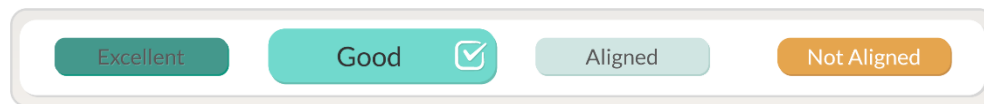


# Yuexiu Real Estate Investment Trust

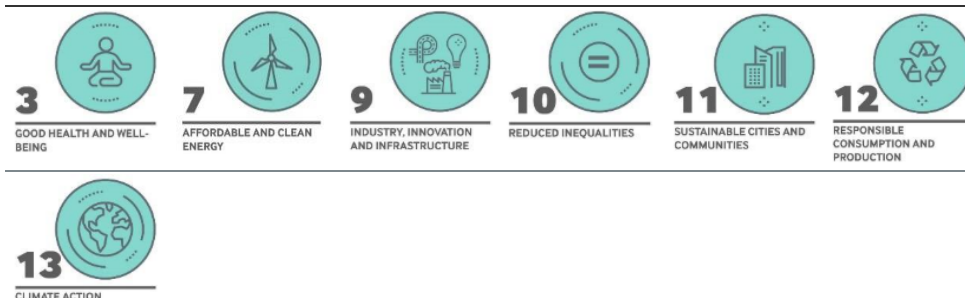
## Second-Party Opinion — Sustainable Finance Framework

Yuexiu Real Estate Investment Trust (YXR) is a real estate investment trust with investment properties in China. The issuer has published a sustainable finance framework. The uses of proceeds include six green categories and one social category. The framework aligns with the ICMA Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainability Bond Guidelines, as well as the LMA, LSTA and APLMA Green Loan Principles (GLP) and Social Loan Principles.



Pillar	Alignment	Key Drivers
Use of Proceeds	Good	<ul style="list-style-type: none"> <li>Sustainable Fitch deems that the eligible green projects under YXR's framework provide environmental benefits by promoting green buildings and other measures that support decarbonisation and reduction in the other environmental footprints of its building stock.</li> <li>We expect the social use of proceeds (UoP) category to finance social projects, such as housing units for the elderly and youth and community engagement programmes.</li> </ul>
Use of Proceeds – Other Information	Good	<ul style="list-style-type: none"> <li>The framework includes a list of excluded controversial activities, which has a positive impact on this section's outcome. The lookback period of five years is longer than standard market practice.</li> </ul>
Evaluation and Selection	Excellent	<ul style="list-style-type: none"> <li>YXR has established a robust evaluation and selection process that involves a multi-departmental working group with members that possess sustainability-related expertise.</li> </ul>
Management of Proceeds	Good	<ul style="list-style-type: none"> <li>YXR tracks its proceeds internally and invests unallocated proceeds in accordance with its liquidity guidelines, in line with standard market practice. It has committed to replacing projects that no longer meet the eligibility criteria, which improves the sustainability commitment of the instrument.</li> </ul>
Reporting and Transparency	Good	<ul style="list-style-type: none"> <li>YXR has committed to publishing allocation reports annually. It will disclose allocation at a portfolio level for multiple bonds and loans. Its indicative impact metrics are quantifiable and measurable.</li> </ul>

### Relevant UN Sustainable Development Goals



Framework Type	Sustainability
Alignment	<ul style="list-style-type: none"> <li>✓ Green Bond Principles 2025 (ICMA)</li> <li>✓ Social Bond Principles 2025 (ICMA)</li> <li>✓ Sustainability Bond Guidelines 2021 (ICMA)</li> <li>✓ Green Loan Principles 2025 (LMA/LSTA/APLMA)</li> <li>✓ Social Loan Principles 2025 (LMA/LSTA/APLMA)</li> </ul>
Date assigned	5 February 2026
SPO Methodology	See Appendix B for definitions.

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## Use of Proceeds Summary – ICMA Categories

<b>Green</b>	<ul style="list-style-type: none"> <li>Green buildings</li> <li>Climate change adaptation</li> <li>Energy efficiency</li> <li>Pollution prevention and control</li> <li>Renewable energy</li> <li>Clean transportation</li> </ul>
<b>Social</b>	Socioeconomic advancement and empowerment

Source: YXR sustainable finance framework

## Framework Highlights

We consider transactions under this sustainable finance framework to be aligned with the GBP, SBP and Sustainability Bond Guidelines by the ICMA; and the GLP and Social Loan Principles by the LMA, APLMA and LSTA (hereinafter collectively known as the “sustainable finance principles”).

The framework includes the four relevant pillars of the sustainable finance principles: UoP, project evaluation and selection, management of proceeds, and reporting and transparency. Our opinion is that the framework’s alignment with the sustainable finance principles is ‘Good’. YXR can issue or contract green, social or sustainability bonds or loans under the framework.

The framework comprises six green categories and one social category. Based on our discussions, we understand that YXR intends to allocate at least 90% of proceeds to the green buildings category. Accordingly, we apply a more significant weight to the green buildings category when assessing use of proceeds – eligible projects.

The green buildings UoP category can fund the acquisition and refurbishment of certified green buildings. We expect that YXR will finance its property development and investment projects, supporting its commitment to expand the proportion of certified green buildings in its investment portfolio.

The climate change adaptation UoP category includes investment in waterproofing measures and drainage system upgrades, which we expect apply to YXR’s buildings to support their resilience against extreme flooding events.

