

Second-Party Opinion

Hang Lung Properties Green Finance Framework

Evaluation Summary

Sustainalytics is of the opinion that the Hang Lung Properties (HLP) Green Finance Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2018 and Green Loan Principles 2018. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds - (i) Green Buildings, (ii) Climate Change Adaption, (iii) Energy Efficiency, (iv) Renewable Energy, (v) Pollution Prevention and Control, and (vi) Sustainable Water Management - are aligned with those recognized by the Green Bond Principles and Green Loan Principles. Sustainalytics considers that the eligible projects will reduce the carbon footprint and improve the environmental performance of HLP's properties. Sustainalytics views that the eligible activities will contribute to advance Sustainable Development Goals, particularly SDG 6, 7, 9, 11 and 12.



PROJECT EVALUATION / SELECTION HLP has a two-step project evaluation and selection process. Cross departmental representatives from treasury, finance, development and design, project management and sustainability teams will form a working group selecting an initial set of eligible projects, which are to be approved by HLP's Sustainability Steering Committee or the Executive Committee. This process is in line with market practice.



MANAGEMENT OF PROCEEDS The HLP treasury team will manage net proceeds using an internal record which includes information of the description of eligible projects and the allocation of the use of proceeds. Pending full allocation, the unallocated proceeds will be invested in short term time deposits and investments or used to repay existing borrowings according to HLP's liquidity guidelines. This process is in line with market practice.



REPORTING HLP commits to report to investors annually on the allocation of proceeds on its website, or as part of HLP's Annual Report or Sustainability Reports. The (i) allocation report will include the list of eligible green projects including allocated amounts as well as the remaining balance of unallocated proceeds. Regarding the (ii) impact report, where feasible, HLP has committed to disclose data on relevant metrics, such as energy consumption reduction (kWh), carbon emissions reduction (tonnes of CO₂e), waste reduction (tonnes), and water consumption reduction (m³). Sustainalytics views the HLP's allocation and impact reporting to be in line with current market practice.

Evaluation date	19 June, 2019
Issuer Location	Hong Kong, China

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For inquiries, contact the Sustainable Finance Solutions project team:

Lili Hocke (Amsterdam)
 Project Manager
 lili.hocke@sustainalytics.com
 (+31) 20 205 00 40

Begum Gursoy (Timisoara)
 Project Support
 begum.gursoy@sustainalytics.com
 (+40) 0356 089 978

Nicholas Gandolfo (Singapore)
 Client Relations
 susfinance.apac@sustainalytics.com
 (+852) 3008 2391

Introduction

Hang Lung Properties Limited (“HLP” or the “Company”), the operating arm of Hang Lung Group Limited, is a property investment, management and development company with a wide-range of real estate portfolio comprising commercial, retail and residential. HLP mainly operates in Hong Kong and Mainland China. Hang Lung Group was established in 1960 and is headquartered in Hong Kong, China.

HLP has developed the HLP Green Finance Framework (the “Framework”) under which it intends to issue green bonds and green loans and use the proceeds to finance or refinance, in whole or in part, existing and/or future projects that reduce the carbon footprint and improve the environmental performance of its properties. The Framework defines eligibility criteria in six areas:

1. Green Buildings
2. Climate Change Adaption
3. Energy Efficiency
4. Renewable Energy
5. Pollution Prevention and Control
6. Sustainable Water Management

HLP engaged Sustainalytics to review the HLP Green Finance Framework, dated June 2019 and provide a second-party opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2018 (GBP)¹ and the Green Loan Principles 2018 (GLP).² This Framework has been published in a separate document.³

As part of this engagement, Sustainalytics held conversations with various members of HLP’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 HLP’s green bond and green loan. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the HLP Green Finance Framework and should be read in conjunction with that Framework.

