

**“Second-party Opinion” on
Yunnan Provincial Energy Investment Group
Co., Ltd.’s
Sustainable Finance Framework**

by Hong Kong Quality Assurance Agency (HKQAA)


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Date:	<i>21 March 2022</i>

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1. Introduction for Use of Proceed Financing Instruments

In September 2020, Chinese President Xi, Jinping pledged to peak China’s carbon emissions before 2030 and achieve carbon neutrality before 2060 in his speech to the United Nations General Assembly. The energy sector is the source of almost 90% of China’s greenhouse gas emissions, putting energy policies at the heart of the country’s transition to carbon neutrality.

In the 14th Five-Year Plan (2021-2025) released in March 2021, energy and climate stand out as a central-policy priority. Solar PV and wind power generation would be the main contributor to China’s incremental power capacity for the next decades to come. To this end, state-owned power generation companies are accelerating investments in renewable energy as they play a critical role in meeting China’s dual carbon goals. Consequently, considerable amount of investment in renewable energy is foreseeable.

Yunnan Provincial Energy Investment Group Co., Ltd. (“Yunnan Energy”, “the Group”) is a provincial state-owned enterprise (SOE) based in Yunnan Province, China. Yunnan Energy is principally engaged in the investment and management of natural gas, hydropower, power grid, and coal energy businesses worldwide. The Group is also involved in the investment and management of other energy-related industries, such as environmental protection and new energy; as well as investment in oil and gas resources and pipe network projects.

Supported by the Yunnan Provincial Government, Yunnan Energy has transformed from a pure energy investment group to an integrated clean energy group, achieving rapid growth in both scale and efficiency by building on the core energy business and fully leveraging its own industry chain benefits in energy sector.

As one of the state-owned power generation utilities in the country, Yunnan Energy’s direction for sustainable development is in line with the national and provincial policy.

Yunnan Energy has engaged HKQAA to review the Yunnan Provincial Energy Investment Group Co., Ltd.’s Sustainable Finance Framework, dated February 2022, and provide a second party opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (the “GBP”) and Green Loan Principles 2021 (the “GLP”).

2. Overview of Issuer/Borrower

Yunnan Provincial Energy Investment Group Co., Ltd. (“Yunnan Energy”, “the Group”) obtained approval for its formation from the Yunnan Provincial Government on January 11, 2012 as the key provincial SOE supervised by Yunnan SASAC, the sole strategic platform to engage in the investment and development of the energy sector, the sole platform to integrate all energy resources and the sole energy investment platform of the Yunnan Provincial Government and the main platform driving the development of the provincial government’s clean energy strategy.

Yunnan Energy’s diversified generation mix includes wind, solar, hydropower, fossil fuel, natural gas and other new energy projects that are of strategic importance to Yunnan Province. As of December 2021, Yunnan Energy controlled and operated 31 power generation plants with an aggregate installed generation capacity of 3995 MW.

3. Framework Overview and Comment

3.1 Use of Proceeds

Yunnan Energy shall use the proceeds of the green and sustainability debt instruments to finance and/or refinance, Eligible Project that meets the eligible criteria listed below:

Renewable Energy Production:

- Wind Power - Development, construction, installation and maintenance of Wind Facilities (such as Onshore and Offshore projects including floating wind turbines)
- Solar Power - Development, construction, installation and maintenance of Solar Facilities (such as Photovoltaic or Thermodynamic plants)

3.2 Project Evaluation and Selection Process

Yunnan Energy’s internal process in identifying and selecting projects is conducted via a process that involves participants from various functional areas of the Group, including the project teams.

Yunnan Energy’s ESG Committee (“ESGC”) is responsible to oversee the Group’s ESG and Sustainability reporting. The ESGC will review, select and approve the Eligible Projects.

The ESGC will evaluate associated environmental risks of all potential Eligible Projects, as well as identify related mitigation measures.

3.3 Management of Proceeds

Yunnan Energy will maintain a register to keep track of the use of proceeds for each GFT. The register will contain the following information of i) Type of Funding Transaction, and ii) Allocation of Use of Proceeds.

