

New World Development Sustainable Finance Framework

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.

NWD is a connected ecosystem of sustainable communities, infrastructure, services and lifestyle-related businesses that supports the artisanal living culture and enriches the lives of our stakeholders.

The Artisanal Movement is a cultural vision, a philosophy for living. We believe in creating shared value and positive impact not only for our shareholders but all stakeholders.

New World Sustainability Vision 2030

In reference to the Group’s long-term business strategy and the United Nations Sustainable Development Goals (“UN SDGs”), the New World Sustainability Vision 2030 (“SV2030”) was developed to enhance customer experience with products and initiatives that demonstrate one or more of the four following focus areas:

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

These four focus areas are aligned to specific UN SDGs included but not limited to those under SV2030. Green initiatives mainly contribute to SDG 11 Sustainable Cities and Communities. Wellness initiatives target SDG 3 Good Health and Wellbeing. Caring initiatives help achieve SDG 4 Quality Education and SDG 11. Smart Initiatives support all other three focus areas in contribution to SDG 17 Partnership for the Goals.

Under SV2030, Group-wide environmental and social targets have been established alongside policies to standardise our property development approach. Guidance is given to ensure sustainable design, construction, supply chain management, operation and engagement are practised across upcoming and completed projects.

Led by the Board-level Sustainability Committee and driven by our stakeholders’ growing awareness of sustainable development, the Group strives to curate opportunities for a life well-lived through SV2030.

Core of Concept

This bespoke Sustainable 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 by delivering funds (“Funding Transactions”) to implement projects which contribute and/or complement the New World Sustainability Vision 2030, particularly those related to improving the environmental and social performance of their real estate projects and the communities in which they are located, as well as the health of their building users.

The Framework will guide future fundraising through sustainable debt instruments, including green/social/sustainability bonds and green/social loans with structures tailored to finance Eligible Projects as defined in this framework to address global environmental and/or social challenges by achieving the Group’s sustainability targets, whilst working towards UN SDGs and Science Based Targets (SBT).

The Group follows closely on-going work conducted by international organisations including the International Capital Market Association and Loan Market Association. The Framework aligns with the *Green Bond Principles 2018*, *Social Bond Principles 2020*, *Sustainability Bond Guidelines 2018* and *Green Loan Principles 2018* and will be updated as market practices evolve. Best practices including environmental thresholds set by the European Union Sustainable Finance Taxonomy are incorporated whenever possible.

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 concerning such projects.

“**Eligible Projects**” refer to projects that support profitable sustainable development servicing the needs of people and communities at a fair price that meet the eligibility criteria below. The environmental performance and social impact will be measured against benchmark standards whenever possible as described in this Framework.

Project Category Eligibility Criteria

Green Project Categories

| | |
|------------------------------|---|
| Green Buildings [^] | <ul style="list-style-type: none"> ✓ Development/redevelopment of new/existing 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"> ○ Hong Kong BEAM Plus (Gold or above); ○ China Green Building Evaluation Label (Two-star or above); ○ LEED (Gold or above); ○ Living Building Challenge (any level); ○ BREEAM (Excellent or above); and ○ any other green building label with equivalent standards. These green buildings may additionally achieve a certification (any level) of any version of the WELL Building Standard to improve the environmental health of the buildings and the overall well-being of their occupants. ✓ Tenant engagement initiatives that will support tenants achieve certifications for sustainable interior design and/or operations in tenanted areas, such as BEAM Plus Interiors, LEED for Interior Design and Construction, LEED for Operations and Maintenance, and BREEAM Refurbishment and Fit-Out. ✓ Research, development or procurement of smart and green building technologies that help fulfil the requirements of the listed green/healthy building standards. |
| Green Landscapes | <ul style="list-style-type: none"> ✓ Development/redevelopment of landscapes to be certified by a third party in accordance with the Sustainable SITES Initiative (any level). |

[^]Please refer to Appendix I for details of the building standards mentioned.

