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Hang Lung Properties Green Finance Framework

June 2019

Hang Lung Properties Limited (“HLP”) and its parent company, Hang Lung Group, are listed on The Stock Exchange of Hong Kong Limited and is one of the Hong Kong’s leading property developers. HLP has an extensive real estate portfolio, which comprises commercial, retail and residential, across Hong Kong and the Mainland, with as a proven track record of building, owning and managing world-class commercial developments in key cities since 1980s.

HLP strives to become an admired national commercial property developer by integrating sustainability throughout the value chain of our business - from land acquisition, building design and construction to property management and asset enhancement. To put sustainability into action, HLP established its sustainability governance structure in 2012. We formalized our business model, **Build to Own, Build to Last**, under which we committed to build buildings that can stand the test of time, financially, environmentally and socially, in the face of future global challenges.

Acknowledging the emerging global trends as outlined in the 2030 Agenda for Sustainable Development of the United Nations, HLP has developed a strategic sustainability framework with a timeframe till 2030 that comprises three pillars, namely “Future of Experience”, “Future of Space” and “Best-in-Class Operating Practice”, aiming to strengthen our foundation to ride on the emerging trends and create sustainability value for our future customers. We anticipate such framework to further inspire our team to run our business in a sustainable fashion, and ultimately contribute to the wider benefits of society.

Being a core focus area under our strategic sustainability framework, HLP’s Green Financing Transactions will reinforce our commitment to long-term sustainable growth. We practice what we preach by issuing our first architecture-related CNY1bn (USD150m) Green Panda Bond early in 2018, rated AAA in mainland China and aspire to enlarge their green funding program given the commitment to developing certified green buildings. HLP will continue to set the pace and promote green financing as an instrument to increase capital flows to development with sustainability priorities.

Framework Overview

This bespoke Green Finance Framework (“GFF”) has been developed to demonstrate how HLP and its other entities intend to enter into Green Financing Transactions (“GFT”) to fund projects that will deliver environmental benefits to support the business strategy and vision as mentioned above.

Fundraising will include bonds, loans or other financing structures tailored to contribute to sustainable development by application of the proceeds to Eligible Projects as defined in this Framework.

- With respect to bonds, bonds issued under this GFF will be in alignment with the 2018 Green Bond Principles (GBP)¹ or as they may be subsequently amended.
- With respect to loans, loans issued under this GFF will be in alignment with the 2018 Green Loan Principles (GLP)² or as they may be subsequently amended.
- Other forms of financing may conform to other sustainable or green finance principles as may have been established at the time of such financing transaction being undertaken.

Each Funding Transaction will adopt (1) Use of Proceeds (2) Project Evaluation and Selection (3) Management of Proceeds and (4) Reporting, as set out in this Framework.

GFTs may be done in any currency or tenor and with other terms and conditions including covenants, to reflect the financing strategy and plans of HLP as well as the outcome of the commercial discussions between the Issuer/Borrower and Manager/Arranger/Lender.

GFTs may be done in any jurisdiction and market reflecting HLP’s current and future business needs.

1. Use of Proceeds

The net proceeds of the Green Bonds and Loans will be used to fund or refinance, in whole or in part, new or existing eligible green projects that meet one or more of the following categories of eligibility as recognized in the 2018 GBP (“**Eligible Green Projects**”):

Project Category	Eligible Green Assets and Projects for HLP
Green Buildings	<ul style="list-style-type: none"> • New construction and/or renovation of existing buildings that have or will receive any one of the following certification systems: <ul style="list-style-type: none"> ○ U.S. Leadership in Energy and Environmental Design (LEED) – minimum certification of Gold; or ○ BEAM Plus – minimum certification level of Gold or above; or ○ Chinese Green Building Evaluation Standard– minimum certification “2 Star” ; or ○ Any other equivalent green building label, that is an equivalent standard as the above • Refurbishment and/or tenant engagement initiatives that will reduce building environmental impact in accordance with BEAM Plus, LEED and Chinese Green Building Evaluation Standard or other equivalent green

¹ <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2018/Green-Bond-Principles---June-2018-140618-WEB.pdf>

² https://www.lma.eu.com/application/files/9115/4452/5458/741_LM_Green_Loan_Principles_Booklet_V8.pdf

