

SECOND PARTY OPINION

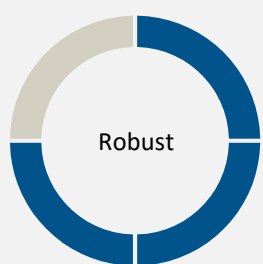
on the sustainability of DaFa Properties Group Limited's Green Financing Framework

V.E is of the opinion that DaFa Properties Group Limited's Framework is aligned with the four core components the Green Bond Principles 2021 ("GBP") and the Green Loan Principles 2021 ("GLP").



Framework

Contribution to Sustainability:



☐ Advanced
 ☐ Limited
☒ Robust
 ☐ Weak

	Weak	Limited	Robust	Advanced
Expected impacts				
ESG risks management				

SDG Mapping



Characteristics of the Framework

Green Project Categories	⇒ Green Buildings ⇒ Renewable Energy ⇒ Clean Transportation ⇒ Climate Change Adaptation
Project locations	China
Existence of framework	Yes
Share of refinancing	to be disclosed at each issuance in its best efforts
Look back period	Maximum 3 years

Issuer

Controversial Activities

The Issuer does not appear to be involved in any of the 17 controversial activities screened under our methodology:

- | | | | |
|---|--|---|--|
| <input type="checkbox"/> Alcohol | <input type="checkbox"/> Fossil fuels industry | <input type="checkbox"/> High interest rate lending | <input type="checkbox"/> Pornography |
| <input type="checkbox"/> Animal welfare | <input type="checkbox"/> Coal | <input type="checkbox"/> Human embryonic stem cells | <input type="checkbox"/> Reproductive medicine |
| <input type="checkbox"/> Cannabis | <input type="checkbox"/> Gambling | <input type="checkbox"/> Military | <input type="checkbox"/> Tar sands and oil shale |
| <input type="checkbox"/> Chemicals of concern | <input type="checkbox"/> Genetic engineering | <input type="checkbox"/> Nuclear power | <input type="checkbox"/> Tobacco |
| <input type="checkbox"/> Civilian firearms | | | |

ESG Controversies

Number of controversies	None
Frequency	NA
Severity	NA
Responsiveness	NA

Coherence

Coherent

Partially coherent

Not coherent

We are of the opinion that the Framework is coherent with DaFa Properties' strategic sustainability priorities and sector issues and that it contributes to achieving the Issuer's sustainability commitments.

Key findings

V.E is of the opinion that DaFa Properties Group Limited's Framework is aligned with the four core components of the GBP and GLP.

Use of Proceeds – aligned with GBP and GLP

- Eligible Categories are clearly defined. The Issuer has communicated the nature of the expenditures, the eligibility criteria, and location of Eligible Projects.
- The Environmental Objectives are clearly defined. They are relevant for all the Eligible Categories and set in coherence with sustainability objectives defined in international standards.
- The Expected Environmental Benefits are clear and precise. They are considered relevant, measurable, and will be quantified for all the Eligible Categories in the reporting.
- The Issuer has committed to do in its best efforts to communicate the estimated share of refinancing at each issuance. The look-back period for refinanced Eligible Projects will be equal or less than 36 months from the issuance date, in line with market practices.

Evaluation and Selection - aligned with GBP and GLP

- The Process for Project Evaluation and Selection has been clearly defined by the Issuer. It is considered structured. The roles and responsibilities clear and include relevant internal expertise. The Process will be publicly disclosed in the Framework and the hearth SPO.
- Eligibility criteria (selection and exclusion) for project selection have been clearly defined by the Issuer for all the Eligible Categories.
- The process applied to identify and manage potentially material E&S risks associated with the projects is publicly disclosed in the herewith SPO. The Process is considered robust: it combines monitoring, identification and corrective measures for all projects (see detailed analysis on pages 16 - 19).

Management of Proceeds - aligned with GBP and GLP

- The Process for the Management and Allocation of Proceeds is clearly defined and detailed, and is publicly available in in the Framework and the hearth SPO.
- The allocation period will be 24 months or less.
- Net proceeds of the Bond will be placed in a general account and tracked by the Issuer in an appropriate manner and attested in a formal internal process.
- Information on the intended types of temporary placement for the balance of the unallocated net proceeds is publicly disclosed.
- The Issuer has committed that as long as the Green Financing Transaction (GFT) is outstanding, the balance of the tracked net proceeds will be periodically adjusted to match allocations to Eligible Projects made during that period.
- The Issuer has provided information on the procedure that will be applied in case of project divestment or postponement and it has committed to reallocate divested proceeds to projects that are compliant with the Framework.

Reporting - aligned with GBP and GLP

- The Issuer has committed to report on the Use of Proceeds annually, until full allocation and on a timely basis in case of material developments.
- The reporting will cover relevant information related to the allocation of GFT proceeds and to the expected sustainable benefits of the categories. The Issuer has also committed to report on material developments/issues/controversies related to the projects.
- The reporting methodology and assumptions used to report on environmental benefits of the Eligible Categories will be disclosed publicly in the reporting on a best effort basis, subject to the nature of Eligible Projects and availability of information.

- Tracking and allocation of funds to Eligible projects, as well as indicators used to report on environmental benefits of the eligible categories, will be verified only internally by the Issuer.

Contact

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SCOPE

V.E was commissioned to provide an independent opinion (thereafter “Second Party Opinion” or “SPO”) on the sustainability credentials and management of the Green Financing Transactions¹ (“GFT”s) to be issued by DaFa Properties Group Limited (the “Issuer” or “DaFa Properties”) in compliance with the Green Financing Framework (the “Framework”) created to govern their issuances.

Our opinion is established according to V.E’s Environmental, Social and Governance (“ESG”) exclusive assessment methodology and to the latest version of the ICMA’s Green Bond Principles (“GBP”) – edited in June 2021, and the Loan Market Association’s Green Loan Principles (“GLP”) – edited in February 2021 - voluntary guidelines.