An internal accounting system will be in place for the Group to monitor the allocation to the Eligible Project and track the net proceeds. Pending allocation, the net proceeds from the GFT(s) issued may be managed according to Yunnan Energy's usual liquidity management practice, including in cash or cash equivalents.

3.4 Reporting

Yunnan Energy will report on the allocation of net proceeds and associated impact metrics of its Project annually through its Sustainability Report or on a separate report specific to the GFT. The report will contain details of i) Allocation Reporting and ii) Impact Reporting. The impact reporting will include relevant qualitative and (if reasonably practicable) quantitative impact indicators for the Project.

3.5 Conclusion

The assessment team of Hong Kong Quality Assurance Agency has determined that the Yunnan Provincial Energy Investment Group Co., Ltd.'s Sustainable Finance Framework is well-structured and aligned with the core components of the Green Bond Principles and Green Loan Principles. For detailed information, please refer to Appendix 2: Independent External Review Form.

4. Introduction for Sustainability Linked Financing Instruments

Yunnan Provincial Energy Investment Group Co., Ltd. (“Yunnan Energy”, “the Group”) has developed a Sustainability Finance Framework (“framework”) and Key Performance Targets (“KPIs”) under which it intends to issue bonds/borrow loans from banking institutes, using the proceeds to facilitate and support environmentally sustainable economic activity and growth.

Yunnan Energy has engaged Hong Kong Quality Assurance Agency (HKQAA) to provide a second opinion on its framework. As part of this engagement, HKQAA requested and reviewed a broad set of documentation in order to understand the relationship to Yunnan Energy’s overall sustainability strategy, target setting on how to measure the sustainability of Yunnan Energy, reporting and the review mechanism. Following this engagement, some elements of Yunnan Energy’s KPIs and SPTs were clarified to ensure an alignment with the level of disclosure expected by the Sustainability-Linked Bond Principles 2020 and Sustainability-Linked Loan Principles 2022. This document contains HKQAA’s opinion on Yunnan Energy’s KPIs selection and SPT level and should be read in conjunction with the framework.

4.1 Framework Overview and Comment

4.1.1 Relationship to Issuer/Borrower's Overall Sustainability Strategy

Yunnan Provincial Energy Investment Group Co., Ltd. ("Yunnan Energy", "the Group") provides electricity generation services. The Group constructs and operates electric power networks, offers electric energy generation, transmission, and distribution services. Yunnan Energy is committed to seizing strategic opportunities and focusing on the development of new energy business. Driven by the national Dual Carbon Goals in "14th Five-Year Plan", Yunnan Energy has shifted focus towards green energy, and jointly developed energy-related finance and energy generating capacities, helping Yunnan province to achieve the carbon neutrality.

As a leading state-owned energy enterprise of Yunnan province, Yunnan Energy plays a key role in implementing the ambitious renewable energy initiatives of the Government of the People's Republic of China. Accordingly, renewable energy development has become a strategic direction of the Group tasked by the government. Yunnan Energy is putting effort in expanding supply of wind and solar power as reflected in the Group's advanced sustainability plan.

4.2 Selection of KPIs

2 Key Performance Indicators ("KPIs") were identified by Yunnan Energy for issuing sustainability-linked debt instruments. The 2 KPIs are 1) Increase in Wind Power Generating Capacity (%) and 2) Increase in Solar Power Generating Capacity (%).

This KPI is defined by the percentage increase in total installed generation capacity from renewable energy sources (wind and solar) in MW compared to base year 2021. The KPI covers all Wind and Solar generating units owned or controlled by Yunnan Energy, its subsidiaries, and affiliates.

SDG Contribution

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. The selected KPIs are likely to advance the following SDG goals:

KPI	SDG
Increase in Wind Power Generating Capacity (%)	7. Affordable and Clean Energy Enhancing wind power and solar power generation scale
Increase in Solar Power Generating Capacity (%)	13. Climate Action Avoidance and reduction of greenhouse gas emissions

KPI 1 (Environment): Increase in Wind Power Generating Capacity (%)

KPI 2 (Environment): Increase in Solar Power Generating Capacity (%)

The selected KPIs reflect some of the most material sustainability issues for Yunnan Energy's current and future operations as well as some of the most relevant sustainability challenges for its sector.