¹ The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

² The Green Loan Principles are administered by the Loan Market Association and are available at https://www.lma.eu.com/application/files/9115/4452/5458/741_LM_Green_Loan_Principles_Booklet_V8.pdf

³ The HLP Green Finance Framework is available on HLP’s website at: www.hanglung.com

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the HLP Green Finance Framework

Summary

Sustainalytics is of the opinion that the HLP Green Finance Framework is credible and impactful, and aligns with the four core components of the Green Bond Principles 2018 and Green Loan Principles 2018. Sustainalytics highlights the following elements of HLP's green finance framework:

- Use of Proceeds:
 - The eligible use of proceeds categories, proceeds - (i) Green Buildings, (ii) Climate Change Adaption, (iii) Energy Efficiency, (iv) Renewable Energy, (v) Pollution Prevention and Control, and (vi) Sustainable Water Management - are recognized by the Green Bond Principles and Green Loan Principles as project categories having positive environmental benefits. Sustainalytics considers that HLP's investments will help to increase the resource efficiency of its properties and promote energy savings in the building sector.
 - HLP intends to use part of the proceeds to finance the construction and/or refurbishment of green buildings using recognized third-party certification standards, LEED Gold or above, BEAM Plus Gold or above, as well as the Chinese Green Building Evaluation Standard (2 Stars or above). Moreover, Hang Lung may seek to obtain an additional certification, next to the green building certification, focused on the well-being of its tenants, WELL Building Standard certification, for some of its buildings already covered by any of the above-mentioned green building standards, demonstrating company's efforts to lead sustainable practices in the real estate market. Sustainalytics has conducted an assessment on the certifications and considers the certification standards to have meaningful environmental benefits (see Appendix 1).
 - HLP commits that energy efficiency measures financed will have a minimum of 10% energy efficiency improvement.
 - HLP's Climate Change Adaption category includes investment in flood gates for properties in China which are prone to flooding risks and conducting climate risk assessment at the design stage to adopt mitigation measures for new projects, aiming to cope effectively with climate change risks.
 - Sustainalytics highlights that HLP excludes investments associated with fossil fuel technologies.
 - Sustainalytics views HLP's two-year look-back period for refinancing activities as aligned with market practices. The company does not intend to report on the portion of financing vs refinancing in their annual reporting.
- Project Evaluation and Selection:
 - HLP has established a two-step project evaluation and selection process: A corporate working group with cross departmental representation from treasury, finance, development and design, project management and sustainability teams will make an initial selection of eligible projects. Afterwards, the projects will be validated and approved by HLP's Sustainability Steering Committee or the Executive Committee. Sustainalytics views HLP's project evaluation and selection process as aligned with market practice.
- Management of Proceeds:
 - The HLP Treasury Team will track the use of proceeds using an internal record containing green bond and loan details, description of eligible projects and the allocation of the use of proceeds. Pending full allocation, the unallocated proceeds will be invested in short term time deposits and investments or used to repay existing borrowings according to the HLP's liquidity guidelines. This process is in line with current market practices.

- Reporting:
 - HLP commits to report to investors annually on the allocation of proceeds on its website, or as part of HLP's Annual Report or Sustainability Reports. The allocation report will include the list of eligible green projects including allocated amounts as well as the remaining balance of unallocated proceeds.
 - Regarding impact reporting, where feasible, HLP has committed to disclose data on an annual basis including but not limited to relevant impact metrics such as energy consumption reduction (kWh), carbon emissions reduction (tonnes of CO₂e), waste reduction (tonnes), and water consumption reduction (m³). Sustainalytics views the HLP's allocation and impact reporting to be in line with current market practice.
 - Sustainalytics views the HLP's allocation and impact reporting aligned with market practices.