Our opinion is built on the review of the following components:

- Framework: we assessed the Framework, including the coherence between the Framework and the Issuer’s environmental commitments, the GFTs’ potential contribution to sustainability and its alignment with the four core components of the GBP & GLP 2021.
- Issuer²: we assessed the Issuer’s management of potential stakeholder-related ESG controversies and its involvement in controversial activities³.

Our sources of information are multichannel, combining data (i) gathered from public sources, press content providers and stakeholders, (ii) from V.E’s exclusive ESG rating database, and (iii) information provided from the Issuer, through documents and interviews conducted with the Issuer’s managers and stakeholders involved in the Bonds issuance, held via a telecommunications system.

We carried out our due diligence assessment from June 9th to 24th, 2021. We consider that we were provided with access to all the appropriate documents and interviewees we solicited. To this purpose we used our reasonable efforts to verify such data accuracy.

Scope of External Reviews

<input checked="" type="checkbox"/>	Pre-issuance Second Party Opinion	<input type="checkbox"/>	Independent verification of impact reporting
<input type="checkbox"/>	Independent verification of funds allocation	<input type="checkbox"/>	Climate Bond Initiative Certification

¹ The “Green Financing Transactions” include bonds, loans and other forms of debt financing to be potentially issued, subject to the discretion of the Issuer. The name “Green Financing Transaction” has been decided by the Issuer: it does not imply any opinion from V.E.

² The Issuer is not part of our ESG performance rating universe.

³ The 17 controversial activities screened by V.E are: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Coal, Fossil Fuels industry, Unconventional oil and gas, Gambling, Genetic engineering, Human embryonic stem cells, High interest rate lending, Military, Nuclear Power, Pornography, Reproductive Medicine and Tobacco.

COHERENCE

Coherent
Partially coherent
Not coherent

We are of the opinion that the Framework is coherent with DaFa Properties' strategic sustainability priorities and sector issues and that it contributes to achieving the Issuer's sustainability commitments.

According to the Global Alliance for Buildings and Construction (UN Environment Programme), the building and construction industry accounts for 36% of final energy use and 39% of energy and process-related CO₂ emissions in 2018, making it one of the most CO₂ emitting industrial sectors. The adoption of a sound Environmental strategy is a key issue for the real estate sector. In particular, companies are expected to integrate environmental considerations in their investment and management decisions. Since existing buildings will be standing for the next decades, the improvement of energy efficiency is a priority in the fight to climate change. The cooperation with tenants is also an essential element to improve the environmental performance of buildings. In addition, the complexity and specificities of impacts related to their activities call for specific measures to ensure the appropriate management of social and environmental related risks, namely biodiversity protection, environmental management systems, health and safety and the promotion of responsible relations with the communities where they operate.

Recognising buildings as one of the key areas in improving energy efficiency, efforts have been made in China over the years to raise the energy-saving standards of new buildings, expand the energy-saving renovation of existing buildings, and improve the structure of energy consumption in construction.⁴

Since 2014, the concept of "Sponge City" was also initiated in China to tackle urban water issues include surface water floods.⁵ Relevant standards have also been developed to assess the effectiveness of such infrastructure.

DaFa Properties reportedly recognises that it is the Group's corporate and social responsibility to promote a sustainable and environmentally friendly environment. Adhering to its business philosophy of "Integrity, Innovation and Pursuing Excellence", the Group commits to minimising its environmental impact and complying with the applicable environmental laws and regulations. Moreover, DaFa Properties integrates green ideas and actions into project development and business operations and strictly complies with green building requirements.

The Group also commits to improving the quality of urban life and creating social value, through efforts in the following four pillars: "excellent operation", "situational experience", "technology empowerment", and "blissful living experience".

The Group reports that 100% of its projects met the energy-saving standards, with an average energy-saving rate of 65%. A total of 4 projects have won the national two-star Green Building Design Label. It has also been applying the "Sponge City" technology to improve the ability of buildings to cope with climate change and continuously strengthening its management of non-hazardous waste.

By creating a Green Financing Framework, to finance and refinance Eligible Projects under the four green project categories (namely Green Buildings, Renewable Energy, Clean Transportation, and Climate Change Adaptation), DaFa Properties coherently aligns with its sustainability strategy and commitments, and addresses the main issues of the sector in terms of sustainable development.

⁴ <http://www.scio.gov.cn/zfbps/32832/Document/1695135/1695135.htm>

⁵ <https://www.sciencedirect.com/science/article/abs/pii/S0264837717306130>

FRAMEWORK

The Issuer has described the main characteristics of the GTFs within a formalised Green Financing Framework which covers the four core components of the GBP 2021 and GLP 2021 (the last updated version was provided to V.E on June 24th, 2021). The Issuer has committed to make this document publicly accessible on its website⁶, in line with good market practices.

Alignment with the Green Bond Principles and Green Loan Principles

Use of Proceeds



The net proceeds of the GTFs will exclusively finance or refinance, in part or in full, projects falling under four Green Project Categories (“Eligible Categories”), as indicated in Table 1.

- Eligible Categories are clearly defined. The Issuer has communicated the nature of the expenditures, the eligibility criteria, and location of Eligible Projects.
- The Environmental Objectives are clearly defined. They are relevant for all the Eligible Categories and set in coherence with sustainability objectives defined in international standards.
- The Expected Environmental Benefits are clear and precise. They are considered relevant, measurable, and will be quantified for all the Eligible Categories in the reporting.
- The Issuer has committed to do in its best efforts to communicate the estimated share of refinancing at each issuance. The look-back period for refinanced Eligible Projects will be equal or less than 36 months from the issuance date, in line with market practices.