The electric and gas utilities sector has a major role to play regarding climate change and energy efficiency through the promotion of renewable energy sources, as it would help in reduction in greenhouse gas emissions from power plants. Indeed, with two-thirds of greenhouse gas (GHG) emissions coming from the energy sector, the Intergovernmental Panel on Climate Change (IPCC) highlights the need for a transformation of the world's energy system with an immediate, large-scale shift to renewable energy.

Renewable energy technologies like solar and wind are the key to reducing emissions in the electricity sector. According to a report published by International Energy Agency (IEA), the rapid adoption of renewable energy, with solar PV and wind made up for nearly 70%, is a reliable pathway to achieve over 90% of energy-related CO₂ emissions reductions needed to meet 2050 Net-Zero climate pledges.

At the national level, the revised Renewable Energy Law clearly states that renewable energy has priority for development in China's energy system. In 2020, President Xi committed to 1,200 GW of wind and solar installed capacity by 2030. All these give more importance to solar and wind as alternatives to fossil fuels and other renewable resources in China.

As a utility company that engages in electricity generation activities, expansion of renewables is one of the main drivers of emissions reductions. Yunnan Energy commits itself to cooperate in the further development and promotion of wind and solar technologies, particularly with regard to the increase in planned capital expenditures (CAPEX) in solar and wind energy projects. Higher CAPEX for wind and solar projects tends

to increase projected wind and solar power generation, and ultimately their projected contribution to the electricity generation mix.

In addition, the double ESG transaction issuance will limit the net proceeds to only eligible green projects as per the Framework, i.e., wind and solar projects, which could further maximize Yunnan Energy’s renewable energy commitments. It is believed that this will help to deliver a considerable increase in the share of the Group’s renewable energy sources.

All in all, it is particularly relevant that Yunnan Energy set targets for generating capacity for solar and wind power, fast-growing renewable energy sources both nationally and globally, as part of regional and sectoral decarbonization pathways.

Based on the above assessment, HKQAA assessment team is of the opinion that KPI 1 and KPI 2 are material and relevant topics to Yunnan Energy.

4.3 Target Setting – Measuring the Sustainability of the Issuer/Borrower

The baseline and the target levels for the 2 KPIs are as follows:

No.	Key Performance Indicator (“KPI”)	Baseline Performance [2021]	2023 SPT
KPI 1	Percentage increase in Wind Power Generating Capacity (%)	432.6 MW	1,183.1 MW, 173% increment compared to base year
KPI 2	Percentage increase in Solar Power Generating Capacity (%)	1,112.7 MW	1592.4 MW, 43% increment compared to base year

Baseline and Target determination:

KPI 1: Percentage increase in Wind Power Generating Capacity (%)

Yunnan Energy set the baseline for the SPT at 432.6 MW in 2021, meaning achieving the 173% increment target in 2023 will represent an increase in wind power generation capacity of more than 750 MW within a two-year period, nearly doubling compared to 2021. Instead of a three-year average, the adoption of 2021 as a base year for the indicator is consistent with the Group's strategic directions and sustainability strategies.

Regarding historical performance, Yunnan Energy's wind power generating capacity expanded by mere 0.7% between the launch of Yunnan Energy's renewable energy expansion strategy in 2019 and leading up to the baseline year of 2021. With no increase in 2020 and only a single-digit increase in 2021, this two-year period saw stagnant growth with no material change in wind power generation capacity. Therefore, Yunnan Energy's targets for 173% increment by the end of 2023 represent a significant improvement upon historical performance in this context. The SPT demonstrates a material improvement compared to the Group's Business as Usual scenario.

According to Global Wind Energy Council (GWEC), it is estimated that net new capacity additions of 77 GW will be added to China's wind power system in 2022-2023. By 2023, China's total wind capacity is projected to reach 405 GW from 328 GW in base year 2021, representing a growth rate of 23.5% within a two-year period. Compared to the baseline, Yunnan Energy reports an expected 173% increase in its wind power generation by the end of 2023, which is higher than the national wind power capacity predictions.

