

# Green Finance Framework

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### Introduction to Yango

Yango Group Co., Ltd. (“Yango Group” or the “Company”; stock code: 000671.SZ), is one of the leading large-scale real estate developers in China. The Company is ranked No.13 in “China’s Top 500 Real Estate Developers in 2020” by China Real Estate Association ; The Company is also ranked No.13 in “China’s Top 100 Real Estate Companies in 2020” and recognized as “Top 5 Fastest Growing Real Estate Companies in 2020” in the 17th China Real Estate Top 100 Listed Companies published by the China Real Estate Top 10 Research Team, which was formed by the Development Research Center of the State Council, Institute of Real Estate Studies at Tsinghua University and China Index Academy.



### Yango Business Strategy

We provide a rich product line which covers middle and high-end apartments and villas in terms of residential properties and commercial offices, commercial complexes and star hotels in terms of commercial properties. Leveraging our strong foothold in Fujian province, especially in Fuzhou where we were the leader in the local real estate market in terms of sales volume for eight consecutive years from 2012 to 2019 according to China Real Estate Information Corporation, we have selectively expanded into other cities and regions across China that have a strong demand for commercial and residential properties.

We have established a “rapid turnover and high level of flexibility” business model focusing on achieving higher growth rates and investment returns while maintaining healthy margin for each

of our projects. We believe the application of the rapid-inventory-turnover approach to our property development enhances the investment return and efficiency of our development processes. Our rapid inventory-turnover model seeks to successfully drive our projects development process from land acquisition, planning and construction to sales and delivery to a short period of time. Our “rapid turnover and high level of flexibility” model is implemented through the systematic management and operation procedure applied in our business operations. Due to our systematic and streamlined operation procedure and strong capability of cost control and leveraging our “rapid turnover and high level of flexibility” business model, we are able to achieve rapid sales growth and cash circulation. We were recognized as “First in Top 10 China Real Estate Developer in terms of Operational Efficiency” by China Real Estate Association for seven consecutive years from 2012 to 2018.

We possess a large land bank with premium locations in Greater Fujian Area, Yangtze River Delta Region, Pearl River Delta Region, Beijing, Tianjin and Hebei Region, Taiyuan, Chongqing and Xi’an and other selected strategic cities in China. As of December 31, 2019, our land bank had total saleable GFA remaining unsold of approximately 41.0 million sq.m. at various stages of development with a total market value of approximately RMB555.1 billion.

### Competitive Strengths

We believe that the following strengths are key to our consistent growth, and will allow us to compete effectively in the property market in the PRC:

- Well-recognized brand name and leading market position;
- Increasing geographic and product diversification;
- A business model that focuses on “rapid turnover and maximum flexibility”;
- Abundant land bank of strategic locations to support our development;
- Efficient operation management and strong execution capability;
- Diversified sources of financing to support our business growth; and
- Experienced management team and comprehensive governance structure.

### Business Strategies

We intend to implement the following business strategies in order to achieve our goal of becoming a

leading property development company in China:

- Focus on further improving the intrinsic synergies of our real estate products and value-added services;
- Adhere to our regional layout plan, and identify other suitable markets with high growth potential;

## Yango – Green Finance Framework



- Continue to promote our brand recognition and image;
- Maintain our “rapid turnover and maximum flexibility” business model; and
- Continue to exercise our financial policies.

### Yango Sustainability Overview

Yango's core principles are of of “elite governance and separation of powers”. Yango has managed to achieve the strategic goals of “upgrading the scale and setting the benchmark for quality” to deliver “reliable and premium, green and healthy, convenient and safe” products.

Yango believes that “reliable quality and green and environment-friendly” products that create the “green smart home” underlines the residential strategy that will pave the way for all residential development in the future.

The Company is committed to implementing “low carbon concept” in the project development. In the design of the Project “Yango River Land”, in addition to meeting the requirements of the building's residential function, we also consider the aesthetics of the building and the unity and coordination with the surrounding environment; in the use of building materials, new materials are used to improve the quality of the building; “The Peninsula in Foshan” refers to the use of environment-friendly materials for exterior wall materials, which have the characteristics of heat insulation, frost resistance, corrosion resistance, and resistance to deformation; in the surrounding environment, the resulting natural resources and ecological environment are actively protected and utilized, striving to establish into an environment-friendly and resource-saving enterprise to build up a premier quality housing and create a better living environment.

