

Second-Party Opinion

New World Development Sustainable Finance Framework



Evaluation Summary

Sustainalytics is of the opinion that the New World Development ("NWD") Sustainable Finance Framework aligns with the Green Bond Principles 2018 and Social Bond Principles 2020. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – (i) Green Buildings and Landscapes, (ii) Energy Efficiency, (iii) Renewable Energy, (iv) Water Management, (v) Circular Economy and Waste Management, (vi) Climate Change Adaptation, (vii) Access to Basic Infrastructure and Essential Services, (viii) Affordable Housing, and (ix) Socio-economic Advancement and Employment Generation – are aligned with those recognized by both the Green Bond Principles 2018 and Social Bond Principles 2020. Sustainalytics considers that the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals (SDGs), specifically SDGs 3,4,6,7,8,11,12,13,14 and 15.



PROJECT EVALUATION / SELECTION NWD will establish a Sustainable Finance Review Panel consisting of representatives from NWD's Finance & Accounts, Group Audit and Management Services, Project Management, and Sustainability departments for its project evaluation and selection process. The final approval for project eligibility will be provided by NWD's CEO and the Chairperson of the Group Sustainability Steering Committee. Sustainalytics considers the project selection process in line with market practice.



MANAGEMENT OF PROCEEDS NWD's Finance and Accounting departments will establish a register where it will record details of funding transactions under this Framework. This register will contain information for each funding transaction as well as information on the allocation of proceeds. Unallocated proceeds will be held as deposits, such as cash and cash equivalents, in banks in accordance with NWD's treasury or liquidity management policy. Sustainalytics encourages NWD to disclose the period over which the Company intends to allocate the proceeds raised.



REPORTING NWD intends to report on allocation of proceeds on its website on an annual basis or in case of any material changes, until full allocation. In addition, NWD is committed to reporting on relevant environmental and social impact metrics. Sustainalytics views NWD's allocation and impact reporting as aligned with market practice.

Evaluation date November 3, 2020

Issuer Location Hong Kong, China

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Introduction

New World Development Company Limited ("New World Development", "NWD" or "the company") is an investment holding company that invests in, develops, and manages properties in Hong Kong, Mainland China, and internationally, including residential as well as commercial real estate, provision of property and facility management, infrastructure operations, and a variety of other services. The company was founded in 1970 and is headquartered in Hong Kong.

NWD has developed the New World Development Sustainable Finance Framework (the "Framework") under which it intends to issue sustainability bonds and loans, and use the proceeds to finance and refinance, in whole or in part, existing and future projects that will contribute to the reduction of greenhouse gas emissions, promote sustainable resource management and provide social benefits in Hong Kong and Mainland China. The Framework defines eligibility criteria in seven green and three social areas:

Green Eligible Categories

1. Green Buildings and Landscapes
2. Energy Efficiency
3. Renewable Energy
4. Water Management
5. Circular Economy and Waste Management
6. Climate Change Adaptation

Social Eligible Categories

1. Access to Basic Infrastructure and Essential Services
2. Affordable Housing
3. Socio-economic Advancement and Employment Generation

NWD engaged Sustainalytics to review the updated New World Development Sustainable Finance Framework, dated October 2020, and provide a second-party opinion on the Framework's environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2018 (SBG).¹ This Framework has been published in a separate document.²

Scope of work and limitations of Sustainalytics Second-Party Opinion

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent³ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework's alignment with the Green Bond Principles 2018, Social Bond Principles 2020, and Sustainability Bond Guidelines 2018, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds;
- The alignment of the issuer's sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.4, which is informed by market practice and Sustainalytics' expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of NWD's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. NWD representatives have confirmed (1) they understand it is the sole responsibility of NWD to ensure that the information provided is

¹ The Sustainability Bond Guidelines are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

² The New World Development Sustainable Finance Framework is available on NWD's website at: <https://sustainability.nwd.com.hk/>

³ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics' hallmarks is integrity, another is transparency.

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complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and NWD.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the intended allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that NWD has made available to Sustainalytics for the purpose of this SPO.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the New World Development Sustainable Finance Framework

Sustainalytics is of the opinion that the New World Development Sustainable Finance Framework is credible, impactful and aligns with the four core components of the Green Bond Principles 2018 (GBP) and Social Bond Principles 2020 (SBP). Sustainalytics highlights the following elements of NWD's Sustainability Bond Framework:

- Use of Proceeds:
 - The eligible categories, (i) Green Buildings and Landscapes, (ii) Energy Efficiency, (iii) Renewable Energy, (iv) Water Management, (v) Circular Economy and Waste Management, (vi) Climate Change Adaptation, (vii) Access to Basic Infrastructure and Essential Services, (viii) Affordable Housing, and (ix) Socio-economic Advancement and Employment Generation, are aligned with those recognized by the GBP and SBP. Sustainalytics acknowledges that NWD's use of proceeds will contribute to the reduction of greenhouse gas emissions, promote sustainable resource management, and provide social benefits in Hong Kong and Mainland China.
 - While NWD does not disclose a look-back period for its refinancing activities, the Company intends to report on the share of financing vs. refinancing in its annual reporting.
 - As part of the Green Buildings category, NWD intends to invest in the development or redevelopment of residential, commercial and retail buildings using recognized third-party certification standards, namely Hong Kong BEAM Plus (Gold or above), China Green Building Evaluation Label (2 stars or above), LEED (Gold or above), Living Building Challenge (Living Building Certification, Petal Certification with Energy as one of the Petals, or Zero Energy Certification), BREEAM (Excellent or above), or equivalent recognized standards. Sustainalytics views these certifications as credible, and the levels selected as impactful. (See Appendix 1 for further description of the referenced building standards.) In addition to the listed standards, the financed green buildings may achieve WELL Building Standard (any level) to improve the well-being of the occupants. NWD may also invest in the development or redevelopment of green landscapes⁴ using Sustainable SITES Initiative (any level).

⁴ NWD confirmed that the Company does not intend to finance green buildings under the green landscape projects using Sustainable SITES Initiative.

