

**“Second-party Opinion” on  
PING AN REAL ESTATE CO., LTD.’S GREEN  
FINANCE FRAMEWORK**

**by Hong Kong Quality Assurance Agency (HKQAA)**

<b>Prepared by:</b>	 <b>WK Wong Lead Verifier</b>
<b>Date:</b>	<b>18 June 2021</b>

## Table of Contents

1. Introduction .....	3
2. Overview of Issuer/Borrower .....	4
3. Framework Overview and Comment .....	5
3.1 Use of Proceeds.....	5
3.2 Project Evaluation and Selection Process .....	5
3.3 Management of Proceeds.....	6
3.4 Reporting .....	6
3.5 Conclusion .....	7
Appendix 1: Documents reviewed or referenced .....	8
Appendix 2: Green Finance Framework - Independent External Review Form.....	9
Appendix 3: Hong Kong Quality Assurance Agency (HKQAA) .....	15
Appendix 4: Acknowledgement.....	16

## Introduction

The United Nations Sustainable Development Goals Report 2019 shows that, while advances have been made in some areas, monumental challenges remain. The world is not on track to end poverty and millions still live in hunger. Against this background, China's Progress Report on Implementation of the 2030 Agenda for Sustainable Development (2019) was unveiled at UN Headquarters in September 2019. As stated in report, China is pushing its sustainable development forward in three key areas, namely eradicating extreme poverty, building an "ecological civilization" and contributing to global climate and sustainability governance.

In particular, green building has been a major focus under China's effort to contribute to climate action with relative success. Green buildings have emerged as a useful policy tool to improve energy efficiency, wastewater treatment efficiency, and improve living standard. For instances, the National Development and Reform Commission published the "绿色生活创建行动总体方案 发改环资〔2019〕1696号", detailing its target to build more green communities (which includes green buildings, green shopping malls, green transportation, etc). This idea has been further echoed in the 14<sup>th</sup> Five-year Plan announced in November 2020 by Premier Mr. Li Keqiang, emphasizing the importance of providing green and affordable housing to its citizens once again.

Ping An Real Estate ("PARE") is principally engaged in real estate asset management, as well as the development and operation of real estate financial product. PARE's business operation is aligned with the national policy.

Ping An Real Estate has developed the Ping An Real Estate Green Finance Framework (the "Framework") under which it intends to engage in green finance activities, e.g.: green debt instrument to finance and refinance, of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of PARE's green bond or green syndication loan. HKQAA also reviewed relevant public documents and non-public information. in whole or in part, existing and future projects that will contribute to China's targets for climate-related target. The Framework defines eligible projects as projects as recognized in the Green Bond Principles and Green Loan Principles (e.g. Green Building projects, Renewable Energy Projects).

Ping An Real Estate engaged HKQAA to review PARE's Green Finance Framework, dated June 2021, and provide a second party opinion on the Framework's environmental credentials and its alignment with the Green Bond Principles and Green Loan Principles.

## Overview of Issuer/Borrower

Ping An Real Estate Co., Ltd. (“PARE”) is a subsidiary of Ping An Insurance (Group) Company of China, Ltd. (the “Group”), one of the Fortune Global 500 enterprises. As a specialized platform for investment in real estate and asset management of Ping An of China, Ping An Real Estate engages in such businesses as project development, financial products, industrial development, long-term rental apartments, strategic investment and commercial real estate.

PARE is expert at combining long-term and short-term businesses as well as flexibly managing equity and debt allocations, so as to diversify its real estate financial products. The well-developed risk management rules and procedures ensure PARE's sustainable, healthy and stable growth.

PARE has developed a clear organizational structure of risk management in accordance with the Company Law of the People's Republic of China, other relevant laws, regulations and regulatory requirements, as well as the Articles of Association of Ping An Real Estate Co., Ltd. and risk governance rules. The Board of Directors is ultimately accountable, PARE's management is directly responsible, PARE's Risk Management Department acts as a coordinator, and business and functional departments including the Investment Assessment Department assume their own responsibilities. There are risk management committees under the Board of Directors and the management respectively.

According to the Group 2020 annual report and 2020 ESG report, the Group complies with the national laws and regulations are applicable to all of the Group's business operations. The Group also follows the government's vision policy direction and sustainability commitments, following the guidelines and obligations set out by the government.

## Framework Overview and Comment

### 3.1 Use of Proceeds

PARE shall use the proceeds of the Green bond/loan to finance or refinance, new or existing eligible green projects that meeting one or more of the below eligible criteria:

- Eligible Green Assets and Projects:
  - Green Buildings;
  - Renewable Energy;
  - Energy Efficiency;
  - Pollution Prevention and Control; and
  - Sustainable Water Management.

PARE identified the most relevant eligible Green project categories which are aligned with Green Bond Principles and Green Loan Principles. The eligible projects are expected to delivery positive Environmental impacts.

PARE committed the funding project will not older than 36 months prior to the issuance or signing date of the respective transactions and during the life of the transactions.

*Recommendations:*

*More specific China green building standard and official name should be considered to have a better communication with their stakeholders. The official name and standard number of China green building standard is “Assessment Standard for Green Building GB/T 50378-2019”.*

*According to GBP and GLPs’ eligible green project category, the refurbished buildings should under Energy Efficiency category.*

### 3.2 Project Evaluation and Selection Process

Eligible Green Projects are identified and selected via a process that involves participants from various functional areas.

An inter-departmental Green Finance Committee (“Committee”) will be set up, composed of representatives from the different departments with the required level of expertise and seniority. A regular review meeting will be hold to select, review and approve eligible project based on the defined criteria. PARE committed the funding project will not older than 36 months prior to the issuance or signing date of the respective transactions and during the life of the transactions.

*Recommendations:*

*The issuer should consider to establish exclusion criteria or any other process applied to identify and manage potentially material social and environmental risks associated with the projects.*

*The issuer should consider the selection, evaluation and approval of the eligible green project by different teams or authorised person hence to improve the internal governance.*

### 3.3 Management of Proceeds

The net proceeds from each Green Finance Transactions (“GFT”) issued will be managed by PARE’s Committee and the proceeds of each GFT will be deposited in the general funding accounts. An amount equal the net proceeds will be earmarked for allocation to Eligible Green Projects, in accordance with the Framework.

Pending full allocation, the Treasury team will temporarily hold the unallocated net proceeds at its own discretion in cash or cash equivalents, or in other short-term liquid marketable instruments.

PARE will maintain a virtual green financing register to keep track of the use of proceeds for GFT.

*Recommendation:*

*The issuer should consider to establish detail internal tracking method and the allocation of funds procedure.*

### 3.4 Reporting

The Group will report on the allocation of net proceeds and associated impact metrics of its GFT(s) within one year from issuance date and annually thereafter until the proceeds have been fully allocated. The report will contain the details of: i) Allocation Reporting; ii) Impact Reporting. Subject to the nature of the Eligible Green Projects, PARE aims to include applicable impact indicators in the reporting.

*Recommendation:*

*The issuer should align the impact reporting indicators and the proposed eligible project type, e.g. the dust control and wastewater indicators.*

*The issuer should consider to report the detail of the debt instruction for identification and transparency, e.g.: ISIN code, maturity date...etc.*

*It is recommended the issuer to use ICMA harmonized framework for impact reporting.*

### 3.5 Conclusion

The assessment team of Hong Kong Quality Assurance Agency has determined that the Sustainability Finance Framework of the Group is well-structured and in accordance with the requirements of Green Bond Principles and Green Loan Principles. For detail information, please refer to Appendix 3: Independent External Review Form.

## Appendix 1: Documents reviewed or referenced

No.	Author	Title
1	International Capital Market Association	Green Bond Principles, June 2018 <a href="https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/Green-Bonds-Principles-June-2018-270520.pdf">https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/Green-Bonds-Principles-June-2018-270520.pdf</a>
2	Loan Market Association, Asia Pacific Loan Market Association, Loan Syndications & Trading Association	Green Loan Principles, February 2021 <a href="https://www.lsta.org/content/green-loan-principles/">https://www.lsta.org/content/green-loan-principles/</a>
2	Ping An Insurance (Group) Company of China, Ltd.	2020 Annual Report <a href="https://group.pingan.com/resource/pingan/IR-Docs/2020/pingan-ar20-report.pdf">https://group.pingan.com/resource/pingan/IR-Docs/2020/pingan-ar20-report.pdf</a>
3	Ping An Insurance (Group) Company of China, Ltd.	Ping An 2020 Sustainability Report <a href="https://group.pingan.com/resource/pingan/ESG/Report/Ping-An-2020-Sustainability-Report.pdf">https://group.pingan.com/resource/pingan/ESG/Report/Ping-An-2020-Sustainability-Report.pdf</a>
4	Ping An Real Estate Co., Ltd.	Green Finance Framework, June 2021
5	Ministry of Housing and Urban-Rural Develop of People's Republic of China	Certificate of Green Building Design Label
6	Leadership in Energy & Environmental Design	Certificate of LEED Building Design and Construction: Core and Shell Development

## Appendix 2: Green Bond / Green Bond Programme / Green Loan Independent External Review Form

### Section 1. Basic Information

**Issuer name:** PING AN REAL ESTATE CO., LTD. ("PARE")

**Green Bond ISIN or Issuer Green Finance Framework Name, if applicable:** PING AN REAL ESTATE CO., LTD. Green Finance Framework

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

**Completion date of this form:** 18 June 2021

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

### Section 2. Review overview

#### SCOPE OF REVIEW

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

The review assessed the following elements and confirmed their alignment with the GBPs and GLPs:

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

#### ROLE(S) OF INDEPENDENT EXTERNAL REVIEW PROVIDER

- |  |   |
|--|---|
| <input type="checkbox"/> Consultant review       | <input type="checkbox"/> Certification  |
| <input checked="" type="checkbox"/> Verification | <input type="checkbox"/> Scoring/Rating |
| <input type="checkbox"/> 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 (if applicable)

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

### Section 3. Detailed review

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

#### 1. USE OF PROCEEDS

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

HKQAA assessment team note that PARE Eligible Green Projects are intended to contribute to projects related to Green Building as outlined in PARE's GFF are justifiable. It was noted that all eligible projects are in line with the GBPs and GLPs requirements.

3 years look back period is defined in the GFF to ensure the most updated Green projects and maximised the project's impact.

**Use of proceeds categories as per GBP/GLP:**

- |   |  |
|---|--|
| <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 type="checkbox"/> Clean transportation  |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management   | <input type="checkbox"/> Climate change adaptation   |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes                                      | <input checked="" type="checkbox"/> Green buildings  |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP/GLP categories, or other eligible areas not yet stated in GBPs/GLPs | <input type="checkbox"/> Other (please specify):   |

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

## 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

### Overall comment on section (if applicable):

The eligible green projects are identified and selected by PARE's Green Financing Committee (the "Committee") which composed of representatives from cross-functional departments. As confirmed with the representative of PARE that the evaluation criteria will use his mother company's policies, Ping An Insurance (Group) Company of China, Ltd.

### Evaluation and selection

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

### Information on Responsibilities and Accountability

- |   |  |
|---|--|
| <input 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):

HKQAA notes that PARE will earmark the net proceeds of allocation and will maintain a virtual Green Financing Register to keep track of the use of proceeds for GFT.

HKQAA considers that PARE has defined the rules and details for the management of proceeds and would enable a sufficient and documented allocation process.

### Tracking of proceeds:

- Green Bond/Loan 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:**

- Allocations to future investments only
- Allocations to both existing and future investments
- Allocation to individual disbursements
- Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds
- Other (*please specify*):

**4. REPORTING**

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

HKQAA notes that PARE committed a reporting process covering both the proceeds allocation and the environmental (where relevant) impacts associated with the Eligible Green Projects. PARE committed to annually report within one year from issuance date until the proceeds have been fully allocated.

HKQAA considers that PARE 's overall reporting commitments are in line with the requirements of GBPs and GLPs.

**Use of proceeds reporting:**

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

**Information reported:**

- Allocated amounts
- Green Bond/Loan financed share of total investment
- Other (*please specify*):

**Frequency:**

- Annual
- Semi-annual
- 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 loan(s) | <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> ): |                                      |

**Information reported (expected or ex-post):**

- |   |  |
|---|--|
| <input type="checkbox"/> GHG Emissions / Savings          | <input checked="" type="checkbox"/> Energy Savings                       |
| <input checked="" type="checkbox"/> Decrease in water use | <input type="checkbox"/> Other ESG indicators ( <i>please specify</i> ): |

**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 ( <i>please specify</i> ): <i>Information published on PARE homepage</i> |
| <input type="checkbox"/> Reporting reviewed ( <i>if yes, please specify which parts of the reporting are subject to external review</i> ): |  |

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

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

PARE will report on the allocation of net proceeds and associated impact metrics of its GFT(s) within one year from the issuance of any green bond/loan financing and will be updated annually until full allocation of the Green Financing net proceeds.

The Green Finance Report will be published on <http://realestate.pingan.com/realestate/html/abouten.html>

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**

**Type(s) of Review provided:**

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

**Review provider(s):**

**Date of publication:**

## ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP / GLP

1. **Second Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Green Finance 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 Green Bond Principles and/or Green Loan Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
2. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally 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 Green Bond / Loan proceeds, statement of environmental impact or alignment of reporting with the GBP/GLP, may also be termed verification.
3. **Certification:** An issuer can have its Green Bond /Loan or associated Green Finance framework or Use of Proceeds certified against a recognised external green 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.
4. **Green Bond/Loan Scoring/Rating:** An issuer can have its Green Bond/Loan, associated Green Bond/Finance 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 performance data, the process relative to the GBP/GLP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

## Appendix 3: Hong Kong Quality Assurance Agency (HKQAA)

### Local Excellence, Global Perspective

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

### Ample Experience in Fostering Sustainable Economy

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

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

Contact HKQAA

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

## Appendix 4: Acknowledgement

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

Name of Company (Name of the Issuer): PING AN REAL ESTATE CO., LTD.

Name of the Framework: PING AN REAL ESTATE CO., LTD. Green Finance Framework

For and on behalf of

(Authorized Signature)

Signature:

Name:

Title:

Date: