



新世界發展有限公司

New World Development Company Limited

(Stock Code: 17.HK)

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# **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.

Creating Shared Value (“CSV”) is at the heart of the Group’s corporate mission. Through CSV, the Group is taking a long-term approach to balancing shareholders’ and stakeholders’ interests by forming a new connection between business success, social progress, and people’s well-being. “Shared value” is the outcome of three crucial drivers coming together: social and environmental needs, corporate assets and business opportunities.

## **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.

## **Transition to net zero carbon emissions**

The built environment generates nearly 40% of annual global carbon emissions. As a real estate property developer, it is the Group's responsibility as a corporate citizen to ensure our best effort for our new buildings to meet net zero carbon standards through measures such as increasing building efficiency and the adoption of renewable energy.

In 2021, the Group expanded our decarbonisation effort by committing to the Business Ambition for 1.5°C to set Science Based Targets ("SBT") and formulating our Renewable Energy Roadmap, which formed the basis of our sustainability-linked bonds and is indicative of our commitment to decarbonise. The Group understands the urgent need for climate action and has set ambitions to achieve net zero carbon for all buildings by 2050.

Given the priority of our responsibilities to mitigate climate impacts in our operations, the Board of Directors has endorsed our ongoing assessment and disclosure of climate risks as per Task Force on Climate-Related Financial Disclosures ("TCFD") recommendations. The Board is updated regularly on the latest climate risks and opportunities, in order to timely initiate updates in our sustainability strategies.

The Group will continue to accelerate and deepen our efforts in energy efficiency and carbon reduction in support of HKSAR and Mainland China's commitment to carbon neutrality by 2050 and 2060, respectively.

## **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 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 2021*, *Social Bond Principles 2021*, *Sustainability Bond Guidelines 2021*, *Green Loan Principles 2021* and *Social Loan Principles 2021*, 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<sup>^</sup>**

- ✓ Development/redevelopment, and refurbishment/retrofitting 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<sup>^</sup>:
  - Hong Kong BEAM Plus New Buildings (Gold or above);
  - Hong Kong BEAM Plus Existing Buildings Comprehensive Scheme (Gold or above);
  - China Green Building Evaluation Label (Two-star or above);
  - LEED (Gold or above);
  - Living Building Challenge (any level); and
  - BREEAM (Excellent or above).

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.

- ✓ Consultancy and its related fees in obtaining the above certifications.
- ✓ 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**

- ✓ Development/redevelopment of landscapes to be certified by a third party in accordance with the Sustainable SITES Initiative (any level).

<sup>^</sup>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:
  - operational improvement;
  - technology adoption (e.g. installation of digital/AI/machine learning building management systems and energy management systems);
  - professional services (e.g. relevant technical consultations, retro-commissioning services, 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.

Clean Transportation

- ✓ Projects that invest in technologies and infrastructure to promote adoption of electric vehicles (e.g. installation and upgrade of Electric Vehicle chargers in parking lots).

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 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 the adoption of climate risk scenario planning tools and third-party vulnerability assessments.
- ✓ Research, development or procurement of hardware and technologies to tackle climate-related risks (e.g. floodgate and sensor installation in identified buildings based on assessments conducted).
- ✓ Project development for carbon offset schemes.



Project Category	Eligibility Criteria
<b>Social Project Categories</b>	
Access to Basic Infrastructure and Essential Services	<ul style="list-style-type: none"><li>✓ Development, expansion or modernisation of basic infrastructure including:<ul style="list-style-type: none"><li>○ drinking water infrastructures; and</li><li>○ sewage and sanitation services.</li></ul></li><li>✓ Projects that expand access to health care and/or improve health outcomes.</li><li>✓ Projects that expand access to education and skills development including education initiatives regardless of the ability to pay.</li><li>✓ Projects to support micro, small and medium enterprises (MSMEs) and/or population groups facing natural and/or health disasters including pandemics, earthquakes, floods and droughts.</li></ul>
Affordable Housing	<ul style="list-style-type: none"><li>✓ Projects that will support the development or refurbishment of affordable housing.</li></ul>
Socio-economic Advancement and Employment Generation	<ul style="list-style-type: none"><li>✓ Investments in enterprises (e.g. start-ups, social enterprises) or projects to support socio-economic advancement including:<ul style="list-style-type: none"><li>○ start-up accelerators/incubators to support entrepreneurship;</li><li>○ social mobility programmes; and</li><li>○ capacity building schemes to improve the sustainability performance of supply chain partners.</li></ul></li></ul>



## 2. Project Evaluation and Selection

NWD will form a “Sustainable Finance Review Panel” (the “Panel”) with senior representatives from NWD Finance & Accounts, Group Audit and Management Services, Sustainability, and relevant departments selected on a project-by-project basis to select Eligible Projects for financing based on the above criteria and manage their environmental and social risks. The Panel will also oversee the evaluation of environmental and social risks associated with projects during the project selection phase, if applicable. 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 CFO or CEO and Chairperson of the Group Sustainability Steering Committee for final approval. Once approved, the Eligible Projects may be used for future financing. 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"> <li>• Evidence of applying for sustainable building/landscape certifications (e.g. pre-certification and certification documentation);</li> <li>• Description and schematic design of the project;</li> <li>• Energy/water/waste performance data (verified by a third party if possible);</li> <li>• Projected environmental performance* against benchmarks; and</li> <li>• Expected and additional environmental health/wellness benefits.</li> </ul>	<ul style="list-style-type: none"> <li>• Certification documentation (if applicable);</li> <li>• Description and roadmap of the project (including information on social objectives and target population);</li> <li>• Social impact indicators* and their methodologies;</li> <li>• Projected social impact (verified by a third-party whenever possible); and</li> <li>• Expected and additional social benefits.</li> </ul>

\*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.

The Group commits to exclude the following from Eligible Project Categories and commits not to invest any unallocated proceeds to the following projects:

- Projects that involve companies engaged in the construction and operation of fossil fuel, nuclear and coal-fired power plants, and coal mines.

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.

NWD commits to allocating proceeds raised within 24 months of issuance.

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"> <li>• 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 in the case of bonds, the coupon and the ISIN number.</li> <li>• The aggregate amount of proceeds of each Funding Transaction earmarked to Eligible Projects</li> <li>• The remaining balance of each Funding Transaction yet to be earmarked</li> <li>• A selection of more detailed project examples (where competition and confidentiality considerations allow).</li> </ul>	
Green Projects	Social Projects
<ul style="list-style-type: none"> <li>• 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.</li> <li>• Subject to the nature of Eligible Projects, the Group will report on the qualitative and (if reasonably practicable) quantitative environmental performance indicators* of the Eligible Projects funded, and may include some of the following indicators:               <ol style="list-style-type: none"> <li>Building/landscape certification achieved (system &amp; level);</li> <li>Energy consumption reduction (kWh);</li> <li>Carbon emission reduction (tonnes of CO<sub>2</sub>e);</li> <li>Water consumption reduction (m<sup>3</sup>); and</li> <li>Amount of waste reduced and/or diverted from landfills (tonnes).</li> </ol> </li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Subject to the nature of Eligible Projects, the Group will report on the qualitative and (if reasonably practicable) quantitative social impact indicators* of the Eligible Projects funded, and may include some of the following indicators:               <ol style="list-style-type: none"> <li>Number of beneficiaries;</li> <li>Number of employment opportunities created; and</li> <li>Number of facilities built.</li> </ol> </li> </ul>

\*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>.

#### **Pre-Issuance Verification**

External verifiers may be engaged to conduct pre-issuance external review on the alignment with this Framework prior to issuance of bonds and loans.

#### **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 Certification**

### ***(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. For both BEAM Plus New Buildings and Existing Buildings (Comprehensive Scheme), 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 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/](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 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](http://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 four levels: Bronze, 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](http://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/>.