Project Category Eligibility Criteria

Green Project Categories

Energy Efficiency and Renewable Energy

- ✓ Projects that will achieve at least a 20% improvement in energy efficiency, through measures including but not limited to:
 - operational improvement;
 - technology adoption (e.g. installation of building management systems and energy management systems);
 - professional services (e.g. relevant technical consultations, energy audits, feasibility studies); and
 - equipment upgrades in new/existing buildings.
- ✓ Renewable energy system adoption as an alternative to fossil fuel-based sources.
- ✓ Renewable energy investments, including but not limited to purchasing Renewable Energy Certificates recognised by international standards/organisations such as the Science Based Targets Initiative.

Water Management

- ✓ Projects that will improve water efficiency through sustainable design (e.g. rainwater harvesting, wastewater recycling and treatment, drip irrigation, drainage management) and system installations.
- ✓ Investments including but not limited to initiatives that improve water efficiency management (e.g. water audits and installation of sub-meters for detection of water leakage) and subsequent equipment or technology upgrades.



Project Category Eligibility Criteria

Green Project Categories

Circular Economy
and Waste
Management

- ✓ Projects in commercial and residential properties that will reduce the waste volume or divert waste from landfills and/or encourage recycling, upcycling, and composting onsite, such as but not limited to the installation of food decomposers.
- ✓ Projects that will reduce, recycle and/or upcycle waste generated during the construction process.
- ✓ Responsible sourcing of sustainable materials and products including those certified by certification bodies such as the Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification (PEFC).

Climate Change
Adaptation

- ✓ Projects that support climate change adaptation through building/landscape design and asset-level enhancements (e.g. “Sponge City” water management design concept, hardware installation and upgrades of enhanced flood protection systems, and additional insulation).
- ✓ Projects that will strengthen organisational preparedness of climate change such as but not limited to the adoption of climate risk scenario planning tools and third-party vulnerability assessments.

Project Category Eligibility Criteria

Social Project Categories

| | |
|--|---|
| <p>Access to Basic Infrastructure and Essential Services</p> | <ul style="list-style-type: none"> ✓ Development, expansion or modernisation of basic infrastructure including but not limited to: <ul style="list-style-type: none"> ○ drinking water infrastructures; and ○ sewage and sanitation services. ✓ Projects that expand access to health care and/or improve health outcomes, including but not limited to development of healthcare facilities (e.g. clinics and elderly centres). ✓ Projects that expand access to education and skills development including but not limited to education initiatives. ✓ Projects to support enterprises and/or population groups facing natural and/or health disasters including but not limited to pandemics, earthquakes, floods and droughts. |
| <p>Affordable Housing</p> | <ul style="list-style-type: none"> ✓ Projects that provide socio-economic support for residents of affordable housing, e.g. health programmes and education initiatives. |
| <p>Socio-economic Advancement and Employment Generation</p> | <ul style="list-style-type: none"> ✓ Investments in enterprises (e.g. start-ups, social enterprises) or projects to support socio-economic advancement including but not limited to: <ul style="list-style-type: none"> ○ start-up accelerators/incubators to support entrepreneurship; ○ social mobility programmes; and ○ capacity building schemes to improve the sustainability performance of supply chain partners. |

2. Project Evaluation and Selection

NWD will form a “Sustainable Finance Review Panel” with senior representatives from NWD Finance & Accounts, Group Audit and Management Services, Project Management, and Sustainability to select Eligible Projects based on the above criteria and manage their environmental and social risks. Senior representatives from NWD Property Management, NWCL and K11 may also be called upon if their expertise is required. Eligible Projects will be recommended to NWD’s CEO and Chairperson of the Group Sustainability Steering Committee for final approval. Decisions will be communicated to the Board-level Sustainability Committee and remain accountable to Board oversight.