Besides, Yunnan Energy's definition and methodology for calculating SPT is consistent with the Group's historical sustainability disclosure. The use of the generation capacity as a means for defining project generation capacity is considered an industry standard. Given the nature of the measurements used for wind power generation capacity, the SPT cannot be compared with external science-based bench markets.

Based on the above assessment, HKQAA assessment team considers the SPT level for KPI 1 to be viable and appropriate.

KPI 2: Percentage increase in Solar Power Generating Capacity (%)

Yunnan Energy set the baseline for the SPT at 1592.4 MW in 2021, meaning achieving the 43% increment target in 2023 will represent an increase in solar power electricity generation capacity of approximately 480 MW within a two-year period. Instead of a

three-year average, the adoption of 2021 as a base year for the indicator is consistent with the Group's strategic directions and sustainability strategies.

Regarding historical performance, Yunnan Energy's solar power generating capacity expanded by 10.4% between 2019 and the baseline year of 2021. This two-year period saw stagnant growth with no material change in solar power generation capacity. Therefore, Yunnan Energy's targets for 43% increment by the end of 2023 represent a significant improvement upon historical performance in this context. The SPT demonstrates a material improvement compared to the Group's Business as Usual scenario.

Based on Wood Mackenzie's estimate, a surge of new installations is expected to raise China's solar generating capacity to 428 GW by 2023, contributing to a growth rate of 39.9% from 306 GW (2021). Compared to the baseline, Yunnan Energy reports an expected 43% increase in its solar power generation by the end of 2023, which is higher than the national solar power capacity predictions. Of note, the evolution in Yunnan Energy's expected solar power generation capacity would represent an increase of around 35.5% from 2022 to 2023. It's also worth noting that the expansion rate of total wind and solar generating capacity (79.6%) in the period of 2021-2023 is also higher than that of national projections (31.4%) over the same period, echoing with the national's ambitious goal for wind and solar energy.

Yunnan Energy's definition and methodology for calculating SPT is consistent with the Group's historical sustainability disclosure. The use of the generation capacity as a means for defining project generation capacity is considered an industry standard. However, the nature of this measurement, percentage change in generation capacity, is not suitable for comparison with external science-based contextual benchmarks.

Based on the above assessment, HKQAA assessment team considers the SPT level for KPI 2 to be viable and appropriate.

4.4 Bond / Loan Characteristics

Yunnan Energy has disclosed that, for any sustainability-linked instrument issued in alignment with the Framework, if the SPT has not been achieved by the target observation date, a premium will be payable by Yunnan Energy in the form of, but not limited to, a step-up in coupon margin. The Bond/Loan characteristics adjustment for each SLT will be specified in the relevant instrument's documentation.

HKQAA assessment team considers that Yunnan Energy has taken into account the uncertainties involved in potential exceptional events that could substantially impact the calculation of the KPIs, the restatement of the SPTs.

4.5 Reporting

Where possible, Yunnan Energy will make and keep readily available up-to-date information relating to their SPTs, with such information to be shared at least once per annum.

As transparency is of particular value in this market, Yunnan Energy commits to publicly report information relating to their SPTs and this information will often be included in the Group's sustainability report or a separate report specific to the SLT published on corporate website, which is aligned with the Sustainability-Linked Bond Principles 2020 and Sustainability-Linked Loan Principles 2022.

4.6 Verification

Yunnan Energy commits to seek external review of its performance against its SPTs and make publicly available about the changes via Yunnan Energy's official website, aligned with the Sustainability-Linked Bond Principles 2020 and Sustainability-Linked Loan Principles 2022 on verification. In transactions where Yunnan Energy seeks independent verification, Yunnan Energy should have its performance against its SPTs independently verified by external reviewer, such as an auditor, environmental consultant and/ or independent ratings agency, at least once a year. Any such external reviewer should be agreed by those institutions participating in the bond/loan. Furthermore, it is also recommended that external verification be carried out in case of material changes impacting an Instrument's financial characteristics (such as a trigger event).

4.7 Conclusion

The assessment team of Hong Kong Quality Assurance Agency has determined that Yunnan Provincial Energy Investment Group Co., Ltd.'s KPI selection and SPT level is appropriate, and the framework is in accordance with the requirements of the Sustainability-linked Bond Principles 2020 and Sustainability-linked Loan Principles 2022. For detailed information, please refer to Appendix 3: Independent External Review Form.

