

New World Development (NWD) Green Finance Framework serves as the documented Environmental Method Statement for this application. It states NWD's method to achieve the intended positive environmental effect of the specified Green Loan. The applicant, Full Assets Enterprises Limited, is a wholly owned subsidiary of New World Development Company Limited (Stock Code: 0017).

## **New World Development Green Finance Framework**

March 2018

### **Introduction**

New World Development Company Limited (“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 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 and the communities in which they are located, as well as the health of their building 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. With respect to bonds, bonds issued under the Framework will be aligned with the *Green Bond Principles, 2017*.

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/re-development 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 or BEAM Plus (Gold or above);
  - China Green Building Evaluation Standard (Two-star or above);
  - LEED (Gold or above)These green buildings may additionally achieve a WELL Building Standard™ certification (any level) 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;

\*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;

## Climate Change Adaptation

- ✓ Projects that will strengthen building 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 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 may 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.

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 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 certification achieved (system & level);
  - ii. Energy consumption reduction (kWh);
  - iii. Carbon emission reduction (tonnes of CO<sub>2</sub>e);
  - iv. Water consumption reduction (m<sup>3</sup>); 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 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](http://www.hkgbc.org.hk).

### *(ii) China Green Building Evaluation Standard (“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/](http://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](http://www.usgbc.org/LEED).

### *(iv) WELL Building Standard™ (“WELL”)*

Issued by the International WELL Building Institute, WELL is a global performance-based building certification system that promotes healthy and active lifestyles in commercial and institutional office buildings. With the aim of advancing health and well-being of building occupants, WELL measures, certifies and monitors features addressing seven wellness concepts: air, water, light, nourishment, fitness, comfort, and mind. The certification is awarded at one of the three levels: Silver, Gold and Platinum. The entire assessment is administered by the International WELL Building Institute™ and third party certified by Green Business Certification Inc. For more information, please visit [www.wellcertified.com](http://www.wellcertified.com).

**Supplementary information:**

HKQAA obtained below information in assessment stage which served as supplementary information of the 5 eligible types of project activities listed in above Environmental Method Statement.

<b>Item 1: Green Buildings</b>	
Primary Category:	<input checked="" type="checkbox"/> Green Track 1: Energy Conservation and Efficiency  <input type="checkbox"/> Red Track <i>Please specify the project technology and justification</i>
Secondary Category:	1.2 Sustainable Building
Major related environmental dimensions <sup>1</sup>	Live & Prosper Sustainably
SDG's Target(s) and Indicator(s) <sup>2</sup>	SDG11: Sustainable cities and communities  Target 11.b: By 2020, substantially increase the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, resilience to disasters, and develop and implement, in line with the Sendai Framework for Disaster Risk Reduction 2015-2030, holistic disaster risk management at all levels
Item's Objectives and Targets	<ul style="list-style-type: none"> <li>• Development/re-development 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:               <ul style="list-style-type: none"> <li>- Hong Kong BEAM or BEAM Plus (Gold or above);</li> <li>- China Green Building Evaluation Standard (Two-star or above);</li> <li>- LEED (Gold or above)</li> </ul>               These green buildings may additionally achieve a WELL Building Standard™ certification (any level) with the aim of improving the environmental health of the buildings and the overall well-being of their occupants.             </li> <li>• Refurbishment and/or tenant engagement initiatives that will reduce building environmental impact and improve the health and wellbeing of occupants in accordance with BEAM Plus, the China Green Building Evaluation Standard or LEED Existing Building standard;</li> <li>• Research &amp; Development / procurement of building materials and technologies that fulfil the requirements of the listed green/healthy building standards;</li> </ul>
Benchmark level	<input type="checkbox"/> International Standard <input checked="" type="checkbox"/> National Standard <input checked="" type="checkbox"/> Industry Standard <input checked="" type="checkbox"/> Self-development Standard <input type="checkbox"/> Others, Please specify: _____

