

Second-Party Opinion

Redco Sustainable Finance Framework

Evaluation Summary

Sustainalytics is of the opinion that the Redco Sustainable Finance Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2018, and Green Loan Principles 2020. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Green Buildings, Energy Efficiency, Sustainable Water and Wastewater Management, Pollution Prevention and Control, Renewable Energy, Climate Change Adaptation, Clean Transportation, Affordable Basic Infrastructure, Access to Essential Services and COVID-19 Related Investments and Expenditures – are aligned with those recognized by both the Sustainability Bond Principles and the Green Loan Principles. Sustainalytics believes that the eligible categories are expected to improve the environmental performance the Company’s operations and advance the socioeconomic development of China while advancing the UN Sustainable Development Goals (SDGs), specifically SDG 3, 4, 6, 7, 8, 11, 12.



PROJECT EVALUATION / SELECTION Redco’s Eligible Projects will be evaluated and selected by the Sustainability Taskforce, which will be reviewed semi-annually and is comprised of senior members from various departments: design management, human capital, procurement, operational and sales, branding as well as corporate finance. The Product Department Product Department will be responsible for identifying Eligible Projects and submitting them to the Sustainability Taskforce for review. Sustainalytics considers the project selection process as in line with market practice.



MANAGEMENT OF PROCEEDS Redco will establish an internal tracking system which will be used to track the use of proceeds for each transaction associated within the Framework. Allocation of proceeds will be managed by Redco’s Sustainable Finance Management Team which is comprised of Financial Management, Treasury Management, Internal Risk and Control and Compliance departments. Pending allocation, proceeds will be invested according to the Group’s standard liquidity policy in short-term deposits or investments. The Group intends to allocate proceeds within two years of issuance. This is in line with market practice



REPORTING Redco intends to provide an annual allocation on its website on an annual basis until full allocation. The allocation report will include (i) a list of eligible green and social projects, (ii) the amount of proceeds allocated to each Eligible Green and Social Project category, (iii) descriptions of Eligible Green and Social Projects financed, (iv) selected examples of projects financed, and (v) the total amount of unallocated proceeds. In addition, Redco is committed to reporting on relevant impact metrics where feasible. Sustainalytics views Redco’s allocation and impact reporting as aligned with market practice.

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Introduction

Redco Properties Group Ltd (“Redco”, or the “Company”) operates as a real estate development company, founded in 1992 and based in mainland China, with a focus on residential and commercial properties.

Redco has developed the Sustainable Finance Framework (the “Framework”) under which it intends to issue green, social or sustainability bonds, loans and other debt instruments (“Sustainable Financing Instruments”) and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that improve the environmental performance the Company’s operations and advance the socioeconomic development of China. The Framework defines eligibility criteria in seven green areas and three social areas:

Eligible Green Projects

1. Green Buildings
2. Energy Efficiency
3. Sustainable Water and Wastewater Management
4. Pollution Prevention and Control
5. Renewable Energy
6. Climate Change Adaptation
7. Clean Transportation

Eligible Social Projects

1. Affordable Basic Infrastructure
2. Access to Essential Services
3. COVID-19 Related Investments & Expenditures

Redco engaged Sustainalytics to review the Sustainable Finance Framework, dated February 2021, and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Green Bond Principles 2018 (GBP), Social Bond Principles 2020 (SBP), and Sustainability Bond Guidelines 2018 (SBG) and Green Loan Principles (GLP).¹ This Framework has been published in a separate document.²

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent³ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

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

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

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.6.1, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Redco’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Redco representatives have

¹ The Sustainability Bond Guidelines are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

² The Framework is available on: <https://www.redco.cn/investor/>.

³ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

confirmed (1) they understand it is the sole responsibility of Redco to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

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

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

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

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

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

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Sustainable Finance Framework

Sustainalytics is of the opinion that the Sustainable Finance Framework is credible, impactful, and aligns with the four core components of the GBP, SBP, and GLP. Sustainalytics highlights the following elements of Redco's Sustainability Bond Framework:

- Use of Proceeds:
 - The eligible categories – Green Buildings, Energy Efficiency, Sustainable Water and Wastewater Management, Pollution Prevention and Control, Renewable Energy, Climate Change Adaptation, Clean Transportation, Affordable Basic Infrastructure and Access to Essential Services – are aligned with those recognized by the GBP, SBP and GLP. Sustainalytics considers that the eligible projects are expected to improve the environmental performance the Company's operations and advance the socioeconomic development of China.
 - Redco has established a three-year look-back period and intends to fully allocate net proceeds within two years of issuance. Sustainalytics considers this to be in line with market practice.
 - Under the "Green Buildings" category, Redco intends to finance new or existing commercial or residential buildings that are achieved or expected to achieve third-party certification standards, namely LEED "Gold" or above, BEAM Plus "Gold" or above, Chinese Green Building Evaluation Standard "2 stars" or above, BREEAM "Excellent" or above, BCA Green Mark "Gold" or above, or any other equivalent green building label. These buildings may additionally achieve certification of the WELL Building Standard certification (any level). Sustainalytics views these certification schemes as credible and the levels selected as impactful. Please see Appendix [X] for a further description of the referenced building schemes. Under the same category Redco may also invest in buildings that are on the top 15% energy efficient buildings based on absolute emission performance or primary energy demand within their respective region. In case of following this criterion, Sustainalytics encourages Redco to provide further disclosure on the underlying methodology in determining the selected buildings.
 - For the "Energy Efficiency" category, the Company intends to finance the refurbishment of buildings that achieve a minimum of 20% energy efficiency improvements. Sustainalytics views the Framework's inclusion of a defined energy efficiency threshold for the installation of energy-efficient systems, equipment, and technologies positively. Additionally, Redco intends to invest

in the research and development (R&D) of energy efficient design and technologies for buildings and construction. Redco has clarified to Sustainalytics that intended projects include the R&D of building and insulation materials⁴ that aim to provide at least 5% energy performance improvements. Given the financing of definable future assets and identified positive environmental impact, Sustainalytics considers the intended R&D expenditures as aligned with market expectations. Sustainalytics also notes that R&D expenditures are limited to a maximum of 20% the bond issuance.

- For the “Sustainable Water Management” category, the Company intends to finance rainwater or wastewater treatment and has confirmed to Sustainalytics the exclusion of wastewater from fossil fuel operations.
- Under the “Pollution Prevention and Control” category, the Company intends to finance investments in waste management projects that aim to prevent, minimize and/or recycle waste. Such projects include installing equipment to reduce environmental pollution of air and pollution during construction and/or building operation. Redco confirmed to Sustainalytics that waste management activities specifically pertain to waste collection, storage, and processing while following appropriate waste segregation, including the separation and recycling of steel, glass, paper, and concrete blocks.
- Under the “Renewable Energy” category, the Company intends to invest in renewable energy systems and associated infrastructure such as concentrated solar heat and power generation (CSP) plants with with $\geq 85\%$ of electricity generated to be derived from solar energy in residential buildings as well as geothermal facilities with direct emissions $\leq 100\text{gCO}_2/\text{kWh}$. Sustainalytics considers the criteria to be in line with market practice.
- Under the “Climate Change Adaptation” category, the Company may invest in the development of “Sponge Cities”⁵ that aim to reduce flood risk and replenish groundwater. The project examples include upgrades of flood protection systems, climate observation and information support systems, and rainwater cistern installations.
- For the “Affordable Basic Infrastructure” category, Redco intends to finance the construction and/or refurbishment of public infrastructure such as public sports facilities, public parks, green spaces, and public cultural parks. The Company has confirmed that infrastructures under this category will be accessible to all and free.
- For the “Access to Essential Services” category, the Framework includes financing for projects that are intended to benefit the general public and vulnerable populations. Examples of these projects include (i) the development of healthcare facilities, (ii) the development of public educational facilities, (iii) the renovation and maintenance of infrastructure for the disabled, and (iv) the installation, incorporation, research and development of epidemic prevention design elements into residential and commercial buildings, including temperature detection, ventilation with disinfection filters, spray disinfection systems. Sustainalytics notes that potential R&D expenditures will be limited to 5% of the pertaining issuance. Regarding investments in healthcare, Redco has confirmed to Sustainalytics that healthcare expenses will be limited to those that are either public or subsidized by the Government to guarantee affordable access for vulnerable populations.
- For the “COVID-19 related investment and expenditure” category Redco intends to provide relief measures (such as rent relief) to support small and medium-sized enterprises (SMEs)⁶ affected by the COVID-19 pandemic. While Sustainalytics recognizes the importance of providing relief measures to SMEs affected by the effects of COVID-19 to ensure business and employment continuity, Sustainalytics encourages Redco to ensure the adequate targeting of affected SMEs, disclose the projects and/or SMEs financed, and report on the impact achieved.
- Redco confirms the exclusionary list as per the International Finance Corporation (“IFC”) Exclusion List⁷, for the exclusion of production or trade of fossil fuel, child labour and forced labour under the Framework.