We expect the UoP categories under the energy efficiency, renewable energy and clean transportation categories to finance building systems and equipment that improves energy efficiency and reduces the carbon footprints of YXR’s buildings. These could include more efficient air conditioning systems, roof-top solar panels and installation of electric vehicle (EV) charging facilities, among others.

The pollution prevention and control UoP category covers activities that mitigate air and noise pollution, and activities that promote the circular economy through systematic waste sorting and recycling.

Proceeds under the socioeconomic advancement and empowerment category can be used to finance social infrastructure projects, including senior homes and youth or student hostels. We also expect YXR to invest proceeds into the development of community spaces that facilitate cultural exhibitions and community events for vulnerable groups.

The sustainable finance principles recommend that eligible projects are clearly described in the legal documentation of a sustainable finance transaction (SFT). We have only reviewed the sustainable finance framework for this Second-Party Opinion and have not reviewed any transaction-related legal documents or marketing materials; however, the framework provides a list of eligible project categories and outlines their eligibility criteria.

Source: Sustainable Fitch, YXR sustainable finance framework

## Entity Highlights

YXR is a Hong Kong real estate investment trust established under a trust deed dated 7 December 2005, between HSBC Institutional Trust Services (Asia) Limited as the trustee and Yuexiu REIT Asset Management Limited as the manager. It is listed on the Hong Kong Stock Exchange.

At end-2024, Yuexiu REIT owned 10 properties in Guangzhou, Shanghai, Wuhan and Hangzhou in mainland China and in Hong Kong, including offices, retail and wholesale malls, a hotel and serviced apartments, with a total gross floor area of 1.18 million sqm. In 2024, offices accounted for 56.6% of revenue, the hotel and serviced apartments for 25.0%, and retail and wholesale malls for 18.4%.

The real estate sector is responsible for substantial carbon emissions, resource consumption and pollution from building activities and operations. A report published by China's Association of Building Energy Efficiency indicates the total carbon emissions in China from building and housing construction were 4.15 billion tCO<sub>2</sub> in 2022, accounting for 39.2% of China's energy-related carbon emissions. Against this backdrop, YXR has strengthened its sustainability governance and targets to manage its impact and align with national "dual-carbon" objectives.

YXR's sustainability governance is overseen by the board of directors. It has set up a sustainability steering group at the management level that is led by the CEO, and established a sustainability working group and sustainability teams for properties at the execution level for implementing sustainability initiatives.

YXR set a target to reduce its Scopes 1 and 2 GHG emission intensity by 13.5% by 2025, from 2019 levels. It achieved this target early, recording reductions of about 20.0% for offices and retail and wholesale malls in 2024, and 19.8% for the hotel and serviced apartments. The company has not yet defined a net-zero emissions or carbon-neutrality target, although it has committed to contributing to China's goals of peaking carbon emissions by 2030 and achieving carbon neutrality by 2060. YXR has also set 2025 intensity targets for energy and water consumption.

YXR aims to increase the share of green buildings in its portfolio, although there is no specific and quantitative target. As of end-2024, 68.2% of the portfolio's gross floor area was certified as LEED Gold or above. In our view, this demonstrates that the majority of its portfolio buildings have better environmental performance than non-certified buildings, implying lower carbon and resources emissions.

Source: Sustainable Fitch, YXR ESG report 2024, YXR annual report 2024



## Use of Proceeds – Eligible Projects

## Alignment: Good

### Company Material

### Sustainable Fitch's View

#### Green buildings

- This category covers investment, acquisition, ownership, development and refurbishment of new or existing green buildings that have received or are expected to receive the following recognised certifications:
  - China Green Building Evaluation Label (CGBEL) 2-Star or above;
  - BEAM Plus Gold or above;
  - LEED Gold or above; or
  - BREEAM Excellent or above.
- We consider this UoP to have a positive environmental impact by developing buildings with lower environmental footprints. YXR has communicated to us that it aims to allocate at least 90% of the proceeds for instruments issued under this framework to this UoP. These projects will contribute to UN Sustainable Development Goal (SDG) 9 (industry, innovation and infrastructure).
- The listed internationally and nationally recognised green building certification standards require buildings to meet several environmental criteria for certification. These include requirements for energy savings and efficiency, water-saving designs, material consumption and indoor environmental quality. These standards certify buildings based on the thresholds of points attained.
- Certified buildings will have a reduced overall ecological footprint compared to non-certified buildings. Therefore, we anticipate these projects will have a positive environmental impact.
- YXR's portfolio consists mainly of commercial buildings in China. The company has committed to increasing the share of certified green buildings in its portfolio. As of end-2024, 68.2% of the gross floor area was certified to LEED Gold or above. We expect this UoP to support YXR in further increasing this proportion.
- International and science-based taxonomies assess the contribution of buildings to climate change mitigation based on the buildings' energy performance or international green building certifications. For instance, the EU taxonomy sets a threshold on buildings' primary energy demand compared to nearly zero-energy buildings. We cannot confirm the projects' alignment with the EU taxonomy, as the eligibility criteria do not specify a required primary energy demand.
- The 2025 edition of China's Green Finance Endorsed Project Catalogue (GFEPC) also considers real estate activities as an eligible activity under category 6.1.1 (green building construction and operations). The catalogue mandates achievement of one-star rating or above of the CGBEL. Therefore, we deem that eligible projects with CGBEL certifications will meet this requirement.
- We consider this UoP to be aligned with the green buildings category of the ICMA GBP and the LMA, LSTA and APLMA GLP.