Alignment with Green Bond Principles 2018 and Green Loan Principles 2018

Sustainalytics has determined that the HLP's green finance framework aligns to the four core components of the Green Bond Principles 2018 and Green Loan Principles 2018 (December version). For detailed information please refer to Appendix 2: Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Performance and Strategy of the Issuer

Contribution of framework to issuer's sustainability performance and strategy

HLP has integrated sustainability practices into its business model and implemented a sustainability governance structure. HLP has committed to promote efficient use of energy, water and waste, and reduce GHG emissions while advancing the company's sustainability strategy through the following efforts:

- HLP took several initiatives for its existing and new properties such as replacement of chillers in 14 buildings, conducting energy audits for 21 buildings, replacement of the sensor water faucets in 15 buildings and adoption of free cooling in shopping malls,⁴ indicating the importance that the company has already attributed to sustainability.
- HLP established the Sustainability Steering Committee, directed by board executives, to review sustainability policies, action plans and targets while tracking the Group's sustainability performance and progress. At the execution level, HLP involves each business divisions in transforming the company's sustainability strategies into actions.⁵
- HLP developed a Three-year Action Plan (2015-2017) including environmental action plans such as (i) enhance the energy efficiency of company's buildings, (ii) enhance the overall level of disclosure on environmental data, (ii) formulate and implement the Group-wide Environmental Policy, (iii) develop plans to review the ESG performance of supply chain.⁶
- HLP conducted a materiality assessment in 2017, including stakeholder consultation. Energy efficiency was one of the nine material issues regarded as "Critical" and Highly Important" by the company, indicating the importance of investing in energy efficiency technologies and assets for the HLP.⁷
- HLP provides disclosure in its progress of environmental efforts. The company's overall electricity intensity was reduced by 19.4% in 2015 compared to 2010 levels and in its operations in China water consumption was reduced by 12% in 2017 compared to 2016 levels. In 2017, 521,431 kWh of electricity consumption was generated from solar panels.⁸
- HLP has been named as an index factor of the Dow Jones Sustainability Asia Pacific Index in 2017 and obtained a 3-star performance rating and A grade disclosure rating under Global Real Estate Sustainability Benchmark (GRESB) in 2018. Both indices track the companies' sustainability performance and represent recognised industry standards for sustainability referencing.⁹

⁴ HLP Green Performance available at: <https://www.hanglung.com/en-US/sustainability/our-green-buildings/green-buildings>

⁵ Hang Lung Properties Sustainability Report 2017 pg. 9 available at: <https://www.hanglung.com/en-US/media-center/publications/sustainability>

⁶ Hang Lung Properties Sustainability Report 2017 pg. 14-15 available at: <https://www.hanglung.com/en-US/media-center/publications/sustainability>

⁷ Hang Lung Properties Sustainability Report 2017 pg. 12 available at: <https://www.hanglung.com/en-US/media-center/publications/sustainability>

⁸ Hang Lung Properties Sustainability Report 2017 pg. 33-34 available at: <https://www.hanglung.com/en-US/media-center/publications/sustainability>

⁹ Hang Lung Sustainability Commitment available at <https://www.hanglung.com/en-US/sustainability/our-commitment>

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Based on HLP's sustainability practices, strategy, and initiatives, Sustainalytics believes that HLP's Green Finance Framework is aligned with its overall sustainability efforts of HLP and that the eligible projects will help the company advance its sustainability strategy.

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

While the eligible categories are recognized as impactful by the GBP 2018 and GLP 2018, Sustainalytics also recognizes that the eligible categories might have potential environmental and social risks such as workers' health and safety, biodiversity and ecological risks related to the construction, renovation and deconstruction of large scale infrastructures, as well as community relations risks. Sustainalytics highlights the following measures that HLP has taken to mitigate related risks:

- HLP's Environmental Policy applies to all stages of the company's building life cycle with a focus on environmental protection, sustainable resource use, climate change and biodiversity. According to the policy, HLP aims to conserve biodiversity and natural habitats during the development and construction of buildings while achieving efficient use of resources such as water, soil and construction and demolition waste.¹⁰
- HLP's Supplier Code of Conduct obliges suppliers to associate with the company's sustainability requirements through regular assessments and annual performance reviews based on suppliers' ESG performance. Poor performers are subject to face exclusion from future tendering and early termination of contract.¹¹ Moreover, HLP requires its contractors at each site to follow the company's Construction Waste Management Plan for the recovery, handling, transfer and disposal of construction waste while achieving 50% waste diversion rate from landfills and incineration facilities.¹²
- In 2015, HLP integrated the Construction Safety Manual to its safety management system to strengthen its construction site safety performance. To perform beyond the industry regulation, HLP appointed designated safety consultants as an independent party to monitor the safety performance of the company's contractors at key projects in China. Furthermore, HLP provides disclosure in its progress of safety indicators, such as increasing construction safety training hours for contractors by 31% in 2017 against 2016 levels.¹³
- Hong Kong Environmental Impact Assessment (EIA) Ordinance covers designated projects that may have an adverse impact on the environment. Schedule 2 projects must follow the statutory EIA process and require environmental permits for their construction and operation while schedule 3 projects require approved environmental impact assessment reports only.¹⁴
- According to China's Environmental Impact Assessment Act, companies must perform an environmental risk assessment for all projects (construction, reconstruction, expansion or refurbishment) during the initial phase of project design and feasibility analysis. Moreover, the Chinese Act requires that companies undergo an assessment by an independent and certified environmental impact assessment agency to avoid potential conflict of interest.¹⁵
- HLP confirmed that community consultation is part of its projects in China, which are disclosed in the dedicated EIA reports of the projects. Sustainalytics recommends that HLP conduct community consultations for all large scale development projects throughout the development and construction phase.

Based on the above, Sustainalytics is of the opinion that HLP is adequately positioned to mitigate environmental and social risks commonly associated with its eligible green projects and that in addition, HLP's community consultation processes for projects in China will help the company mitigate related risks. Sustainalytics recommends that HLP further integrate community consultation processes in the design and construction phase of all large infrastructure projects.

¹⁰ Hang Lung Group Environmental Policy available at:

https://www.hanglung.com/CMSPages/GetAzureFile.aspx?path=~\hanglungcorporatesite\media\hanglung_media\sustainability%20image\our-commitment\hang_lung_properties_environmental_policy_en.pdf&hash=21edaa59c9a047140ebad97005ae6a0bcea0df696cc138fd6f7b17a3c1370172

¹¹ Hang Lung Properties Sustainability Report 2017 pg. 29 available at: <https://www.hanglung.com/en-US/media-center/publications/sustainability>

¹² Hang Lung Properties Sustainability Report 2017 pg. 35 available at: <https://www.hanglung.com/en-US/media-center/publications/sustainability>

¹³ Hang Lung Properties Sustainability Report 2017 pg. 30 available at: <https://www.hanglung.com/en-US/media-center/publications/sustainability>

¹⁴ Hong Kong Environmental Impact Assessment Ordinance <https://www.epd.gov.hk/eia/english/guid/index1.html>

¹⁵ China's Environmental Impact Assessment Law available at: <http://www.waizi.org.cn/law/11686.html>

Section 3: Impact of Use of Proceeds

All six use of proceeds categories are recognized as impactful by GBP and GLP. Sustainalytics has focused on three below where the impact is specifically relevant in local context.

Importance of green buildings towards achieving energy efficiency targets in Hong Kong and mainland China

The building sector is a substantial contributor to both energy use and total CO₂ emissions, contributing nearly 60% of GHG emissions¹⁶ and 90% of the electricity consumption¹⁷ in Hong Kong. In response to the urgent need to lower buildings' energy consumption by performing energy efficient upgrades, the government implemented actions and programmes, such as the Buildings Energy Efficiency Ordinance and launched partnerships with major commercial and institutional buildings owners.¹⁸ Moreover, Hong Kong committed to lowering its carbon intensity by 50-60% from the 2005 level by 2020,¹⁹ and 65% to 70% by 2030 compared to 2005 levels.²⁰

