



Yuzhou Properties Company Limited

Green Finance Framework

February 2020



Introduction

Yuzhou Properties Company Limited (“Yuzhou Properties” or the “Company”, Hong Kong stock code: 01628) commenced property development business in 1994. We are one of the leading national property developers in China with our headquarters in Shanghai. Adhering to our strategy of Cultivating in Regions Leading the Market, we strive to develop residential and commercial properties which align with market trends in first-and second-tier cities. In addition, we engage in property-related businesses such as residential and commercial property management. Renowned for our distinguished product quality, diversified product portfolio, strong brand awareness and seasoned management team, we have been named “Top 100 China Real Estate Enterprises” for twelve years in a row; and Top 50 China Real Estate Enterprises from 2011 to 2019.

Yuzhou Properties Green and Sustainability Vision

With significant business development in recent years, our concerns over corporate social responsibilities and sustainable development also grew. As a key member among all property developers, Yuzhou Properties promotes green building and seeks to build better homes, on the mission of “Building Cities with Heart, Building Homes with Love”. With this vision, we have stepped up our green building initiative. In face of the social impacts of climate change on society in recent years, the Company has carefully looked into construction plans and designs, as well as each stage of the whole lifecycle of construction from operation through maintenance, to enhance the efficiency in energy consumption and mitigate the impact of our business operations on the climate, upholding the notion of green development and facilitate the formation of an eco-friendly culture. Recently, MSCI has announced a BBB ESG rating for Yuzhou Properties, which stands as the highest among China real estate developers.

Framework Concept

This bespoke Green Finance Framework (“GFF” or the “Framework”) has been developed to demonstrate how our Company and its entities intend to enter into Green financing transactions to fund projects and developments that will deliver environmental benefits to support Yuzhou Properties’ business strategy and green and sustainability vision, particularly those related to improving the environmental performance of buildings, landscapes and the communities in which they are located, as well as the health of their respective users.

Fundraising will include bonds and loans with structures tailored to contribute to sustainable development by application of the proceeds to Eligible Projects as defined in this Framework.

Green Financing Transactions (“GFT”) will include bonds, loans and other debt or financing structures tailored to contribute to clean energy development and low carbon economy by application of the proceeds to Eligible Projects as defined in this Framework.

- With respect to **bonds**, bonds issued under GFF will be in alignment with the Green Bond Principles (GBP June 2018)¹ or as they may be subsequently amended.
- With respect to **loans**, loans issued under GFF will be in alignment with the Green Loan Principles (GLP December 2018)² or as they may be subsequently amended.

¹ <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

² https://www.lma.eu.com/application/files/9115/4452/5458/741_LM_Green_Loan_Principles_Booklet_V8.pdf



- **Other forms of financing** may conform to other sustainable or green finance principles as may have been established at the time of such financing transaction being undertaken.

GFT may be done in any currency or tenor and with other terms and conditions including covenants, to reflect the financing strategy and plan of Yuzhou Properties as well as the outcome of the commercial discussions between the Issuer/Borrower and Manager/Arranger/Lender.

GFT may be done in any jurisdiction and market reflecting Yuzhou Properties' current and future business needs.

Yuzhou Properties' Green Finance Framework

For each GFT, Yuzhou Properties management asserts that it will adopt the following principles:

- I. Use of Proceeds
- II. Project Evaluation and Selection
- III. Management of Proceeds, and
- IV. Reporting

The GFF will be in force as long as there is live GFTs. Yuzhou Properties may update this GFF and commits that any new version will keep or improve the current level of transparency and reporting.

I. Use of Proceeds

The proceeds of each GFT will be used exclusively for the financing and/or re-financing of Eligible Projects at Yuzhou Properties, in whole or in part, including the acquisition, construction, development or re-development of such projects that provide clear environmental and sustainability benefits explicitly recognized by GBP.

The Eligible Projects means projects that comprise financing which fall within the categories below, which are or have been originated by the various business units of Yuzhou Properties.