BEST PRACTICES

- ⇒ Relevant environmental benefits are identified and measurable for all project categories
- ⇒ The Issuer has committed to do in its best efforts to communicate the estimated share of refinancing at each issuance

⁶ <https://ir.dafaland.com/en/>

Table 1. V.E' analysis of Eligible Categories, Sustainability Objectives and Expected Benefits as presented in the Issuer's Framework

- Location of Eligible Projects: China (*for the first issuance, the city-level location is provided in the list of Eligible Projects*)

ELIGIBLE PROJECT CATEGORIES	DESCRIPTION OF ELIGIBLE GREEN PROJECTS	SUSTAINABILITY OBJECTIVES AND BENEFITS	V.E'S ANALYSIS
Green Buildings	<ul style="list-style-type: none"> New construction and/or renovation of existing buildings that have or will receive, or refurbishment and/or tenant engagement initiatives that will reduce building environmental impact in accordance with, any one of the following certification systems: <ul style="list-style-type: none"> U.S. Leadership in Energy and Environmental Design (LEED) – minimum certification of Gold; or BEAM Plus – minimum certification level of Gold; or BREEAM – minimum certification level of Excellent; or Chinese Green Building Evaluation Label (GBL)⁷ – minimum certification level of 2 stars <p>Any other green building label, that is an equivalent standard of the above⁸</p>	<u>Promoting green buildings</u> Improvement in energy and water use efficiency	<p>The Eligible Category is clearly defined. The Issuer has communicated the nature of the expenditures, the eligibility criteria, and the location of Eligible Projects.</p> <p>The intended environmental objective is clearly defined and set in coherence with sustainability objectives defined in international standards.</p> <p>The expected environmental benefit is clear. It is considered relevant, measurable, and will be quantified in the reporting.</p>
Renewable Energy	Design, construction, installation and operation of renewable energy systems, including solar (photovoltaic) for rooftop.	<u>Climate change mitigation</u> Avoidance of GHG emissions	<p>The Eligible Category is clearly defined. The Issuer has communicated the nature of the expenditures, the eligibility criteria, and the location of Eligible Projects.</p> <p>The intended environmental objective is clearly defined and set in coherence with sustainability objectives defined in international standards.</p> <p>The expected environmental benefit is clear. It is considered relevant, measurable, and will be quantified in the reporting.</p>
Clean Transportation	Infrastructure for clean energy vehicles ⁹ such as electric vehicles and hydrogen vehicles. Projects include charging stations for electric vehicles and will be dedicated to clean energy vehicles.	<u>Climate change mitigation</u> Reduction of GHG emissions	<p>The Eligible Category is clearly defined. The Issuer has communicated the nature of the expenditures, the eligibility criteria, and the location of Eligible Projects.</p> <p>The category has specified that the infrastructure will be dedicated to clean energy vehicles, and for the definition of "clean energy vehicles", it refers to criteria in international standards such as the EU Taxonomy Climate Delegated Act.</p>

⁷ Official Full Name: Assessment Standard for Green Building GB/T 50378-2019

⁸ To ensure an equivalent standard is used, DaFa Properties will refer to recognised independent references (e.g. CBI's location specific criteria for buildings) and/or industry associations (e.g. World Green Building Council).

⁹ For clean energy vehicles, we based our criteria on international standards i.e. low-carbon land transport such as passenger cars and commercial vehicles - zero tailpipe emission vehicles (e.g., hydrogen, fuel cell and electric vehicles) and hybrid vehicles with tailpipe CO2 emissions below 50 gCO2 per passenger-kilometre (pkm). (https://ec.europa.eu/info/publications/210421-sustainable-finance-communication_en#taxonomy)





ELIGIBLE PROJECT CATEGORIES	DESCRIPTION OF ELIGIBLE GREEN PROJECTS	SUSTAINABILITY OBJECTIVES AND BENEFITS	V.E'S ANALYSIS
			<p>The intended environmental objective is clearly defined and set in coherence with sustainability objectives defined in international standards.</p> <p>The expected environmental benefit is clear. It is considered relevant, measurable, and will be quantified in the reporting.</p>
Climate Change Adaptation	Projects that support climate change adaptation through building/landscape design and asset-level enhancements ("Sponge City" water management design concept, hardware installation and upgrades of enhanced flood protection systems, and additional insulation ¹⁰). ¹¹	<u>Climate change adaptation</u> Improvement of infrastructure resilience	<p>The Eligible Category is clearly defined. The Issuer has communicated the nature of the expenditures, the eligibility criteria, and the location of Eligible Projects.</p> <p>The intended environmental objective is clearly defined and set in coherence with sustainability objectives defined in international standards.</p> <p>The expected environmental benefit is clear. It is considered relevant, measurable, and will be quantified in the reporting.</p>

¹⁰ The measures/materials will have to meet the minimum requirements set out in applicable national standards.

¹¹ The project selection will refer to relevant international/national standards (e.g. GB/T 51345-2018 for sponge city construction projects in China).

SDG Contribution

The Eligible Categories are likely to contribute to four of the United Nations' Sustainable Development Goals ("SDGs"), namely:

ELIGIBLE CATEGORY	SDG	SDG TARGETS
Renewable Energy	 7 Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Green Buildings		7.3 By 2030, double the global rate of improvement in energy efficiency
Green Buildings	 9 Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes
Clean Transportation		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
Green Buildings	 11 Sustainable Cities and Communities	11.7 By 2030, reduce the adverse per capita, environmental impact of cities.
Renewable Energy		<i>Take urgent action to combat climate change and its impacts</i>
Climate Change Adaptation	 13 Climate Action	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

Evaluation and Selection of Eligible Projects



- The Process for Project Evaluation and Selection has been clearly defined by the Issuer. It is considered structured. The roles and responsibilities clear and include relevant internal expertise. The Process will be publicly disclosed in the Framework and the hearth SPO.
- Eligibility criteria (selection and exclusion) for project selection have been clearly defined by the Issuer for all the Eligible Categories.
- The process applied to identify and manage potentially material E&S risks associated with the projects is publicly disclosed in the herewith SPO. The Process is considered robust: it combines monitoring, identification and corrective measures for all projects (see detailed analysis on pages 16 - 19).