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- Under the Energy Efficiency category, NWD intends to invest in technologies, services, operational improvements, and upgrades that will result in at least a 20% energy performance improvement in commercial buildings. Examples of intended projects include the installation of building and energy management systems, energy audits, feasibility studies as well as equipment upgrades in new and existing buildings. Sustainalytics considers NWD's energy efficiency criteria to be in line with market practice.
- The Renewable Energy category includes investments in solar and wind power projects as well as the procurement of Renewable Energy Certificates (RECs). NWD confirmed that procurement projects will be directly tied to specific and identifiable renewable energy projects, and exclude one-time, short-term purchases of unbundled RECs.
- Under the Circular Economy and Waste Management category, NWD plans to install equipment and implement processes at its properties that will help reduce waste volume, divert waste from landfills, or promote recycling, upcycling, and composting on site. Intended project examples include the installation of food decomposers and recycling facilities. In addition, the Company intends to invest in responsible sourcing of materials, such as timber certified by The Forest Stewardship Council (FSC) and The Programme for the Endorsement of Forest Certification (PEFC). (See Appendix 2 for further description of the referenced standards.)
- Within the Climate Change Adaptation category, the Company may invest in the development of "Sponge Cities"⁵ that aim to reduce flood risk and replenish groundwater, installation and upgrades of flood protection systems, and climate observation and information support initiatives such as the adoption of climate risk scenario planning tools and third-party vulnerability assessments. In 2019, NWD conducted a Climate Risk and Opportunities assessment to its major sites to identify the level of climate risk exposure of its properties, including heat stress, flood, water stress and extreme wind. Following the assessment, NWD developed an adaptation plan to enhance its buildings' climate resilience, which includes the eligible projects listed above. Given NWD's climate risk identification assessments and ongoing adaptation plans, Sustainalytics considers the objectives of this category to be robust, credible and impactful.
- Sustainalytics notes NWD's eligibility criteria under the following social categories:
 - Access to Basic Infrastructure and Essential Services: (i) Development of drinking water infrastructure, sewage and sanitation services for public use, (ii) Investments in education and healthcare services and related infrastructure that are free and accessible to the public, (iii) Financing small and medium enterprises (SMEs)⁶ and groups facing natural and/or health disasters including but not limited to pandemics, earthquakes, floods and droughts. Intended project examples include the distribution of medical masks to low-income families during the coronavirus pandemic (COVID-19). NWD confirmed that the SMEs and groups most affected by natural and health disasters would be identified through collaboration with NGOs and relevant entities on a case-by-case basis. Sustainalytics encourages NWD to provide disclosure on the identified groups and the projects financed in its annual reporting.
 - Affordable Housing: (i) Development of affordable housing and (ii) Provision of support for residents of affordable housing such as health programs and education initiatives. NWD has clarified to Sustainalytics that the eligible affordable housing projects target disadvantaged individuals or households with a gross annual income below approximately 50% of the national median income.⁷ Examples of these groups include individuals or households who are eligible under the social security allowance⁸ and

⁵ The Sponge Cities concept is designed to absorb and capture rainwater, and includes green rooftops, low elevation greenbelt, bioretention, rainwater-based irrigation, and rainwater cisterns for flood prevention.

⁶ SMEs refer to manufacturing enterprises with fewer than 100 employees and non-manufacturing enterprises with fewer than 50 employees, at: https://www.success.tid.gov.hk/english/aboutus/sme/service_detail_6863.html#:~:text=Manufacturing%20enterprises%20with%20fewer%20than,Statistics

⁷ Median Income information can be found, at (General Household Survey, Census and Statistics Department):

<https://www.censtatd.gov.hk/hkstat/sub/sp150.jsp?productCode=D5250038>

⁸ Social Security Allowance eligibility income criteria, at : https://www.swd.gov.hk/en/index/site_pubsvc/page_socseco/sub_comprehens/

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other government allowances such as old age living allowance,⁹ disability allowance¹⁰ and full rate working family allowance.¹¹ Furthermore, NWD confirmed that intended affordable housing projects ensure access to target populations through the provision of affordable rent.¹² Sustainalytics considers NWD's targeted approach as aligned with market practices.

- Socio-Economic Advancement and Employment Generation: (i) Project-based financing of startups and social enterprises¹³ whose revenue is derived from businesses providing environmental and social impact in line with the Framework criteria, such as capacity building programmes aimed at supporting the enterprises in achieving their environmental and social objectives, (ii) Capacity building schemes in SMEs¹⁴ to improve the sustainability practices of enterprises, and (iii) Social mobility programmes that aim to strengthen young retired athletes' career transition from sport into the labour market, mainly through training initiatives and specialized recruitment services.

- NWD confirmed that the Company excludes financing of enterprises, projects and operations associated with environmental and social risks such as fossil fuel, carbon-intensive activities, palm oil, weapons, tobacco, child labor and forced labor under the Framework.

- Project Evaluation and Selection:

- NWD will establish a Sustainable Finance Review Panel that will be responsible for selecting eligible projects based on the criteria mentioned in the Framework. This Panel will consist of representatives from NWD's Finance & Accounts, Group Audit and Management Services, Project Management, and Sustainability departments. When needed, the Company will also consult with senior representatives from NWD Property Management, NWCL and K11, which are wholly owned subsidies of NWD.
- NWD's CEO and the Chairperson of the Group Sustainability Steering Committee will be responsible for providing the final approval of which projects will be eligible.
- NWD's approach to substantiate project eligibility includes obtaining data about environmental credits of eligible projects and assets, including performance related to energy, water, and waste reduction, expected environmental or health benefits, description of schematic design of projects and proof of pre-certification and certification documentation.
- Sustainalytics considers this process to be in line with market practice.

- Management of Proceeds:

- NWD will establish a register where the Company will record details of funding transactions under this Framework. This register will contain information on issuer/borrower entity transaction date, the principal amount of proceeds, repayment or amortization profile, maturity date, and interest or coupon. The register will also include information about allocation of proceeds such as details of eligible projects, amount of proceeds allocated to each project, and amount of unallocated proceeds. Unallocated proceeds will be held as deposits, such as cash and cash equivalents, in banks in accordance with NWD's treasury or liquidity management policy.
- While Sustainalytics considers the above process as aligned with market practice, Sustainalytics encourages NWD to disclose the period over which they intend to allocate the proceeds raised.

- Reporting:

- NWD commits to disclosing annually, the allocation and impact of net proceeds raised under this Framework, on its corporate website, until the full allocation of proceeds.

⁹ Old Age Living Allowance, at: https://www.swd.gov.hk/oala/index_e.html#s4

¹⁰ Disability Allowance, at: <https://www.1823.gov.hk/en/faq/what-are-the-eligibility-criteria-of-disability-allowance-what-is-the-amount-of-assistance-payable>

¹¹ Full Rate Working Family Allowance income criteria, at: <https://www.wfsfaa.gov.hk/wfao/en/eligibility.htm>

¹² For instance, as part of the LightBe affordable housing project that the Company invested in the past, rents were determined based on the income characteristics of individuals and households, and ranged between 20 – 70 % of the market rate.

¹³ Definition of social enterprises in Hong Kong can be found at: <https://www.legco.gov.hk/research-publications/english/essentials-1617ise05-social-enterprises-in-hong-kong-and-the-united-kingdom.htm#endnote1>.

¹⁴ SMEs refer to manufacturing enterprises with fewer than 100 employees and non-manufacturing enterprises with fewer than 50 employees, at: https://www.success.tid.gov.hk/english/aboutus/sme/service_detail_6863.html#:~:text=Manufacturing%20enterprises%20with%20fewer%20than,Statistics

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- Disclosed impact information will include environmental indicators such as building/landscape certification achieved (system & level), energy consumption reduction (kWh), carbon emission reduction (tonnes of CO₂e), water consumption reduction (m³), amount of waste reduced and/or diverted from landfills (tonnes) as well as social indicators such as number of beneficiaries of the various social projects and number of employment opportunities created.
- Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2018

Sustainalytics has determined that the New World Development Sustainable Finance Framework aligns to the four core components of the Green Bond Principles (2018) and Social Bond Principles (2020). For detailed information please refer to Appendix 2: Sustainability Bond/ Sustainability Bond Programme External Review Form.

Section 2: Sustainability Strategy of NWD

Contribution of Framework to NWD's sustainability strategy

Sustainalytics is of the opinion that NWD demonstrates a strong commitment to sustainability through its New World Sustainability Vision 2030¹⁵ which is underpinned by four pillars; (i) Green: Environment Protection (ii) Wellness: Promotion of Healthy Living, (iii) Caring: Creating Shared Value for Communities, and (iv) Smart: Technology Adoption and Promotion of Entrepreneurship. Sustainalytics highlights below practices of NWD that speak to the Company's position as a credible sustainability bond issuer and demonstrates how the Company's sustainability strategy aligns with the issuance of green, social and sustainability bonds.

Under the Green pillar, NWD strives to reduce its adverse environmental impact, achieve operational resource efficiency, and mitigate and adapt to climate change impacts. NWD's environmental targets include the reduction of energy and carbon intensity by 50% by 2030 as compared to 2015 across the New World Group's¹⁶ business properties; the reduction of water intensity by 25% as compared to 2015; and the reduction of waste to landfill intensity by 15% by 2030 as compared to 2015 within New World Development's construction business. NWD reports its progress on the mentioned targets in its 2019 Sustainability Report.¹⁷ Some of the progress made by 2019 compared to 2015 baseline include following: (i) 21% reduction in energy intensity measured in MWh/ million HKD revenue, (ii) 29% reduction in carbon intensity (tCO₂e/million HKD revenue), (iii) 8% reduction in water intensity (m³ /million HKD revenue) and (iv) 5% reduction in waste to landfill intensity (tonnes/million HKD revenue). In addition to its goals and performance, NWD supports Hong Kong's Long-term Decarbonization Strategy¹⁸ by participating in the Energy Saving Charter¹⁹ as well as developing energy and carbon emission targets. NWD is also a signatory to Business Environment Council's Low Carbon Charter²⁰ and Hong Kong Green Building Council's Advancing Net Zero movement²¹.

Under the pillar of Wellness, NWD commits to improving community health by supporting innovative healthcare solutions such as healthy built environment, wellness ventures and programs. NWD's wellness ventures and programs are carried out through its WELL certified™ buildings, wellness centers, and rehabilitation businesses. Under the pillar of Caring, NWD, seeks to improve the quality of life of 300 million people through nursing facilities, as well as education, cultural and community programs. Additionally, to foster local entrepreneurship and intrapreneurship, NWD encourages the development of innovative solutions through research and development (R&D) initiatives, and its incubation and acceleration programs.

Based on above practices of NWD, Sustainalytics is of the opinion that the NWD Sustainable Finance Framework is aligned with the Company's overall sustainability strategy and initiatives and will advance the Company's action on its key environmental and social priorities.

¹⁵ New World Development, New World Sustainability Vision 2030, (accessed on 15 July 2020), at: <https://sustainability.nwd.com.hk/sustainability-vision-2030/>

¹⁶ New World Group includes New World Development (NWD), New World China Land Limited (NWCL) and K11, as well as construction businesses, NWS Holdings Limited (NWSH) and New World Department Stores (NWDS).

¹⁷ New World Development, Sustainability Report 2019, December 2019, at: https://sustainability.nwd.com.hk/wp-content/uploads/2020/08/NWD_SR2019_EN.pdf

¹⁸ The Government of the Hong Kong Special Administrative Region, Public engagement on Long-term Decarbonization Strategy launched, June 2019, at: <https://www.info.gov.hk/gia/general/201906/14/P2019061400309.htm>

¹⁹ Environment Bureau, The Government of Hong Kong Special Administrative Region, About Energy Saving Charter & 4T Charter Schemes, accessed on August 2020, at: <https://www.energysaving.gov.hk/esc2019/en/charter/index.html>

²⁰ Business Environment Council, BEC Low Carbon Charter, (accessed in 15 July 2020), at: <http://bec.org.hk/articles/bec-low-carbon-charter>

²¹ Hong Kong Green Building Council, Advancing Net Zero, (accessed in 15 July 2020), at: <https://www.hkgbc.org.hk/eng/global-movement/world-gbc/advancing-net-zero/index.jsp>

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Well positioned to address common environmental and social risks associated with the projects

While the eligible categories are recognized as impactful by the GBP and SBP, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes such as waste generated during construction, land use and biodiversity issues associated with large-scale infrastructure projects, occupational health and safety of workers, as well as possibility of deteriorating community relations as a result of inadequate public consultation. Sustainalytics is of the opinion that NWD is able to manage and/or mitigate potential risks through the implementation of the following:²²

NWD has integrated ESG risk identification and management considerations into its overall Corporate Risk Management Policy. Risk owners across the group are required to undertake and report risk review exercise, which includes reviewing ESG related risks such as - bribery and corruption, business ethics, occupational health and safety and climate change. Any material ESG risks identified are reported to NWD's Sustainability Committee. The Company also has an early risk flagging mechanism, under which it facilitates the identification and assessment of emerging risks, including ESG related risks. Additionally, NWD established a sustainability governance structure, Sustainability Committee, which comprises two independent non-executive directors and one executive director. This committee advises on the NWD's sustainability strategy, and oversees the Company's ESG risks and opportunities with a focus on climate related risks and opportunities.

Under its Health and Safety Policy, NWD commits to building a healthy and safe workplace for its employees.²³ In its construction business, the Company strive to ensure safety of employees and contractors in day to day operations and provides regular training on operational guidelines, quality control and environment, health and safety topics. 100% of NWD's construction operations in Hong Kong are certified to ISO 14001 Environmental Management System and about 66% of its office building (gross floor area) in the Hong Kong portfolio are certified to ISO 50001 Energy Management System.

NWD conducts internal and external stakeholder engagement to strengthen its ESG governance. The Company uses various channels such as surveys, interviews, focus groups, townhall meetings and forums to engage with multiple stakeholder groups, including employees, tenants, customers, supply chain, local communities, investors, the academic community, NGOs, government and peer companies. Furthermore, NWD confirmed to Sustainalytics that the Company implements local community consultation process before and during the design and development stages of large-scale infrastructure projects.

Based on the mentioned systems, standards, and assessments, Sustainalytics is of the opinion that NWD has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All ten use of proceeds categories are aligned with those recognized by GBP or SBP. Sustainalytics has focused on three areas below, where the impact is specifically relevant in the local context.

Importance of Promoting Sustainable Development in Hong Kong's Building Sector

In 2017, Hong Kong's residential and commercial sector accounted for 93% of the region's electricity consumption²⁴ and contributed to over 60% of the region's total carbon emissions²⁵. Furthermore, in 2017, air conditioning and lighting alone accounted for 42% of the regions' electricity consumption. Recognizing the building sector's large carbon footprint, Hong Kong has established the Energy Saving Plan for Hong Kong's Built Environment, under which an emission intensity reduction target of 40% by 2025 as compared to 2005 intensity levels has been established.²⁶ Hong Kong has also launched the Hong Kong Climate Action 2030+

²² New World Development, Sustainability Report 2019, December 2019, at: https://sustainability.nwd.com.hk/wp-content/uploads/2020/08/NWD_SR2019_EN.pdf

²³ New World Development, Health and Safety Policy, August 2020, at: https://sustainability.nwd.com.hk/wp-content/uploads/2020/10/Health_and_Safety_Policy_EN.pdf

²⁴ The residential sector used 27% while the commercial sector used 66% of electricity. EMSD, Hong Kong End-Use Energy Data 2019, September 2019, at: https://www.emsd.gov.hk/filemanager/en/content_762/HKEEUD2019.pdf

²⁵ Government of Hong Kong, Climate Ready, Hong Kong's Climate Action Plan 2030+, January 2017, at: <https://www.enb.gov.hk/sites/default/files/pdf/ClimateActionPlanEng.pdf>

²⁶ Government of Hong Kong, Environment Bureau, Energy Saving Plan for Hong Kong's Built Environment 2015- 2025+, May 2015, at: <https://policy.asiapacificenergy.org/sites/default/files/EnergySavingPlanEn.pdf>

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plan²⁷ in 2017, under which it seeks to reduce the region's carbon intensity by 65% to 70% by 2030 using 2005 as the base year. This translates into a 26% to 36% absolute emission reduction for the country.

Based on the above context, NWD's investments in development and redevelopment of green buildings will help contribute meaningfully to Hong Kong's climate goals while reducing the carbon footprint of the building sector.

Importance of Waste Reduction and Climate Change Adaptation in Hong Kong

In 2018, nearly 40% of Hong Kong's total solid waste (amounting to 5.87 million tonnes) came from domestic sources and 25% consisted of construction waste, demonstrating the importance of facilitating proper waste management processes, especially in the construction sector.²⁸ Hong Kong has established the 'Blueprint for Sustainable Use of Resources 2013 – 2022', under which the region seeks to reduce the municipal solid waste disposal rate by 40% by 2022 on a per capita basis.²⁹ Despite its efforts, Hong Kong has been experiencing challenges in expanding its waste processing capacity and improving the region's recycling capabilities.³⁰. The region has been exporting most of its waste, which includes 90% of its recyclables, to Mainland China.³¹ Following China's 2018 regulation that bans imports of several types of unprocessed waste, the Hong Kong waste problem is expected to intensify.

Hong Kong is a coastal port, with much of its densely populated urban areas located in low lying areas or on reclaimed land,³² which makes the region vulnerable to sea level rise and storm surges.^{33,34} In addition, the region has been experiencing an increase in annual mean temperatures, leading to heavier rainfall and increased year to year variability in drought.³⁵ Warmer, wetter and more extreme weather put immense pressure on the built environment.³⁶ Several of the recognized Green Building Certification schemes, not only help reduce environmental impacts but also increase resilience to the adverse effects of climate change, by facilitating mitigating and coping mechanisms such as stormwater management systems, rain-water harvesting, recycling and reuse of waste and sewage on site.

Based on the above, Sustainalytics believes that NWD's investments under the Waste Management and the Climate Change Adaptation categories will deliver a positive contribution to Hong Kong's waste reduction efforts while improving Hong Kong's urban built environment's resilience to climate change impacts.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This sustainability bond advances the following SDG goals and targets:

| Use of Proceeds Category | SDG | SDG target |
|--------------------------|--|---|
| Green Buildings | 11. Sustainable Cities and Communities | 11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management |
| Green Landscapes | 11. Sustainable Cities and Communities | 11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management |

²⁷ Government of Hong Kong, Climate Ready, Hong Kong's Climate Action Plan 2030+, January 2017, at: <https://www.enb.gov.hk/sites/default/files/pdf/ClimateActionPlanEng.pdf>

²⁸ The Government of the Hong Kong Special Administrative Region, Environment Protection Department, Hong Kong Waste Treatment and Disposal Statistics, (accessed on 16 July 2020), at: https://www.epd.gov.hk/epd/english/environmentinhk/waste/data/stat_treat.html

²⁹ Government of Hong Kong, Environment Bureau, Hong Kong's 'Blueprint for Sustainable Use Of Resources 2013 – 2022, May 2013, at: <https://www.enb.gov.hk/en/files/WastePlan-E.pdf>

³⁰ BBC, Hong Kong has a monumental waste problem, April 2017, at: <https://www.bbc.com/future/article/20170427-hong-kong-has-a-monumental-waste-problem>

³¹ <https://www.reuters.com/article/us-hongkong-rubbish/hong-kong-drowning-in-waste-as-china-rubbish-ban-takes-toll-idUSKBN1FK0J4>

³² Climate Change Business Forum, How will Hong Kong be Affected by Climate Change?, (accessed on 16 July 2020), at: http://bec.org.hk/ccfb/en-us/hong_kong_context_affected.html

³³ <http://www.iccc.hk/pdf/Day%201/4.%20Mr.%20Shun%20Chi%20Ming.%20JP.PDF>

³⁴ Xinhuanet, Hong Kong to strengthen ability to combat climate change, October 2018, at: http://www.xinhuanet.com/english/2019-10/18/c_138483562.htm

³⁵ <http://www.iccc.hk/pdf/Day%201/4.%20Mr.%20Shun%20Chi%20Ming.%20JP.PDF>

³⁶ Climate Change Business Forum, How will Hong Kong be Affected by Climate Change?, (accessed on 16 July 2020), at: http://bec.org.hk/ccfb/en-us/hong_kong_context_affected.html

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| Energy Efficiency Renewable Energy | 7. Affordable and Clean Energy | 7.2 By 2030, increase substantially the share of renewable energy in the global energy mix 7.3 By 2030, double the global rate of improvement in energy efficiency. |
| Water Management | 6. Clean Water and Sanitation | 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. |
| Circular Economy and Waste Management | 12. Responsible Consumption and Production | 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse |
| Climate Change Adaptation | 11. Sustainable Cities and Communities | 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. |
| Access to Basic Infrastructure and Essential Services | 3. Good Health and Well-Being 4. Quality Education | 3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all. 4.4 Substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship. |
| Affordable Housing | 11. Sustainable Cities and Communities | 11.1 - By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums |
| Socio-economic Advancement and Employment Generation | 8. Decent Work and Economic Growth | 8.6 By 2020, substantially reduce the proportion of youth not in employment, education or training. |

Conclusion

NWD has developed the New World Development Sustainable Finance Framework under which it will issue sustainability bonds and loans, and use the proceeds to finance and refinance eligible projects in the areas of (i) Green Buildings and Landscapes, (ii) Energy Efficiency, (iii) Renewable Energy, (iv) Water Management, (v) Circular Economy and Waste Management, (vi) Climate Change Adaptation, (vii) Access to Basic Infrastructure and Essential Services, (viii) Affordable Housing, and (ix) Socio-economic Advancement and Employment Generation. Sustainalytics considers that the projects funded by the bond proceeds will contribute to the reduction of greenhouse gas emissions, promote sustainable resource management and provide social benefits in Hong Kong and Mainland China.

The New World Development Sustainable Finance Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and

New World Development Sustainable Finance Framework

impact of the use of proceeds. Sustainalytics believes that the New World Development Sustainable Finance Framework is aligned with the overall sustainability strategy of the company and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals (SDGs), specifically SDGs 3,4,6,7,8,11,12,13,14 and 15. Additionally, Sustainalytics is of the opinion that NWD has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that NWD is well-positioned to issue sustainability bonds and that the New World Development Sustainable Finance Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles (2018) and Social Bond Principles (2020).

Appendices

Appendix 1: Summary of referenced green building certification schemes

| | HK BEAM PLUS | BREEAM | LEED | WELL Building Standard | Living Building Challenge |
|---|--|---|---|---|--|
| Background | BEAM Society Limited (BSL) developed the Building Environmental Assessment Method ("BEAM"), namely the BEAM Plus assessment - a green building assessment tool tailor-made for the high-rise, high density-built environment of sub-tropical climate in Hong Kong. BEAM Plus assessment is Hong Kong's leading initiative to offer assessments of building sustainability performance, with the Hong Kong Green Building Council being its certification body. | BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK, BREEAM is used in more than 70 countries and this scheme can be used for new, refurbished and extension of existing buildings. | Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings. | WELL Building Standard ("WELL") is a building certification issued by the International WELL Building Institute (IWBI); Comprehensive, third-party verified standard targeting the commercial and institutional office buildings. The WELL standards measure the health, well-being, productivity and the happiness of building occupants. In 2018, the WELL standard was updated to WELL V2, which makes some changes to the requirements and scoring compared to WELL V1. | The Living Building Challenge is an international green building certification program and sustainable design framework run by the International Living Future Institute, a US non-profit organization seeking to tackle climate change by pushing for a built urban environment free of fossil fuels. |
| Certification levels | Bronze Silver Gold Platinum | <ul style="list-style-type: none"> • Pass • Good • Very Good • Excellent • Outstanding | Certified Silver Gold Platinum | Core (V2 Only) Silver Gold Platinum | Living Building Certification Petal Certification Net Zero Energy Building Certification |
| Areas of Assessment: Environmental Performance of the Building | <ul style="list-style-type: none"> • Site Aspects (location and design of building, emissions from the site, site management) • Materials Aspects (selection of materials, efficient use of materials, | <ul style="list-style-type: none"> • Management • Energy • Land Use and Ecology • Pollution • Transport • Materials • Water • Waste • Health and Wellbeing • Innovation | <ul style="list-style-type: none"> • Energy and atmosphere • Sustainable Sites • Location and Transportation • Materials and resources • Water efficiency • Indoor environmental quality • Innovation in Design • Regional Priority | V1 <ul style="list-style-type: none"> • Air • Water • Nourishment • Light • Fitness • Comfort • Mind V2 <ul style="list-style-type: none"> • Air • Water • Nourishment • Light | <ul style="list-style-type: none"> • Place • Water • Energy • Health and Happiness • Materials • Equity • Beauty |

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| | | | | | |
|---------------------|---|---|---|--|---|
| | <ul style="list-style-type: none"> waste disposal and recycling) • Energy Use (annual CO2 emissions or energy use, energy efficient systems and equipment, energy management) • Water Use (water quality, water conservation, effluent discharges) • Indoor Environmental Quality • Innovations and additions | | | <ul style="list-style-type: none"> • Movement • Thermal comfort • Sound • Materials • Mind • Community | |
| Requirements | <p>Prerequisites for each performance area + Credits with associated points</p> <p>Detailed compliance with legal requirements is a prerequisite for the award of credits.</p> <p>For every performance area BEAM Plus prescribes different prerequisites. Every applicable prerequisite in every BEAM Plus category must be achieved for the project to be assessed.</p> <p>Credits are allocated for each performance area, and every area is weighted as per international consensus. The Overall Assessment</p> | <p>Minimum requirements depending on the level of certification; scoring system weighted by category, producing a percentage-based overall score. The majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their performance score.</p> <p>BREEAM has two stages/ audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.</p> | <p>Prerequisites (independent of level of certification) + Credits with associated points</p> <p>These points are then added together to obtain the LEED level of certification</p> <p>There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).</p> | <p>V1 The building has to meet a minimum of 5 preconditions to receive the Silver Certification, a minimum of 7 preconditions to receive the Gold certification or a minimum of 9 to receive the Platinum certification. The preconditions comprise 102 KPIs for the following quality indicators: Air, Water, Nourishment, Light, Fitness, Comfort, Mind</p> <p>V2 Projects must achieve all preconditions, as well as a certain number of points to earn different levels of certification. Projects must earn a minimum of two points per concept. Projects may earn no more than 12 points per concept. Point thresholds are 40, 50, 60, & 80 for the four certification levels.</p> | <p>The Living Building Challenge is organized into seven performance areas called Petals. Each Petal is further sub-divided into Imperatives, which address specific issues through detailed requirements. All Imperatives assigned to a Typology are mandatory. Living Building Challenge certification requires actual, rather than anticipated, performance demonstrated over twelve consecutive months.</p> |

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| | <p>Grade is determined by the percentage (%) of the applicable credits gained under each performance category and its weighting factor.</p> <p>Verification of compliance with BEAM Plus criteria is done by an independent BEAM Plus assessor.</p> | | | | |
| Performance Display |  |  |  |  |   |

Appendix 2: Certification Schemes for Forestry

| | Forest Stewardship Council (FSC)³⁷ | Programme for the Endorsement of Forest Certification (PEFC)³⁸ |
|--------------------------------------|---|---|
| Background | The Forest Stewardship Council (FSC) is a non-profit organization established in 1993 that aims to promote sustainable forest management practice by evaluating forest management planning and practices independently against FSC's standards. | Founded in 1999, the Programme for the Endorsement of Forest Certification (PEFC) is a non-profit organization that promotes sustainable forest management through independent third-party certification, this includes assessments, endorsements and recognition of national forest certification systems. PEFC was created in response to the specific requirements of small- and family forest owners as an international umbrella organization. |
| Basic Principles | <ul style="list-style-type: none"> • Compliance with laws and FSC principles • Tenure and use rights and responsibilities • Indigenous peoples' rights • Community relations and workers' rights • Benefits from the forests • Environmental impact • Management plans • Monitoring and assessment • Special sites – high conservation value forests (HCVF) • Plantations | <ul style="list-style-type: none"> • Maintenance and appropriate enhancement of forest resources and their contribution to the global carbon cycle • Maintenance and enhancement of forest ecosystem health and vitality • Maintenance and encouragement of productive functions of forests (wood and no-wood) • Maintenance, conservation and appropriate enhancement of biological diversity in forest ecosystems • Maintenance and appropriate enhancement of protective functions in forest management (notably soil and water) • Maintenance of socioeconomic functions and conditions • Compliance with legal requirements |
| Types of standards/benchmarks | <ul style="list-style-type: none"> • Forest Management certification (for single/multiple applicant(s) – industrial or | <ul style="list-style-type: none"> • Sustainable Forest Management benchmark – international requirements for sustainable forest |

³⁷ Forest Stewardship Council, FSC Principles and Criteria for Forest Stewardship: <https://ca.fsc.org/preview.principles-criteria-v5.a-1112.pdf>

³⁸ PEFC, Standards and Implementation: <https://www.pefc.org/standards-implementation>

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| | | |
|-------------------------|--|---|
| | <p>private forest owners, forest license holders, community forests, and government-managed forests)</p> <ul style="list-style-type: none"> • Small and Low Intensity Management Forests (SLIMFs) program (for small forests and forests that are managed at low intensity would be eligible) • Chain of Custody (CoC) certification (for supply chain companies' planning, practices and products – all operations that want to produce or make claims related to FSC-certified products must possess this certificate) • Controlled Wood verification (for assurance that 100% virgin fiber mixed with FSC-certified and recycled fiber originates from a verified and approved source) | <p>management. National forest management standards must meet these requirements in order to obtain PEFC endorsement</p> <ul style="list-style-type: none"> • Group Forest Management Certification – outlines the requirements for national forest certification systems who have group forest management certification • Standard Setting – covers the processes that must be adhered to during the development, review and revision of national forest management standards • Chain of Custody – outlines the conditions for obtaining CoC certification for forest-based products • PEFC logo Usage Rules – outlines the requirements entities must abide by when using the PEFC logo • Endorsement of National Systems – outlines the process that national systems must go through to achieve PEFC endorsement |
| Governance | The General Assembly is comprised of all FSC members and constitutes the highest decision-making body. Members can apply to join one of three chambers – environmental, social, or economic – that are further divided into northern and southern sub-chambers. Each chamber maintains 33.3% of the weight in votes, and votes are weighted so that the North and South hold an equal portion of authority in each chamber, to ensure influence is shared equitably between interest groups and countries with different levels of economic development. | PEFC's governance structure is formed by the General Assembly (GA) which is the highest authority and decision-making body. It is made up of all PEFC members, including national and international stakeholders. In general, PEFC's governance structure is more representative of industry and government stakeholders than of social or environmental groups. Members vote on key decisions including endorsements, international standards, new members, statutes and budgets. All national members have between one and seven votes, depending on membership fees, while international stakeholder members have one vote each. |
| Scope | FSC is a global, multi-stakeholder owned system. All FSC standards and policies are set by a consultative process. There is an FSC Global standard and for certain countries FSC National standards. Economic, social, and environmental interests have equal weight in the standard setting process. FSC follows the ISEAL Code of Good Practice for Setting Social and Environmental Standards. | Multi-stakeholder participation is required in the governance of national schemes as well as in the standard-setting process. Standards and normative documents are reviewed periodically at intervals that do not exceed five years. The PEFC Standard Setting standard is based on ISO/IEC Code for good practice for standardization (Guide 59) ³⁹ and the ISEAL Code of Good Practice for Setting Social and Environmental Standards. |
| Chain-of-Custody | <ul style="list-style-type: none"> • The Chain-of-Custody (CoC) standard is evaluated by a third-party body that is accredited by FSC and compliant with international standards • CoC standard includes procedures for tracking wood origin • CoC standard includes specifications for the physical separation of certified and non-certified wood, and for the percentage of mixed content (certified and non-certified) of products • CoC certificates state the geographical location of the producer and the standards against which the process was evaluated. Certificates also state the starting and finishing point of the CoC | <ul style="list-style-type: none"> • Quality or environmental management systems (ISO 9001:2008 or ISO 14001:2004 respectively) may be used to implement the minimum requirements for chain-of-custody management systems required by PEFC • Only accredited certification bodies can undertake certification • CoC requirements include specifications for physical separation of wood and percentage-based methods for products with mixed content. • The CoC standard includes specifications for tracking and collecting and maintaining documentation about the origin of the materials • The CoC standard includes specifications for the physical separation of certified and non-certified wood |

³⁹ ISO, ISO/IEC Guide 59:2019: <https://www.iso.org/standard/23390.html>

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| | | |
|-----------------------------------|-------------|---|
| | | <ul style="list-style-type: none"> The CoC standard includes specifications about procedures for dealing with complaints related to participant's chain of custody |
| Non-certified sources | wood | <p>FSC's Controlled Wood Standard establishes requirements to participants to establish supply-chain control systems, and documentation to avoid sourcing materials from controversial sources, including:</p> <ol style="list-style-type: none"> Illegally harvested wood, including wood that is harvested without legal authorization, from protected areas, without payment of appropriate taxes and fees, using fraudulent papers and mechanisms, in violation of CITES requirements, and others, Wood harvested in violation of traditional and civil rights, Wood harvested in forests where high conservation values are threatened by management activities, Wood harvested in forests being converted from forests and other wooded ecosystems to plantations or non-forest uses, Wood from management units in which genetically modified trees are planted. <p>The PEFC's Due Diligence System requires participants to establish systems to minimize the risk of sourcing raw materials from:</p> <ol style="list-style-type: none"> forest management activities that do not comply with local, national or international laws related to: <ul style="list-style-type: none"> operations and harvesting, including land use conversion, management of areas with designated high environmental and cultural values, protected and endangered species, including CITES species, health and labor issues, indigenous peoples' property, tenure and use rights, payment of royalties and taxes. genetically modified organisms, forest conversion, including conversion of primary forests to forest plantations. |
| Accreditation/verification | | <p>FSC-accredited Certification Bodies (CB) conduct an initial assessment, upon successful completion companies are granted a 5-year certificate. Companies must undergo an annual audit and a reassessment audit every 5 years. Certification Bodies undergo annual audits from Accreditation Services International (ASI) to ensure conformance with ISO standard requirements.</p> <p>Accreditation is carried out by an accreditation body (AB). In the same way that a certification body checks that a company meets the PEFC standard, the accreditation body checks that a certification body meets specific PEFC and ISO requirements. Through the accreditation process, PEFC has assurance that certification bodies are independent and impartial, that they follow PEFC certification procedures.</p> <p>PEFC does not have their own accreditation body. Like with the majority of ISO based certifications, PEFC relies on national ABs under the umbrella of the International Accreditation Forum (IAF). National ABs need to be a member of the IAF, which means they must follow IAF's rules and regulations.</p> |
| Qualitative considerations | | <p>Sustainalytics views both FSC and PEFC as being robust, credible standards that are based on comprehensive principles and criteria that are aligned with ISO. Both schemes have received praise for their contribution to sustainable forest management practices⁴⁰ and both have also faced criticism from civil society actors.^{41,42} In certain instances, these standards go above and beyond national regulation and are capable of providing a high level of assurance that sustainable forest management practices are in place. However, in other cases, the standards are similar or equal to national legislation and provide little additional assurance. Ultimately, the level of assurance that can be provided by either scheme is contingent upon several factors including the certification bodies conducting audits, national regulations and local context.</p> |

⁴⁰ FESPA, FSC, PEFC and ISO 38200: <https://www.fespa.com/en/news-media/blog/fsc-pefc-and-iso-38200>

⁴¹ Yale Environment 360, Greenwashed Timber: How Sustainable Forest Certification Has Failed: <https://e360.yale.edu/features/greenwashed-timber-how-sustainable-forest-certification-has-failed>

⁴² EIA, PEFC: A Fig Leaf for Stolen Timber: <https://eia-global.org/blog-posts/pefc-fig-leaf-for-stolen-timber>

Appendix 3: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

| | |
|--|---|
| Issuer name: | New World Development Company Limited |
| Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable: | New World Development Sustainable Finance Framework |
| Review provider's name: | Sustainalytics |
| Completion date of this form: | October 21, 2020 |
| Publication date of review publication: | Update to March 2018 Sustainalytics SPO |

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP and SBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

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The eligible categories for the use of proceeds – (i)Green Buildings and Landscapes, (ii)Energy Efficiency, (iii)Renewable Energy, (iv) Water Management, (v)Circular Economy and Waste Management, (vi)Climate Change Adaptation, (vii)Access to Basic Infrastructure and Essential Services, (viii)Affordable Housing, and (ix)Socio-economic Advancement and Employment Generation – are aligned with those recognized by both the Green Bond Principles 2018 and Social Bond Principles 2020. Sustainalytics considers that the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals (SDGs), specifically SDGs 3,4,6,7,8,11,12,13,14 and 15.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input checked="" type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input checked="" type="checkbox"/> Climate change adaptation |
| <input checked="" type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify): |

If applicable please specify the environmental taxonomy, if other than GBPs:

Use of proceeds categories as per SBP:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Affordable basic infrastructure | <input checked="" type="checkbox"/> Access to essential services |
| <input checked="" type="checkbox"/> Affordable housing | <input checked="" type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input checked="" type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input type="checkbox"/> Other (please specify): |

If applicable please specify the social taxonomy, if other than SBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

NWD will establish a 'Sustainable Finance Review Panel' ("the Panel") who will be responsible for selecting eligible projects based on the criteria mention in the Framework. This Panel will consist of representatives from NWD's Finance & Accounts, Group Audit and Management Services, Project Management, and

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Sustainability departments. When needed, the Company will also consult with senior representatives from NWD Property Management, NWCL and K11, which are wholly owned subsidiaries of NWD. NWD's CEO and the Chairperson of the Group Sustainability Steering Committee will be responsible for providing the final approval of which projects will be eligible. NWD's approach to substantiate project eligibility includes obtaining data about environmental credits of eligible projects and assets, including performance related to energy, water, and waste reduction, expected environmental or health benefits, description of schematic design of projects and proof of pre-certification and certification documentation.

Evaluation and selection

- | | |
|---|--|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- | | |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

NWD will establish a register where the Company will record details of funding transaction under this Framework. This register will contain information on issuer/borrower entity transaction date, the principal amount of proceeds, repayment or amortization profile, maturity date, and interest or coupon. The register will also include information about allocation of proceed such as details of eligible projects, amount of proceeds allocated to each project, and amount of unallocated proceeds. Unallocated proceeds will be held as deposits, such as cash and cash equivalents, in banks in accordance with NWD's treasury or liquidity management policy.

While Sustainalytics considers the above process as aligned with market practice, Sustainalytics encourages NWD to disclose the period over which they intend to allocate the proceeds raised.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (please specify): |

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Additional disclosure:

- | | |
|---|---|
| <input type="checkbox"/> Allocations to future investments only <input type="checkbox"/> Allocation to individual disbursements <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input checked="" type="checkbox"/> Allocations to both existing and future investments <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements <input type="checkbox"/> Other (please specify): |
|---|---|

4. REPORTING

Overall comment on section (if applicable):

NWD commits to disclosing annually, or in case of any material changes, the allocation and impact of net proceeds raised under this Framework, on its corporate website, until the full allocation of proceeds. Disclosed impact information will include environmental indicators such as building/landscape certification achieved (system & level), energy consumption reduction (kWh), carbon emission reduction (tonnes of CO₂e), water consumption reduction (m³), amount of waste reduced and/or diverted from landfills (tonnes) as well as social indicators such as number of beneficiaries of the various social projects and number of employment opportunities created.

Use of proceeds reporting:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Project-by-project <input type="checkbox"/> Linkage to individual bond(s) | <input checked="" type="checkbox"/> On a project portfolio basis <input type="checkbox"/> Other (please specify): |
|--|--|

Information reported:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Allocated amounts <input type="checkbox"/> Other (please specify): | <input type="checkbox"/> Sustainability Bond financed share of total investment |
|---|---|

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual <input type="checkbox"/> Other (please specify): | <input type="checkbox"/> Semi-annual |
|--|--------------------------------------|

Impact reporting:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Project-by-project <input type="checkbox"/> Linkage to individual bond(s) | <input checked="" type="checkbox"/> On a project portfolio basis <input type="checkbox"/> Other (please specify): |
|--|--|

Information reported (expected or ex-post):

- | | |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings <input checked="" type="checkbox"/> Decrease in water use <input type="checkbox"/> Target populations | <input checked="" type="checkbox"/> Energy Savings <input checked="" type="checkbox"/> Number of beneficiaries <input type="checkbox"/> Other ESG indicators (please specify): Building/landscape |
|---|---|

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certification achieved
(system & level)

Amount of waste reduced
and/or diverted from landfills
(tonnes).

Number of employment
opportunities created

Number of facilities built

Frequency:

Annual

Semi-annual

Other (please specify):

Means of Disclosure

Information published in financial report Information published in sustainability report

Information published in ad hoc documents Other (please specify): corporate website

Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

<https://www.nwd.com.hk/>

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

Consultancy (incl. 2nd opinion) Certification

Verification / Audit Rating

Other (please specify):

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP

- i. Second Party Opinion: An institution with sustainability expertise that is independent from the issuer may provide a Second Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's

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overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.

- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
- iii. Certification: An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. Green, Social and Sustainability Bond Scoring/Rating: An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

Disclaimer

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The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading independent ESG and corporate governance research, ratings and analytics firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 25 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. With 16 offices globally, Sustainalytics has more than 650 staff members, including more than 200 analysts with varied multidisciplinary expertise across more than 40 industry groups. For more information, visit www.sustainalytics.com.

