://www.mohurd.gov.cn/wjfb/201705/W020170504041246.pdf>.

²⁷ Grantham Research Institute on Climate Change and the Environment, "13th Five Year Plan", (2016), at: <https://climate-laws.org/geographies/china/policies/13th-five-year-plan>

²⁸ The International Finance Corporation, Climate Investment Opportunities in Emerging Markets Report (2016), available at:

https://www.ifc.org/wps/wcm/connect/59260145-ec2e-40de-97e6-3aa78b82b3c9/3503-IFC-Climate_Investment_Opportunity-Report-Dec-

²⁹ The World Bank, "China: A Watershed Moment for Water Governance", (2018), at: <https://www.worldbank.org/en/news/press-release/2018/11/07/china-a-watershed-moment-for-water-governance>.

³⁰ *Ibid.*

³¹ WRI, "17 Countries, Home to One-Quarter of the World's Population, Face Extremely High Water Stress" (2019), at:

<https://www.wri.org/blog/2019/08/17-countries-home-one-quarter-world-population-face-extremely-high-water-stress>.

³² The World Bank, "China: A Watershed Moment for Water Governance", (2018), at: <https://www.worldbank.org/en/news/press-release/2018/11/07/china-a-watershed-moment-for-water-governance>.

³³ Ma, Ting et al. (2020), "China's improving inland surface water quality since 2003", at: <https://advances.sciencemag.org/content/6/1/eaau3798>.

³⁴ Bao, Chao et al. (2019), "Scenario Modeling of Urbanization Development and Water Scarcity Based on System Dynamics: A Case Study of Beijing–Tianjin–Hebei Urban Agglomeration, China", at: <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC6843306/>

³⁵ Ma, Ting et al. (2020), "China's improving inland surface water quality since 2003", at: <https://advances.sciencemag.org/content/6/1/eaau3798>.

³⁶ The State Council of The People's Republic of China, "China's environment targets in 13th Five-Year Plan" (2016), at:

http://english.www.gov.cn/policies/infographics/2016/03/09/content_281475304125348.htm.

³⁷ The State Council of The People's Republic of China, "China ramps up efforts to improve water environment", (2020), at:

http://english.www.gov.cn/statecouncil/ministries/202003/24/content_WS5e7a02a5c6d0c201c2cbf599.html.

Sustainalytics is of the opinion that financing projects in sustainable water management category is expected to positively contribute to the country's water safeguarding ambitions.

Alignment with/contribution to SDGs

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

Use of Proceeds Category	SDG	SDG target
Green Buildings	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
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Pollution Prevention and Control	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Sustainable Water Management	6. Clean Water and Sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally

Conclusion

Yango Group has developed the Yango Group Green Finance Framework under which it intends to issue green bonds, debentures or loans and use the proceeds to finance and/or refinance, projects with expected environmental benefits. Sustainalytics expects that the projects funded by the green bond proceeds will provide positive environmental impact.

The Yango Group 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 believes that the Yango Group Green Financing Framework is aligned with the overall sustainability strategy of the Company and that the green use of proceeds categories may contribute to the advancement of the UN Sustainable Development Goals 6, 7, 11 and 12. Additionally, Sustainalytics is of the opinion that Yango Group has adequate 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 considers the issuance as green bonds and loans to further advance Yango Group's sustainability strategy. Yango Group Green Finance Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2018 and Green Loan Principles 2020.

Appendices

Appendix 1: Green Building Certification Schemes

	LEED	BEAM Plus	BREEAM	CHINA THREE STAR	BCA Green Mark
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.	BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK. Used for new, refurbished and extension of existing buildings.	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).	The BCA Green Mark Scheme provides real estate certifications in Singapore to promote sustainability in the built environment (during project conceptualization and design, as well as during construction). ³⁸
Certification levels	Certified Silver Gold Platinum	Bronze Silver Gold Platinum	Pass Good Very Good Excellent Outstanding	1-Star 2-Star 3-Star	Certified Gold Gold Plus Platinum
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"> • Energy • Land Use and Ecology • Pollution • Transport • Materials • Water • Waste • Health and Wellbeing • Innovation 	<ul style="list-style-type: none"> • Land savings and outdoor environment; • Energy savings and utilisation; • Water savings and utilisation; • Material savings and utilisation; • Indoor environment; • Operations and management. 	<ul style="list-style-type: none"> • Climate Responsive Design • Building Energy Performance • Resource Stewardship • Smart and Healthy Buildings • Advanced Green Efforts •