⁴ Redco has confirmed with Sustainalytics that there is no direct financing of the development of cement or steel-based construction materials.

⁵ The Sponge Cities concept is designed to absorb and capture rainwater, and includes green rooftops, low elevation greenbelt, bioretention, rainwater based irrigation, and rainwater cisterns for flood prevention.

⁶ Redco follows the Law of the People’s Republic of China on the Promotion of Small and Medium-sized Enterprises in defining SMEs; at: <http://www.npc.gov.cn/>

⁷ International Finance Corporation Exclusion List, (2007), at: [IFC Exclusion List](#)

- Project Evaluation and Selection:
 - Redco has established a Sustainability Taskforce, which is comprised of senior representatives from the following departments: product R&D, human resources administration, cost management, tender-based procurement management, engineering management, operations management, sales and customer relations, brand management and financial management. The Product Department will identify Eligible Projects and submit them to the Sustainability Taskforce for review. The Sustainability Taskforce will convene semi-annually to review the eligibility of projects and be responsible for project selection, evaluation, and approval of eligible projects.
 - Based on these elements, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - The Sustainable Finance Management Team, which comprises of personnel from Financial Management, Treasury Management, Internal Risk and Control and Compliance departments is responsible for the management of proceeds. The team will deposit net proceeds from each Sustainable Finance Instrument in Redco's general funding account. Redco will maintain a register to keep track of net proceeds for each Sustainable Finance Instrument. The register will contain the type of funding transaction conducted as well as information on the amount allocated to each project and the remaining balance of unallocated proceeds. Allocation of proceeds will be managed by Redco's Finance Team.
 - Pending full allocation, unallocated proceeds will be invested according to the Group's standard liquidity policy, such as short-term deposits or investments, and subject to the exclusionary criteria.
 - Based on an internal tracking system, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - Redco has committed to reporting on the allocation of its proceeds annually until full allocation and will report on its website. Allocation reporting will include the following: (i) a list of eligible green and social projects, (ii) the amount of proceeds allocated to each Eligible Green and Social Project category, (iii) descriptions of Eligible Green and Social Projects financed, such as project locations and amounts allocated, (iv) selected examples of projects financed and (v) the total amount of unallocated Proceeds.
 - For impact reporting, Redco has committed to reporting on several quantitative and qualitative environmental metrics, where feasible. The impact indicators include: green building certification level, energy efficiency gains in MWh or percentage compared to baseline, estimated avoided GHG emissions, annual energy savings, expected energy savings, amount of water recycled (liters), amount of water reused (liters), annual reduction in water consumption, amount of water reused (liters), annual reduction in water consumption, waste prevented, minimized, reused or recycled (in tons per annum), GHG emissions avoided from waste management, renewable energy purchased (MWh), renewable energy capacity added (MWh), percentage of electricity consumption from renewable sources and number of elderly care facilities constructed.
 - Based on a commitment to both allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2018

Sustainalytics has determined that the Sustainable Finance Framework aligns with the four core components of the GBP and SBP. For detailed information please refer to Appendix 2: Sustainability Bond/ Sustainability Bond Programme External Review Form.