This commitment is underlined in Yango's ‘Green Wise Home’ document. The aim of the Yango is implement healthy housing idea in all of its projects and these could be realized through a series of product development, design, and control with combination of relevant technologies. Furthermore, Yango has set up Green Wise Home Research Academy internally to ensure the projects developed are up to standard. The Research Academy consists of 4 departments – product development, operations, technology and business support, and is led by Mr. Jianbin WU, executive vice president of Yango, and Mr. Zhaoqiang ZHANG, vice president of product development team. This setup demonstrates the commitment from the Company to ESG initiatives and streamline the process for each project.

Yango has become the industry leader in promoting green and sustainable housing. In June 2020, Yango hosted ‘Green Wise Home’ workshop by bringing renowned Green experts and Green Research Academy in Hangzhou China. Papers published by Yango Green Wise Home Research Academy were included in China’s leading industry journals.

Yango is also focused on human capital. The Company established “Yango College” in Nov 2018, with the aim of training 1000 core talent per year. Such an initiative is to address the talent shortage both in the industry and in the company. In 2019, Yango was awarded as China’s best real estate employer by China Real Estate Association.

### Yango's Green Finance Framework

This bespoke Green Finance Framework has been developed to demonstrate how Yango could fund projects that deliver positive environmental impacts via Green Financing Transactions

The Green Finance Framework articulates how Yango intends to raise Green Bonds, debentures or loans to finance or refinance new and existing projects with environmental benefits.

In the case of Green Notes or loans, such financing (including refinancing) shall be of Green Projects that conform to the principles listed below:

- International Capital Market Association (“ICMA”) Green Bond Principles (“GBP”) 2018<sup>1</sup>;
- LMA / APLMA Green Loan Principles (“GLP”) 2020<sup>2</sup>.

In aligning with the above principles and guidelines, Yango's Green Finance Framework is presented through the GBP's four core components as well as its recommendation for External Review:

(a) **Use of Proceeds**

(b) **Process for Project Evaluation and Selection**

(c) **Management of Proceeds**

(d) **Reporting**

Bonds / loans issued under this Framework, investors will not bear the credit risk of the underlying allocated eligible asset exposures.

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

<sup>2</sup> <https://www.aplma.com/en/gsl/43>

1. Use of Proceeds

Yango will allocate an amount at least equivalent to the net proceeds of the Green Bonds/loans financing instruments issued under this Framework towards financing or refinancing, in whole or in part, new and/or existing eligible projects as described below (“Eligible Green Projects”) in the eligible categories, together forming the “Eligible Green Project Portfolio”.

Eligible Green Use of Proceeds Categories

Category (GBP)	Criteria	Eligible projects
<p><b>Green Buildings</b></p>  	<ul style="list-style-type: none"> <li>- Construction of new buildings and/or retrofit of existing buildings to the following levels: -</li> <li>- Buildings certified to an acceptable level under an internationally recognised green building certification scheme                             <ul style="list-style-type: none"> <li>o LEED (Gold or above)</li> <li>o Green Mark (Gold or above)</li> <li>o China ‘Three Star System’ (two stars or higher)</li> <li>o BEAM Plus (Gold or higher)</li> <li>o BREEAM (Excellent or higher)</li> </ul> </li> <li>Or</li> <li>- Buildings that achieve a minimum 30% improvement in energy use and/or carbon emissions compared to a mandated local or regional baseline or code</li> </ul>	<ul style="list-style-type: none"> <li>• River Land 阳光城悦江山</li> <li>• The Peninsula in Foshan 佛山绿岛湖壹号</li> <li>• Shanghai Metro Mansion 上海愉景公馆</li> <li>• Tianjin Haihe Education Winner Land Mansion 天津海河教育园文澜府</li> <li>• Nanjing Winner Land Mansion 南京文澜府</li> <li>• Xian Tan Happiness 西安檀悦</li> <li>• Xian Yango Winner Land Mansion 西安阳光城文澜府</li> </ul>
<p><b>Energy Efficiency</b></p>  	<ul style="list-style-type: none"> <li>- Projects relating to adoption of smart technologies and/or systems for tracking, monitoring and managing energy usage in new and existing buildings to ensure energy savings. Such projects shall result in, based on third-party assessment, 10% improvement in energy efficiency;</li> <li>- Projects involving the upgrades of facilities/equipment (e.g. cooling system, lift system, lighting system, fresh air supply system) of existing development that shall result in, based on third-party assessment, 10% improvement against the development’s original energy consumption</li> </ul>	<ul style="list-style-type: none"> <li>• Led lights</li> <li>• Efficient lift systems</li> <li>• Glass curtain walls</li> <li>• ventilation and greening technologies that reduce interior heat and contribute to higher energy efficiency</li> </ul>

