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The Artisanal Movement

新世界發展
New World Development

INTERIM ESG UPDATE 2020/21

Feb 2021

SV2030 Progress

26% Carbon Emissions Intensity Reduction Compared to FY2015 Baseline



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NEW WORLD GROUP DRIVES IMPACTFUL BUSINESS PERFORMANCE THROUGH SUSTAINABILITY INTEGRATION

SV2030 Leads to Constructive and Impactful Actions

This Interim Update provides key Environmental, Social and Governance (“ESG”) highlights and initiatives of the New World Group (the “Group”¹), echoing our commitment towards New World Sustainability Vision 2030 (“SV2030”) during the period of 1 July 2020 to 31 December 2020 (“1H FY2021”). The purpose of this inaugural Interim ESG Update is to provide more timely ESG information, including SV2030 progress, sustainable finance, climate change and corporate governance².



¹ The Group covers New World Development Company Limited (“NWD”), New World China Land Limited (“NWCL”), K11 Group Limited (“K11”) as well as individually listed subsidiaries NWS Holdings Limited (“NWSH”) and New World Department Store China Limited (“NWDS”).

² Third party verification has not been obtained for this regular business update. Please take the verified performance disclosure in Annual Report 2021 (to be published in October 2021) as final.

MAJOR ESG ACCOMPLISHMENTS AND ACCOLADES

INTERNATIONAL ESG RATINGS



MSCI

As of 2020, New World Development received an MSCI ESG Rating of BB, and is a constituent of MSCI HK-Listed Southbound Country ESG Leaders Index³



DJSI

Listed on Dow Jones Sustainability Asia Pacific Index since 2019, i.e. top 20% of the region's largest companies



Sustainalytics

Low ESG Risk in December 2020



S&P Global

Included in the Sustainability Yearbook 2021, i.e. top 15% in the real estate industry globally



GRESB

Highest 5-star Rating since 2019 and Global 1st in the Resilience Module for climate resilience in 2020



FTSE4Good

Constituent of FTSE4Good Index Series, one of the world's first global ESG index families



CDP

B in the Climate Change Assessment, improved by two grades from 2019; and B in Supplier Engagement Rating, first rated in 2020

ACCOLADES

The Group has won more than 20 sustainability awards, demonstrating exceptional ESG leadership. Some highlights include:

NWD ♦ **The Asset ESG Corporate Awards 2020**
Environmental, Social and Governance – Jade (highest level)

NWSH ♦ **Hong Kong Institute of Certified Public Accountants – Best Corporate Governance Awards**
Non-Hang Seng Index (Medium Market Capitalisation) Category – Gold

NWD ♦ **BDO ESG Awards**
Best in ESG – Large Market Capitalisation

NWDS ♦ **The Asset ESG Corporate Awards 2020**
Environmental, Social and Governance – Gold

SV2030 DRIVES IMPACTFUL BUSINESS PERFORMANCE

Spearheaded by SV2030, the Group continues to drive impactful business performance based on four pillars: Green, Wellness, Smart and Caring.



NEW WORLD SUSTAINABILITY VISION 2030

In general, we have demonstrated positive progress towards SV2030 targets. For instance, carbon emissions reduction roadmap has been formulated in order to halve the carbon emissions intensity by FY2030 against baseline FY2015⁴ (i.e. SV2030 green target). We are pleased to report that, in 1H FY2021, our carbon emissions intensity has reduced by 26% (tCO₂e/million HK\$ revenue) against baseline, which demonstrates that our carbon reduction measures are on track to meet the target.

Carbon Emissions Intensity ↓ **26%**

FY2030 Target ↓ **50%**



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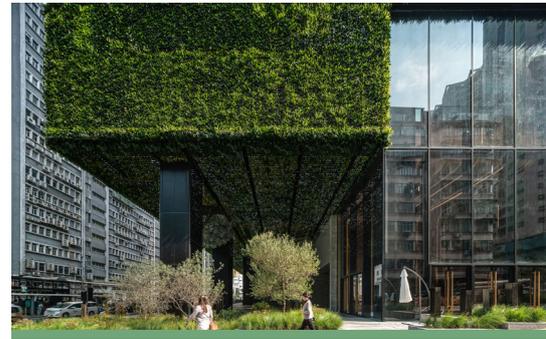
⁴ Baseline year carbon emissions have been recalculated to reflect structural change due to the disposal of Citybus Limited and New World First Bus Services Limited under NWSH.