Section 2: Sustainability Strategy of Redco

Contribution of Framework to Redco Properties Group Ltd 's sustainability strategy

Redco integrates sustainability practices into its operations by focusing on low carbon infrastructure development and by designing quality buildings to improve the wellbeing of the building users through enhanced air quality, design and use of outdoor space. Additionally, as a result of the COVID-19 pandemic,

Redco has developed a Healthy Buildings and Epidemic Prevention Design plan which seeks to improve the health and safety of residents within the building by integrating epidemic prevention elements within the Group's residential and commercial buildings.

Redco is committed to reducing its carbon footprint and energy consumption both through its construction projects and its own internal operations.⁸ Redco implements environmental policies in the construction and design phase to minimize energy consumption and enhance energy efficiency, such as through the implementation of LED lighting, natural lighting, and ventilation. Additionally, the Company measures and discloses its energy, water and waste consumption as well as greenhouse gas emissions and other air pollutants.⁹

Redco's real estate development activities integrate various public service facilities such as education, healthcare, culture and epidemic design within its development projects. These investments will be further enhanced by the projects funded under the Framework that target the provision of access to basic services and infrastructure to underserved communities and general public.

Based on the above, Sustainalytics is of the opinion that the Redco Sustainable Finance Framework is aligned with the Company's sustainability efforts and will contribute to furthering the Company's environmental and social initiatives. Sustainalytics recognizes the importance of the above-mentioned commitments by Redco and encourages the Company to develop time-bound quantitative targets to further strengthen its sustainability performance.⁹

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

While Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards eligible projects that are recognized by the GBP, SBP and GLP to have positive environmental and social impact, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects, could include occupational health and safety, land use and biodiversity issues associated with large-scale infrastructure development, emissions, effluents, and waste generated in construction, as well as the possibility of deteriorating community relations as a result of inadequate public consultation. Sustainalytics is of the opinion that Redco is able to manage and/or mitigate potential risks through implementation of the following:

- To ensure health and safety performance of the Group, Redco adheres to its own occupational health and safety policies. The Group performs targeted inspections to oversee implementation of the regulations among its subsidiaries. The Group has established a production safety committee to ensure special internal safety of working groups and to conduct regular and timely inspections to ensure the Company's safe working conditions. Safety training is held every six months to improve workplace safety awareness among internal staff and stakeholders. Furthermore, the Group has implemented safety related policies such as the Construction Assessment Management System and Construction Technology Management System which requires the implementation of advanced safety measures during construction.⁹
- To ensure environmental protection, suppliers are required to reduce construction waste, comply with energy conservation regulations and minimize consumption of electricity and gas. To ensure operational practices of suppliers, suppliers are required to conform to relevant environmental laws and regulations, including local management practices and dust pollution management.⁹
- To minimize emissions from the construction phase, the Company has established environmental protection policies, for example, assessing and predicting emissions generated prior to commencement of a construction project and formulating a plan to manage emissions and production.
- As part of China's Environmental Impact Assessment Act, all projects related to construction, reconstruction, expansion and/or refurbishing are obliged to conduct an environmental risk assessment during the initial phase of project design and feasibility analysis. The act stipulates that the assessment must include the identification of key risk factors related to air, water, soil pollution or human health. According to Chinese law, all companies are required to undergo an assessment by an independent and certified environmental impact assessment.¹⁰
- Redco has confirmed with Sustainalytics its community consultation process during the design and development of construction process to avoid public opposition.

⁸ Redco Group, "2019 Annual Report", (2019), at: [200276-01r \(hkexnews.hk\)](https://www.hkexnews.hk)

⁹ *Ibid*

¹⁰ Zhengzhou Foreign-funded Enterprise Service Center, "Environmental Impact Assessment Law of the People's Republic of China", at: <https://www.waizi.org.cn/law/11686.html>.

- Redco follows the International Finance Corporation (“IFC”) Exclusion List (2007)¹¹ in determining the excluded assets and projects under the Framework.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Redco has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

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

Importance of green buildings in China

In 2020, President Xi Jinping announced the intention to scale up China’s Nationally Determined Contribution (NDC) to address climate change by “adopting more policies and measures in an effort to peak CO₂ emissions before 2030 and reach carbon neutrality before 2060”.¹² To achieve these goals, considerable effort is required in order to meet these targets across all industries before 2030. In 2016, the buildings and construction sector were responsible for over one-third of global final energy consumption and nearly 40% of total direct and indirect CO₂ emissions, thus there is ample potential for the Chinese building sector to contribute towards China’s NDC.¹³ According to the United National Environment Program (UNEP), globally the buildings sector has the potential to avoid 50% of the project energy consumption through either highly energy efficient buildings or net-zero through newly constructed buildings, together with building retrofitting of the existing building stock by 2030.¹³

The Government has developed two complementary national policies aiming to promote and regulate green buildings: (i) 13th Five Year Plan for Building Energy Efficiency and Green Building Development, and the (ii) Strategic Action Plan for Energy Development (2014-2020).¹⁴ These plans include a 50% requirement of all new urban buildings to be certified green buildings. Additionally, the National Development and Reform Commission published the 13th Five Year Plan for Energy Development (2016-2020) aimed at advancing energy efficiency and energy consumption management, to achieve reductions in energy consumption per unit of GDP by 15% compared to 2015.¹⁵ As a result of these policies, China is making significant strides towards energy efficiency improvements, mainly in the industry sector but also within the buildings sector. Residential buildings have saved 2.1 exajoule’s of energy consumed between 2000-2017, and the country is expected to avoid 4.5 EJ of energy use by 2040 if it maximizes available cost-effective efficiency potential.¹⁶

The opportunities for energy efficiency improvements in the green building industry in China are significant and particularly impactful considering the climate reduction goals of China. Sustainalytics expects that Redco’s Financing for green buildings and energy efficiency projects will have a positive environmental impact by reducing GHG emissions from the built environment.

Importance of access to healthcare and education in China

The Chinese government is committed to improving the provision to education and healthcare. In terms of healthcare, the government promotes the provision of cost-effective public health programmes and facilitates its investments in health care delivery networks.¹⁷ The accessibility of government schemes and services in [healthcare?] has increased, especially through the establishment of the rural cooperative medical scheme and the urban resident-based healthcare scheme. Despite this overall improvement, inequalities and challenges in healthcare still exist, particularly between urban and rural areas.¹⁸ The role of primary healthcare is reinforced by the government’s Health China 2030 Plan, introduced in 2016. The plan includes new

¹¹ https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/company-resources/ifcexclusionlist

¹² WRI, “4 Questions About China’s New Climate Commitments”, (2020), at [4 Questions About China’s New Climate Commitments | World Resources Institute \(wri.org\)](#)

¹³ Global Alliance for Buildings and Construction, “Towards zero-emission efficient and resilient buildings: Global Status Report (2016), at: [GABC_Global_Status_Report_V09_november_FINAL.pdf \(worldgbc.org\)](#)

¹⁴ World Economic Forum, “China’s clean, green buildings of the future”, (2017), at: [China’s clean, green buildings of the future | World Economic Forum \(weforum.org\)](#)

¹⁵ Energy Charter Secretariat, “China Energy Efficiency Report”, (2018), at: [EER-China_ENG.pdf \(energycharter.org\)](#)

¹⁶ International Energy Agency, “Energy Efficiency in China”, (2018), at: [Energy efficiency in China – Analysis - IEA](#)

¹⁷ The World Health Organization, “People’s Republic of China Healthcare Review”, (2015), at: [World Health Organization, People’s Republic of China health system review \(who.int\)](#)

¹⁸ Core Responsibility, “Chinese Healthcare, Challenges and Opportunities”, (2018), at: [Chinese Healthcare: Challenges & Opportunities - Collective Responsibility \(coresponsibility.com\)](#)

directives orientated towards prevention and the improvement of access and quality of health services to targeted population groups.¹⁹

Regarding education in China, the education system has undergone continuous reform since the 1980s and operates as the largest education system in the world with 260 million students in school.²⁰ The education system is steered mostly by the government and provides nine years of compulsory education. Education reforms have focused on eradicating illiteracy, accelerating development of preschool education and improving the quality of compulsory education, especially in rural areas.²⁰ The OECD PISA study tests 15 year old students to compare the quality of education among nations and Chinese students perform higher than the OECD average in mathematics, science and reading results.²⁰ While significant strides have been made, significant challenges still exist, particularly to provide universal access to quality education in rural areas. Examples of government programmes include the Rural Primary and Secondary Schools Dilapidated Building Renovation Project in Central and Western China and Rural Primary and Secondary Boarding Schools Project. Through such initiatives, infrastructure for rural schools has improved substantially.²⁰

Sustainalytics is of the opinion that financing projects in healthcare and education is expected to positively contribute to the country's access to essential services.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The bond(s) issued under the Sustainable Finance Framework advances the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Green Buildings	11. Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Sustainable Water and Wastewater Management	6. Clean Water and Sanitation	6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.
Pollution Prevention and Control	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.
Clean Transportation	11. Sustainable Cities and Communities	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
Affordable Basic Infrastructure	11. Sustainable Cities and Communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
Access to Essential Services	3. Good Health & Wellbeing	3.8 Achieve universal health coverage, including financial risk coverage, access to quality essential healthcare services and access to

¹⁹ Healthy China 2030 Plan, at: [中共中央 国务院印发《“健康中国2030”规划纲要》_中央有关文件_中国政府网 \(www.gov.cn\)](http://www.gov.cn)

²⁰ OECD, “Education in China: A Snapshot”, (2016), at: [Education-in-China-a-snapshot.pdf \(oecd.org\)](http://www.oecd.org)

	4. Quality Education	safe, effective, quality and affordable essential medicines and vaccines for all 4.4 By 2030, substantially increase the number of youth and adults who have relevant skills including technical and vocational skills, for employment, decent jobs and entrepreneurship
COVID-19 Related Investments & Expenditures	8. Decent Economic Growth	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage formalization and growth of micro-, small- and medium-sized enterprises including through access to financial services

Conclusion

Redco has developed the Sustainable Finance Framework under which it will issue green, social or sustainability bonds, loans and other debt instruments and use the proceeds to finance eligible projects related to (i) Green Buildings, (ii) Energy Efficiency, (iii) Sustainable Water and Wastewater Management, (iv) Pollution Prevention and Control, (v) Renewable Energy, (vi) Climate Change Adaptation, (vii) Clean Transportation, (viii) Affordable Basic Infrastructure (ix) Access to Essential Services and (x) COVID-19 Related Investments and Expenditures. Sustainalytics considers that the projects funded by the bond proceeds are expected to provide positive environmental and social impact through the reduction of Redco’s carbon footprint and improvement of the environmental performance of the Company’s operations.

The Sustainable Finance Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Sustainable Finance Framework is aligned with the overall sustainability strategy of the Company and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 3, 6, 7, 11, 12. Additionally, Sustainalytics is of the opinion that Redco has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.






Based on the above, Sustainalytics is confident that Redco Properties Group Ltd is well-positioned to issue sustainability bonds and that the Sustainable Finance Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles (2018), Social Bond Principles (2020) and the Green Loan Principles (2018).

Appendices

Appendix 1: Sustainalytics Assessment of Certification Schemes

	LEED	BEAM Plus	BREEAM	CHINA THREE STAR	BCA Green Mark
Background	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.	BEAM Society Limited (BSL), owner of the Building Environmental Assessment Method (BEAM), is a public body established in 2010. It owns BEAM Plus - a green building assessment tool tailor-made for the high-rise, high density built environment of sub-tropical climate in Hong Kong.	BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK. Used for new, refurbished and extension of existing buildings.	The Chinese 3-Star Green Building Standard is a Certification System used in China for residential and public buildings (including commercial, hotel and government-owned) that was introduced in 2006 by MOHURD (Ministry of Housing and Urban-Rural Development).	The BCA Green Mark Scheme provides real estate certifications in Singapore to promote sustainability in the built environment (during project conceptualization and design, as well as during construction). ²¹
Certification levels	Certified Silver Gold Platinum	Bronze Silver Gold Platinum	Pass Good Very Good Excellent Outstanding	1-Star 2-Star 3-Star	Certified Gold Gold Plus Platinum
Areas of Assessment: Environmental Performance of the Building	<ul style="list-style-type: none"> • Energy and atmosphere • Sustainable Sites • Location and Transportation • Materials and resources • Water efficiency • Indoor environmental quality • Innovation in Design • Regional Priority 	<ul style="list-style-type: none"> • Site Aspects (location and design of building, emissions from the site, site management) • Materials Aspects (selection of materials, efficient use of materials, waste disposal and recycling) • Energy Use (annual CO2 emissions or energy use, energy efficient systems and equipment, energy management) • Water Use (water quality, water conservation, effluent discharges) • Indoor Environmental Quality (IEQ) 	<ul style="list-style-type: none"> • Energy • Land Use and Ecology • Pollution • Transport • Materials • Water • Waste • Health and Wellbeing • Innovation 	<ul style="list-style-type: none"> • Land savings and outdoor environment; • Energy savings and utilisation; • Water savings and utilisation; • Material savings and utilisation; • Indoor environment; • Operations and management. 	<ul style="list-style-type: none"> • Climate Responsive Design • Building Energy Performance • Resource Stewardship • Smart and Healthy Buildings • Advanced Green Efforts •

²¹ About BCA Green Mark Scheme, at: https://www.bca.gov.sg/greenmark/green_mark_buildings.html

<p>Requirements</p>	<p>Prerequisites (independent of level of certification) + Credits with associated points</p> <p>These points are then added together to obtain the LEED level of certification</p> <p>There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).</p>	<p>Prerequisites for each performance area + Credits with associated points</p> <p>Detailed compliance with legal requirements is a prerequisite for the award of credits.</p> <p>For every performance area BEAM prescribes different prerequisites. Every applicable prerequisite in every BEAM category must be achieved for the project to be assessed.</p> <p>Credits are allocated for each performance area, and every area is weighted as per international consensus.²² The Overall Assessment Grade is determined by the percentage (%) of the applicable credits gained under each performance category and its weighting factor.</p> <p>Verification of compliance with BEAM criteria is done by an independent BEAM Assessor.</p>	<p>Prerequisites depending on the levels of certification + Credits with associated points</p> <p>This number of points is then weighted by item²³ and gives a BREEAM level of certification, which is based on the overall score obtained (expressed as a percentage). Majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their BREEAM performance score.</p> <p>BREEAM has two stages/ audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.</p>	<p>Prerequisites:</p> <p>The system functions on a checklist basis, with 1-Star buildings meeting 26 criteria, 2-Star an additional 43 items, and 3-Star on a further 14 items. Criteria and weighting differ for public and residential buildings. In public buildings, more weight is given to energy and material savings, while the standard for residential buildings places greater importance on urban land saving and outdoor environments.</p>	<p>Prerequisites for each performance area (to demonstrate minimum criteria met) + numerical scores achieved in accordance with the criteria in each performance area. Performance Areas have different weights.²⁴</p> <p>Depending on the level of building performance and numerical score achieved in performance area, building's level of certification is determined.</p> <p>Assessment of compliance with Green Mark criteria is done by the Singapore Building and Construction Authority (BCA).</p>
<p>Performance display</p>					

²² BEAM Plus New Buildings, at: <https://www.beamsociety.org.hk/files/download/download-20130724174420.pdf>.

²³ BREEAM weighting: Management 12%, Health and wellbeing 15%, Energy 19%, Transport 8%, Water 6%, Materials 12.5%, Waste 7.5%, Land Use and ecology 10%, Pollution 10% and Innovation 10%. One point scored in the Energy item is therefore worth twice as much in the overall score as one point scored in the Pollution item.

²⁴ Green Mark at: https://www.bca.gov.sg/GreenMark/others/Green_Mark_NRB_2015_Criteria.pdf.