Process for Project Evaluation and Selection

- For the purpose of the GTFs, an ESG Working Group ("ESGWG") has been created. The ESGWG is composed of senior representatives of:
 - Finance
 - Investor Relation
 - Product Development
 - Product Operation
 - Procurement
 - Human Resource
- The ESGWG is responsible for:
 - meeting at least once a year to review and select Eligible Projects in accordance with the selection criteria established in the Framework;
 - presenting shortlisted projects to the group's ESG Committee (ESGC) for approval;
 - ensuring that the selected Eligible Project to comply not only with the section of Use of Proceeds but also the environmental guidelines under GBP and GLP which are applicable within DaFa Properties Group;
 - managing any future updates of the Framework, including any expansion of requirements of use of proceeds.
- The traceability and verification of the selection and evaluation of the projects is ensured throughout the process:
 - The ESGWG will review the eligibility of the selected Eligible Projects at least once a year throughout the lifetime of the GFT issued. Should an Eligible Project cease to fulfil the Eligibility Criteria, the net proceeds will be re-allocated to replacement Projects that comply with the Eligibility Criteria, as soon as reasonably practicable.
 - ESG Controversy monitoring will be done at least once a year by the ESGWG throughout the lifetime of the GFT issued.
 - The decision-making process decisions will be recorded and traceable via meeting minutes or other supporting documents, on a best effort basis.

Eligibility Criteria

The process relies on explicit eligibility criteria (selection and exclusion), relevant to the environmental objectives defined for the Eligible Categories.

- The selection criteria are based on definitions in Eligible Categories defined Table 1 in the Use of Proceeds section.
- The exclusion criteria listed in section 2.1.2 of the Framework are clear and relevant to ensure no investment towards fossil fuel and some controversial activities.

BEST PRACTICES

- ⇒ The Issuer reports that it will monitor compliance of selected projects with eligibility and exclusion criteria specified in the Framework throughout the life of the instrument and has provided details on content, frequency, duration and on procedure adopted in case of non-compliance
- ⇒ The Issuer reports that it will monitor potential ESG controversies associated with the projects throughout the life of the instrument and has provided details on frequency, content and procedures in case a controversy is found on a project

Management of Proceeds



- The Process for the Management and Allocation of Proceeds is clearly defined and detailed, and is publicly available in the Framework and the hearth SPO.
- The allocation period will be 24 months or less.
- Net proceeds of the Bond will be placed in a general account and tracked by the Issuer in an appropriate manner and attested in a formal internal process.
- Information on the intended types of temporary placement for the balance of the unallocated net proceeds is publicly disclosed.
- The Issuer has committed that as long as the Green Financing Transaction (GFT) is outstanding, the balance of the tracked net proceeds will be periodically adjusted to match allocations to Eligible Projects made during that period.
- The Issuer has provided information on the procedure that will be applied in case of project divestment or postponement and it has committed to reallocate divested proceeds to projects that are compliant with the Framework.

Management Process

- The net proceeds from each GFT issued will be managed by DaFa Properties's finance team and deposited in the general funding accounts. An amount equals all the net proceeds from each GFT will be earmarked for allocation to Eligible Green Projects. DaFa Properties will maintain a register to keep track of the use of proceeds for each GFT.
- DaFa Properties's is committed to allocating all proceeds from the GFT to Eligible Project on a best effort basis within one year of the GFT issuance.
- The unallocated funds may be invested in cash or cash equivalents, or used to repay existing borrowings under general credit facilities of DaFa Properties. The Issuer commits that use of unallocated proceeds will not be for GHG-intensive activities nor controversial activities.
- In case of projects postponement, cancelation, divestment or ineligibility, or in case an Eligible Project has matured, the Issuer has committed to re-allocate the net proceeds to replacement Projects that comply with the Eligibility Criteria, as soon as reasonably practicable.

BEST PRACTICES

- ⇒ The allocation period is 24 months or less
- ⇒ The Issuer has committed not to invest temporarily unallocated net proceeds in GHG intensive activities or controversial activities
- ⇒ The Issuer has provided information on the procedure that will be applied in case of project divestment or postponement and it has committed to reallocate divested proceeds to projects that are compliant with the bond framework

Monitoring & Reporting



- The Issuer has committed to report on the Use of Proceeds annually, until full allocation and on a timely basis in case of material developments.
- The reporting will cover relevant information related to the allocation of GFT proceeds and to the expected sustainable benefits of the categories. The Issuer has also committed to report on material developments/issues/controversies related to the projects.
- The reporting methodology and assumptions used to report on environmental benefits of the Eligible Categories will be disclosed publicly in the reporting on a best effort basis, subject to the nature of Eligible Projects and availability of information.
- Tracking and allocation of funds to Eligible projects, as well as indicators used to report on environmental benefits of the eligible categories, will be verified only internally by the Issuer.

Indicators

The Issuer has committed to transparently communicate at Eligible Category level, on:

- Allocation of proceeds: The indicators selected by the Issuer to report on the allocation of proceeds are clear, relevant and exhaustive.

REPORTING INDICATORS
⇒ The aggregate amount allocated to various Eligible Projects
⇒ The remaining balance of funds which have not yet been allocated and type of temporary investment
⇒ Share of financing vs. refinancing
⇒ Examples of Eligible Projects (subject to confidentiality disclosures)

The Issuer has declared in internal documentation that it will consider reporting on the share of co-financing in case a project will be partly financed by funds other than bond/loan proceeds, subject to confidentiality disclosures.

- Environmental benefits: The indicators selected by the Issuer to report on the environmental benefits are clear, relevant and exhaustive.

ELIGIBLE CATEGORIES	ENVIRONMENTAL BENEFITS INDICATORS	
	OUTPUTS AND OUTCOMES	IMPACT INDICATORS
Green Buildings	<ul style="list-style-type: none"> - Level of certification by property - Energy efficiency gains in MWh or % vs. baseline 	<ul style="list-style-type: none"> - Estimated avoided GHG emissions (tCO₂eq) - Annual energy savings (MWh pa) - Annual reduction in water consumption (liters)
Renewable Energy	<ul style="list-style-type: none"> - Renewable energy produced (MWh) - Renewable energy capacity (MW) 	<ul style="list-style-type: none"> - Estimated avoided GHG emissions (tCO₂eq) - Annual energy savings (MWh pa)
Clean Transportation	<ul style="list-style-type: none"> - Number of charging points for electric vehicles 	<ul style="list-style-type: none"> - Annual GHG emissions reduced/avoided (tCO₂eq)

ELIGIBLE CATEGORIES	ENVIRONMENTAL BENEFITS INDICATORS	
	OUTPUTS AND OUTCOMES	IMPACT INDICATORS
Climate Change Adaptation	<ul style="list-style-type: none"> - Number of technologies applied - Number of flood prevention facilities built 	<ul style="list-style-type: none"> - GHG emissions avoided / reduced (tCO₂eq) - Reduction in flood damage costs - Reduction in number of operating days lost to floods

Areas for improvement would be to commit to external verification of the tracking and allocation of funds to Eligible Projects/categories, as well as external verification of the indicators used to report on environmental benefits of the eligible projects/categories.

