

Second Party Opinion

Redefine Properties Ltd.'s Sustainability Financing Framework

July 8, 2022

Redefine Properties Ltd. (Redefine) is a real estate investment trust (REIT) based in South Africa, with total assets of about South African rand (ZAR) 90 billion (about \$5.4 billion) as of March 2022. Redefine's portfolio is predominantly anchored in South Africa (60%) and consists of directly held and managed retail, office, and industrial properties. The rest of the portfolio mostly includes retail and logistics property assets in Poland.

In our view, Redefine's Sustainable Financing Framework, published July 8, 2022, is aligned with:

- ✓ Social Bond Principles, ICMA, 2021 (SBP)
- ✓ Social Loan Principles, LMA/LSTA/APLMA, 2021 (SLP)
- ✓ Green Bond Principles, ICMA, 2021 (GBP)
- ✓ Green Loan Principles, LMA/LSTA/APLMA, 2021 (GLP)
- ✓ Sustainability Bond Guidelines ICMA, 2021 (SBG)

This second party opinion does not assess the alignment of any individual transaction issued under the framework with the principles listed above.

Issuer's Sustainability Objectives

Redefine's sustainability strategy targets several environmental and socioeconomic issues through core business activities. The company aims to ensure that environmental, social, and governance factors are considered at each stage of the life cycle of its properties, from development or acquisition to disposal or demolition.

Redefine has prioritized 13 U.N. sustainable development goals (SDGs) to contribute to the U.N.'s 2030 targets, with nine considered primary goals within its sustainability strategy (while the remaining four are considered secondary goals):

- Good health and well-being;
- Gender equality;
- Affordable and clean energy;
- Decent work and economic growth;
- Industry, innovation and infrastructure;
- Sustainable cities and communities;
- Responsible consumption and production;
- Climate action;
- Peace, justice, and strong institutions.

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Second Party Opinion Summary


Use of proceeds

Alignment  Redefine's sustainability financing framework is aligned with this component of SBPs, SLPs, GBPs, GLPs, and SBGs.

Score Not aligned **Aligned** Strong Advanced

The company commits to allocate the proceeds from green, social, or sustainability bond issuances or loans raised exclusively to eligible projects identified in the framework, which are mapped to the U.N.'s SDGs and cover a number of International Capital Market Association's (ICMA's) green and social categories. Green projects listed in the framework are dedicated to renewable energy, energy efficiency projects, green buildings construction and renovation, water and wastewater management, and waste management. Social projects are dedicated to affordable basic infrastructure and access to essential services issues. We consider that the issuer's use of proceeds commitments are aligned with the above-mentioned principles.


Process for project evaluation and selection

Alignment  Redefine's sustainability financing framework is aligned with this component of SBPs, SLPs, GBPs, GLPs, and SBGs.

Score Not aligned **Aligned** Strong Advanced

Redefine's executive committee is responsible for the final approval of the selection and evaluation of eligible assets and projects. The decision-making can also be delegated to the company's investment committee in accordance with the financial delegation of authority (DOA) framework. The executive committee is also responsible for governing the sustainability financing framework to ensure consistency of approach and oversight.


Management of proceeds

Alignment  Redefine's sustainability financing framework is aligned with this component of SBPs, SLPs, GBPs, GLPs, and SBGs.

The company will strive to achieve a level of allocation for the eligible assets and projects that matches or exceeds the balance of net proceeds from the outstanding green, social, and sustainability bonds or loans issued or raised under this framework within 24 months from the date of each issuance or raise.

Pending allocation, an amount equal to the net proceeds will be held in accordance with the company's internal investment policy, and then temporarily invested in cash, cash equivalents, and high-quality marketable securities.

Reporting

Alignment  Redefine's sustainability financing framework is aligned with this component of SBPs, SLPs, GBPs, GLPs, and SBGs.


Score Not aligned **Aligned** Strong Advanced

Redefine commits to prepare and publish an annual allocation and impact report with respect to the green, social, or sustainability bonds and loans issued or raised under its sustainability financing framework within its annual ESG report at least until full allocation. Allocation reporting will have external verification, which we view as a stronger practice.

Framework Assessment

Use of proceeds

The Principles make optional recommendations for stronger structuring practices, which inform our alignment opinion as aligned, strong, or advanced. For use of proceeds, we consider the commitments and clarity on how the proceeds are used.

 Redefine's sustainability financing framework is aligned with this component of SBPs, SLPs, GBPs, GLPs, and SBGs.

Commitments score

Not aligned

Aligned

Strong

Advanced

We consider Redefine's overall use of proceeds commitments to be aligned with the above-mentioned principles.

The company commits to allocate the proceeds from green, social, or sustainability bond issuances or loans raised exclusively to eligible projects identified in the framework, which are mapped to the U.N.'s SDGs and cover a number of ICMA's green and social categories. Green projects listed in the framework are dedicated to renewable energy, energy efficiency projects, green buildings construction and renovation, water and wastewater management, and waste management. The projects correspond to Redefine's strategy to pursue carbon reduction measures to effectively achieve net zero energy status for all its new assets by 2030 and across all existing assets by 2050. At the same time, the issuer does not provide the thresholds on energy savings for energy efficiency projects, which would have been a stronger practice, in our view.

Social projects included in the framework are dedicated to financing affordable basic infrastructure and access to essential services issues.

The issuer lays out potential green and social benefits of the eligible projects, and ties the projects to U.N.'s sustainability objectives.

The framework states that Redefine will disclose the amounts used for financing new projects versus refinancing existing projects, and identifies a look-back period for refinanced projects. We note, however, that the look-back period for green building certification is set at 48 months, which exceeds the standard 36-month look-back period. Although this itself does not prevent the alignment with the principles, we consider it as a relative weakness of the framework.

Process for project evaluation and selection

The Principles make optional recommendations for stronger structuring practices, which inform our alignment opinion as aligned, strong, or advanced. For our process for project selection and evaluation, we consider the commitments and clarity on the process used to evaluate and select eligible projects to fund with the proceeds of the sustainable finance instrument.

 Redefine's sustainability financing framework is aligned with this component of SBPs, SLPs, GBPs, GLPs, and SBGs.

Commitments score

Not aligned

Aligned

Strong

Advanced

We consider Redefine's overall process for project evaluation and selection to be aligned with the above-mentioned principles.

Redefine's executive committee is responsible for the final approval of the selection and evaluation of assets or projects that are eligible for green, social, or sustainability bonds or loans throughout the life of all Redefine's issuances or raises under the company's sustainability financing framework. The decisions can also be made by the company's investment committee in accordance with the company's financial DOA framework. The executive committee is also responsible for governing the sustainability financing framework to ensure consistency of approach and oversight.

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Redefine's ESG team will be responsible for screening all potentially eligible green, social, or sustainability assets and projects against the company's sustainability financing framework's investment categories and eligibility. For some projects, eligibility criteria reference market-based standards and taxonomies, which we believe is a relative strength of the framework.

Management of proceeds

The Principles require disclosure of the issuer's management of proceeds from sustainable finance over the life of the funding. The alignment opinion focuses on how clear in the documentation the issuer's commitment is to ensure that the funds raised will remain dedicated to eligible sustainability projects throughout the life of the sustainable finance funding.

✓ Redefine's sustainability financing framework is aligned with this component of SBPs, SLPs, GBPs, GLPs, and SBGs.

The company will strive to achieve a level of allocation for the eligible assets or projects that matches or exceeds the balance of net proceeds from the outstanding green, social, and sustainability bonds or loans issued or raised under this framework within 24 months from the date of each issuance or raise, which is in line with market practice. Eligible assets or projects will be added to or removed from Redefine's eligible assets or projects to the extent required.

Pending allocation, an amount equal to the net proceeds from green, social, or sustainability bonds or loans will be held in accordance with the company's internal investment policy, then temporarily invested in cash, cash equivalents, and high-quality marketable securities. According to the company's framework, the unallocated proceeds shall not be invested in any coal-, oil-, or gas-related assets.

Reporting

The Principles make optional recommendations for stronger disclosure practices, which inform our disclosure opinion as aligned, strong, or advanced. We consider plans for updates on the sustainability performance of the issuer for general purpose funding, or the sustainability performance of the financed projects over the lifetime of any dedicated funding, including any commitments to post-issuance reporting.

✓ Redefine's sustainability financing framework is aligned with this component of SBPs, SLPs, GBPs, GLPs, and SBGs.

Disclosure score

Not aligned

Aligned

Strong

Advanced

We consider Redefine's overall reporting to be aligned with the above-mentioned principles.

Redefine commits to prepare and publish an annual allocation and impact report at least until full allocation of proceeds from green, social, and or sustainability bonds and loans issued or raised under its financing sustainability framework. The information will be included in the group's annual ESG reporting suite and will be available on the company's website. The report will include the information on the amount of allocated proceeds, the percentage of new financing and refinancing, and annual impact indicators, such as estimated annual CO₂ equivalent emissions for green projects or estimated number of jobs created for social projects. A broader and more extensive list of impact indicators is outlined in the respective section of the issuer's framework.

The company also intends to request a limited assurance report of the allocation of the green, social, or sustainability bond and green and or social loan proceeds to eligible projects, to be provided by its external auditor, which we view as a strength.

Mapping To The U.N.'s Sustainable Development Goals

The SDGs set up by the U.N. in 2015 form an agenda for achieving sustainable development by 2030.

We use the ICMA's SDG mapping for this part of the report. We acknowledge that the ICMA's mapping does not provide an exhaustive list of SDGs and that the ICMA recommends each project category be reviewed individually to map it to the relevant SDGs.

Redefine's sustainability financing framework intends to contribute to the following SDGs:

Use of proceeds	SDGs
Renewable energy	 7. Affordable and clean energy*
Energy efficiency	 7. Affordable and clean energy*
Green buildings	 9. Industry, innovation and infrastructure
Sustainable water and wastewater management	 6. Clean water and sanitation*
Pollution prevention and control	



12. Responsible consumption and production*

Access to essential services



8. Decent work and economic growth*



9. Industry, innovation and infrastructure*



10. Reduced inequalities*

Affordable basic infrastructure



11. Sustainable cities and communities*

*The eligible project categories link to these SDGs in the ICMA mapping.

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