In addition, in mainland China, the building sector is estimated to contribute between 17.7% and 20.3% of energy consumption.²¹ The government's National New-Type Urbanization Plan (2014 – 2020) includes targeting 50% of all new buildings constructed by 2020 to be certified to green building standards²² which is expected to foster the country's green building sector from 5 to 28 percent by 2030.²³ Furthermore, the country committed to a 60-65% carbon intensity reduction by 2030, compared to 2005 levels under the Paris Agreement.²⁴

HLP intends to use part of the proceeds to construct and/or renovate buildings, aiming to improve energy efficiency and reduce energy consumption of the buildings, through using third-party certification schemes such as LEED, BEAM and China Green Building Evaluation Standard. Sustainalytics is of the opinion that HLP's green buildings with a focus on efficiency improvement has the potential to contribute to energy-related goals while leading significant environmental benefits in Hong Kong and China.

Importance of fostering sustainable water management strategies in Hong Kong and mainland China

Hong Kong's annual consumption of water per capita is 135 m³,²⁵ making it one of the highest water consumers per capita compared to other advanced countries such as Germany, France, Denmark, or Netherlands.²⁶ Analysed by usage, 54% of Hong Kong's water is used by residential sector, followed by the service sector (25%) and use of fresh water for toilet flushing (8%),²⁷ highlighting the need of sustainable water management, especially for domestic and commercial use. In 2008, the government adopted the Total Water Management strategy to increase the efficiency of water demand and supply through key initiatives such as (i) promoting use of water saving devices, (ii) enhancing water leakage control and application of new technologies to improve pressure management and detection of leakage, and (iii) actively considering water reclamation (including reuse of grey water and rainwater harvesting).²⁸

With regards to China's rapid development of the economy and the growth of population, sustainable water management has become a vital challenge.²⁹ According to 2017 figures, China covers almost 20% of the

¹⁶ A study of electricity use performance of Hong Kong office tenants available at: http://www.iasem.org/publication_conf/anbre13/T4D.2.ER661_391F.pdf

¹⁷ Energy Management in Government Buildings of Hong Kong available at: <https://www.emsd.gov.hk/filemanager/conferencepaper/en/upload/60/cnfrnc-paper-20150705-09-2.pdf>

¹⁸ Government of Hong Kong Climate Change available at: <https://www.gov.hk/en/residents/environment/global/climate.htm>

¹⁹ Hong Kong Climate Change Report 2015 available at: <https://www.enb.gov.hk/sites/default/files/pdf/ClimateChangeEng.pdf>

²⁰ Government of Hong Kong Climate Change available at: <https://www.gov.hk/en/residents/environment/global/climate.htm>

²¹ China's Energy Consumption in the Building Sector available at: <https://www.sciencedirect.com/science/article/pii/S0959652618306152>

²² The New Era of Green Buildings in China http://greeninitiatives.cn/img/white_papers/1441531986096China_Major_Report_-_The_New_Era_of_Green_Buildings_in_China_July_2015.pdf

²³ Climate Investment Opportunities in Emerging Markets available at: https://www.ifc.org/wps/wcm/connect/51183b2d-c82e-443e-bb9b-68d9572dd48d/3503-IFC-Climate_Investment_Opportunity-Report-Dec-FINAL.pdf?MOD=AJPERES

²⁴ China Climate Action Pledges and Targets: <https://climateactiontracker.org/countries/china/pledges-and-targets/>

²⁵ Annual Water Consumption Per Capita in Hong Kong available at: https://www.wsd.gov.hk/filemanager/common/annual_report/2016_17/common/pdf/15_appendices.pdf

²⁶ Abstraction per Capita available at: <http://waterstatistics.iwa-network.org/graph/3>

²⁷ Hong Kong Water Consumption and Supply available at: <https://www.legco.gov.hk/research-publications/english/1718iss08-water-consumption-and-supply-20171220-e.pdf>