#### Climate change adaptation


- This category includes the design, development, maintenance and upgrade of landscape and infrastructure, including optimising and upgrading the drainage system, and adding waterproofing measures in vulnerable areas.
- We consider this UoP to have a positive environmental impact by helping YXR's portfolio to be more adapted to the flooding associated with more frequent storm surges. These projects will contribute to SDG 13 (climate action).
- YXR has conducted a climate risk exposure analysis of its property assets and identified tropical cyclones, river flooding and wildfires as acute risks with potential negative impacts on operations, facilities, tenants and customers. We expect that proceeds allocated to this UoP will fund drainage upgrades and waterproofing materials for YXR's buildings, enhancing its properties' resilience to risks related to tropical cyclones and river flooding.
- This activity can be assessed under international taxonomies, such as the EU taxonomy, where it falls under the eligible activities of renovation of existing buildings, and acquisition and ownership of buildings. To substantially contribute to climate change adaptation, the adaptation measures should be responding to the most material physical climate risks,







	<p>based on the assessment results of climate risk assessment best practices. The eligibility criteria do not specify such requirements, so we cannot confirm the UoP's alignment under the EU taxonomy.</p> <ul style="list-style-type: none"> <li>• This activity is also included in China's GFEP, under category 6.4.2 (construction and operation of sponge city).</li> <li>• We consider this UoP to be aligned with the climate change adaptation category of the ICMA GBP and the LMA, LSTA and APLMA GLP.</li> </ul>
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#### Energy efficiency

<ul style="list-style-type: none"> <li>• This category includes investments and expenditure for construction and operation of projects that will achieve at least a 20% improvement in energy efficiency against the historic average before its installation.</li> <li>• According to the features of the project, the following new technologies conducive to improving energy efficiency can be reasonably selected and applied: efficient chilled-water plant systems, intelligent lighting systems, intelligent machine control systems, energy management systems, energy-saving elevators, variable-frequency motors, heat recovery systems, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• We consider this UoP to have a positive environmental impact by reducing buildings' demand for energy, thereby contributing to SDG 7 (affordable and clean energy).</li> <li>• Based on our communication with YXR, YXR has confirmed that the eligibility requirement is to achieve a 20% improvement in energy efficiency for the financed equipment or system, not for the entire building. The company aims to measure the change in energy efficiency based on the meters installed in the buildings' energy management system, using two years of data before and after the installation of the technologies or systems.</li> <li>• Buildings contribute to around 30% of global energy demand, according to data from the International Energy Agency. We deem installation of various energy-efficient systems as crucial to reducing the overall energy consumption in buildings, thereby reducing the associated carbon emissions.</li> <li>• International taxonomies, such as the EU taxonomy, consider the installation, maintenance and repair of energy-efficiency equipment to be eligible for substantial contribution for climate change mitigation. The EU taxonomy requires them to be rated in the highest two populated classes of energy efficiency, in accordance with the EU regulations. The framework does not specify such requirements, so we cannot confirm the projects' alignment with the EU taxonomy.</li> <li>• These activities are included in China's GFEP, under category 6.1.3 (environmental-friendly renovation and operation of existing buildings).</li> <li>• We consider this UoP to be aligned with the energy efficiency category of the ICMA GBP and the LMA, LSTA and APLMA GLP.</li> </ul>	 <b>7</b> AFFORDABLE AND CLEAN ENERGY
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#### Pollution prevention and control

<ul style="list-style-type: none"> <li>• This category includes investments and expenditure for developing and operating infrastructure and equipment for air pollutant emissions reduction, and air and noise pollution control.</li> <li>• It also includes waste classification, recycling and treatment, as well as segregation of recyclables prior to energy conversion.</li> </ul>	<ul style="list-style-type: none"> <li>• We consider this UoP to have a positive environmental impact by investing in projects that can reduce air and noise pollution, as well as by reducing waste sent to landfills. These projects will contribute to SDGs 11 (sustainable cities and communities) and 12 (responsible consumption and production).</li> <li>• We analyse the UoP as including two sub-categories. The first sub-category pertains to infrastructure and equipment that support mitigation of air and noise pollution.</li> <li>• Based on our communication with YXR, these investments are related to equipment enhancement for reducing the associated air pollutants and abnormal noise generated during the buildings' operation stage. There is no further information on the intended types of the infrastructure or equipment that YXR intends to finance, or on the quantitative environmental thresholds for them.</li> <li>• In our view, investment in mitigating air and noise pollutants provides environmental benefit, as it helps reduce buildings' environmental footprint. We cannot evaluate the level of environmental benefit with the limited information available.</li> <li>• The second sub-category pertains to waste management, including classification, recycling, treatment and segregation of recyclables prior to energy conversion. According to YXR,</li> </ul>	 <b>11</b> SUSTAINABLE CITIES AND COMMUNITIES   <b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION
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	<p>it has introduced various waste classification and recycling strategies in its office buildings and retail malls. We expect proceeds allocated to this category to support YXR's existing waste management initiatives.</p> <ul style="list-style-type: none"> <li>• International taxonomies, such as the EU taxonomy, deem the collection and transport of non-hazardous waste to be eligible for substantial contribution to the circular economy objective. The EU taxonomy's substantial contribution criteria require the activity to ensure separate collection, and maintain the integrity, of source-segregated waste streams, as well as to monitor KPIs, inform stakeholders and take corrective action to meet targets.</li> <li>• We do not have sufficient information to confirm alignment with these criteria, as the eligibility information provided does not specify these details.</li> <li>• The activities of air and noise pollution mitigation and waste management are included in China's GFEP, under categories 2.2.5 (comprehensive treatment and control of urban dust pollution), 2.5.3 (treatment and control of noise and vibration pollution) and 3.2.6 (waste resource utilisation), respectively.</li> <li>• We consider this UoP to be aligned with the pollution prevention and control category of the ICMA GBP and the LMA, LSTA and APLMA GLP.</li> </ul>
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#### Renewable energy

<ul style="list-style-type: none"> <li>• This category covers investments and expenditure for construction and operation of renewable energy projects to address the energy crisis, including solar PV, solar thermal energy, air source heat pumps, water source heat pumps, energy storage systems for renewable energy, etc.</li> <li>• It also includes projects that retrofit, replace or upgrade existing facilities, systems and equipment to bolster the capacity for producing renewable energy.</li> <li>• It further includes renewable energy investments, including but not limited to power purchase agreements (PPAs) and renewable energy certificates (RECs).</li> </ul>	<ul style="list-style-type: none"> <li>• We consider this UoP to have a positive environmental impact by investing in renewable energy projects that have a direct contribution to climate change mitigation. These projects will contribute to SDG 7.</li> <li>• Renewable energy projects have a clear positive environmental impact because they supplement China's growing energy needs without contributing to emissions. This supports the country's energy transition toward clean energy and contributes to the national goal of achieving carbon neutrality by 2060.</li> <li>• We view projects related to solar PV as directly contributing to climate change mitigation because the electricity generated from solar does not have operational emissions. Also, energy storage systems store surplus electricity during periods of high generation and release it when production is low or demand is high, addressing renewable intermittency and supporting integration into the energy mix.</li> <li>• Some buildings within YXR's portfolio already use renewable and low-carbon technologies. For example, Yuexiu Financial Tower has rooftop solar thermal collectors that supply hot water and save electricity, and its hotel uses air- and water-source heat pumps to provide hot water for guestrooms. We expect proceeds allocated to this sub-category to extend such technologies across additional YXR buildings.</li> <li>• YXR can also finance the purchase of PPAs and RECs under this UoP category. Based on our communications with YXR, we understand the company intends to purchase PPAs and RECs for solar and wind energy. We also understand that one of its properties, Guangzhou International Finance Centre, has purchased green electricity certificates issued by the National Renewable Energy Information Management Centre. We expect proceeds to support YXR in continuing to purchase these green electricity certificates.</li> <li>• International and science-based taxonomies, such as the EU taxonomy, consider installation, maintenance and repair of solar PV systems, solar thermal energy and energy storage systems for renewable energy as substantially contributing to climate change mitigation without further requirements. Meanwhile, they set specific requirements for the seasonal</li> </ul>	 <b>7</b> <b>AFFORDABLE AND CLEAN ENERGY</b>
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	<p>performance factors of heat pumps, so we cannot confirm that the financed heat pumps meet such requirements</p> <ul style="list-style-type: none"> <li>• These activities are also eligible under the 2025 edition of China's GFEPC, under category 6.1.5 (application of renewable energy in buildings).</li> <li>• We consider this UoP to be aligned with the renewable energy category of the ICMA GBP and the LMA, LSTA and APLMA GLP.</li> </ul>
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#### Clean transportation

<ul style="list-style-type: none"> <li>• This category covers the installation, operation and/or repair of infrastructure that supports clean energy vehicles, such as charging ports for EVs.</li> </ul>	<ul style="list-style-type: none"> <li>• We consider this UoP to have a positive environmental impact by financing EV-related infrastructure that supports the transition to low-carbon transportation. The eligible projects will contribute to SDG 11.</li> <li>• Accelerating the adoption of new energy vehicles, including EVs, is a key decarbonisation strategy in China. The State Council's New Energy Vehicle Industry Development Plan (2021-2035) sets national directions and incentives, including a target for new energy vehicles to reach 20% of new car sales by 2025, with the majority of new vehicles to be electric by 2035.</li> <li>• YXR's portfolio includes multiple office buildings with parking, and we expect this UoP to finance EV charging stations in its car parks. In 2024, the company reported having 149 EV charging stations. Increasing coverage will help the company contribute to the national new energy vehicle targets.</li> <li>• Investment in charging infrastructure is essential to facilitate EV adoption. A well-distributed, interoperable and increasingly renewable-powered charging network reduces range anxiety and supports transport electrification.</li> <li>• Projects involving charging facilities can be assessed under the taxonomy-eligible activity of infrastructure enabling low-carbon road transport and public transport and are fully aligned with the EU taxonomy substantial contribution criteria.</li> <li>• These activities are eligible under China's GFEPC, under category 6.2.3 (construction and operation of charging, battery replacement and gas refuelling facilities).</li> <li>• We consider this UoP to be aligned with the clean transportation category of the ICMA GBP, and the LMA, LSTA and APLMA GLP.</li> </ul>
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#### Socioeconomic advancement and empowerment