5. Appendix 1: Documents reviewed or referenced

No.	Author	Title
1	International Capital Market Association	Green Bond Principles, June 2021 https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-140621.pdf
2	Loan Market Association	Green Loan Principles, February 2021 https://www.lsta.org/content/green-loan-principles/
3	International Capital Market Association	Sustainability-Linked Bond Principles, June 2020 https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Sustainability-Linked-Bond-Principles-June-2020-171120.pdf
4	Loan Market Association	Sustainability-Linked Loan Principles, March 2022 https://www.lsta.org/content/sustainability-linked-loan-principles-sllp/
5	Yunnan Provincial Energy Investment Group Co., Ltd.	Sustainable Finance Framework, March 2022
6	Yunnan Provincial Energy Investment Group Co., Ltd.	Official Corporate Website http://wap.cnyeig.com/
7	Standing Committee of the National People's Congress	Renewable Energy Law of the People's Republic of China
8	Global Wind Energy Council	Global Wind Report 2021 https://gwec.net/global-wind-report-2021/#Download
9	Wood Mackenzie	China Solar Power Energy Forecast

6. Appendix 2: Sustainable Finance Framework - Independent

External Review Form

Section 1. Basic Information

Borrower name: *Yunnan Provincial Energy Investment Group Co., Ltd. (“Yunnan Energy” or the “Group”)*

Borrower Green Loan Framework Name, if applicable: *Yunnan Provincial Energy Investment Group Co., Ltd. Sustainable Finance Framework (the “Framework”)*

Independent External Review provider’s name: *Hong Kong Quality Assurance Agency*

Completion date of this form: *21 March 2022*

Publication date of review publication: *[where appropriate, specify if it is an update and add reference to earlier relevant review]*

Section 2. Review overview

SCOPE OF REVIEW

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

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

- | | |
|--|--|
| <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 INDEPENDENT EXTERNAL REVIEW PROVIDER

- | | |
|---|--|
| <input type="checkbox"/> Consultant review | <input type="checkbox"/> Certification |
| <input checked="" 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 the Second-Party Opinion Document for the Group 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):

HKQAA assessment team notes that the Group's eligible Green Projects for the use of proceeds are aligned with those recognized by the Green Bond Principles and Green Loan Principles.

24 months look back period is defined in the framework to ensure the most updated green projects and maximized the project's impact.

Use of proceeds categories as per GBP/GLP:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Renewable energy | <input type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBPs / GLPs categories, or other eligible areas not yet stated in GBPs / GLPs | <input type="checkbox"/> Other (please specify): |

If applicable please specify the environmental taxonomy, if other than GBPs / GLPs: N/A

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

The eligible Green Projects are identified, selected by the ESG Committee, and approved by the Board of Directors. The ESG Committee involves senior staff from cross-functional departments of the Group and is responsible for evaluating the environmental risks associated with potential eligible projects.

HKQAA considers that the Group has established a standard process for the evaluation and selection of eligible green projects, the selection process is appropriate and effective.

Evaluation and selection

- | | |
|---|--|
| <input type="checkbox"/> Credentials on the issuer/borrower's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input type="checkbox"/> Defined and transparent criteria for projects eligible for Green and Social Bond and Loan proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (<i>please specify</i>): |

Information on Responsibilities and Accountability

- | | |
|---|---|
| <input type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

HKQAA notes that the Group will earmark the net proceeds of allocation and keep track of the use of proceeds of the Project. HKQAA considers that the Group has defined rules and details for the management of proceeds and would enable a sufficient and documented allocation process.

Tracking of proceeds:

- Green and Social Bond/ Loan proceeds segregated or tracked by the issuer/ borrower 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 type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (<i>please specify</i>): |

4. REPORTING

Overall comment on section (*if applicable*):

HKQAA notes that the Group commits a reporting process covering both the proceeds allocation and the environmental impacts associated with the Project. Yunnan Energy is committed to impact reporting via its Sustainability Report or on a separate report specific to the GFT.

HKQAA considers that the Group’s overall reporting commitments are aligned with the Green Bond Principles and Green Loan Principles.