²⁸ Total Water Management in Hong Kong available at: https://www.wsd.gov.hk/filemanager/en/content_1171/TWM.pdf

²⁹ Sustainable Water Resource Management in China: A Great Challenge, Z.X. Xu and J.Y. Li, 14 August 2010

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world's population with only 6% of the world's fresh water reserves.³⁰ 70% of China's rivers and lakes are polluted³¹, 65% lakes were identified to be atrophied.³² China is experiencing an urgent challenge as water resources begin to constrain the nation's economic and social development.³³ To confront with effects of long-term sustainable water management, China has implemented several plans for water resource management in the current 13th Five Year Environmental Protection Plan (2016-2020) such as (i) unit-based management of water resource quality, (ii) protection of good-quality water bodies, (iii) improving polluted urban water bodies, and (vi) improving water quality of river mouth and near-shore areas.³⁴

Sustainalytics is of the opinion that HLP's use of proceeds for sustainable water management is impactful and contribute to Hong Kong and mainland China's water management targets through improving efficiency while promoting water savings.

Importance of waste reduction and recycling in Hong Kong and mainland China

Since Hong-Kong is a service-based city where activities mainly take place in buildings, waste management is one of the significant environmental challenges for the city.³⁵ Domestic use generates the largest portion of the country's total solid waste, accounting for 41%, followed by the commercial waste (28%) and construction waste (27%).³⁶ According to the Environmental Protection Department, the daily amount of waste produced was recorded at its highest level (1.45kg per capita) in 2017 while only 32% of solid waste was recycled.³⁷ With the continued growth in waste levels, Hong Kong is expected to exhaust its existing landfills by 2020 if waste levels continue to increase at current levels.³⁸ In 2013, the Hong Kong Government adopted the Blueprint for Sustainable Use of Resources (2013-2022), aiming to reduce the Municipal Solid Waste (MSW) disposal rate by 40% on a per capita basis by 2021 by expanding recycling, levying duties on waste and improving waste-related infrastructure.³⁹

China is world's largest waste generator today, accounting for 27% of global and 70% of regional MSW generation.⁴⁰ According to World Bank, as China continues its rapid pace of urbanization and development, it is expected to produce twice as much MSW as the USA in 2030.⁴¹ Moreover, much of the country's waste is poured into landfills and rivers, fostering significant environmental risks.⁴² China's 13th Five-Year Plan (2016-2022) comprises a set of environmental targets focusing on waste management strategies such as (i) construction of an additional 50 industrial centers that utilize industrial waste (ii) resource management in industrial parks and waste trading (iii) construction of resource recycling demonstration centers (iv) control and treatment of household waste.⁴³

Based on above, Sustainalytics is of the opinion that HLP's eligible green projects focusing on waste reduction and recycling, will deliver a positive contribution to Hong Kong and mainland China's waste reduction efforts.

³⁰ Water Resources in China, Ministry of Water Resources <http://www.mwr.gov.cn/english/mainsubjects/201604/P020160406508110938538.pdf>

³¹ To determine pollution levels, China measures phosphorus and ammonium nitrate concentrations as well as chemical oxygen demand

³² Eco-Complexity and Sustainability in China's Water Management, Rusong Wang, Feng Li, 2008

³³ https://chinadialogue-production.s3.amazonaws.com/uploads/content/file_en/10608/China_s_looming_water_crisis_v.2_1_.pdf

³⁴ <http://www.chinawaterrisk.org/notices/chinas-13th-five-year-plan-2016-2020/>

³⁵ Effectiveness of Hong Kong's construction and demolition waste charging scheme available at:

http://www.undergraduatelibrary.org/system/files/effectiveness_of_hong_kongs_construction_and_demolition_waste_charging_scheme_1.pdf

³⁶ Hong Kong Waste Treatment and Disposal Statistics available at: https://www.epd.gov.hk/epd/english/environmentinhk/waste/data/stat_treat.html