<ul style="list-style-type: none"> <li>• This category covers projects or programmes that provide elderly care services and facilitate intergenerational harmony in the community.</li> <li>• This includes pilot or implementation of innovative facilities, design features or equipment that provide assistance and convenience for the elderly and enhance physical, mental and social well-being to ensure their equitable access to services, resources and opportunities, and their participation and integration into the market and society. It can also support research and investment to catalyse the development of such innovative facilities, design features or equipment.</li> <li>• This category also covers projects or programmes that can create greater community engagement, connection and collaboration, and enhance quality of life and well-being, to benefit the general public, such as community cultural and sports, education, medical and healthcare facilities.</li> <li>• Lastly, the category includes projects or programmes that support socioeconomic advancement, employment and social inclusion, benefitting youth, women and students and/or people with disabilities, including but not limited to: <ul style="list-style-type: none"> <li>– youth education programmes; and</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• We consider this UoP to have a positive social impact by financing various types of projects that support well-being of the elderly and youths, and facilitate community engagement.</li> <li>• This category has three main focuses. The first focus is to support the well-being and inclusion of elderly people; the second focus is to support community engagement projects for culture and sports, education and healthcare; and the third focus is to support initiatives that enhance social or economic inclusion, including development of youth or student hostels.</li> <li>• Based on our communication with YXR, we understand that the first focus refers to potential investments in senior housing, where the housing design typically considers accessibility, safety and connectivity to healthcare services. These projects may also integrate in-house care services and rehabilitation services.</li> <li>• Such projects improve social inclusion, reduce isolation and professionalise care for the elderly, addressing the issues of ageing populations and increasing shortage of family</li> </ul>
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**3**  
GOOD HEALTH AND WELL-BEING



**10**  
REDUCED INEQUALITIES



**11**  
SUSTAINABLE CITIES AND COMMUNITIES



<ul style="list-style-type: none"><li>– youth or student hostels.</li><li>• The target populations include the aging population and/or vulnerable young people and people with disabilities.</li></ul>	<p>caregivers. These projects can contribute to SDG 3 (good health and well-being).</p> <ul style="list-style-type: none"><li>• The second focus pertains to community engagement programmes and projects. According to YXR, this includes providing community spaces and facilitating on-site programmes across its properties. For example, its Guangzhou International Finance Centre includes the “M Space”, which hosts professional lectures, cultural activities, and other events and exhibitions.</li><li>• In our view, these investments have potential social benefits, including enhanced well-being and quality of life, greater social cohesion, improved physical and mental health, and better educational outcomes, depending on the nature of project implementation. These projects can contribute to SDG 10 (reduced inequalities). These facilities further amplify social impact by prioritising vulnerable populations.</li><li>• The last sub-category targets youth populations, for example, through youth or student hostels. YXR’s current portfolio does not include student hostels, although the company has noted this as a potential social focus and investment area based on recent market updates.</li><li>• We consider youth hostels that offer accommodation to young people at below-market rates to reduce the financial burden of housing and improve access to safe, affordable lodging. This aligns primarily with SDG 11.</li><li>• We consider this UoP to be aligned with the socioeconomic advancement and empowerment category of the ICMA SBP, and the LMA, LSTA and APLMA Social Loan Principles.</li></ul>
Source: YXR sustainable finance framework	Source: Sustainable Fitch





## Use of Proceeds – Other Information

### Company Material

- The company commits to earmarking the proceeds or an equivalent amount of proceeds of each SFT exclusively for the financing and/or refinancing of eligible green and/or social projects at the company, in whole or in part, including the investment, acquisition, construction, development or redevelopment of such projects that provide clear environmental and/or social benefits.
- Refinancing of eligible projects will have a lookback period of no longer than five years from the time of issuance. The company has committed to fully allocate the net proceeds or an equivalent amount of the net proceeds of each SFT on a best-effort basis within three years of issuance.
- In any case, eligible projects exclude the types of activities listed in the International Finance Corporation Exclusion List (2007), including the following activities.
  - The production or trade of any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides or herbicides, ozone-depleting substances, polychlorinated biphenyls, wildlife or products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora.
  - The production or trade of weapons and munitions.
  - The production or trade of alcoholic beverages (excluding beer and wine).
  - The production or trade of tobacco.
  - Activities relating to gambling, casinos and equivalent enterprises.
  - The production or trade of radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where the International Finance Corporation considers the radioactive source to be trivial and/or adequately shielded.
  - The production or trade of unbonded asbestos fibres. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
  - Drift net fishing in the marine environment using nets in excess of 2.5km in length.
  - The production or trade of fossil fuel.
  - Construction and operation of fossil fuel, nuclear and coal-fired power plants, and coal mines.

Source: YXR sustainable finance framework

## Alignment: Good

### Sustainable Fitch's View

- YXR has committed to providing the share of financing and refinancing in its allocation reports, as is recommended under the sustainable finance principles.
- We consider the lookback period of five years to be relatively long compared with the standard market practice of three years. In our view, a shorter lookback period represents best practice, as it helps limit refinancing to more recent projects, which would reflect greater additionality.
- The company has a clearly defined exclusion list that provides additional assurance that the proceeds will not be allocated to projects that contribute to environmental or social harm.

Source: Sustainable Fitch

## Evaluation and Selection

### Company Material

- The company has established a thorough sustainable development governance framework. The ESG workstreams are prepared by the sustainability working group, reviewed by the sustainability steering group and approved by the board. The board comprises two executive directors; two non-executive directors, including the chairman; and four independent non-executive directors to perform the following responsibilities, including:
  - lead ESG strategy and reporting, and supervise ESG work progress; and
  - approve eligible green and/or social projects and ensure that the approval of eligible green and/or social projects will follow the group's existing credit, loan or investment approval processes.
- The sustainability steering group is formed of the CEO (group leader), chief finance officer and the general manager of the project management department, to perform the following responsibilities:

## Alignment: Excellent

### Sustainable Fitch's View

- YXR has a robust evaluation and selection process that is aligned with the requirements of the sustainable finance principles.
- A sustainability working group, comprising the CEO and major business leaders, is responsible for evaluating and selecting eligible projects, as well as for monitoring proceeds' allocation. The working group consists of members from various departments, providing a mix of expertise and perspectives to ensure that the decision-making process is balanced.
- Based on our communication with YXR, the members of the working group include the CEO and business leaders from different departments. The CEO has expertise in ESG standards and requirements related to commercial property operation. Other members include those from the asset management department with ESG reporting experience, the compliance department with knowledge of ESG-related regulations, and the frontline property department with expertise in green buildings, among others.



## Evaluation and Selection

## Alignment: Excellent

Company Material	Sustainable Fitch's View
<ul style="list-style-type: none"> <li>– formulate overall concepts, strategies and objectives for sustainable development;</li> <li>– deploy various resources to support sustainable development;</li> <li>– submit work reports to the board and board committees;</li> <li>– follow up on and implement other matters decided by the board; and</li> <li>– review the projects based on the criteria of compliance, financial viability, technical feasibility, environmental impact, social impact, risk management, sustainability, transparency and accountability, as well as stakeholder engagement.</li> <li>• The sustainability working group led by the CEO and composed of main business leaders is formed to perform the following responsibilities, including: <ul style="list-style-type: none"> <li>– study and implement sustainable development management policies;</li> <li>– assess and report the status of sustainable development;</li> <li>– work out short-, medium- and long-term sustainable development work plans;</li> <li>– supervise the progress of sustainable development work;</li> <li>– submit work reports to the sustainability steering group;</li> <li>– follow up on or implement other matters decided by the sustainability steering group;</li> <li>– examine eligible green and/or social projects, which will be proposed by the group's subsidiaries based on their investment plans and initial screening against the eligibility criteria set out in the use of proceeds section of this framework;</li> <li>– monitor the asset pool during the entire funding period to ensure green and/or social projects are compliant with eligibility criteria set out in the UoP section of this framework. meanwhile, any ineligible green and/or social projects will be substituted by eligible new green and/or social projects;</li> <li>– manage any future updates to this framework; and</li> <li>– invite a third-party independent institution to ensure that each green and/or social project also complies with the environmental guidelines applicable to the group, as well as all applicable national and local environmental standards, laws and regulations.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• We view the inclusion of members with such expertise as best practice, as it provides additional assurance that the selected projects align with the group's overall sustainability strategy.</li> <li>• The evaluation and selection process is multi-layered. The working group is responsible for screening the projects. The selection results will then be reviewed by the sustainability steering group and the board will be responsible for approving the projects. This separates responsibility for screening and approval to two different groups, thereby ensuring a greater degree of checks and balances over the allocation of proceeds and providing higher assurance that the selected projects are in line with the framework's eligibility criteria.</li> </ul>
Source: YXR sustainable finance framework	Source: Sustainable Fitch

## Management of Proceeds

## Alignment: Good

Company Material	Sustainable Fitch's View
<ul style="list-style-type: none"> <li>• The proceeds of each of the company's SFTs will be managed by the treasury team under the oversight of sustainability steering group. An internal record containing below information will be maintained: <ul style="list-style-type: none"> <li>– issuer or borrower entity;</li> <li>– pricing, settlement and maturity dates;</li> <li>– currency of denomination and amount then outstanding;</li> <li>– labelling (eg sustainable, green or social bond, or sustainable, green or social loan)</li> <li>– ISIN (if applicable);</li> <li>– name and description of eligible green and/or social projects;</li> <li>– amount of SFT proceeds or an equivalent amount of SFT proceeds earmarked or allocated to each project;</li> <li>– the remaining balance of unallocated proceeds yet to be earmarked; and</li> <li>– other relevant information such as information of temporary investment for unallocated proceeds.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• YXR's treasury team will track the proceeds internally, in line with standard market practice.</li> <li>• We view physical segregation of proceeds, such as depositing proceeds in a separate bank account or allocating them to an SPV, as best practice. Doing so can provide a clearer separation between green proceeds and proceeds used for general corporate purposes.</li> <li>• YXR will keep the unallocated proceeds in line with the company's liquidity guidelines for short-term deposits or investments. It has also committed to not invest them in any activities with high pollution or in projects that are in conflict with the eligibility criteria. We consider investing unallocated proceeds in short-term green or social investments as best practice, as it would maximise the proceeds' positive green and social impact.</li> <li>• YXR has explicitly committed to replacing projects when they no longer meet the eligibility criteria. We consider having such a replacement mechanism as best practice, as it ensures that the proceeds continue to meet the eligibility criteria throughout the life of the bond.</li> </ul>



## Management of Proceeds

## Alignment: Good

### Company Material

### Sustainable Fitch's View

- During the life of the SFT, the sustainability working group will regularly monitor the use of funds to ensure that they are spent in accordance with the established purposes and budgets. If the designated project(s) ceases to fulfil the criteria necessary for it to be deemed an eligible project, the net proceeds will be reallocated to an alternative eligible project(s) that complies with the green and/or social financing eligibility criteria outlined above, as soon as reasonably practicable.
- It is intended that the aggregate amount of net proceeds from the SFTs will not exceed the total value of the company's eligible projects. Eligible projects will be quantified by the capital employed at the most recent reporting date (for development assets) or book value (for stabilised assets).
- Any balance of issuance proceeds that is not yet allocated to eligible projects will be held in accordance with the company's liquidity guidelines for short-term deposits or investments. The company commits to not invest unallocated proceeds in any high-pollution activities or in any projects that are in conflict with the eligibility criteria under this framework.

Source: YXR sustainable finance framework

Source: Sustainable Fitch

## Reporting and Transparency

## Alignment: Good

### Company Material

### Sustainable Fitch's View

- The company will provide information on the allocation of the net proceeds of its SFTs to bond investors or loan lenders on an annual basis and in its annual sustainability report (available on the company's dedicated sustainability website), which is updated regularly to include current developments until all the net proceeds have been allocated. The information will contain at least the following details:
    - a list of eligible projects earmarked to be funded by the proceeds of the SFT;
    - description of major eligible projects;
    - aggregate amount of proceeds of SFTs earmarked to eligible projects; and
    - the remaining balance of unallocated proceeds yet to be earmarked.
  - Where possible and applicable, the company will report on the environmental impacts or benefits (where relevant) resulting from eligible projects, having collected relevant data or conducted risk analysis to validate the effectiveness of implemented projects, assessed its responsible investment standing to identify improvement opportunities, and reviewed current projects to pinpoint areas for enhancement.
  - Subject to the nature of the eligible projects and the availability and readiness of information, the company will consider reporting the following impact indicators.
    - For the green buildings category: type of scheme, certification level and total floor area of certified green building in sqm; building energy saving rates; utilisation rate of non-traditional water sources; utilisation rate of reusable and recyclable materials; and annual GHG emissions reduced or avoided in tCO<sub>2</sub>e versus local baseline certification level.
    - For the climate change adaptation category: annual runoff volume control rate, and the amount of stormwater collected in m<sup>3</sup>.
    - For the energy efficiency category: annual energy savings in MWh or GWh (electricity), or in GJ or TJ (other energy savings); annual GHG emissions reduced or avoided in tCO<sub>2</sub>e; and utilisation rate of renewable energy in percentage of total electricity consumption.
    - For the pollution prevention and control category: waste that is prevented or minimised before and after the project in percent of total waste and/or in absolute amount in tonnes per annum; and
- YXR has committed to publishing its allocation reports in line with the requirements of the sustainable finance principles.
  - It intends to annually publish its allocation report until full allocation. It also communicated to us that it will report any material changes after full allocation if the company deems it necessary. We view this reporting frequency as best practice, as it ensures that investors are kept up to date with material changes throughout the life of the instrument.
  - YXR will at minimum disclose the amounts of allocated and unallocated proceeds at the portfolio level for multiple instruments. We deem this level of granularity as moderate. Our view is that best practice is to provide these data at the individual instrument level for each allocated project, as it provides a higher level of transparency on the allocation of each instrument.
  - YXR indicates that it will report on the environmental and social impacts or benefits wherever applicable and feasible. If reported, the impact metrics will be provided as a cumulative figure across multiple instruments for each category. Similar to our view on allocation reporting granularity, we deem that more granular reporting that provides the impact for individual bonds and loans to be a best practice that maximises transparency for investors.
  - The examples of impact indicators are quantitative and measurable. We positively view that majority of the examples of impact indicators suggested in the framework are aligned with those suggested in the ICMA Handbook – Harmonised Framework for Impact Reporting for green and social bonds.
  - There is no firm commitment to obtain external verification on the allocation and impact of the proceeds. The ICMA recommends post-issuance verification, which would provide assurance on the allocation of funds and lend credibility to the reported impact metrics.

Reporting and Transparency		Alignment: Good
Company Material		Sustainable Fitch's View
<p>GHG emissions from waste management before and after the project in tCO<sub>2</sub>e per annum.</p> <ul style="list-style-type: none"> <li>For the renewable energy category: capacity of renewable energy plant(s) constructed or rehabilitated in MW; and annual renewable energy generation in MWh or GWh (electricity) or in GJ or TJ (other energy).</li> <li>For the clean transportation category: number of EV charging stations installed.</li> <li>For the socioeconomic advancement and empowerment category: description of age-friendly residential properties; number of elderly homes units or health facilities provided; number of occupants served; number and type of healthcare facilities funded; description and schematic design of solutions or technologies supported; description and roadmap of the project; projected social impact (verified by a third-party whenever possible); number of beneficiaries in the targeted population; and number of barrier-free access facilities provided.</li> </ul>		
Source: YXR sustainable finance framework		Source: Sustainable Fitch



## Relevant UN Sustainable Development Goals

- **3.4:** By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being.
- **3.8:** Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.



- **7.2:** By 2030, increase substantially the share of renewable energy in the global energy mix.
- **7.3:** By 2030, double the global rate of improvement in energy efficiency.



- **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.



- **10.2:** By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.



- **11.1:** By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.
- **11.2:** By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons.
- **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.



- **12.5:** By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.



- **13.1:** Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.



Source: Sustainable Fitch, UN



## Appendix A: Principles and Guidelines

### Type of Instrument: Sustainable

<b>Four Pillars</b>	
1) Use of Proceeds (UoP)	Yes
2) Project Evaluation & Selection	Yes
3) Management of Proceeds	Yes
4) Reporting	Yes
<b>Independent External Review Provider</b>	
Second-party opinion	Yes
Verification	No
Certification	No
Scoring/Rating	No
Other	n.a.
<b>1) Use of Proceeds (UoP)</b>	
<b>UoP as per Green Bond Principles (GBP) and Green Loan Principles (GLP)</b>	
Renewable energy	Yes
Energy efficiency	Yes
Pollution prevention and control	Yes
Environmentally sustainable management of living natural resources and land use	No
Terrestrial and aquatic biodiversity conservation	No
Clean transportation	Yes
Sustainable water and wastewater management	No
Climate change adaptation	Yes
Certified eco-efficient and/or circular economy adapted products, production technologies and processes	No
Green buildings	Yes
Unknown at issuance but currently expected to conform with GBP and GLP categories, or other eligible areas not yet stated in GBP and GLP	No
Other	n.a.
<b>UoP as per Social Bond Principles (SBP) and Social Loan Principles (SLP)</b>	
Affordable basic infrastructure	No
Access to essential services	No
Affordable housing	No
Employment generation (through SME financing and microfinancing)	No
Food security	No
Socioeconomic advancement and empowerment	Yes
Unknown at issuance but currently expected to conform with SBP and SLP categories, or other eligible areas not yet stated in SBP and SLP	No
Other	n.a.
<b>Target Populations</b>	
Living below the poverty line	No
Excluded and/or marginalised populations and/or communities	No
People with disabilities	Yes
Migrants and/or displaced persons	No
Undereducated	No
Under-served, owing to a lack of quality access to essential goods and services	No
Unemployed	No
Women and/or sexual and gender minorities	No





## Type of Instrument: Sustainable

Aging populations and vulnerable youth	Yes
Other vulnerable groups, including as a result of natural disasters	No
Other	n.a.

## 2) Project Evaluation and Selection

### Evaluation and Selection

Credentials on the issuer's social and green objectives	Yes
Documented process to determine that projects fit within defined categories	Yes
Defined and transparent criteria for projects eligible for sustainability instrument proceeds	Yes
Documented process to identify and manage potential ESG risks associated with the project	Yes
Summary criteria for project evaluation and selection publicly available	Yes
Other	n.a.

### Evaluation and Selection, Responsibility and Accountability

Evaluation and selection criteria subject to external advice or verification	Yes
In-house assessment	Yes
Other	n.a.

## 3) Management of Proceeds

### Tracking of Proceeds

Sustainability instrument proceeds segregated or tracked by the issuer in an appropriate manner	Yes
Disclosure of intended types of temporary investment instruments for unallocated proceeds	Yes
Other	n.a.

### Additional Disclosure

Allocations to future investments only	No
Allocations to both existing and future investments	Yes
Allocation to individual disbursements	No
Allocation to a portfolio of disbursements	Yes
Disclosure of portfolio balance of unallocated proceeds	Yes
Other	n.a.

## 4) Reporting

### UoP Reporting

Project-by-project	No
On a project portfolio basis	Yes
Linkage to individual instrument(s)	No
Other	n.a.

### UoP Reporting/Information Reported

Allocated amounts	Yes
Sustainability instrument-financed share of total investment	No
Other	n.a.

### UoP Reporting/Frequency

Annual	Yes
Semi-annual	No
Other	n.a.



## Type of Instrument: Sustainable

### Impact Reporting

Project-by-project	No
On a project portfolio basis	Yes
Linkage to individual instrument(s)	No
Other	n.a.

### Impact Reporting/Information Reported (exp. ex-post)

GHG emissions/savings	Yes
Energy savings	Yes
Decrease in water use	No
Number of beneficiaries	Yes
Target population	No
Other ESG indicators	Various for each category, including type of scheme, certification level and total floor area of certified green building; annual runoff volume control rate; waste that is prevented or minimised before and after the project; annual renewable energy generation; number of EV charging stations installed; and number of elderly homes units or health facilities provided.

### Impact Reporting/Frequency

Annual	Yes
Semi-annual	No
Other	n.a.

### Means of Disclosure

Information published in financial report	No
Information published in ad hoc documents	No
Information published in sustainability report	Yes
Reporting reviewed	No
Other	n.a.

Note: n.a. – not applicable.

Source: Sustainable Fitch, ICMA, LMA, LSTA, APLMA

## Appendix B: Definitions

Term	Definition
<b>Debt types</b>	
Green	Proceeds will be used for green projects and/or environmental-related activities as identified in the instrument documents. The instrument may be aligned with ICMA Green Bond Principles or other principles, guidelines or taxonomies.
Social	Proceeds will be used for social projects and/or social-related activities as identified in the instrument documents. The instrument may be aligned with ICMA Social Bond Principles or other principles, guidelines or taxonomies.
Sustainability	Proceeds will be used for a mix of green and social projects and/or environmental and social-related activities as identified in the instrument documents. The instrument may be aligned with ICMA Sustainability Bond Guidelines or other principles, guidelines, taxonomies.
Sustainability-linked	Financial and/or structural features are linked to the achievement of pre-defined sustainability objectives. Such features may be aligned with ICMA Sustainability-linked Bond Principles or other principles, guidelines or taxonomies. The instrument is often referred to as an SLB (sustainability-linked bond) or SLL (sustainability-linked loan).
Conventional	Proceeds are not destined for any green, social or sustainability project or activity, and the financial or structural features are not linked to any sustainability objective.
Other	Any other type of financing instrument or a combination of the above instruments.
<b>Standards</b>	
ICMA	International Capital Market Association. In the Second-Party Opinion we refer to alignment with ICMA's Bond Principles: a series of principles and guidelines for green, social, sustainability and sustainability-linked bonds.
LMA, LSTA and APLMA	Loan Market Association (LMA), Loan Syndications and Trading Association (LSTA) and Asia Pacific Loan Market Association (APLMA). In the Second-Party Opinion we refer to alignment with Sustainable Finance Loan Principles: a series of principles and guidelines for green, social and sustainability-linked loans.
EU Green Bond Standard	A set of voluntary standards <a href="#">created by the EU</a> to "enhance the effectiveness, transparency, accountability, comparability and credibility of the green bond market".

Source: Sustainable Fitch, ICMA, UN, EC Platform on Sustainable Finance



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