Use of proceeds reporting:

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

Information reported:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Green and Social Bond/Loan financed share of total investment |
|---|--|

Other (*please specify*): *Share of financing versus refinancing, the list of eligible project categories and amounts allocated to these categories, balance amount of unallocated bond proceeds and a selection of project examples financed by the net proceeds of the financial instrument*

Frequency:

- Annual Semi-annual
 Other (please specify):

Impact reporting:

- Project-by-project On a project portfolio basis
 Linkage to individual loan(s) Other (please specify):

Frequency:

- Annual Semi-annual
 Other (please specify):

Information reported for eligible Green Projects (expected or ex-post):

- GHG Emissions / Savings Energy Savings
 Decrease in water use Other ESG indicators (please specify):
 Renewable energy produced (MWh), Renewable energy capacity (MW)

Means of Disclosure

- Information published in financial report Information published in sustainability report
 Information published in ad hoc documents Other (please specify):
 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/ borrower's documentation, etc.)

The Group will report on the allocation of net proceeds and associated impact metrics within one year from transaction date and annually to investors in the case of bonds, and to lenders in the case of loans. The Group will publish the information in its Sustainability Report or a separate report specific to the GFT.

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|---|---|
| <input type="checkbox"/> Second Party Opinion | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Scoring/Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND SBP

- (i) **Consultant Review:** An issuer can seek advice from consultants and/or institutions with recognized expertise in environmental sustainability or other aspects of the issuance of a Green Bond, such as the establishment/review of an issuer's Green and Social Bond framework. "Second opinions" may fall into this category.
- (ii) **Verification:** An issuer can have its Green/Social Bond, associated Green/Social Bond framework, or underlying assets independently verified by qualified parties, such as auditors. In contrast to certification, verification may focus on alignment with internal standards or claims made by the issuer. Evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria.
- (iii) **Certification:** An issuer can have its Green/Social Bond or associated Green/Social Bond framework or Use of Proceeds certified against an external green assessment standard. An assessment standard defines criteria, and alignment with such criteria is tested by qualified third parties / certifiers.
- (iv) **Rating:** An issuer can have its Green/Social Bond or associated Green/Social Bond framework rated by qualified third parties, such as specialised research providers or rating agencies. Green/Social Bond ratings are separate from an issuer's ESG rating as they typically apply to individual securities or Green/Social Bond frameworks / programmes.

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GLP AND SLP

- (i) **Consultant review:** a borrower can seek advice from consultants and/or institutions with recognised expertise in environmental sustainability or other aspects of the administration of a green/social loan. "Second party opinions" may also fall into this category.
- (ii) **Verification:** a borrower can have its green/social loan, associated green/social loan framework, or underlying assets independently verified by qualified parties, such as auditors or independent ESG rating providers. In contrast to certification, verification may focus on alignment with internal standards or claims made by the borrower.
- (iii) **Certification:** a borrower may have its green loan or associated green/social loan framework certified against an external assessment standard. An assessment standard defines criteria, and alignment with such criteria is tested by qualified third parties/certifiers.
- (iv) **Rating:** a borrower can have its green/social loan or associated green/social loan framework rated by qualified third parties, such as specialised research providers or rating agencies.

7. Appendix 3: Sustainability-Linked Bonds / Loans - Independent

External Review Form

Section 1. Basic Information

Issuer/borrower name: *Yunnan Provincial Energy Investment Group Co., Ltd. (“Yunnan Energy” or the “Group”)*

Issuer/borrower’s Green Loan Framework Name, if applicable: *Yunnan Provincial Energy Investment Group Co., Ltd. Sustainable Finance Framework (the “Framework”)*

Sustainability-Linked Bond ISIN: *XS2445143329*

Independent External Review provider’s name: *Hong Kong Quality Assurance Agency*

Completion date of this form: *21 March 2022*

Publication date of review publication: *[where appropriate, specify if it is an update and add reference to earlier relevant review]*

At the launch of the bond, the structure is:

- a step-up structure a variable redemption structure

Section 2. Pre-Issuance Review

2-1 SCOPE OF REVIEW

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

The review:

assessed all the following elements (complete review) only some of them (partial review):

- | | |
|---|---|
| <input type="checkbox"/> Selection of Key Performance Indicators (KPIs) | <input type="checkbox"/> Bond / loan characteristics (<i>acknowledgment of</i>) |
| <input type="checkbox"/> Calibration of Sustainability Performance Targets (SPTs) | <input type="checkbox"/> Reporting |
| <input type="checkbox"/> Verification | |

and confirmed their alignment with the SLBP / SLLP.