	<p>building label</p> <ul style="list-style-type: none"> • These buildings may additionally achieve the WELL Building Standard™ (Silver / Gold /Platinum) certification with an aim of improving the well-being of occupiers • Please refer to Appendix 1 for details on the LEED® certifications, BEAM Plus certifications, Chinese Green Building Evaluation Standard and WELL Building Standard™
Climate Change Adaption	<ul style="list-style-type: none"> • Projects for the design, construction, maintenance and upgrades of buildings / assets for adapting to more frequent and extreme weather events, or chronic climatic shift caused by climate change
Energy Efficiency	<ul style="list-style-type: none"> • Projects relating to adoption of smart technologies and/or systems for optimizing energy management in new and existing buildings. Such projects shall result in, based on third-party assessment, 10% improvement in energy efficiency when compared to relevant baseline • Projects involving the upgrades of facilities/equipment (e.g. chiller system, lift system, lighting system) of existing development that shall result in, based on third-party assessment, 10% improvement against the development's original energy consumption
Renewable Energy	<ul style="list-style-type: none"> • Generation of energy from renewable sources, such as solar energy and wind energy
Pollution Prevention and Control	<ul style="list-style-type: none"> • Facilities, systems and equipment that are used for waste reduction and recycling • Facilities, system and equipment that are used to mitigate environmental pollution (e.g. air, noise, water) during the construction and/or operation of buildings
Sustainable Water Management	<ul style="list-style-type: none"> • Projects that has water saving features to reduce domestic and commercial water consumption, such as grey water treatment systems and water conservation systems

Eligible Green Projects may include Hang Lung Property investments made during the 2 years prior to the issuance or signing date of the respective GFTs and during the life of the GFTs.

2. Process for Project Evaluation and Selection

The Eligible Green Projects are identified and selected via a process that involves participants from various functional areas. Representatives from HLP's treasury, finance, development and design, project management and sustainability team will form a working group to review and select Eligible Green Projects according to the criteria outlined above. The shortlisted projects will be presented to the Sustainability Steering Committee or the Executive Committee of HLP for approval.

3. Management of Proceeds

The net proceeds from each Green Bond / Loan issued will be managed by HLP's treasury team. HLP will keep an internal record, containing information including:

- i. Green Bond / Loan details including principal amount, maturity date, coupon, covenants etc.;
- ii. List of Eligible Green Projects and brief description of the projects; and
- iii. The amount of net proceeds allocated to the projects.

Pending allocation, the net proceeds from the Green Bond / Loan issued will be held in accordance with HLP's liquidity guidelines for short term time deposits or investments, or used to repay existing borrowings within the group.

4. Reporting

HLP will provide information on the allocation of the net proceeds of its Green Bond / Loan in HLP's Sustainability Reports, Annual Report or website. Such information will be provided on an annual basis until all the net proceeds have been allocated. The information will contain at least the following details:

- i. A list of Eligible Green Projects funded through HLP's Green Bonds / Loans, including amounts allocated; and
- ii. Remaining balance of unallocated proceeds.

The allocation of the net proceeds will be reviewed by an independent accountant.

In addition, where feasible, HLP will provide qualitative and (if reasonably practicable) quantitative environmental performance indicators of the Eligible Green Projects funded. Subjected to the nature of the Eligible Green Projects, performance indicators that HLP monitor mainly include, but not limited to:

- i. Energy consumption reduction(kWh);
- ii. Carbon emissions reduction(tonnes of CO₂e);
- iii. Waste reduction (tonnes);
- iv. Water consumption reduction (m³)

Appendix 1 (External Certifications)

Leadership in Energy and Environmental Design™ (“LEED”)

LEED is a voluntary, third party building certification process developed by the U.S. Green Building Council®. LEED certification provides independent verification of a building or neighborhood’s green features, allowing for the design, construction, operations and maintenance of resource-efficient, high-performing, healthy, cost-effective buildings. LEED works for all buildings at all phases of development, from new construction to existing buildings, as well as all building sectors, from homes to hospitals to corporate headquarters. For more information, please visit <https://new.usgbc.org/leed>.

Building Environmental Assessment Method (BEAM) Plus (“BEAM Plus”)

Recognised and certified by the Hong Kong Green Building Council, BEAM Plus offers a comprehensive set of performance criteria for a wide range of sustainability issues relating to the planning, design, construction, commissioning, management, operation and maintenance of a building. By providing a fair and objective assessment of a building’s overall performance throughout its life cycle, BEAM Plus enables organisations and companies of all sizes to demonstrate their commitment to sustainable development. For more information, please visit <https://www.hkgbc.org.hk/eng/>.

China Green Building Evaluation Standard (“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 the Mainland 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 <http://www.cngb.org.cn/>.

WELL Building Standard™ (“WELL”)

Issued by the International WELL Building Institute, WELL is a global performance-based building certification system that promotes healthy and active lifestyles in commercial and institutional office buildings. WELL measures, certifies and monitors features addressing seven wellness concepts: air, water, light, nourishment, fitness, comfort, and mind. The entire assessment is administered by the International WELL Building Institute™ and third party certified by Green Business Certification Inc. For more information, please visit www.wellcertified.com.