In the sections below, we will provide an update on relevant areas, including (i) market-first sustainable financing, (ii) ambitious climate actions in property lifecycle, (iii) strong board governance in ESG and ethics issues, as well as (iv) wellness for employees and contractors along the supply chain.

SUSTAINABLE FINANCE

MARKET-FIRST SUSTAINABLE FINANCING

SV2030 and our strong ESG integration have created a solid platform for the Group to attract international ESG investors. Since 2018, we have raised a significant HK\$14 billion in sustainable finance, to drive iconic projects and support Hong Kong’s ambition to becoming a green finance hub in the Greater Bay Area.



Sustainability-Linked Bond Framework & Sustainable Finance Framework

NWD has developed a [Sustainability-Linked Bond Framework](#), in accordance with the Sustainability-Linked Bond Principles issued by the International Capital Market Association (ICMA). Additionally, the NWD [Sustainable Finance Framework](#) has been updated from our Green Finance Framework by referencing the Social Bond Principles 2020, Green Bond Principles 2018, Green Loan Principles 2018 and Sustainability Bond Guidelines 2018. Both frameworks have received a favourable Second Party Opinion from Sustainalytics, the leading global ESG research advisor.

Catalysing Greater Impact via Sustainable Finance Transactions

As a pioneer, NWD has already completed four sustainable finance transactions in 1H FY2021, with innovative structures that were Hong Kong’s first or even world’s first.

1st

The world’s 1st USD Sustainability-Linked Bond by a real estate developer

The world’s 1st HKD Sustainability-Linked Bond

Hong Kong’s 1st interest rate swap linked to the UN SDGs

In January 2021, NWD became the first real estate developer in the world to issue a USD Sustainability-Linked Bond (SLB). The SLB was oversubscribed by six times at its peak with strong participation (80%) from global ESG investors. The 10-year US\$200 million bond (coupon rate: 3.75%) has a Sustainability Performance Target that is aligned with NWD’s latest [Renewable Energy Roadmap](#), which commits to achieving 100% renewable energy for NWD’s Greater Bay Area rental properties by end of FY2025/26. In case NWD fails to achieve the target, we will purchase carbon offsets in an amount equivalent to 25 basis points per annum from 2027 till maturity, which would further contribute to environmental protection.

Another example of impact finance was Hong Kong’s first-ever interest rate swap linked to the United Nations Sustainable Development Goals (UN SDGs), completed by NWD in November 2020. NWD will receive sponsorship, if we successfully generate at least eight business-to-business integration opportunities under our [Impact Kommons](#), which is Asia’s 1st UN SDGs-focused startup accelerator, and other social innovation initiatives.

Instrument	Date	Size	Tenor	Purpose
Sustainability-Linked Bond (public)	January 2021	US\$200 million	10-year	<ul style="list-style-type: none"> The world’s first USD SLB by a real estate developer Driving NWD’s Renewable Energy Roadmap
Sustainability-Linked Bond (private)	January 2021	HK\$1.5 billion	10-year	<ul style="list-style-type: none"> The world’s first HKD SLB Driving NWD’s Renewable Energy Roadmap
Sustainability-Linked Loan	December 2020	HK\$2 billion	5-year	<ul style="list-style-type: none"> Driving SV2030 green targets and GRESB rating, as well as financing general working capital
Sustainability-Linked Interest Rate Swap	November 2020	HK\$1 billion	5-year	<ul style="list-style-type: none"> Hong Kong’s first-ever interest rate swap linked to the UN SDGs Hedging against the interest rate risk of NWD’s sustainability-linked loan closed in November 2019

CLIMATE CHANGE

AMBITIOUS CLIMATE ACTIONS IN PROPERTY LIFECYCLE

Being a first-mover in adopting the recommendations from the Task Force on Climate-related Financial Disclosures (TCFD), NWD has made a firm commitment to accelerate our decarbonisation plans.



implement energy efficiency measures and actively explore new energy savings under SV2030. A Renewable Energy Roadmap has also been formulated to chart an ambitious path towards 100% renewable energy for all Greater China rental properties by the end of FY2030/31. This would be achieved by installing onsite renewable energy, adopting power-purchase agreements and purchasing renewable energy certificates.