2-2 ROLE(S) OF INDEPENDENT EXTERNAL REVIEW PROVIDER

- Second Party Opinion Certification
 Verification Scoring/Rating

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

2-3 EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

Please refer to the Second-Party Opinion Document for the Group above.

Section 3. Detailed pre-issuance 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.

3-1 SELECTION OF KEY PERFORMANCE INDICATORS (KPIs)

Overall comment on the section (if applicable):
 HKQAA assessment team overall considers the KPIs to be adequate given that they reflect material sustainability issues for the Yunnan Energy’s current and future operations, their definition and methodology for calculating KPI performance is clear and aligned with credible external methodologies; but they are not benchmarkable to science-based targets.

List of selected KPIs:

- ✓ Increase in Wind Power Generating Capacity (%)
- ✓ Increase in Solar Power Generating Capacity (%)

Definition, Scope, and parameters

- Clear definition of each selected KPIs Clear calculation methodology
 Other (please specify):

Relevance, robustness, and reliability of the selected KPIs

- Credentials that the selected KPIs are relevant, core and material to the issuer/borrower’s sustainability and business strategy. Evidence that the KPIs are externally verifiable
 Credentials that the KPIs are measurable or quantifiable on a consistent methodological basis Evidence that the KPIs can be benchmarked

Other (*please specify*):

3-2 CALIBRATION OF SUSTAINABILITY PERFORMANCE TARGETS (SPTs)

Overall comment on the section (*if applicable*):

HKQAA assessment team considers the SPTs to align with Yunnan Energy’s sustainability strategy and considers Yunnan Energy’s SPTs to be ambitious given that they present a material improvement compared to past performance, and they align with national predications.

Rationale and level of ambition

- | | |
|---|--|
| <input checked="" type="checkbox"/> Evidence that the SPTs represent a material improvement | <input type="checkbox"/> Credentials on the relevance and reliability of selected benchmarks and baselines |
| <input checked="" type="checkbox"/> Evidence that SPTs are consistent with the issuer/borrower’s sustainability and business strategy | <input checked="" type="checkbox"/> Credentials that the SPTs are determined on a predefined timeline |
| | <input type="checkbox"/> Other (<i>please specify</i>): |

Benchmarking approach

- | | |
|---|---|
| <input checked="" type="checkbox"/> Issuer/borrower own performance | <input type="checkbox"/> Issuer/borrower’s peers |
| <input type="checkbox"/> reference to the science | <input checked="" type="checkbox"/> Other (<i>please specify</i>): reference to national predications |

Additional disclosure

- | | |
|---|---|
| <input checked="" type="checkbox"/> potential recalculations or adjustments description | <input checked="" type="checkbox"/> Issuer/borrower’s strategy to achieve description |
| <input checked="" type="checkbox"/> identification of key factors that may affect the achievement of the SPTs | <input type="checkbox"/> Other (<i>please specify</i>): |

3-3 BOND / LOAN CHARACTERISTICS

Overall comment on the section (*if applicable*):

Yunnan Energy has disclosed that, for any sustainability-linked instrument issued in alignment with the Framework, if the SPT has not been achieved by the target observation date, a premium will be payable by Yunnan Energy in the form of, but not limited to, a step-up in coupon margin.

Financial impact:

- variation of the coupon
- ...
- Other *(please specify)*:

Structural characteristic:

- ...
- ...
- Other *(please specify)*:

3-4 REPORTING

Overall comment on the section *(if applicable)*:
 Yunnan Energy commits to report on an annual basis on its performance on the KPIs, and expects to include the relevant figures in a sustainability-linked instrument report, to be published along with its sustainability reporting or a separate report on its website. Yunnan Energy further commits to disclose relevant information that enables investors to monitor the level of ambition of the SPTs, and commits to having have an external verifier provide limited assurance on the published KPI performance figures for each fiscal year.