Category (GBP)	Criteria	Eligible projects
<p><b>Pollution Prevention and Control</b></p>  	<ul style="list-style-type: none"> <li>- Facilities, system and equipment that are used to mitigate environmental pollution (e.g. air, noise, water) during the construction and/or operation of buildings</li> <li>- Waste prevention, treatment, management and recycling projects</li> </ul>	<ul style="list-style-type: none"> <li>• Management of waste for tenants and occupants</li> <li>• Building material derived from recycled content, low-carbon emissions, or certified by approved local certification body</li> </ul>
<p><b>Sustainable Water Management</b></p>  	<ul style="list-style-type: none"> <li>- Projects that have water saving features to reduce domestic and commercial water consumption</li> </ul>	<ul style="list-style-type: none"> <li>• rainwater harvester</li> <li>• cooling water recycler</li> <li>• irrigation system with water-saving features</li> <li>• Wastewater treatment systems to improve quality of treated wastewater</li> </ul>

**Businesses and projects that are involved in the following operations will not be Eligible Projects (Overall Exclusions List):**

- Any activity or technology associated with the extraction, production, storage, refining, transmission and distribution of fossil fuels
- Child labour
- Forced labour

### 2. Process for Project Evaluation and Selection

To ensure eligibility for green financing, Yango has set up the “**Green Bond Working Group**” in charge of the evaluation and selection of the Eligible Green Projects, in accordance with the eligibility criteria defined in the Use of Proceeds.

The Green Bond Working Group comprises of cross functional representatives from:

- Finance;
- Design and architecture;
- Building engineering;
- Internal audit and risk management;

The Green Bond Working Group meets on a semi-annual basis, including on an ad hoc basis when amendments are required to the Eligible Green Project Portfolio.

The Green Bond Working Group is responsible for:

- Reviewing and ratifying eligible projects to ensure eligibility for green financing
- Proposing the eligible projects to the Yango senior management to review and approve. The Chairman has final say over eligibility of projects under this Framework.
- Undertaking regular monitoring of the asset pool to ensure the eligibility of projects, whilst replacing any ineligible projects with new green assets
- Verifying compliance of the green projects with Yango’s policy and internal environmental and social standards
- Facilitating regular reporting on any Green issuance in alignment with the section 4 on ‘Reporting’
- Managing any future updates to the Framework

### 3. Management of Proceeds

The net proceeds of any Yango bond issuance under the Framework will be managed on a portfolio approach by the Green Bond Working Group and would be allocated as follows to Green Bonds / Loans in the Eligible Green Projects.

The net proceeds from Yango's Green financing instruments will be deposited in the general account and an amount equal to the net proceeds will be earmarked for allocation to the Eligible Green Projects in accordance with Yango's Green Finance Framework. Yango will attempt to maintain an Eligible Green Project Portfolio that at least matches or exceeds the net proceeds from its outstanding Bonds issued under this Framework.

During the life of the instruments issued under this Framework if a project ceases to fulfil the eligibility criteria, Yango will remove the same from the portfolio upon becoming aware and replace it with another eligible green project as soon as reasonably practicable.

Yango will track the use of net proceeds of instruments issued under this Framework via its internal information system on an annual basis. Key information includes issuer/borrower entity, transaction date, number of transactions, principal amount of proceeds, repayment or amortization profile, maturity date, interest or coupon, and the ISIN number in case of bond transaction.