BEST PRACTICES
<ul style="list-style-type: none"> ⇒ The issuer report will be publicly available ⇒ The reporting will cover relevant information related to the allocation of GFT proceeds and to the expected sustainable benefits of the projects/categories. The Issuer has also committed to report on material development related to the projects, including ESG controversies ⇒ The indicators selected by the Issuer are exhaustive with regards to allocation reporting ⇒ The indicators selected by the Issuer are clear and relevant and cover all expected benefits associated with the Eligible Categories

Contribution to sustainability

Expected Impacts

The potential positive Impact of the eligible projects on environmental objectives is considered to be robust.

ELIGIBLE CATEGORY	EXPECTED IMPACT	ANALYSIS
Green Buildings	ROBUST	<p>By constructing new green buildings or renovating existing buildings in accordance with recognised green building standards (e.g. LEED, BEAM Plus, BREEAM, Chinese Green Building Evaluation Label) and the defined minimum level of certification, the Eligible Projects/Assets can help improvement resources usage efficiency (e.g. energy, water, etc.) in buildings. However, despite mitigation measures that will be put in place by the Issuer, there may still be negative environmental impacts during the construction phase.</p> <p>In addition, according to information provided by the Issuer, this Category accounts for majority of the expected use of proceeds.</p>
Renewable Energy	ADVANCED	<p>Developing renewable energy is key for the decarbonisation of the country's energy mix and reducing its GHG emissions to achieve the national net zero carbon goal by 2060.</p> <p>Although the category does not include specific technical performance criteria (e.g. energy efficiency of solar panels), the category is clearly defined to ensure the delivery of the expected environmental benefit.</p>
Clean Transportation	ADVANCED	<p>Promoting clean transportation can help tackle air pollution and GHG emissions, both of which are amongst the biggest environmental issues in China. Although China is already leading in EV adoption and public transportation infrastructure globally, the Eligible Projects (supporting infrastructure such as charging stations for EVs) are expected to help further promote the wider adoption of EVs and other types of clean energy vehicles.</p> <p>The category has specified that the infrastructure will be dedicated to clean energy vehicles. For the definition of "clean energy vehicles", it also refers to criteria in international standards such as the EU Taxonomy Climate Delegated Act, although it is not fully clear whether the adopted criteria will be in the form of declining thresholds.</p>
Climate Change Adaptation	ADVANCED	<p>China is ranked 32nd out of 180 countries in the Global Climate Risk Index 2021 compiled by Germany Watch.¹² Improving infrastructure resilience is important in reducing damages and risks.</p> <p>The Eligible Projects are expected to improve the resilience of the company's building assets and benefit the residents and potentially nearby local communities. The category has specified that the measures/materials will have to meet the minimum requirements set out in applicable national standards, and the selection of Eligible Projects will also refer to relevant international/national standards (e.g. GB/T 51345-2018 for sponge city construction projects in China¹³).</p>
OVERALL ASSESSMENT	ROBUST	

¹² https://germanwatch.org/sites/default/files/Global%20Climate%20Risk%20Index%202021_1.pdf

¹³ <https://iwaponline.com/ebooks/book/793/Assessment-Standard-for-Sponge-City-Effects>

ESG Risks Identification and Management systems in place at project level

The identification and management of the environmental and social risks associated with the Eligible Projects are considered robust¹⁴.

	ELIGIBLE CATEGORIES			
	GREEN BUILDINGS	RENEWABLE ENERGY	CLEAN TRANSPORTATION	CLIMATE CHANGE ADAPTATION
Environmental management system and environmental impact assessment	X	X	X	X
Eco-design and life cycle impacts	X	X	X	X
Energy use and GHG emissions	X	N/A	X	X
Adapting to climate change impacts	X	N/A	X	N/A
Pollution prevention and control, prevention and mitigation of environmental/industrial accidents and inconveniences	X	X	X	X
Fundamental human and labour rights	X	X	X	X
Health and safety of workers, residents and local communities	X	X	X	X
Integration of environmental and social factors in supply chain	X	X	X	X
Business conduct	X	X	X	X
OVERALL ASSESSMENT	Robust	Robust	Robust	Robust

DaFa Properties reports that it has established a three-tier governance structure at the Group level, consisting of the Board of Directors, ESG Working Committee and ESG Working Group (ESGWG), to oversee the ESG implementation and improvement. The structure has been effective since the fiscal year after 2020. For project-level ESG risks management, the ESGWG is responsible for coordinating with specific projects and conducting direct management. DaFa Properties also reports that it plans to involve the Board of Directors more deeply in the ESG risk assessment and management process in the future.

Environmental management system and environmental impact assessment

DaFa Properties reports to strictly abide by relevant laws and regulations as well as its internal policies. The Group is subject to several environmental laws and regulations in China, including for instance the Environmental Protection Law, the Environmental Impact Assessment Law, the Law on Prevention and Control of Environmental Noise Pollution, the Law on

¹⁴ The "X" indicates the E&S risks that have been activated for each Eligible Category.

Prevention and Control of Solid Waste, the Law on Prevention and Control of Water Pollution, and the Administrative Regulations on Environmental Protection for Development Projects.

Pursuant to the above listed laws and regulations, each of the Group's development projects must undergo an environmental impact assessment (EIA) prior to the commencement of construction.¹⁵ The Group must fulfil environmental impact assessment procedures with the relevant environmental protection authorities that supervises the Eligible Projects. DaFa Properties reports to engage third-party assessment agencies to conduct environmental impact assessments of the Group's project construction and operation.