Information reported:

- | | |
|--|---|
| <input checked="" type="checkbox"/> performance of the selected KPIs | <input checked="" type="checkbox"/> verification assurance report |
| <input type="checkbox"/> level of ambition of the SPTs | <input type="checkbox"/> Other <i>(please specify)</i> : |

Frequency:

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

Means of Disclosure

- | | |
|---|--|
| <input type="checkbox"/> Information published in financial report | <input checked="" type="checkbox"/> Information published in sustainability report |
| <input checked="" type="checkbox"/> Information published in ad hoc documents | <input type="checkbox"/> Other <i>(please specify)</i> : |
| <input type="checkbox"/> Reporting reviewed <i>(if yes, please specify which parts of the reporting are subject to external review)</i> : | |

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

Level of Assurance on Reporting

- limited assurance reasonable assurance
 Other (*please specify*):

USEFUL LINKS (*e.g. to review provider methodology or credentials, to issuer/borrower’s documentation, etc.*)

Section 4. Post-issuance verification

Overall comment on the section (*if applicable*):

Yunnan Energy commits to conducting a post-issuance review by external parties in case of material changes to the KPI(s) and SPT(s).

Information reported:

- limited assurance reasonable assurance
 Other (*please specify*):

Frequency:

- Annual Semi-annual
 Other (*please specify*): *where necessary*

Material change:

- Perimeter KPI methodology
 SPTs calibration

8. Appendix 4: Hong Kong Quality Assurance Agency (HKQAA)

Local Excellence, Global Perspective

Established by Hong Kong Government in 1989, Hong Kong Quality Assurance Agency (HKQAA) is a non-profit public organisation committed to introducing international management standards, promoting good management practices and sustainability in Greater China for decades. As one of the leading conformity assessment organisations in the region, HKQAA not only provides certification, assessment, registration, training and research services to help organisations enhance management performance and competitiveness, but also develops a wide range of good management practices and related criteria to cope with increasingly diversified market demands and the growing need for sustainable development, fostering a better environment and bringing benefits to the community.

Ample Experience in Fostering Sustainable Economy

In recent years, sustainability has become one of the key forces driving organisations towards a prolonged success. To support and encourage them to walk the talk, HKQAA has developed diverse services and obtained ample experience in the field of social responsibility, environmental protection, sustainability and responsible investment:

- With the initial support of **The Hongkong and Shanghai Banking Corporation Limited (HSBC)**, HKQAA introduced the **CSR Index** to provide quantitative metrics to measure organisations' maturity level in practicing their social responsibilities in 2008;
- HKQAA has been **the only Hong Kong organisation accredited as the Designated Operational Entity (DOE)** by the Executive Board of the Clean Development Mechanism (CDM) under the United Nations Framework Convention on Climate Change (UNFCCC) to deliver CDM validation and verification services since 2011;
- HKQAA has been providing assessment and rating services on companies' sustainability performance for the **Hang Seng Corporate Sustainability Index Series** since 2014;
- Since 2017, our expert has been nominated by the **Innovation and Technology Commission of the HKSAR Government** and the **China National Institute of Standardization** respectively to directly take part in the technical committee of ISO/TC 207/SC 4 and the working group of **ISO/TC 207/SC 4/ WG 7** to develop **ISO 14030 Green bonds – Environmental performance of nominated projects and assets**;
- Since 2018, HKQAA has been admitted as an **Observer of the Green Bond Principles (GBP) under the International Capital Market Association (ICMA)**;
- Since 2018, HKQAA has become an **approved verifier under the Climate Bonds Standard**.

Contact HKQAA

Website: <http://www.hkqaa.org>

9. Appendix 5: Acknowledgement

We acknowledge the receipt of this assessment report and agree with the content of this assessment report.

Name of Company (Name of the Borrower): Yunnan Provincial Energy Investment Group Co., Ltd.

Name of the Framework: Yunnan Provincial Energy Investment Group Co., Ltd.'s Sustainable Finance Framework

For and on behalf of

(Authorized Signature)

Signature:

Name:

Title:

Date: