

New World Development Green Finance Framework

September 2018

Introduction

New World Development Company Limited (“NWD”/“the Group”, Hong Kong stock code: 00017), a premium brand infused with a unique personality defined by The Artisanal Movement, was founded in 1970 and was publicly listed in Hong Kong in 1972 and is a constituent stock of the Hong Kong Hang Seng Index.

The Artisanal Movement is a cultural vision, a philosophy for living. In the age of machines, we want to celebrate something for human. We believe in the power of creativity, and that making is an expansive act for a meaningful, lasting and sustainable way of life to kindle the artisan spirit in us. Through “Collect, Connect, Collide”, The Artisanal Movement becomes an incubator for ideas and a channel for audiences to experience them.

New World Sustainability Vision 2030

In reference to the Group’s long-term business strategy and the United Nations Sustainable Development Goals, the “New World Sustainability Vision 2030” was developed to enrich the artisanal living experience with products and initiatives that demonstrate one or more of the four following focus areas to individual customers and thereby creating shared value for all stakeholders:

1. Green (environmental protection)
2. Wellness (promotion of healthy living)
3. Smart (technology adoption)
4. Caring (for all community stakeholders)

Core of concept

This bespoke Green Finance Framework (the “Framework”) has been developed to demonstrate how the Group and its other entities, including New World China Land Limited (“NWCL”) and K11 Group Limited (“K11”), will create investment opportunities for our financial partners that deliver funds (“Funding Transactions”) for application to solutions emerging from the “New World Sustainability Vision 2030”, particularly those related to improving the environmental performance of their buildings/landscapes and the communities in which they are located, as well as the health of their building/landscape users. Fundraising will include bonds and loans with structures tailored to contribute to sustainable development by application of the proceeds to Eligible Projects as defined in this Framework. Bonds issued under the Framework will be aligned with the *Green Bond Principles 2018*, while loans borrowed under the Framework will be aligned with the *Green Loan Principles 2018*.

Financing transactions that are already in place may be designated as Funding Transactions under this Framework where they meet the criteria set out herein and a material portion of the funding remains to be drawn or allocated at the time of such designation.

Management commitment

Each Funding Transaction will adopt the following principles:

1. Use of Proceeds

The proceeds of each Funding Transaction will be used exclusively for the financing or the refinancing of “Eligible Projects”, including without limitation, the refinancing of existing debt in relation to such projects.

“**Eligible Projects**” means projects that support profitable sustainable development servicing the needs of people and communities at a fair price that meet the eligibility criteria below. Environmental performance will be measured versus benchmark standards as described in this Framework.

Eligibility criteria:

Green Buildings*

- ✓ Development/redevelopment of residential, commercial and retail buildings to be certified by a third party in accordance with any one or more of the following green building standards:
 - Hong Kong BEAM Plus (Gold or above);
 - China Green Building Evaluation Standard (Two-star or above); and
 - LEED (Gold or above)These green buildings may additionally achieve a certification (any level) of any version of the WELL Building Standard™ with the aim of improving the environmental health of the buildings and the overall well-being of their occupants.
- ✓ Refurbishment and/or tenant engagement initiatives that will reduce building environmental impact and improve the health and well-being of occupants in accordance with BEAM Plus, the China Green Building Evaluation Standard or LEED Existing Building standard;
- ✓ Research & Development/procurement of building materials and technologies that fulfil the requirements of the listed green/healthy building standards;

Green Landscapes*

- ✓ Development/redevelopment of landscapes to be certified by a third party in accordance with the Sustainable SITES Initiative™ (SITES) (any level); in addition to any or more of the following standards:
 - Hong Kong BEAM Plus (Gold or above);
 - China Green Building Evaluation Standard (Two-star or above); and
 - LEED (Gold or above)

*Please refer to Appendix I for details of the building standards mentioned.

Energy Efficiency and Renewable Energy

- ✓ Projects that will achieve at least a 10% improvement in energy efficiency through technology adoption or equipment upgrades in new/existing buildings;
- ✓ Renewable energy system adoption to reduce the consumption of fossil fuel based sources;

Water Management

- ✓ Projects that will improve water efficiency through sustainable design (e.g. “Sponge City” concept) and wastewater recycling and treatment system installation;

Waste Management

- ✓ Projects that will reduce waste volume or divert waste from landfills and/or encourage recycling, upcycling, and composting, such as installation of food decomposers and other waste management technologies; and

Climate Change Adaptation

- ✓ Projects that will strengthen building/landscape resilience to climate change impacts such as extreme weather events and natural disasters, e.g. installation and upgrades of enhanced flood protection systems, additional insulation, etc.

2. Delivering our Commitment

(i) Project Evaluation and Selection

NWD will form a “Green Finance Review Panel” with senior representatives from NWD Finance & Accounts, Project Management, Property Management, and Sustainability, as well as NWCL and K11 to select Eligible Projects based on the above criteria and manage their environmental and social risks. Eligible Projects will be recommended to the Chairperson of the Group Sustainability Steering Committee for final approval.

To substantiate project eligibility, the following evidence will be gathered for review:

- Green building/landscape and/or WELL building certification documentation
- Description and scheme design of project
- Energy performance data (verified by a third party if possible)
- Projected environmental performance against benchmarks
- Expected and additional environmental health/wellness benefits

If such project is considered as an Eligible Project in accordance with this Framework, it will be earmarked for the use of proceeds of a Funding Transaction under this Framework.

