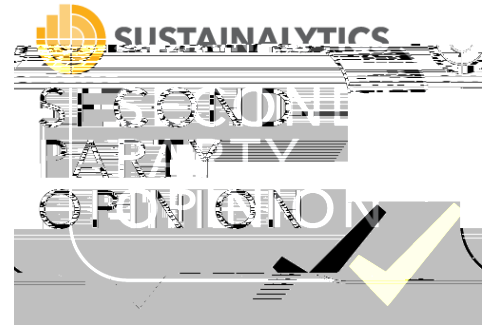


Second-Party Opinion

Zhenro Green Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the Zhenro Green Bond Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2018. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – (i) Green Buildings, (ii) Renewable Energy, (iii) Energy Efficiency, (iv) Pollution Prevention and Control, and (v) Sustainable Water Management – are aligned with those recognized by the Green Bond Principles 2018. Sustainalytics considers that the eligible categories will reduce the carbon footprint and improve the environmental performance of Zhenro’s operations while advancing the UN Sustainable Development Goals, specifically SDG 6, 7, 11, and 12.



PROJECT EVALUATION / SELECTION Zhenro’s eligible projects will be evaluated and selected by an inter-departmental Green Bond Committee comprised of representatives from Treasury, Controlling, Legal, Engineering, Design, Operations and Investor Relations, and relevant business units. Final approval of shortlisted projects will be conducted by the Committee. Sustainalytics considers Zhenro’s project evaluation and selection process as in line with market practice.



MANAGEMENT OF PROCEEDS Zhenro commits to set up a Green Bond Register to earmark and track the allocation of net proceeds to eligible green projects. The Treasury Team will manage allocation of proceeds, and the Green Bond Committee will conduct an annual review on the green project portfolio. Pending full allocation, the unallocated proceeds will be held in cash or cash equivalents, or other short-term liquid marketable instruments. This process is in line with market practice.



REPORTING Zhenro intends to provide an annual allocation and impact report on its website until the full allocation of proceeds. The allocation report will include the following: (i) total amount of outstanding Green Bonds, (ii) aggregated amount per respective eligible green project, (iii) balance of unallocated net proceeds. Regarding impact reporting, Zhenro intends to report on impact metrics, and where feasible, impact assessment methodologies to ensure transparency. Sustainalytics views Zhenro’s allocation and impact reporting as aligned with market practice.

Evaluation date	August 21, 2020
Issuer Location	Shanghai, China

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Introduction

Zhenro Properties (“Zhenro”, the “Issuer”, or the “Company”) is a property developer focusing on the development of residential properties, and the development, operation and management of commercial and mixed-used properties in China. Zhenro was established in 1998 and is headquartered in Shanghai, China.

Zhenro has developed the Zhenro Green Bond Framework (the “Framework”) under which it intends to issue green bonds and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that will reduce the carbon footprint and improve the environmental performance of Zhenro’s operations while advancing the Company’s sustainability strategy. The Framework defines eligibility criteria in five areas:

1. Green Buildings
2. Renewable Energy
3. Energy Efficiency
4. Pollution Prevention and Control
5. Sustainable Water Management

Zhenro engaged Sustainalytics to review the Zhenro Green Bond Framework, dated August 2020, and provide a second-party opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2018 (GBP).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 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, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds;
- 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 1.5, 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 Zhenro’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. Zhenro representatives have confirmed (1) they understand it is the sole responsibility of Zhenro 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 Zhenro.

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

¹ The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

² The Zhenro Green Bond Framework is available on Zhenro Properties’ website at: <http://www.zhenrodc.com/IR/en/index.html>

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.

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 intended allocation of proceeds but does not guarantee the realized 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 Zhenro has made available to Sustainalytics for the purpose of this SPO.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Zhenro Green Bond Framework

Sustainalytics is of the opinion that the Zhenro Green Bond Framework is credible and impactful, and aligns with the four core components of the GBP. Sustainalytics highlights the following elements of Zhenro's Green Bond Framework:

- Use of Proceeds:

The eligible categories – (i) Green Buildings, (ii) Renewable Energy, (iii) Energy Efficiency, (iv) Pollution Prevention and Control, and (v) Sustainable Water Management – are aligned with those recognized by the GBP. Sustainalytics believes that Zhenro's investments will help to improve resource efficiency and promote energy savings, thus positively contributing to reducing GHG emissions of the Company's operations.

Zhenro has defined a 36 months look-back period for its refinancing activities, which Sustainalytics considers to be in line with market practice. Zhenro intends to invest all net bond proceeds until the maturity of the bond.

Under the Green Buildings category, Zhenro intends to finance the development, renovation, maintenance, operations or acquisitions of buildings that have received or are expected to receive a green building certification, namely Chinese Green Building Evaluation Label (2-star and above), LEED (Gold and above), and BREEAM (Excellent and above) or other equivalent domestic or international green building certification scheme. Sustainalytics views these certification schemes as credible, and the levels selected as impactful. (See Appendix 1 for a further description of the referenced building schemes). Regarding renovation projects, Sustainalytics highlights that Zhenro has set a minimum threshold of 30% energy savings compared to the baseline building performance prior to the renovation, which Sustainalytics considers to be in line with best market practice.

Under the Renewable Energy category, Zhenro intends to invest in solar energy systems to be used in residential and commercial buildings, including solar photovoltaic energy systems, solar sensor water system and solar water heating system, as well as energy storage dedicated to solar energy.

For the Energy Efficiency category, the Company intends to finance projects that will achieve a minimum of 15% energy efficiency improvements. Technologies to be deployed include smart meters, non-fossil fuel-powered heating and cooling systems, lighting retrofits, lift systems, and building controls.

The Pollution Prevention and Control Category includes investments in waste management projects that aim to prevent, minimize and/or recycle waste. Intended project examples include recycling facilities to be installed in buildings and construction area. Under the same category, Zhenro also intends to invest in dust control and noise reduction initiatives that are aimed at achieving the Chinese Green Building Evaluation Label.

Under the Sustainable Water Management category, Zhenro intends to invest in the construction, development, installation, operation and maintenance of infrastructure or equipment for collection, treatment, recycling or reuse water, rainwater or wastewater.

-
- **Project Evaluation and Selection:**

Zhenro has established a Green Bond Committee comprised of representatives from their treasury, financial controlling, legal, engineering, design, operations and investor relations teams. The Committee will be responsible for approving projects as well as removing projects that no longer comply with the eligibility criteria.

Sustainalytics considers Zhenro's approach to project evaluation and selection to be aligned with market practice.
 - **Management of Proceeds:**

Zhenro will set up a green bond register to earmark and track the allocation of all net green bond proceeds from its general account to eligible projects. Zhenro intends to manage the green bond proceeds on a portfolio basis and the portfolio of projects will be reviewed by the Green Bond Committee at least annually.

Zhenro's treasury team will temporarily hold unallocated net proceeds in cash, cash equivalents or in other short-term liquid instruments.

Sustainalytics considers Zhenro's approach to management of proceeds to be aligned with market practice.
 - **Reporting:**

Zhenro intends to publish an allocation report and impact report annually until full allocation, which will be made publicly available on Zhenro's website.

in emissions management and energy saving areas such as introducing electric vehicles and educating employees to use recyclable materials and save energy during daily operations.

As part of the Company's commitment to promoting green building practices, Zhenro adopted prefabricated construction techniques to decrease the overall construction period by one-third, reduce wet operation on the construction site, and decrease pollution from construction dust, water consumption, material usage, construction waste and noise. Following the initiative, Zhenro has reduced dust pollution on-site by X%, water consumption by 60%, and construction waste by 80% (in 2019 compared to the 2017 levels).⁶ Zhenro demonstrated its commitment to facilitating green buildings in China by investing in recognized green building projects, such as the Hongqiao Zhenro Center; which was awarded the highest three-star national green building certification and the "Asian Eco-Business Flagship".⁵

Zhenro has established a corporate social responsibility management system which includes the participation of all internal parties, from the Board of directors to employees. Under the management system, Zhenro has built a "Social Responsibility Think Tank", including institutions, experts and scholars from international and domestic industries. On the operational level, Zhenro has set up CSR working group under

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Zhenro has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories. Sustainalytics encourages the Company to further integrate community consultation processes in the design and construction phase of all large infrastructure projects.

Section 3: Impact of Use of Proceeds

All four use of proceeds categories are aligned with those recognized by the GBP. Sustainalytics has focused below where the impact is specifically relevant in the local context.

Importance of energy efficiency for green buildings in China

In the context of China's energy consumption, building sector energy makes up a significant part of total energy consumption. According to the China Construction Energy Saving Committee, energy consumption from the building sector accounted for 21.11% of China's aggregate energy use, and around 19.5% of energy-related CO₂ emissions in 2017.¹⁰

Under the 13th Five Year Plan for Construction Development released by the State Council of China, the Chinese Government has set a target of increasing the share of urban green building to 50% of newly built infrastructures, and the proportion of green building materials used to reach 40%. To achieve this goal, energy-saving and emission-reduction technologies are promoted by the Government.¹¹ Furthermore, National Development and Reform Commission published the 13th Five Year Plan for Energy Development (2016-2020) to advance energy efficiency and energy consumption management, which aims to achieve a reduction in energy consumption per unit of GDP by 15% compared to 2015.¹²

Based on the above, Sustainalytics recognizes the importance of green building development in China, and its impacts on reducing energy consumption and carbon emission in the Country. The projects funded through Zhenro's green bonds are anticipated to bring positive impacts to the improvement of energy efficiency to the building and construction sectors of China.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This green bond advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Green Building	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
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Pollution Prevention and Control	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Sustainable Water 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

¹⁰ China Construction Energy Saving Committee, China Construction Energy Consumption Report 2019, to be retrieved at: <http://www.cabee.org/site/content/23565.html>

¹¹ The State Council of China, 13th Five Year Plan for Construction Development 2017, at: <http://www.mohurd.gov.cn/wjfb/201705/W020170504041246.pdf>

¹² Energy Charter Secretariat, China Energy Efficiency Report (2018), at: https://energycharter.org/fileadmin/DocumentsMedia/EERR/EERChina_ENG.pdf

Conclusion

Zhenro has developed the Zhenro Green Bond Framework under which it intends to issue green bonds and the use of proceeds to finance eligible projects related to Green Buildings, Renewable Energy, Energy Efficiency, Pollution Prevention and Control, and Sustainable Water Management. Sustainalytics considers that the projects funded by the green bond proceeds will reduce the carbon footprint and improve the environmental performance of Zhenro's operations while advancing the UN Sustainable Development Goals, specifically SDG 6, 7, 11, and 12.

Zhenro Green Bond 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 Zhenro Green Bond Framework is aligned with the overall sustainability strategy of the Company. Additionally, Sustainalytics is of the opinion that Zhenro 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 Zhenro is well-positioned to issue green bonds and that the Zhenro Green Bond Framework is robust, transparent, and in alignment with the four core components of the ICMA Green Bond Principles 2018.

	Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).	BREAAAM has two stages/ audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.	
Performance display			

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

Section 1. Basic Information

Issuer name:	Zhenro Properties
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Zhenro Green Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	August 4, 2020
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:

- | | |
|------------------------------------------------------------|----------------------------------------------------------------------------------|
| <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) | Certification |
| Verification | Rating |

Other (please specify):

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

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 ca 6124() Eligible

Sustainable water and wastewater management Climate change adaptation

Eco-efficient and/or circular economy adapted products, production technologies and processes Green buildings

Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP Other (*please specify*):

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Zhenro has established a Green Bond Committee comprised of representatives from their treasury, financial controlling, legal, engineering, design, operations and investor relations teams. The Committee will be responsible for approving projects as well as removing projects that no longer comply with the eligibility criteria. Sustainalytics considers Zhenro’s approach to project evaluation and selection to be aligned with market practice.

Evaluation and selection

Credentials on the issuer’s environmental sustainability objectives Documented process to determine that projects fit within defined categories

Defined and transparent criteria for projects eligible for Green Bond proceeds Documented process to identify and manage potential ESG risks associated with the project

Summary criteria for project evaluation and selection publicly available

Tracking of proceeds:

- Green Bond proceeds segregated or tracked by the issuer 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 type="checkbox"/> Allocations to both existing and future investments |
| <input checked="" 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 (<i>please specify</i>): |

4. REPORTING

Overall comment on section (if applicable):

Zhenro intends to publish an allocation report and impact report annually until full allocation, which will be made publicly available on Zhenro’s website. The allocation report will include details on the total amount of outstanding green bond proceeds; aggregate amount allocated to eligible projects; and the balance of unallocated proceeds. On impact reporting, Zhenro will, on a best effort basis, report on the environmental impacts achieved by the green projects. Example metrics that Zhenro will aim to report on include: level of building certification and annual GHG emissions (for the green building category); renewable energy generated (for the renewable energy category); energy savings (for the energy efficiency category); and the amount of rainwater collected and reused (for the sustainable water management category). Where feasible, Zhenro intends to provide further information on reporting and impact assessment methodologies to increase transparency. Sustainalytics considers this process to be in line with market practice.

Use of proceeds reporting:

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

Information reported:

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

Impact reporting:

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

Information reported (expected or ex-post):

- | | |
|-------------------------------------------------------------|----------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| Decrease in water use | <input checked="" type="checkbox"/> Other ESG indicators (please specify): |
| | Level of certification by building |
| | Energy performance for buildings (in kWh per m2 and year) |
| | % annual energy efficiency gains relative to an established baseline |
| | Renewable Energy capacity installed (in MW) |
| | Renewable energy generated annually (in MWh) |
| | Amount of rainwater collected and re-used (in m3) |

Frequency

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

Means of Disclosure

- | | |
|----------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|
| Information published in financial report | Information published in sustainability report |
| Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (please specify): Zhenro's website |
| 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.)

http://www.zhenrodc.com/IR_en/index.html

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|---------------------------------------------|---------------|
| Consultancy (incl. 2 nd opinion) | Certification |
| Verification / Audit | Rating |

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