³⁸ About BCA Green Mark Scheme, at: https://www.bca.gov.sg/greenmark/green_mark_buildings.html

Requirements	<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.³⁹ 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 depending on the levels of certification + Credits with associated points</p> <p>This number of points is then weighted by item⁴⁰ and gives a BREEAM level of certification, which is based on the overall score obtained (expressed as a percentage). Majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their BREEAM performance score.</p> <p>BREEAM has two stages/ audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.</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>Prerequisites for each performance area (to demonstrate minimum criteria met) + numerical scores achieved in accordance with the criteria in each performance area. Performance Areas have different weights.⁴¹</p> <p>Depending on the level of building performance and numerical score achieved in performance area, building's level of certification is determined.</p> <p>Assessment of compliance with Green Mark criteria is done by the Singapore Building and Construction Authority (BCA).</p>
Performance display					

³⁹ BEAM Plus New Buildings, at: <https://www.beamsociety.org.hk/files/download/download-20130724174420.pdf>.

⁴⁰ BREEAM weighting: Management 12%, Health and wellbeing 15%, Energy 19%, Transport 8%, Water 6%, Materials 12.5%, Waste 7.5%, Land Use and ecology 10%, Pollution 10% and Innovation 10%. One point scored in the Energy item is therefore worth twice as much in the overall score as one point scored in the Pollution item.

⁴¹ Green Mark at: https://www.bca.gov.sg/GreenMark/others/Green_Mark_NRB_2015_Criteria.pdf.

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

Section 1. Basic Information

Issuer name:	Yango Group Company Limited
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Yango Group Green Finance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	October 9, 2020
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

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

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

- | | |
|--|--|
| <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, Sustainable Water Management – are aligned with those recognized by the Green Bond Principles 2018 and the Green Loan Principles 2020. Sustainalytics considers that the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 6, 7, 11 and 12.

Use of proceeds categories as per GBP:

- | | |
|---|--|
| <input 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 checked="" type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input 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 GBP | <input type="checkbox"/> Other (<i>please specify</i>): |

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Yango Group's Green Bond Working Group will be in charge of selecting eligible projects to be reviewed and ultimately approved by the Company's Chairman and senior management. 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 checked="" 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):

Yango Group will track net proceeds through the Company's internal information system. Yango Group intends to maintain an Eligible Green Project Portfolio that matches or exceeds the net proceeds. Pending allocation, net bond proceeds will be held in cash and/or invested in short-term liquid instruments. This is 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 type="checkbox"/> Other (please specify): |

4. REPORTING

Overall comment on section (if applicable):

Yango Group intends to report allocation proceeds on its website on an annual basis until full allocation. Allocation reporting will include (i) the issuance amount or percentage of allocation to the Eligible Green Portfolio; (ii) examples of projects being financed; (iii) amount of proceeds allocated by Project Category; (iv) portion of net proceeds used for financing vs. refinancing; and (v) the balance of unallocated proceeds. In addition, Yango Group is committed to reporting on relevant impact metrics. Sustainalytics views Yango Group allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- ☐ Project-by-project
 ☒ On a project portfolio basis

☐ Linkage to individual bond(s)

☐ Other (*please specify*): Examples of projects being financed
Information reported:
☒ Allocated amounts

☒ Green Bond financed share of total investment

☒ Other (*please specify*): Examples of projects being financed
Frequency:
☒ Annual

☐ Semi-annual

☐ Other (*please specify*):
Impact reporting:
☐ Project-by-project

☒ On a project portfolio basis

☐ Linkage to individual bond(s)

☐ Other (*please specify*):
Information reported (expected or ex-post):
☒ GHG Emissions / Savings

☒ Energy Savings

☒ Decrease in water use

☒ Other ESG indicators (*please specify*): Level of certification by property; Amount of waste reused or recycled (tonnes or in % of total waste); Amount of water recycled (litres)
Frequency
☒ Annual

☐ Semi-annual

☐ Other (*please specify*):
Means of Disclosure
☐ Information published in financial report

☐ Information published in sustainability report

☒ Information published in ad hoc documents

☒ Other (*please specify*): The reports will be available on Yango Group's website

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

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

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

--

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 specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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Named

2015: Best SRI or Green Bond Research or Rating Firm
2017, 2018, 2019: Most Impressive Second Opinion Provider

