

INTERIM ESG UPDATE 2021/22

Feb 2022

CREATING SHARED VALUE

SOLVING HONG KONG'S HOUSING PROBLEMS WITH INNOVATIVE THINKING

New World Development (“NWD”) has had a long-standing interest in solving Hong Kong’s housing and land issues. In recent years, NWD has introduced a number of new social housing projects as it continues to give back to society and build for a better future, fulfilling the spirit of “Creating Shared Value” (“CSV”) for all stakeholders.

In September 2021, NWD announced the launch of New World Build for Good, a not-for-profit social housing enterprise. Chaired by CEO Adrian Cheng and led by a cross-disciplinary Advisory Committee of experts, New World Build for Good unites the business sector and social groups to adopt a multipronged

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approach and seek “win-win-win” solutions and strategies among the government, the public and business to address Hong Kong’s deep-rooted housing and land supply problems. And in December 2021, New World Build for Good launched Hong Kong’s first ever not-for-profit privately subsidised housing project, New World Subsidised Housing, and recommended a special “progressive payment” mortgage arrangement, as a pioneering solution designed to help young families get onto the housing ladder and tailored to help ease Hong Kong’s housing situation.

Please refer to the [New World Build for Good](#) website to learn more.

MANAGING RESOURCES AND PROMOTING CIRCULARITY WITH STAKEHOLDERS

Echoing the importance of waste reduction and recycling identified by our stakeholders in FY2021, and with HKSAR’s Municipal Solid Waste Charging Scheme coming into effect in 2023, we believe it is pertinent to address responsible waste management and offer meaningful solutions to our stakeholders. To drive further efforts across our operations, we are expanding the coverage of our SV2030 waste target to cover more than construction waste. We are developing a baseline and will announce in due course.

Starting with internal operations, our Business Units have taken proactive actions to minimise resource consumption and waste generation, such as educational

initiatives by NWDS to reduce plastic shopping bag consumption during the “Double 11” shopping festival, and ongoing office procurement audits coordinated by NWD and Green Council’s Sustainable Procurement Charter to reduce waste with feasibility studies to adopt more eco-certified materials and reduced packaging for corporate products.

We also work with tenants closely to drive sustainability efforts. In collaboration with social enterprise V Cycle, a participant of our UN SDGs-focused start-up accelerator Impact Kommons, NWD piloted a plastic recycling initiative with K11 MUSEA tenants in 2021 to repurpose sorted plastic recyclables into stylish K11 upcycled umbrellas as our first circular product.

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NWD SUSTAINABILITY INTERIM ESG UPDATE 2021/22

This Interim ESG Update 2021/22 provides key Environmental, Social, and Governance (“ESG”) highlights and initiatives of the New World Group¹ (the “Group”) during the period of 1 July 2021 to 31 December 2021 (“1H FY2022”). The purpose of this Interim ESG Update is to provide our latest ESG progress and information to our key stakeholders².

This pilot not only demonstrated our effort in promoting circularity, providing our tenants with a much-desired solution diverting waste from landfill, it also created fair wage employment opportunities for underprivileged elderly waste pickers. Participating tenants saw this as value-adding to their brands and are interested in further partnering with us on their sustainability journey. We have continually expanded the programme to include more tenants and encourage them to reduce plastic use at source, and have extended the offering to K11 ATELIER Victoria Dockside.

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 disclosures in our Annual Report 2022 as final.

CLIMATE ACTIONS

Combating climate change and its impacts is one of our top priorities. NWD's sustainability ambitions fully echo the roadmap of HKSAR Government's Climate Action 2050 to achieve carbon neutrality by 2050. We strive to accelerate our decarbonisation plans by integrating climate-related initiatives and actions in our full property lifecycle, from climate risk management, policy, design, enhancement works to operations.

NWD attended and pledged our support to the Carbon Neutrality Partnership Launching Ceremony in October 2021.



OUR CLIMATE RESILIENCE STRATEGY AND IMPLEMENTATION

As a regional first-mover in adopting the recommendations from the Task Force on Climate-Related Financial Disclosures ("TCFD") since FY2019, NWD is ensuring the inclusion of climate and ESG-related risks into our Enterprise Risk Management ("ERM"). Acknowledging HKEX's latest "Practical Net-Zero Guide for Business" released in December 2021 which aims to facilitate companies' net zero transition, NWD's ongoing climate actions

are in line with the recommended strategies and approaches, including our "no coal" commitment in mitigating exposure to climate-related transition risks.

Climate Resilience Guidelines and Implementation

Building upon our physical risks assessment on 14 major properties in the Greater Bay Area, we have developed our Climate Resilience Design Guidelines (the

"Guidelines") integrating various climate mitigation and adaptation measures from flooding, water stress, extreme temperatures to extreme wind, at various stages of developments including designs, major refurbishments and construction activities. Pilots are now in progress to fine tune the Guidelines for its adoption as part of our sustainable building standard. Adopted as part of our ERM is also the regular review of transition risks which may affect our business.

OUR DECARBONISATION PATHWAY

In 2021, NWD became Asia's third real estate company to commit to Business Ambition for 1.5°C and setting Science Based Targets ("SBTs"). We are awaiting the approval of the submitted SBTs (1.5°C pathway), whilst addressing Scope 3 emissions through managing our embodied carbon as well as the demand-side energy use by engaging tenants through our newly launched "CSV Lease".

Decarbonisation in existing buildings

For existing buildings, we are also adopting relevant existing building certification schemes as one of the means to benchmark the performance of our existing buildings, piloting on selected buildings in Hong Kong. For our major properties in Mainland China, we have conducted a feasibility study on obtaining certifications on building operations of existing buildings, and are in the process of standardising retrofitting and retro-commissioning works in our

existing properties, while exploring other initiatives to improve energy efficiency for the built environment.

Encouraging tenant participation

In November 2021, we launched "CSV Lease", an industry-first win-win tenant engagement initiative to raise tenants' sustainability awareness and support efforts in energy saving and waste management, and reward based on performance. Upon reaching agreed sustainability milestones, participating tenants' employees are eligible to join exclusive sustainability events and earn K Dollars, marking an innovative approach to simultaneously incentivise tenant participation in our sustainability initiatives while boosting connectivity within the NWD ecosystem. CSV Lease is open to office tenants at K11 ATELIER Hong Kong portfolio, with phased expansion across the retail and office portfolio of NWD and K11 in Hong

Kong in the near term. CSV Lease will further NWD's efforts to manage Scope 3 emissions contributed by building tenants.

Accelerating Net Zero Carbon through innovation

In September 2021, NWD signed a Memorandum of Understanding with the City University of Hong Kong to co-develop and pilot net zero carbon related technologies. This partnership will help to accelerate NWD's ambition of achieving SBTs by 2030 and net zero carbon by 2050. Pilots are underway and we will report progress in due course.

Progress towards SV2030

In 1H FY2022, our energy intensity and carbon emissions intensity decreased by 13% (MWh/million HK\$ revenue) and 25% (tCO₂e/million HK\$ revenue) respectively against baseline FY2015³. Our decarbonisation efforts are on track towards SV2030 targets.



Energy Intensity
(MWh/million HK\$ revenue)

↓ 13% | FY2030 Target ↓ 50%



Carbon Emissions Intensity
(tCO₂e/million HK\$ revenue)

↓ 25% | FY2030 Target ↓ 50%



NEW WORLD SUSTAINABILITY VISION 2030

³ Covers the SV2030 Green Targets Scope which focuses primarily on key businesses with more mature performance data and over which we can exert operational influence for developing environmental impact reduction roadmaps. Using revenue as the intensity metrics was due to the diverse business nature of the Group's portfolio and that revenue is the common thread that can be adopted across sectors.

CORPORATE GOVERNANCE

At NWD, we pay close attention to the latest trends and regulations in corporate governance. HKEX's Revised Corporate Governance Code and Related Listing Rules came into effect on 1 January 2022. NWD meets the revised requirements and will take appropriate actions to ensure reporting compliance in the FY2022 Corporate Governance and Corporate Sustainability reports. We will continue to monitor and recommend international best practices on priority topics, including board independence, refreshment and diversity.

In FY2021, we started the enhancement of our ERM based on the Committee of Sponsoring Organizations of the Treadway

Commission ("COSO") framework. In 1H FY2022, we continued enhancing the ERM – ESG and climate risks are among the top key risk indicators and are being incorporated into board and employee training and risk flagging channels. We regularly engage Group-wide employees through activities such as ESG trainings and roadshows. With our strong focus on people development, we have incorporated an ESG module in the talent acquisition training delivered to Group-wide recruitment professionals, which highlights the Group's focus on ESG integration. NWSH conducted a Diversity & Inclusion training in January 2022, and we are looking to standardise the same for NWD employees. ESG training to the NWD Board was conducted in January 2022.

We put an emphasis on supply chain management and set forth our requirements through our policies, including our Group Sustainability Policy, Sustainable Procurement Policy and Supplier Code of Conduct. We are in the process of standardising more stringent requirements, including enhancing supplier performance monitoring and adding ESG standards to procurement requirements for our construction businesses, e.g. ISO certifications for our operations across Greater China in environmental management, occupational health & safety management, etc.

SUSTAINABILITY ACHIEVEMENTS

MAJOR ESG RATINGS

At NWD, we strive to ensure our ESG integration efforts are in line with international standards. Our outstanding performance in international ESG ratings is an indication of our sustainability efforts and demonstrates our effective management in enhancing our

ESG performance and continuous efforts to regularly disclose our ESG performance for transparency.

We will continue to strive for improvements such as formulating water targets and setting baseline for future waste targets that cover

the whole Group, as well as strengthening our supply chain management in the remaining financial year. We look forward to creating more shared value with our stakeholders.



MSCI ESG Rating of BBB; constituent of MSCI HK-Listed Southbound Country ESG Leaders Index as of February 2022⁴



- Highest 5-star Rating since 2019
- First in Public Disclosure Score among all Hong Kong diversified companies in 2021
- First in Management Score among all Asia companies in 2021



Listed on Dow Jones Sustainability Asia Pacific Index since 2019 with continuous improvements throughout the years



Constituent of FTSE4Good Index Series since 2020



Low Risk ESG since 2019



Included in the Sustainability Yearbook 2022



- B in Water Security Assessment, first rated in 2021
 - B- in Supplier Engagement in 2021
 - C in Climate Change Assessment in 2021, dropped from B in 2020
- We have worked with CDP to identify improvement areas and will continue our effort to close the gaps.

⁴ THE USE BY NEW WORLD DEVELOPMENT COMPANY OF ANY MSCI ESG RESEARCH LLC OR ITS AFFILIATES ("MSCI") DATA, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT, RECOMMENDATION, OR PROMOTION OF NEW WORLD DEVELOPMENT COMPANY BY MSCI. MSCI SERVICES AND DATA ARE THE PROPERTY OF MSCI OR ITS INFORMATION PROVIDERS, AND ARE PROVIDED 'AS-IS' AND WITHOUT WARRANTY. MSCI NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI.

SUSTAINABILITY ACHIEVEMENTS

AWARD HIGHLIGHT

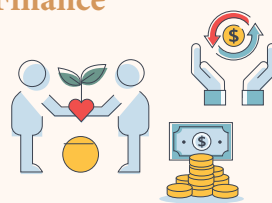
Our efforts in promoting sustainability have been recognised by distinguished organisations, resulting in over 40 sustainability related awards in total during 1H FY2022, with a few selected ones highlighted below.

<p>NWD ♦ The Asset ESG Corporate Awards 2021 ESG – Jade Award</p>	<p>NWSH ♦ Green Council SDG Achievement Awards 2021 Hong Kong Grand Award - Hong Kong Convention and Exhibition Centre (Management) Limited</p>
<p>NWCL ♦ 2021 Yicai The Corporate Social Responsibility Ranking in China ESG共享價值貢獻獎</p> <p>♦ 2021 China International Green Finance and Green Building Forum 2021 China Green Real Estate Index TOP 20 2021 China Green Real Estate Index (Private Enterprise) TOP 10</p>	<p>NWDS ♦ The Asset ESG Corporate Awards 2021 ESG – Platinum Award</p>

LEADER IN SUSTAINABLE FINANCE

As of 1H FY2022, we have raised over HK\$25 billion in funds through sustainable finance since 2018. We have utilised the raised capital to drive impactful sustainability initiatives, including green and healthy buildings. Our industry-leading effort in ESG integration has continued to attract international and local ESG investors and we will continue to leverage financing opportunities to further promote and drive our sustainable development.

NWD Raised
>HK\$25 Billion
through Sustainable Finance since 2018



WAY FORWARD

Looking forward, as a responsible corporate with a core business in property investment and development, the Group will continue our multidirectional effort in integrating sustainability into our core operations. We still strive to include the following as our ESG focus while exploring and identifying more priority topics: helping to address Hong Kong’s housing issues, promoting building resource efficiency and decarbonisation through tenant collaboration and innovation, assessing and mitigating climate-related risks, and enhancing supply chain management and its ESG performance. For further updates on our sustainability journey, please refer to the Corporate Sustainability Chapter in our Annual Report 2022 to be published in October 2022.

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