The balance of the tracked proceeds should be adjusted on an annual basis, in order to match the allocation to Eligible Green Projects re/financed during this period.

For any net proceeds of instruments issued under this Framework that remain unallocated, Yango will hold the proceeds in cash and/or invest in other short-term liquid instruments, in line with Yango's policy.

### 4. Reporting

Yango intends to report the allocation of the net proceeds to the Eligible Green Portfolio. Reporting will take place within a year following the issuance of the applicable instrument issued under this Framework and will be renewed annually until full allocation.

Wherever feasible, Yango intends to report on the aggregated impact of the Eligible Green Portfolio on a category level on an annual basis, starting one year from the first Green financing instrument issuance, up to the date of full allocation of the Use of Proceeds and on a timely basis in case of material developments. Yango will align, on a best efforts basis, the reporting with the portfolio approach described in ICMA's Harmonized Framework for Impact Reporting (June 2019)<sup>3</sup>

The reports will be available on Yango's website.

#### a. Allocation reporting

Until the bonds are fully allocated, the Green Bond Working Group will annually prepare a report to update investors on the allocation of the net proceeds of instruments issued under this Framework. Reports will provide information such as:

- The issuance amount or percentage of allocation to the Eligible Green Portfolio
- Examples of projects being financed
- The amount of proceeds allocated by Project Category
- The portion of net proceeds used for financing vs. refinancing
- The balance of unallocated proceeds

#### b. Impact reporting

On an annual basis, Yango intends to report on the impact of the portfolio by category from environmental perspective, subject to the availability of information and baseline data and based on methodologies that will be publicly available.

The impact reporting will also provide information on the methodology and assumptions used for calculation of the impact metrics.

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<sup>3</sup> <https://www.icmagroup.org/green-social-and-sustainability-bonds/impact-reporting/>

Examples of indicators and Metrics:

Eligible Green Projects Categories	Examples of impact indicators
<b>Green Buildings</b>	<ul style="list-style-type: none"> <li>• Level of certification by property</li> <li>• Energy efficiency gains in MWh or % vs. baseline</li> <li>• Estimated avoided GHG emissions (tCO2eq)</li> <li>• Annual energy savings (MWh pa)</li> <li>• Annual reduction in water consumption</li> </ul>
<b>Energy efficiency</b>	<ul style="list-style-type: none"> <li>• Annual energy savings in MWh/GWh (electricity) and GJ/TJ (other energy savings)</li> <li>• Annual GHG emissions reduced/avoided in tonnes of CO2 equivalent</li> </ul>
<b>Pollution Prevention and Control</b>	<ul style="list-style-type: none"> <li>• Waste that is prevented, minimised, reused or recycled before and after the project in % of total waste and/or in absolute amount in tonnes p.a.</li> <li>• Amount of waste reused or recycled (tons or in % of total waste)</li> </ul>
<b>Sustainable Water Management</b>	<ul style="list-style-type: none"> <li>• Amount of water recycled (litres)</li> <li>• Amount of water reused (litres)</li> </ul>

**External Review**

**a. Second Party Opinion**

The Framework is supported by a Second Party Opinion (SPO) by Sustainalytics. The Second-Party Opinion ensures the Framework follows the highest standards as defined by the Green Bond Principles 2018, Asia Pacific Green Loan Principles 2020, and the best market practices. This is available on Yango website.

**b. External verification**

In order to provide transparent information about the reporting of the funds from bonds issued under this framework, Yango intends to engage a Second Party Opinion Provider/ Verifier/ External Auditor to provide the assessment on the alignment of the allocation of funds with Framework’s criteria until the full allocation of the proceeds. The verification report will be made available for investors on Yango website.

**Amendments to this Framework**

The Green Bond Working Group will review this Framework on a regular basis, including its alignment to updated versions of the Principles as and when they are released, with the aim of adhering to best practices in the market.

Such review may result in this Framework being updated and amended. The updates, if not minor in nature, will be subject to the prior internal approval of Yango. Any future updated version of this Framework that may exist will either keep or improve the current levels of transparency and reporting disclosures, including the corresponding review by an External Reviewer. The updated Framework, if any, will be published on Yango website and will replace this Framework.