To substantiate project eligibility, the relevant evidence will be gathered for review where appropriate:

| Green Projects | Social Projects |
|---|--|
| <ul style="list-style-type: none"> • Evidence of applying for sustainable building/landscape certifications (e.g. pre-certification and certification documentation); • Description and schematic design of the project; • Energy/water/waste performance data (verified by a third party if possible); • Projected environmental performance* against benchmarks; and • Expected and additional environmental health/wellness benefits. | <ul style="list-style-type: none"> • Certification documentation (if applicable); • Description and roadmap of the project (including information on social objectives and target population); • Social impact indicators* and their methodologies; • Projected social impact (verified by a third-party whenever possible); and • Expected and additional social benefits. |

*Appropriate environmental and social impact indicators will be determined in reference to frameworks and resources published by ICMA. Visit <https://www.icmagroup.org/green-social-and-sustainability-bonds/impact-reporting/> for more.

If such a 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.

3. Management of Proceeds

NWD will establish a register of Funding Transactions under this Framework with Finance teams being responsible for the management of proceeds. The register will contain for each Funding Transaction the following information including:

- (i) **Funding Transaction:** key information including, issuer/borrower entity transaction date, the principal amount of proceeds, repayment or amortisation profile, maturity date, and interest or coupon (and in the case of bonds, the ISIN number).
- (ii) **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 Sustainable Finance Review Panel's endorsement that a project is considered to be an Eligible Project; and
 - The 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.

4. Reporting

NWD will annually disclose the allocation of the borrowed funds or the net proceeds of its green, social and sustainability bond(s) on its corporate website (<http://www.nwd.com.hk>) or annual report until the proceeds are fully allocated. 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:

| Green Projects | Social Projects |
|--|-----------------|
| <ul style="list-style-type: none">• 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, the principal amount of proceeds, repayment or amortisation profile, maturity date, and interest or coupon (and in the case of bonds, the ISIN number).• The aggregate amount of proceeds of each Funding Transaction earmarked to Eligible Projects• The remaining balance of each Funding Transaction yet to be earmarked• A selection of more detailed project examples (where competition and confidentiality considerations allow). | |

| Green Projects | Social Projects |
|---|--|
| <ul style="list-style-type: none"> • 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. • Qualitative and (if reasonably practicable) quantitative environmental performance indicators* of the Eligible Projects funded such as: <ol style="list-style-type: none"> 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). | <ul style="list-style-type: none"> • A list of Eligible Projects earmarked to be funded by the proceeds of the social bonds, and key project details including information such as relevant certifications • Qualitative and (if reasonably practicable) quantitative social impact indicators* of the Eligible Projects funded such as: <ol style="list-style-type: none"> i. Number of beneficiaries; ii. Number of employment opportunities created; and iii. Number of facilities built. |

*Appropriate environmental and social impact indicators will be determined in reference to frameworks and resources published by ICMA. Visit <https://www.icmagroup.org/green-social-and-sustainability-bonds/impact-reporting/> for more.

In the case where Eligible Project(s) to which proceeds of a Funding Transaction will be allocated are known at the time of launching the Funding Transaction, further information will be disclosed at launch.

External Review

Second-Party Opinion

NWD has obtained a Second-Party Opinion of this Framework which can be viewed in the relevant section at <http://www.nwd.com.hk/sustainability>.

Post Issuance Verification

External verifiers may be engaged to assure NWD's use of proceeds and reporting as described in the sections above.

Appendix I - Overview of Green and WELL Building/Landscape Certificatio

(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 Label (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 applies 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 the 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>.

(vi) Living Building Challenge (“LBC”)

The Living Building Challenge is the world’s most rigorous proven performance standard for buildings. People from around the world use our regenerative design framework to create spaces that, like a flower, give more than they take. There are 2 levels of certification: Petal and Living. For more information, please visit <https://living-future.org/lbc/>.

(vii) Building Research Establishment Environmental Assessment Method (“BREEAM”)

BREEAM is an international scheme that provides independent third party certification of the assessment of the sustainability performance of individual buildings, communities and infrastructure projects. The rating enables comparability between projects and provides reassurance to customers and users, in turn underpinning the quality and value of the asset. The BREEAM ratings range from Acceptable (In-Use scheme only) to Pass, Good, Very Good, Excellent to Outstanding and it is reflected in a series of stars on the BREEAM certificate. For more information, please visit <https://www.breeam.com/>.