<p>Significant / major environmental and social impact constituted by this type of project activities</p>	<p>NWD announced that the proposed project has achieved the WELL Pre-certificate – Gold Level on 7/Oct/2016. Afterward, WELL Precertification – Platinum Level was received on Oct 2017. NWD’s Sustainability Report 2017 mentioned that all new buildings in HK will seek to achieve BEAM Plus (Gold) green building certification or above. In Feb 2017, the project also received BEAM Plus Platinum Pre-certification. During the financial year 16/17 of NWD, 93% of the ongoing HK projects GFA has applied for BEAM Plus. Twelve projects in Mainland China, with more than one million square metres (sq. m) floor area, have obtained LEED Gold or Platinum Certifications or Pre-certifications. Apart from green building certifications, NWD also targets to achieve WELL Building Standard to promote and curate a healthy lifestyle for its customers.</p> <p>Refurbishment and tenant engagement initiatives will be implemented. For example, NWD will install smart meter to promote energy savings behavioural change. The initiative would reduce the environmental impact of such buildings and improve the health and wellbeing of occupants.</p> <p>Research &amp; Development / procurement of building materials and technologies will fulfil the requirements of the listed green/healthy building standards. As confirmed with the sustainability team that the R&amp;D works would be assigned to external bodies, for example, research institutes, universities, etc., the use of proceeds and the result of the researches could be revealed.</p> <p>The Environmental Impact Assessment and Stakeholder Engagement Mechanism procedure revealed that the environmental risk and social risk of the potential eligible projects will be evaluated. Once any significant impact caused by the project is found, the relevant project team will develop control and monitoring measures.</p>
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**Item 2: Energy Efficiency and Renewable Energy**

<p>Primary Category:</p>	<p><input checked="" type="checkbox"/> Green Track          1. Energy Conservation and Efficiency          6. Renewable Energy</p> <p><input type="checkbox"/> Red Track  <i>Please specify the project technology and justification</i></p>
<p>Secondary Category:</p>	<p>1.2 Sustainable Building          6.1 Wind Power Generation          6.2 Solar Photovoltaic (PV) Power Generation; and          6.7 Other New Energy Application</p>
<p>Major related environmental dimensions<sup>1</sup></p>	<p>Boost Renewable Energy          Increase Resource Efficiency</p>
<p>SDG's Target(s) and Indicator(s)<sup>2</sup></p>	<p>SDG12: Sustainable consumption and production:          Target 12.2: By 2030, achieve the sustainable management and efficient use of natural resources</p> <p>SDG7: Affordable and clean energy          Target 7.1: By 2030, ensure universal access to affordable, reliable and modern energy services          Target 7.2 By 2030, increase substantially the share of renewable energy in the global energy mix</p>
<p>Item's Objectives and Targets</p>	<ul style="list-style-type: none"> <li>- Projects that will achieve at least a 10% improvement in energy efficiency through technology adoption or equipment upgrades in new/existing buildings;</li> <li>- Renewable energy system adoption to reduce the consumption of fossil fuel based sources.</li> </ul>
<p>Benchmark level</p>	<p><input type="checkbox"/> International Standard</p> <p><input type="checkbox"/> National Standard</p> <p><input checked="" type="checkbox"/> Industry Standard</p> <p><input checked="" type="checkbox"/> Self-development</p> <p><input type="checkbox"/> Others, Please specify:          _____</p>
<p>Significant / major environmental and social impact constituted by this type of project activities</p>	<p>A) Energy Efficiency</p> <p>A specified energy consumption reduction target is pledged in the sustainability report. In addition to enhancing building energy efficiency by implementing energy efficiency measures, NWD's transport business has upgraded their fleets to be more fuel-efficient. Currently, over 1,300 environmentally-friendly Euro V or above buses are in service. Hybrid and electric buses are also being tested on the road to reduce roadside emissions.</p>

## B) Renewable Energy

The sustainability report mentioned that the renewable energy installations, such as rooftop wind turbines and solar panels to power the common areas and water heating system are installed to NWD's previous property development projects.

The Environmental Impact Assessment and Stakeholder Engagement Mechanism procedure revealed that the environmental risk and social risk of the potential eligible projects will be evaluated. Once any significant impact caused by the project is found, the relevant project team will develop control and monitoring measures.

<b>Item 3: Water Management</b>	
Primary Category:	<input checked="" type="checkbox"/> Green Track 4 Sustainable Water  <input type="checkbox"/> Red Track <i>Please specify the project technology and justification</i>
Secondary Category:	4.3 Wastewater treatment
Major related environmental dimensions <sup>1</sup>	Increase Resource Efficiency
SDG's Target(s) and Indicator(s) <sup>2</sup>	SDG6: Clean water and sanitation Target 6.3: By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally Target 6.4: By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity
Item's Objectives and Targets	Projects that will improve water efficiency through sustainable design (e.g. "Sponge City" concept) and wastewater recycling and treatment system installation.
Benchmark level	<input type="checkbox"/> International Standard <input type="checkbox"/> National Standard <input type="checkbox"/> Industry Standard <input checked="" type="checkbox"/> Self-development <input type="checkbox"/> Others, Please specify: _____
Significant / major environmental and social impact constituted by this type of project activities	The Environmental Impact Assessment and Stakeholder Engagement Mechanism procedure revealed that the environmental risk and social risk of the potential eligible projects will be evaluated. Once any significant impact caused by the project is found, the relevant project team will develop control and monitoring measures.

<b>Item 4: Waste Management</b>	
Primary Category:	<input checked="" type="checkbox"/> Green Track 2. Pollution Prevention and Control  <input type="checkbox"/> Red Track <i>Please specify the project technology and justification</i>
Secondary Category:	2.4 Waste Management and Prevention
Major related environmental dimensions <sup>1</sup>	Increase Resource Efficiency
SDG's Target(s) and Indicator(s) <sup>2</sup>	SDG12: Sustainable consumption and production: Target 12.5: By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Item's Objectives and Targets	Projects that will reduce waste volume or divert waste from landfills and/or encourage recycling, upcycling, and composting, such as installation of food decomposer and other waste management technologies.
Benchmark level	<input type="checkbox"/> International Standard  <input type="checkbox"/> National Standard  <input type="checkbox"/> Industry Standard  <input checked="" type="checkbox"/> Self-development  <input type="checkbox"/> Others, Please specify: _____
Significant / major environmental and social impact constituted by this type of project activities	The Environmental Impact Assessment and Stakeholder Engagement Mechanism procedure revealed that the environmental risk and social risk of the potential eligible projects will be evaluated. Once any significant impact caused by the project is found, the relevant project team will develop control and monitoring measures.

<b>Item 5: Climate Change Adaptation</b>	
Primary Category:	<input checked="" type="checkbox"/> Green Track 8. Climate Change Adaptation  <input type="checkbox"/> Red Track <i>Please specify the project technology and justification</i>
Secondary Category:	8.1 Emergency Prevention and Control of Disaster
Major related environmental dimensions <sup>1</sup>	Combat Climate Change
SDG's Target(s) and Indicator(s) <sup>2</sup>	SDG13: Climate Action Target 13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries
Item's Objectives and Targets	Project that will strengthen building 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.
Benchmark level	<input type="checkbox"/> International Standard  <input type="checkbox"/> National Standard  <input type="checkbox"/> Industry Standard  <input checked="" type="checkbox"/> Self-development  <input type="checkbox"/> Others, Please specify: _____
Significant / major environmental and social impact constituted by this type of project activities	The Environmental Impact Assessment and Stakeholder Engagement Mechanism procedure revealed that the environmental risk and social risk of the potential eligible projects will be evaluated. Once any significant impact caused by the project is found, the relevant project team will develop control and monitoring measures.

**Remarks:**

Reference Number	Author	Title
1	United Nations Environmental Programme (UNEP)	Sustainable Development Goals: United Nations Environment Programme: Annual Report 2015 <a href="https://wedocs.unep.org/bitstream/handle/20.500.11822/7506/-Sustainable_Development_Goals_-_UNEP_annual_report_2015-2016UNEP-AR-2015-SustainableDevelopmentGoals.pdf.pdf?sequence=3&amp;isAllowed=y">https://wedocs.unep.org/bitstream/handle/20.500.11822/7506/-Sustainable_Development_Goals_-_UNEP_annual_report_2015-2016UNEP-AR-2015-SustainableDevelopmentGoals.pdf.pdf?sequence=3&amp;isAllowed=y</a>
2	UNEP	About the Sustainable Development Goals on UNEP <a href="https://www.unenvironment.org/explore-topics/sustainable-development-goals/aboutsustainable-development-goals">https://www.unenvironment.org/explore-topics/sustainable-development-goals/aboutsustainable-development-goals</a>