(ii) Management of Proceeds

NWD will establish a register of Funding Transactions under this Framework. The register will contain for each Funding Transaction the following information including:

1. **Funding Transaction:** key information including, issuer/borrower entity transaction date, principal amount of proceeds, repayment or amortisation profile, maturity date, and interest or coupon (and in the case of bonds, the ISIN number).
2. **Allocation of Use of Proceeds:**
Information including:
 - Name and basic details of Eligible Projects to which Funding Transaction proceeds have been allocated in accordance with this Framework
 - Amount of Funding Transaction proceeds allocated to each project
 - Confirmation of the Green Finance Review Panel's endorsement that a project is considered to be an Eligible Project
 - Remaining amount of proceeds of a Funding Transaction that have not been allocated to Eligible Projects

Any balance of proceeds of any Funding Transaction not earmarked to fund Eligible Projects will be held in accordance with NWD's normal treasury or liquidity management policy.

(iii) Reporting

NWD will annually disclose the allocation of the borrowed funds or the net proceeds of its green bond(s) on its corporate website (<http://www.nwd.com.hk>), annual report or sustainability report. Disclosures will also be made on a timely basis on the corporate website in case of material developments.

The annual disclosure, to be verified by a third party, will include the following:

- Details of each of the Funding Transactions with any amount outstanding at any point during the reporting period. Key information to be provided will include issuer/borrower entity transaction date, principal amount of proceeds, repayment or amortisation profile, maturity date, and interest or coupon (and in the case of bonds, the ISIN number).
- Aggregate amount of proceeds of each Funding Transaction earmarked to Eligible Projects
- The remaining balance of each Funding Transaction yet to be earmarked
- A list of Eligible Projects earmarked to be funded by the proceeds of the green bonds, and key project details including information such as building/landscape certifications and energy performance data
- A selection of more detailed project examples (where competition and confidentiality considerations allow)
- Qualitative and (if reasonably practicable) quantitative environmental performance indicators of the Eligible Projects funded including:
 - i. Building/landscape certification achieved (system & level);
 - ii. Energy consumption reduction (kWh);
 - iii. Carbon emission reduction (tonnes of CO₂e);
 - iv. Water consumption reduction (m³); and
 - v. Amount of waste reduced and/or diverted from landfills (tonnes).

Where the Eligible Project to which proceeds of a Funding Transaction will be allocated is known at the time of launching the Funding Transaction, this will be disclosed at the time of launch.

Assurance

NWD has obtained an external review of this Framework which can be viewed in the relevant section at <http://www.nwd.com.hk/sustainability>.

Appendix I - Overview of Green and WELL Building/Landscape Certification Schemes

(i) Building Environmental Assessment Method (BEAM) Plus (“BEAM Plus”)

Developed by BEAM Society Limited, BEAM Plus is a green building assessment tool tailor-made for measuring building sustainability performance in Hong Kong. With the Hong Kong Green Building Council being its certification body, BEAM Plus provides a fair and objective assessment of the overall building quality covering its planning, design, construction, commissioning, management, operation and maintenance. Four ratings are available for a project after completing the assessment: Bronze, Silver, Gold and Platinum. For more information, please visit www.hkgbc.org.hk.

(ii) China Green Building Evaluation Standard (GB/T 50378) (“Three Star System”)

Introduced by the Ministry of Housing and Urban-Rural Development of the People’s Republic of China, the Three Star System is a voluntary green building rating standard used in Mainland China for residential and public buildings (including commercial, hotel and government-owned). The areas of assessment cover land savings and outdoor environmental management, the saving and utilisation of energy, water and materials, indoor environmental quality, construction and operational management. The Three Star System grants three levels of ratings: one-star, two-star and three-star. For more information, please visit www.cngb.org.cn/.

(iii) Leadership in Energy and Environmental Design™ (“LEED”)

LEED is a worldwide green building rating and certification system developed by the U.S. Green Building Council. To motivate developers and building operators to be environmentally responsible and use resources efficiently, LEED includes comprehensive rating mechanisms to verify a building or neighbourhood’s green features. The rating covers the entire building lifecycle including design, construction, maintenance and operation. LEED is applicable to all buildings at all phases of development and all building sectors, while a project can earn one of the four LEED rating levels: Certified, Silver, Gold and Platinum. For more information, please visit www.usgbc.org/LEED.

(iv) WELL Building Standard™ (“WELL”)

The WELL Building Standard™ is a performance-based building certification system that promotes health and well-being of building occupants. Building on the v1 of the Standard, WELL v2™ measures, certifies and monitors features of the built environment addressing 10 wellness concepts: air, water, nourishment, light, movement, thermal comfort, sound, materials, mind and community. The certification is awarded at one of the three levels: Silver, Gold and Platinum. WELL is managed and administered by the International WELL Building Institute and is third-party certified by the Green Business Certification Incorporation. For more information, please visit www.wellcertified.com.

(v) The Sustainable SITES Initiative (“SITES”)

SITES is a sustainability-focused framework that ushers landscape architects, engineers and others toward practices that protect ecosystems and enhance the benefits they continuously provide for the communities, such as climate regulation, carbon storage and flood mitigation. SITES-certified landscapes help reduce water demand, filter and reduce stormwater runoff, provide wildlife habitat, reduce energy consumption, improve air quality, improve human health and increase outdoor recreation opportunities. SITES certification is for development projects located on sites with or without buildings – ranging from national parks to corporate campuses, streetscapes to homes, and more. There are four levels of certification: Certified, Silver, Gold and Platinum. For more information, please visit <http://www.sustainablesites.org/certification-guide>.