³⁷ Amount of waste produced in Hong Kong available at: <https://www.hongkongfp.com/2018/12/28/amount-waste-produced-hong-kong-20-year-high-govt-misses-target/>

³⁸ An Overview on Challenges for Waste Reduction and Management in Hong Kong available at:

https://www.epd.gov.hk/epd/english/environmentinhk/waste/waste_maincontent.html

³⁹ Hong Kong Waste Plan 2013-2022 available at: <https://www.enb.gov.hk/en/files/WastePlan-E.pdf>

⁴⁰ UBS Waste Management and Recycling available at: <https://www.ubs.com/content/dam/WealthManagementAmericas/documents/lti-waste-management-and-recycling-2017-02-27.pdf>

⁴¹ A Global Review of Solid Waste Management available at: <http://documents.worldbank.org/curated/en/302341468126264791/pdf/68135-REVISED-What-a-Waste-2012-Final-updated.pdf>

⁴² World Economic Forum's article available at: <https://www.weforum.org/agenda/2018/12/no-chopsticks-with-my-takeaway-how-china-is-tackling-food-waste-with-digital-innovation/>

⁴³ China the 13th Five-Year Plan available at: <http://en.ndrc.gov.cn/newsrelease/201612/P020161207645765233498.pdf>

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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 green bond advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Green Buildings	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
	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
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Pollution Prevention and Control	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Sustainable 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

Conclusion

HLP has developed the HLP Green Finance Framework under which it intends to issue green bonds and green loans and use the proceeds to finance or refinance building projects that improve the carbon footprint and environmental performance of its properties. The Framework defines eligibility criteria in six areas, (i) Green Buildings, (ii) Climate Change Adaption, (iii) Energy Efficiency, (iv) Renewable Energy, (v) Pollution Prevention and Control, and (vi) Sustainable Water Management. Sustainalytics considers the use of proceeds to be impactful and highlights that HLP uses credible third-party certification schemes for its green building criteria.

HLP's processes for project selection and evaluation, projects management and reporting are aligned with market practice. Based on the above Sustainalytics considers the HLP Green Finance Framework to be credible, robust and impactful, and aligned with the GBP and GLP.

Appendices

Appendix 1: Overview of Real Estate Certification Schemes

	LEED ⁴⁴	BEAM Plus ⁴⁵	WELL Building Standard
Background	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.	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.	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.
Certification Levels	Certified Silver Gold Platinum	Bronze Silver Gold Platinum	Core (V2 Only) Silver Gold Platinum
Areas of Assessment: Environmental Performance of the Building	<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 	<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, waste disposal and recycling) Energy Use (annual CO₂eq 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 	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 Movement Thermal comfort Sound Materials Mind Community
Requirements	Prerequisites (independent of level of certification) + Credits	Prerequisites for each performance area + Credits with associated points	V1 The building has to meet a minimum of 5

⁴⁴ <https://new.usgbc.org/leed>

⁴⁵ <https://www.hkgbc.org.hk/eng/>

	<p>with associated points 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>Detailed compliance with legal requirements is a prerequisite for the award of credits.</p> <p>For every performance area BEAM prescribes different prerequisites. Every applicable prerequisite in every BEAM 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.²⁰ The Overall Assessment 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 criteria is done by an independent BEAM assessor.</p>	<p>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>Performance Display</p>			

Appendix 2: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Hang Lung Properties Limited
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable: <i>[specify as appropriate]</i>	Hang Lung Green Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	June 2019
Publication date of review publication: <i>[where appropriate, specify if it is an update and add reference to earlier relevant review]</i>	

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 GBPs:

- | | |
|--|--|
| <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)*:

The eligible use of proceeds categories, proceeds - (i) Green Buildings, (ii) Climate Change Adaption, (iii) Energy Efficiency, (iv) Renewable Energy, (v) Pollution Prevention and Control, and (vi) Sustainable Water Management - are recognized by the Green Bond Principles and Green Loan Principles as project categories having positive environmental benefits. Sustainalytics considers that HLP's investments will help to increase the resource efficiency of its properties and promote energy savings in the building sector
 HLP intends to use part of the proceeds to finance the construction and/or refurbishment of green buildings using recognized third-party certification standards, LEED Gold or above, BEAM Plus Gold or above, as well as the Chinese Green Building Evaluation Standard (2 Stars or above). Sustainalytics has conducted an assessment on the certifications and considers the certification standards to have meaningful environmental benefits
 HLP commits that energy efficiency measures financed will have a minimum of 10% energy efficiency improvement.
 HLP excludes investments associated with fossil fuel technologies.
 HLP's two-year look-back period for refinancing activities is in line with market practices. The company does not intend to report on the portion of financing vs refinancing in their annual reporting

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 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 <i>(please specify)</i> : |

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section *(if applicable)*:

HLP has established a two-step project evaluation and selection process: A corporate working group with cross departmental representation from treasury, finance, development and design, project management and sustainability teams will make an initial selection of eligible projects. Afterwards, the projects will be validated and approved by HLP's Sustainability Steering Committee or the Executive Committee. HLP's project evaluation and selection process is in line with market practices.

Evaluation and selection

- | | |
|--|--|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green 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 (<i>please specify</i>): |

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 (<i>please specify</i>): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

The HLP Treasury Team will track the use of proceeds using an internal record containing green bond and loan details, description of eligible projects and the allocation of the use of proceeds. Pending full allocation, the unallocated proceeds will be invested in short term time deposits and investments or used to repay existing borrowings according to the HLP's liquidity guidelines. This process is in line with current market practices.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Green 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 (<i>please specify</i>): |

Additional disclosure:

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

4. REPORTING

Overall comment on section (if applicable):

HLP commits to report to investors annually on the allocation of proceeds on its website, or as part of HLP's Annual Report or Sustainability Reports. The allocation report will include the list of eligible green projects including allocated amounts as well as the remaining balance of unallocated proceeds. Regarding impact reporting, where feasible, HLP has committed to disclose data on an annual basis including but not limited to relevant impact metrics such as energy consumption.

Use of proceeds reporting:

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

Information reported:

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

Frequency:

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

Impact reporting:

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

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
|--|--------------------------------------|

Other (please specify):

Information reported (expected or ex-post):

- | | |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| <input checked="" type="checkbox"/> Decrease in water use | <input type="checkbox"/> Other ESG indicators (please specify): Waste Reduction |

Means of Disclosure

- | | |
|---|--|
| <input type="checkbox"/> Information published in financial report | <input checked="" type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input type="checkbox"/> Other (please specify): HLP's Annual Report or Sustainability Reports |
| <input type="checkbox"/> 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.)

Hang Lung corporate website: www.hanglung.com

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

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

Review provider(s):

Date of publication:

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

- i. Second Party Opinion: An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Green 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 Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental 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 environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally 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

Hang Lung Properties Green Finance Framework

- funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green 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 Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green 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 performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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Sustainalytics

Sustainalytics 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. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world's leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization, and supports various stakeholders in the development and verification of their frameworks. In 2015, Global Capital awarded Sustainalytics "Best SRI or Green Bond Research or Ratings Firm" and in 2018 and 2019, named Sustainalytics the "Most Impressive Second Party Opinion Provider". The firm was recognized as the "Largest External Reviewer" by the Climate Bonds Initiative as well as Environmental Finance in 2018, and in 2019 was named the "Largest Approved Verifier for Certified Climate Bonds" by the Climate Bonds Initiative. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan and the Minister of the Environment Award in the Japan Green Contributor category of the Japan Green Bond Awards in 2019.

For more information, visit www.sustainalytics.com

Or contact us info@sustainalytics.com