Eligible Projects for Yuzhou Properties	Description and Examples
Green Buildings	<ul style="list-style-type: none"> ● New construction or renovation of existing commercial and residential buildings certified in accordance with any one of the following selected certification systems: <ul style="list-style-type: none"> - Chinese Green Building Evaluation Label (GBL)³ – 2 star or above - U.S. Leadership in Energy and Environmental Design (LEED) – Gold or above - HK BEAM PLUS – Gold or above <p>For details of our existing Green Building projects, please refer to the</p>

³ Chinese Green Building Evaluation Label" is reference to "绿色建筑评价标识管理办法 (试行) (建科[2007]206号) Assessment standard for green building GB/T 50378". http://www.mohurd.gov.cn/wjfb/200708/t20070827_158564.html



	Appendix.
Energy Efficiency	<ul style="list-style-type: none">● Investments in facilities and technology to achieve at least a 10% improvement compared to baseline in energy efficiency including:<ul style="list-style-type: none">- Energy efficient air conditioners- Variable speed drivers for air handling units- T5 lighting panels- LED lights- Lighting with sensors- Variable voltage variable frequency (VVVF) type lift power system
Pollution Prevention and Control	<ul style="list-style-type: none">● Recycling facilities installed in commercial and residential buildings● Expenditure for recycling of food waste● Expenditure for construction waste recycling during construction stage● Rainwater management
Renewable Energy	<ul style="list-style-type: none">● Expenditure for rechargeable batteries and toner/cartridge● Development, deployment, and generation of energy from renewable sources (wind and solar) and the ancillary infrastructure including but not limited to development of land (e.g. solar water heating system, solar street light and solar cell etc) for each project

Yuzhou Properties considers that all of the above Eligible Project are in line with People's Bank of China (PBoC)'s Green Bond Catalogue 《中国人民银行绿色债券支持项目》

II. Project Evaluation and Selection

Yuzhou Properties has established a Sustainability Taskforce with responsibility for governing and implementing the GFF. Our Sustainability Taskforce gathers about once a month (subject to the construction plan of our new projects) for the purpose of governing and implementing the GFF. The Sustainability Taskforce is made up of senior representatives from the below departments (the "Project Team"):

- Design Management Department – Responsible for the preliminary research and judgment of the green construction work, technical scheme design and follow-up design implementation control.
- Property Management Department – Responsible for the collection of project energy saving data and emission reduction data during operation.
- Cost Management Center – Responsible for the cost analysis of green construction equipment and approach, recommend the best solution.
- Financial Management Center – Responsible for the management and control of the operation income and expenses of each project.

Respective Project Team mentioned above will identify potential Eligible Projects based on the eligibility criteria outlined in the GFF's Use of Proceeds section, and the Sustainability Taskforce.

Green building indicators are composed of six categories: safety and durability, health and comfort, convenience of life, resource conservation, livability, improvement and innovation. These six categories of indicators cover the basic elements of green building, including the



indicators of the planning and design, construction, operation management and recycling stages of the building's life cycle.

III. Management of Proceeds

Yuzhou Properties commits to allocating an equivalent amount of proceeds of each GFT to finance Eligible Projects (the "Settlement Period") within 3 years after such GFT and/or refinance existing Eligible Projects originated within 3 years prior to such GFT. The proceeds of each GFT will be deposited in the general funding accounts and to be earmarked to Eligible Green Projects.

Yuzhou Properties has robust internal procedures and will establish a dedicated Green Bond Fund Allocation Account (the "Green Account") to maintain a track of the equivalent amount of proceeds that Yuzhou has committed to allocate in the GFF. Our Sustainability Taskforce will record each fund allocated in the Green Account containing the following information:

(1) Type of Funding Transaction: key information including, issuer/borrower entity, transaction date, tranche(s) information, principal amount of proceeds, repayment or amortization profile, maturity date, and interest or coupon (and in the case of bonds, the ISIN number).

(2) Allocation of Use of Proceeds: Information including:

- Name, description and green certification of Eligible Projects to which the proceeds of the GFT have been allocated in accordance with this Framework.
- Amount and date of GFT proceeds allocated to each project.
- The remaining balance of unallocated proceeds yet to be earmarked.
- Other relevant information such as information of temporary investment for unallocated proceeds

Any balance of issuance proceeds which are not yet allocated to Eligible Green Projects will be held in accordance with Yuzhou Properties' normal liquidity management policy. Yuzhou Properties commits not to invest unallocated proceeds to any high pollution activities or any projects that are in conflict with the eligibility criteria under the GFF.

Yuzhou Properties aims to maintain a substantial buffer of Eligible Projects which ensure that if an Eligible Project in a Green bond / loan is sold or become ineligible; there will be a correct replacement.

In case of divestments or if an Eligible Project (as defined above) no longer meets the Eligible Criteria (as defined above), the funds will be reallocated to other Eligible Project within 3 months.

Additionally, if any material and critical controversies emerge in relation to a specific project, Yuzhou Properties commits to substitute that project with an alternative Eligible Project.

IV. Reporting

Yuzhou Properties will provide information on the allocation of the net proceeds of its Green Bond / Green Loan on Yuzhou Properties' website:



<http://ir.yuzhou-group.com/en/IRESGReports.aspx> and in the Company's Environmental, Social and Governance Report. Such information will be provided on an annual basis until all the net proceeds have been fully allocated. Yuzhou will also report periodically on the website when new green projects that fit under the framework are funded.

(1) Allocation Reporting: Yuzhou Properties will provide below information for the net proceeds of the all GFTs during the period:

- The aggregate amount allocated to various Eligible Green Projects
- The remaining balance of funds which have not yet been allocated and type of temporary investment
- Examples of Eligible Green Projects (subject to confidentiality disclosures)

(2) Impact Reporting: Where possible, Yuzhou Properties will report on the environmental and social (where relevant) impacts resulting from Eligible Projects. Subject to the nature of Eligible Projects and availability of information, Yuzhou Properties aims to include, but not limited to, the following Impact Indicators

Eligible Green Project Categories	Impact Indicators
Green Buildings	<ul style="list-style-type: none">• Amount of energy saved (kWh)• CO₂ (or other GHG) emissions avoided (tons of CO₂e)• Number and type of certification of green buildings
Energy Efficiency	<ul style="list-style-type: none">• Amount of energy saved (kWh)• CO₂ (or other GHG) emissions avoided (tons of CO₂e)
Pollution Prevention and Control	<ul style="list-style-type: none">• Amount of waste recycled (kg)• Number of recycling facilities provided
Renewable Energy	<ul style="list-style-type: none">• Renewable energy generation (MWh) / capacity (MW)• CO₂ (or other GHG) emissions avoided (tons of CO₂e)

Assurance

Yuzhou Properties has engaged with Sustainalytics to provide a Second Party Opinion ("SPO") on this Framework.



Appendix

Green Certification / honor	Award-winning projects
<ul style="list-style-type: none"> Chinese Green Building Evaluation Label (GBL) 2 Stars 	<ul style="list-style-type: none"> Yuzhou Dongtan Grace Mansion ; Yuzhou Langham Mansion (Qingdao Jimo JY18061 Project) ; Yuzhou Lakeside Langham (Xiaoshan Project F01); Yuzhou Royale Aqua Mansion (Yuzhou Wujiang Project 2017020); Wuxi Park Land; Changshu 2019A-003/004 Project; Yuzhou Tianjin 07 Project; Tangshan Lubei District Fenghuang New City A-01 Project; Beijing Tongzhou 068 Project; Shenyang Yuzhou Plaza
<ul style="list-style-type: none"> Sponge City Construction 	<ul style="list-style-type: none"> Yuzhou Xiang'an Project; Yuzhou Tong'an Project 2017TP03; Yuzhou East Coast Langham (Yuzhou Tong'an Project 2017TP01) Yuzhou Jingyue City; Yuzhou Honor Mansion (Anxi Guanqiaozhen 2013-21 Project)
<ul style="list-style-type: none"> US Green Building LEED Certification 	<ul style="list-style-type: none"> Shanghai Yuzhou Plaza; Xiamen Yuzhou Plaza
<ul style="list-style-type: none"> BEAM PLUS Platinum 	<ul style="list-style-type: none"> Hong Kong Yuzhou Upper Central