NWD would also focus on Scope 3 emissions, which is the main constituent of carbon emissions in the real estate industry⁵. We aim to contribute to reducing tenant energy consumption and embodied carbon from construction activities. For this purpose, New World Construction Company Limited (NWCON) has already standardised the process of tracking embodied carbon by utilising the Construction Industry Council Carbon Assessment Tool, while our construction arm in Mainland China is exploring Building Carbon Emission Calculation (GBT 51366-2019) to track the same. Tenant energy consumption (total) will also be monitored at building level. Our Sustainable Tenancy Pledge also raises awareness and provides energy saving and waste reduction tools, which are being rolled out to more properties.

Managing Climate Risks through Enhancement Works, Design Guideline and Policy

NWD has already put in place climate resilience enhancement plan and improvement works to tackle climate change, following a previous physical climate risk assessment. Quick-wins for climate resilience are being implemented, including regular inspection, maintenance and hardware enhancement at key properties to prevent flooding. K11 ATELIER King's Road and a part of K11 MUSEA have installed flood gates, with further installation planned for some other sites.

To cover the full property lifecycle, we are establishing a climate resilience building design guideline to integrate various climate mitigation and adaptation measures into new developments, major refurbishment and construction activities.

Also, the Climate Change Policy has been updated to reflect our "no coal" commitment, i.e. refraining from making

any new investments in companies engaged in the construction and operation of coal-fired power plants or coal mines; and confirming our intention to sell any remaining assets.

Decarbonising through Science Based Targets and Renewable Energy



In February 2021, NWD has committed to the Business Ambition for 1.5 Degrees, a campaign led by a global coalition of United Nations agencies, business and industry leaders for climate change mitigation under the Paris Agreement. This means, within two years, we will declare emissions reduction targets equivalent to Science Based Targets' level of carbon reduction to help limit global warming to 1.5°C, for major buildings and construction activities under NWD. These reduction targets are expected to be achieved by NWD by 2030.

To reduce Scope 2 emissions, we continue to

Commits to achieving
100% renewable energy
for all Greater China rental properties by the end of FY2030/31

⁵ Scope 3 emissions could contribute to 85% of commercial real estate companies' total carbon footprint (Guide to Scope 3 Reporting in Commercial Real Estate, UKGBC, July 2019)

CORPORATE GOVERNANCE

STRONG BOARD GOVERNANCE ON ESG AND ETHICS ISSUES

Board involvement and oversight of ESG is critical to driving NWD's performance. Our Board-level Sustainability Committee oversees NWD's ESG strategy and issues, while the Audit Committee oversees risk management and internal control systems, where risk management includes assessment of various aspects ranging from business, operation, ESG and ethics issues such as fraud, money laundering and corruption. Apart from risk assessment, audit reviews have also been conducted on selected operations on a regular basis, and then reported to the Audit Committee semi-annually. Additionally, we appreciate the importance of whistleblowing for risk management, and the Group's [Whistleblowing Policy](#) has been refined to welcome anonymous reports.

We continuously keep the Board and employees abreast of ESG development. To this end, the Board and the senior management of NWD, NWSH and NWDS have completed ESG training. The training covered the roles and accountability of the Board, ESG risks and related precautionary measures and flagging mechanisms, the latest ESG and sustainable finance trends and case sharing on our ESG integration. This was in addition to the two ESG trainings provided to all major business units in Hong Kong and Mainland China in November 2020, and ESG quizzes to all employees.



The Board and the senior management of NWD, NWSH and NWDS have **completed ESG training**



WELLNESS FOR EMPLOYEES AND SUPPLY CHAIN PARTNERS

We care about our employees and suppliers' mental wellness. The Group has launched employee wellness programmes including counselling service for Hong Kong employees. We also extend similar measures to our contractors along the supply chain. For instance, NWCON has assigned Caring Ambassadors to each project, who would provide counselling service to employees and contractors to reduce stress. A hotline is also established for timely follow-up. Moreover, more than 20 learning videos about wellness, safety and the environment have been added to an internal smart office mobile application, easily accessible by contractors, to promote sustainable living.



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