Eco-design and life cycle impacts

The "eco-design" approach is expected to be integrated in green building development, design and construction, as part of the requirements in order to obtaining relevant certifications specified in the Framework. DaFa Properties reports that, in terms of project design, it has fully considered the requirements for project construction under adverse weather and different geological conditions while adopting appropriate technical solutions to reduce the negative impacts of its project construction on the environment.

DaFa Properties reports that for building projects, it has consistently emphasised the qualification examination of designers in the bidding and design stages and focused on improving such as land green coverage ratio, utilisation rate of renewable materials, and energy efficiency rate of buildings.

Energy use and GHG emissions

DaFa Properties' main measures in reducing energy use include design innovation, process optimization, and source control. These are important elements of green building projects, which form one of the four Eligible Categories under the Framework.

DaFa Properties reports that it strictly complies with relevant policies on air emissions and greenhouse gas emissions and has formulated and implemented the *Requirements for Green Building Construction Management*, which proceeds from various aspects such as energy conservation and emission reduction, along with other aspects of environmental management such as water resources management and pollution control.

More specifically, its energy conservation measures include advocating the use of energy-saving materials and equipment (e.g. LED lights); eliminating the use of high-energy-consuming vehicles or diesel generators during the construction process; reducing the consumption of steel bars and pre-mixed concrete; formulating construction energy-saving plans; and continuously optimising energy-saving measures, etc.

DaFa Properties also reports that it insists on increasing the introduction of new technologies and new products and the use of renewable energy like solar power and air-source heat pumps to reduce the overall GHG emissions.

Adapting to climate change impacts

DaFa Properties's main measures on adapting to climate change impacts are through the application of the "Sponge City" concept and technologies in its buildings and infrastructure projects. The relevant projects form one of the four Eligible Categories under the Framework.

DaFa Properties reports that it pays special attention to strengthening the construction of sponge city facilities, continuously conserving urban water resources, and enhancing urban flood control capacity.

Pollution prevention and control, prevention and mitigation of environmental/industrial accidents and inconveniences

DaFa Properties commits to complying with relevant environmental laws, regulation and standards, and effectively managing waste, dust particles, wastewater and noise pollution generated on the construction site, by adopting a set of management measures and relevant construction standards.

DaFa Properties advocates the integration of green principles into construction planning, making the concept of green construction applied in all aspects of projects. It has formulated the internal policies such as *Guidelines on Safe, Green, and Civilized Projects for Construction Management* and its annex *Green Construction*, which set out on-site green management requirements for dust control, noise and vibration control, light pollution control, and water pollution control.

- In terms of dust control, measures such as water spraying, covering/shielding, waste removal and monitoring, will be implemented.

¹⁵ http://www.gov.cn/zhengce/content/2017-08/01/content_5215255.htm

- In terms of wastewater discharge, DaFa Properties increases the recycling rate of wastewater through process improvements, and strictly abides by relevant regulations to ensure that the water is discharged after reaching the standard and to avoid water pollution.
- In terms of noise control, DaFa Properties gives priority to the selection of construction equipment with lower noise levels, carries out real-time noise measurement and recording at construction sites, and adopts effective noise reduction measures to prevent serious disturbance to the people and meet the current national standards.
- In terms of waste management, the Group formulates and implements construction waste reduction and resource utilization plans to meet the requirement for a recyclable construction waste recovery rate of not less than 80%. Additionally, it also implements a management system to ensure the correct classification and collection and safe storage of construction waste. It requires projects to set up a temporary waste storage yard at the construction site, and that waste generated during the construction process to be sorted and stacked in the corresponding storage yard in time for subsequent disposal and reuse. Fences, cofferdams, and other protective facilities as well as warning signs are also required at the waste storage yard.

In addition, the contracts with contractors will include an annex on *Green Construction*, which clearly stipulates the required prevention measures at the construction sites.

Fundamental human and labour rights

DaFa Properties commits to abide by the Labour Law of the People's Republic of China, the Law of the People's Republic of China on employment contracts. It has formulated internal management policies such as the Recruitment Management System and Measures for Labour Contract Management, and prohibits the recruitment of child labour, forced labour, and commits to eliminating employee discrimination and protecting the rights and interests of every employee through a fair and transparent talent employment and management model.

DaFa Properties reports to maintain social welfare insurance for its full-time employees in the PRC and Hong Kong, including pension insurance, medical insurance, personal injury insurance, unemployment insurance and maternity insurance, in accordance with the relevant PRC and Hong Kong laws and regulations.

Health and safety of workers, residents and local communities

The employee's administrative measures adopted by the Group contain policies and procedures regarding work safety and occupational health issues. The Chairman's office of the Group is responsible for recording and handling work accidents as well as maintaining health and work safety compliance records.

DaFa Properties controls major construction risk by engaging qualified construction contractors with strict contractual requirements and reputable independent third-party project supervisory companies while maintaining daily quality control supervision. The Group provides its employees with annual medical checks and safety training, and the construction sites of the Group are equipped with safety equipment including gloves, boots and hats.

In relation to operational safety, DaFa Properties has formulated internal safety management systems (such as Mall Management System, Merchant Safety Management System and Warehouse Safety Management System) to protect the safety of merchants and customers. Specifically for malls, it sets up a safety production team and a fire safety officer, clarify the fire safety responsibilities of all employees, sign a safety responsibility letter with all employees, and links all employees' performance with safety performance.

Other measures include: for instance, establishing a training mechanism, implementing monthly fire safety inspections conducting monthly emergency equipment inspections and various emergency response drills, and conducting two evacuation drills every year, etc.

Integration of environmental and social factors in supply chain

DaFa Properties commits to strictly abiding by the Law of the People's Republic of China on Bid Invitation and Bidding, and the Provisions on the Scope and Scale Standard of Bidding for Construction Projects. It reports to have established a supply chain management system covering the entire process of cooperation, and continuously improve the supplier management level.

During the supplier ex-ante evaluation, DaFa Properties adopts various measures such as material review, company inspection, interview and exchanges, etc. to carry out strict access assessment of suppliers. It also advocates and promotes green procurement, and implements the "Green Chain Action" initiative to help suppliers to reduce the negative impact on the environment in all aspects of raw material mining, production and processing, and final use.

Business conduct

DaFa Properties commits to abiding by relevant laws and regulations such as the Anti-Unfair Competition Law of the People's Republic of China, the Law of the People's Republic of China on Anti-Money Laundering, and the Interim Provisions on the Prohibition of Commercial Bribery, and also formulated internal policies such as the *Reporting System*, *Employee Code of Integrity and Self-Discipline*, and *Integrity Inspection System*.

DaFa Properties reports to enforce strict control and accountability policies and manuals at individual employee level and also conducts regular trainings. The internal audit function performs regular reviews on the design and implementation of the internal controls and follows through remediation of deficiencies identified.

DaFa Properties also reports that it has set up multiple channels for complaining, supervision, and reporting to encourage employees to supervise the Group's business activities and support employees to report the behaviour that violates the requirement of integrity in business activities to the audit center or the Board of Directors of the Group.

ISSUER

DaFa Properties Group Limited operates as a real estate developer. The Company develops and sells residential properties, office floors, and commercial complexes, as well as offers property management and leasing services. DaFa Properties Group serves customers in China.

Management of ESG Controversies

As of today, the review conducted by V.E did not reveal any ESG controversy against DaFa Properties over the last four years.

Involvement in Controversial Activities

The Issuer does not appear to be involved in any of the 17 controversial activities screened under our methodology, namely: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Coal, Fossil Fuels industry, Unconventional oil and gas, Gambling, Genetic engineering, Human embryonic stem cells, High interest rate lending, Military, Nuclear Power, Pornography, Reproductive Medicine and Tobacco.

The controversial activities research provides screening of companies to identify involvement in business activities that are subject to philosophical or moral beliefs. The information does not suggest any approval or disapproval on their content from V.E.

METHODOLOGY

In V.E's view, Environmental, Social and Governance (ESG) factors are intertwined and complementary. As such they cannot be separated in the assessment of ESG management in any organisation, activity or transaction. In this sense, V.E provides an opinion on the Issuer's ESG performance as an organisation, and on the processes and commitments applicable to the intended issuance.

Our Second Party Opinions (SPOs) are subject to internal quality control at three levels (Analyst, Project Manager and Quality Reviewer). If necessary, this process is complemented by a final review and validation by the Expertise Committee and Supervisor. A right of complaint and recourse is guaranteed to all companies under our review, following three levels: first, the team in contact with the company; then the Executive Director in charge of Methods, Innovation & Quality; and finally, V.E's Scientific Council. All employees are signatories of V.E's Code of Conduct, and all consultants have also signed its add-on covering financial rules of confidentiality.

COHERENCE

Scale of assessment: not coherent, partially coherent, coherent

This section analyses whether the activity to be financed through the selected instrument is coherent with the Issuer's sustainability priorities and strategy, and whether it responds to the main sustainability issues of the sector where the Issuer operates.

ISSUANCE

Alignment with the Green Bond Principles and Green Loan Principles

Scale of assessment: Not aligned, Partially aligned, Aligned, Best Practices

The Framework has been evaluated by V.E according to the ICMA's Green Bond Principles - June 2021 ("GBP"), and the Loan Market Association's Green Loan Principles – February 2021 ("GLP"), and on our methodology based on international standards and sector guidelines applicable in terms of ESG management and assessment.

Use of proceeds

The definition of the Eligible Projects and their sustainable objectives and benefits are a core element of Green/Social/Sustainable Bonds and Loans standards. V.E evaluates the clarity of the definition of the Eligible Categories, as well as the definition and the relevance of the primary sustainability objectives. We evaluate the descriptions of the expected benefits in terms of relevance, measurability and quantification. In addition, we map the potential contribution of Eligible Projects to the United Nations Sustainable Development Goals' targets.

Process for evaluation and selection

The evaluation and selection process is assessed by V.E on its transparency, governance and relevance. The eligibility criteria are assessed on their clarity, relevance and coverage vs. the intended objectives of the Eligible Projects.

Management of proceeds

The process and rules for the management and the allocation of proceeds are assessed by V.E on their transparency, traceability and verification.

Reporting

The monitoring and reporting process and commitments defined by the Issuer are assessed by V.E on their transparency, exhaustiveness and relevance, covering the reporting of both proceeds' allocation and sustainable benefits (output, impact indicators).

Contribution to sustainability

Scale of assessment: Weak, Limited, Robust, Advanced

V.E's assessment of activities' contribution to sustainability encompasses both the evaluation of their expected positive impacts on environmental and/or social objectives, as well the management of the associated potential negative impacts and externalities.

Expected positive impact of the activities on environmental and/or social objectives

The expected positive impact of activities on environmental and/or social objectives to be financed by the Issuer or Borrower is assessed on the basis of:

- i) the relevance of the activity to respond to an important environmental objective for the sector of the activity; or to respond to an important social need at country level;¹⁶
- ii) the scope of the impact: the extent to which the expected impacts are reaching relevant stakeholders (i.e. the issuer, its value chain, local and global stakeholders); or targeting those populations most in need;
- iii) the magnitude and durability of the potential impact of the proposed activity on the environmental and/or social objectives (capacity to not just reduce, but to prevent/avoid negative impact; or to provide a structural/long-term improvement);
- iv) only for environmental objectives, the extent to which the activity is adopting the best available option.

ESG risk management for eligible activities

The identification and management of the potential ESG risks associated with the eligible projects/activities are analysed on the basis of V.E's ESG assessment methodology, international standards and sector guidelines applicable in terms of ESG management and assessment.

ISSUER

Management of stakeholder-related ESG controversies

V.E defines a controversy as public information or contradictory opinions from reliable¹⁷ sources that incriminate or make allegations against an issuer regarding how it handles ESG issues as defined in V.E ESG framework. Each controversy may relate to several facts or events, to their conflicting interpretations, legal procedures or non-proven claims.

V.E reviewed information provided by the Issuer, press content providers and stakeholders (partnership with Factiva Dow Jones: access to the content of 28,500 publications worldwide from reference financial newspapers to sector-focused magazines, local publications or Non-Government Organizations). Information gathered from these sources is considered as long as it is public, documented and traceable.

V.E provides an opinion on companies' controversies risks mitigation based on the analysis of 3 factors:

- **Frequency:** reflects for each ESG challenge the number of controversies that the Issuer has faced. At corporate level, this factor reflects on the overall number of controversies that the Issuer has faced and the scope of ESG issues impacted (scale: Isolated, Occasional, Frequent, Persistent).
- **Severity:** the more a controversy is related to stakeholders' fundamental interests, proves actual corporate responsibility in its occurrence, and have caused adverse impacts for stakeholders and the company, the higher its severity is. Severity assigned at the corporate level will reflect the highest severity of all cases faced by the company (scale: Minor, Significant, High, Critical).
- **Responsiveness:** ability demonstrated by an Issuer to dialogue with its stakeholders in a risk management perspective and based on explanatory, preventative, remediating or corrective measures. At corporate level, this factor will reflect the overall responsiveness of the company for all cases faced (scale: Proactive, Remediate, Reactive, Non- Communicative).

The impact of a controversy on a company's reputation reduces with time, depending on the severity of the event and the company's responsiveness to this event. Conventionally, V.E's controversy database covers any controversy with Minor or Significant severity during 24 months after the last event registered and during 48 months for High and Critical controversies.

Involvement in controversial activities

17 controversial activities have been analysed following 30 parameters to screen the company's involvement in any of them. The company's level of involvement (Major, Minor, No) in a controversial activity is based on:

- An estimation of the revenues derived from controversial products or services.

¹⁶ The importance of a specific social need at country level is assessed on the basis of the country performance on the priority SDG that the project is targeting using data from Sachs, J., Schmidt-Traub, G., Kroll, C., Lafortune, G., Fuller, G., Woelm, F. 2020. The Sustainable Development Goals and COVID-19. Sustainable Development Report 2020. Cambridge: Cambridge University Press.

¹⁷ 'Reliable' means that there are sufficient details to substantiate claims made, with due attention paid to the political dimension of news and the danger of misinformation. V.E draws on investigative journalism, the business press, NGO and trade union reports which focus on corporate behavior relating to ESG issues. It is neither possible nor advisable to create a prescriptive fixed list of sources as new, valid sources arise all the time and it is necessary to investigate these as and when they are retrieved in order to comprehensively cover evolving issues and media.

- The specific nature of the controversial products or services provided by the company.

V.E'S ASSESSMENT SCALES

Scale of assessment of financial instrument's Contribution to sustainability		Scale of assessment of financial instrument's alignment with Green Bond and Loan Principles	
Advanced	An advanced expected impact combined with an advanced to robust level of E&S risk management & using innovative methods to anticipate new risks.	Best Practices	The Instrument's practices go beyond the core practices of the ICMA's Green Bond Principles and of the Loan Market Association's Green Loan Principles by adopting recommended and best practices.
Robust	A robust expected impact combined with an advance to robust level of assurance of E&S risk management or an advanced expected impact combined with a limited level of assurance of E&S risk management.	Aligned	The Instrument has adopted all the core practices of the ICMA's Green Bond Principles and of the Loan Market Association's Green Loan Principles.
Limited	A limited expected impact combined with an advanced to limited level of assurance of E&S risk management; or a robust expected impact combined with a limited to weak level of assurance of E&S risk management; or an advance expected impact combined with a weak level of assurance of E&S risk management.	Partially Aligned	The Instrument has adopted a majority of the core practices of the ICMA's Green Bond Principles and of the Loan Market Association's Green Loan Principles, but not all of them.
Weak	A weak expected impact combined with an advanced to weak level of assurance of E&S risk management or a limited expected impact with a weak level of assurance of E&S risk management.	Not Aligned	The Instrument has adopted only a minority of the core practices of the ICMA's Green Bond Principles and of the Loan Market Association's Green Loan Principles.

Statement on V.E' s independence and conflict-of-interest policy

Transparency on the relation between V.E and the Issuer: V.E has not carried out any audit mission or consultancy activity for DaFa Properties Group Limited. No established relation (financial or commercial) exists between V.E and the Issuer. V.E's conflict of interest policy is covered by its Code of Conduct, which can be found at <http://vigeo-eiris.com/wp-content/uploads/2018/07/Code-of-Conduct-Vigeo-Eiris-EN.pdf>

This opinion aims at providing an independent opinion on the sustainability credentials and management of the Bond, based on the information which has been made available to V.E. V.E has neither interviewed stakeholders out of the Issuer's employees, nor performed an on-site audit nor other test to check the accuracy of the information provided by the Issuer/Borrower. The accuracy, comprehensiveness and trustworthiness of the information collected are a responsibility of the Issuer/Borrower. The Issuer/Borrower is fully responsible for attesting the compliance with its commitments defined in its policies, for their implementation and their monitoring. The opinion delivered by V.E neither focuses on the financial performance of the Bond/Loan, nor on the effective allocation of its proceeds. V.E is not liable for the induced consequences when third parties use this opinion either to make investments decisions or to make any kind of business transaction. Restriction on distribution and use of this opinion: The deliverables remain the property of V.E. The draft version of the Second Party Opinion by V.E is for information purpose only and shall not be disclosed by the client. V.E grants the Issuer/Borrower all rights to use the final version of the Second Party Opinion delivered for external use via any media that the Issuer/Borrower shall determine in a worldwide perimeter. The Issuer/Borrower has the right to communicate to the outside only the Second Party Opinion complete and without any modification, that is to say without making selection, withdrawal or addition, without altering it in any way, either in substance or in the form and shall only be used in the frame of the contemplated concerned bond/loan(s) issuance. The Issuer acknowledges and agrees that V.E reserves the right to publish the final version of the Second Party Opinion on V.E' website and on V.E' internal and external communication supporting documents.

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