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

Section 1. Basic Information

Issuer name:	Redco Properties Group Ltd
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	Sustainable Finance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	February 23, 2021
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

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

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

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

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

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (if applicable):

The eligible categories for the use of proceeds – Green Buildings, Energy Efficiency, Sustainable Water and Wastewater Management, Pollution Prevention and Control, Renewable Energy, Climate Change Adaptation, Clean Transportation, Affordable Basic Infrastructure, Access to Essential Services and COVID-19 related investments and expenditures – are aligned with those recognized by both the Sustainability Bond Principles and the Green Loan Principles. Sustainalytics believes that the eligible categories are expected to improve the environmental performance the Company’s operations and advance the socioeconomic development of China while advancing the UN Sustainable Development Goals (SDGs), specifically SDG 3, 4, 6, 7, 8, 11, 12.

Use of proceeds categories as per GBP:

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

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

Use of proceeds categories as per SBP:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Affordable basic infrastructure | <input checked="" type="checkbox"/> Access to essential services |
| <input type="checkbox"/> Affordable housing | <input type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input checked="" type="checkbox"/> Other (please specify): COVID-19 related investments and expenditures |

If applicable please specify the social taxonomy, if other than SBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Redco's Eligible Projects will be evaluated and selected by the Sustainable Finance Working Group ("SFWG"), which will be reviewed semi-annually and is comprised of senior members from the following departments: design management, human capital, procurement, operational and sales, branding as well as corporate finance. Sustainalytics considers the project selection process in line with market practice.

Evaluation and selection

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

Information on Responsibilities and Accountability

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

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

Redco will establish an internal tracking system which will be used to track the use of proceeds for each transaction associated within the Framework. Allocation of proceeds will be managed by Redco's Sustainable Finance Management Team which is comprised of corporate finance, investor relations and the internal audit team. Pending allocation, proceeds will be invested according to the Group's standard liquidity policy in short-term deposits or investments. The Group intends to allocate proceeds within two years of issuance. This is in line with market practice

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> 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 type="checkbox"/> Allocation to a portfolio of disbursements |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify): |

4. REPORTING

Overall comment on section (if applicable):

Redco intends to provide an annual allocation and impact report on its website on an annual basis until full allocation. The allocation report will include (i) a list of eligible green and social projects, (ii) the amount of proceeds allocated to each Eligible Green and Social Project category, (iii) descriptions of Eligible Green and Social Projects financed, (iv) selected examples of projects financed, and (v) the total amount of unallocated proceeds. In addition, Redco is committed to reporting on relevant impact metrics where feasible. Sustainalytics views Redco's allocation and impact reporting as aligned with market practice.

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) | <input checked="" type="checkbox"/> Other (please specify): When possible, descriptions of the Eligible Green and Social Projects financed, such as project locations, amount allocated, etc. |

Information reported:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Sustainability Bond financed share of total investment |
| <input type="checkbox"/> Other (please specify): | |

Frequency:

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

Impact reporting:

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

Information reported (expected or ex-post):

- | | |
|---|--|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
|---|--|

- | | |
|---|--|
| <input checked="" type="checkbox"/> Decrease in water use | <input type="checkbox"/> Number of beneficiaries |
| <input type="checkbox"/> Target populations | <input checked="" type="checkbox"/> Other ESG indicators (please specify): Level of certification by property; energy efficiency gains in MWh or percentage vs. baseline; amount of water reused and recycled; waste prevented or minimized or reused or recycled; amount of waste separated and collected; renewable energy purchased; renewable energy capacity added; percentage of electricity consumption from renewable sources; area of public sports facilities; public parks/green spaces constructed; cultural facilities constructed; capacity of public schools/kindergartens/hospitals/elderly care facilities constructed; number and type of disabled facilities (including public disabled activities centre) constructed; investments or expenditures into COVID-19 relief efforts. |

Frequency:

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

Means of Disclosure

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

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

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

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**Type(s) of Review provided:**

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Review provider(s):**Date of publication:****ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP**

- i. **Second-Party Opinion:** An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
- iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green, Social and Sustainability Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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