



Hang Lung Group Sustainable Finance Framework

January 2023

Hang Lung Group Limited (“**HLG**”, SEHK stock code: 00010) is one of the most well-established listed companies in Hong Kong with more than 60 years of experience in the property development market. Through its subsidiary Hang Lung Properties Limited (“**HLP**”, SEHK stock code: 00101), HLG develops and manages a diversified world-class real estate portfolio in Hong Kong and nine Mainland cities of Shanghai, Shenyang, Jinan, Wuxi, Tianjin, Dalian, Kunming, Wuhan and Hangzhou.

HLG’s vision is to create compelling spaces that enrich lives. With a mission of pursuing sustainable growth by connecting our customers and communities, HLG and its subsidiaries (collectively known as “the Group”) operate in line with four corporate values: Integrity, Sustainability, Excellence, and Openness. HLG regards sustainability as fundamental to the Group’s long-term success and has made it an integral part of its business value chain – from land acquisition, building design and construction to property management and asset enhancement.

In January 2020, HLG launched an enhanced Sustainability Framework, which comprises three foundations and four priorities, in pursuit of becoming one of the most sustainable real estate companies in the world.

The **Three Foundations** describe the core organizational contexts and indispensable principles underlying all of its sustainability efforts:

- **Company:** Strong team, governance, and community relations
- **Building:** Safe, green and healthy space
- **Customer:** Collaboration for impact.

The **Four Priorities** reflect the top four material sustainability issues where the Group aims to make significant progress and support its leadership ambitions in the next decade:

- **Climate Resilience:** Adapt to climate change and decarbonize its business
- **Resource Management:** Optimize use and management of natural resources (energy, water and materials)
- **Wellbeing:** Sustain a healthy, inclusive and safe environment and promote social wellbeing
- **Sustainable Transactions:** Promote sustainability practices in all types of business transactions.

The Sustainability Framework provides a clear direction for HLG to define and strengthen a resilient business, make progress on key material issues together with its stakeholders, and achieve sustainability leadership. Building on the Sustainability Framework, the Group has also clearly demonstrated its commitments to sustainability by developing a well-integrated set of short, medium and long-term goals, targets and Key Performance Indicators (“KPIs”). The Group has announced 25 targets to be achieved by the end of 2025 (“25 x 25 Sustainability Targets” or “25 x 25”); a set of sustainability goals and targets for 2030 (“2030 Sustainability Goals and Targets”); and a commitment to reach net-zero emissions by 2050. HLG’s subsidiary HLP has also committed to multiple international sustainability initiatives, notably including the Science Based Target initiative’s (SBTi’s) Net-Zero Standard, the Urban Land Institute (ULI) Greenprint Net Zero Carbon Operations by 2050 Goal, the United Nations Global Compact (UNGC), and becoming a Supporter of the Task Force on Climate-related Financial Disclosures (TCFD).

With Sustainable Transactions as a priority and core focus under our Sustainability Framework, the Group intends to leverage Sustainable Financing Transactions (“SFTs”) to fund projects that generate sustainable benefits and incentivize its sustainability performance. HLG will continue to pursue sustainable finance as an instrument to increase capital flow and support its long-term sustainable growth.

Sustainable Finance Framework Overview

Hang Lung Group Sustainable Finance Framework (“SFF”) has been developed as an update of Hang Lung Properties’ 2019 Green Finance Framework. HLG is the parent company of HLP, and the update of this SFF will extend the coverage of the SFF to the wider Group. It demonstrates how the Group intends to enter into SFTs to fund projects that will deliver environmental and/or social benefits to support the business strategy and vision as mentioned above.

The Group may issue the following types of SFTs:

- **Use-of-proceeds (“UOP”) Financing Instruments** where the proceeds of the financing instruments will be allocated to Eligible Projects as defined in the Use-of-Proceeds Financing Instruments section
- **Sustainability-linked (“SL”) Financing Instruments** where the Group will be incentivized to meet ambitious Sustainability Performance Target(s) (“SPT(s)”) as defined in the Sustainability-Linked Financing Instruments section

SFTs may include the following debt instruments:

- Green, Social and Sustainability Bonds, as well as Green and Social Loans;
- Sustainability-Linked Bonds and Loans;
- Any other financing instruments (including but not limited to bonds, revolving credit facilities, bank loans and commercial paper and equity linked structures) with proceeds intended to be deployed towards Eligible Green and Social Projects as defined in this Framework

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

SFTs may be done in any jurisdiction and market reflecting the Group's current and future business needs.

This SFF is developed in alignment with best market practices in international capital markets in order to facilitate access to ESG-based financial instruments and support our long-term sustainability ambitions and plans. This SFF adopts the principles and/or guidelines published by the International Capital Market Association (ICMA), and Loan Market Association (LMA) / Asia Pacific Loan Market Association (APLMA)/ Loan Syndications & Trading Association (LSTA) as specified in the relevant section, as well as other recognized and accepted principles for issuing such instruments.

This SFF may be updated from time to time to align with the latest developments of HLG and the market; in any such updates, we will maintain or improve our current level of transparency and reporting.

Green Financing Transactions that were issued under Hang Lung Properties' 2019 Green Finance Framework and are not yet fully allocated will be allocated according to the Eligible Green Projects stated in this SFF. HLG retains the option to issue ESG financing instruments separate from this SFF, where deemed appropriate.

Use-of-Proceeds Financing Instruments



- Bonds classified as UOP Financing Instruments will be in alignment with the 2021 Green Bond Principles¹ (“GBP”), 2021 Social Bond Principles² (“SBP”) and 2021 Sustainability Bond Guidelines³ (“SBG”) or as these principles and guidelines may subsequently be updated.
- Loans classified as UOP Financing Instruments will be in alignment with the 2021 Green Loan Principles⁴ (“GLP”) and 2021 Social Loan Principles⁵ (“SLP”) or as they may be subsequently updated.
- Other forms of UOP Financing Instruments may conform to other sustainable, social or green finance principles as may have been established at the time of such UOP Financing Instruments being undertaken.

UOP Financing Instruments will adopt (1) Use of Proceeds (2) Process for Project Evaluation and Selection (3) Management of Proceeds and (4) Reporting, as set out below.

1. Use of Proceeds

The net proceeds of the UOP Financing Instruments will be used exclusively to fund or refinance, in whole or in part, new or existing eligible projects or activities that meet one or more eligibility criteria set out below. Eligible Projects (“Eligible Projects”) include Eligible Green Projects and Eligible Social Projects which create environmental and social benefits respectively. The proceeds of green bonds or loans will be allocated to Eligible Green Projects, the proceeds of social bonds or loans will be allocated to Eligible Social Projects, and the proceeds of sustainability bonds or loans will be allocated to a combination of Eligible Green Projects and Eligible Social Projects.

A look-back period of 3 year is applied to the operating expense of the Eligible Projects.

Project Category and alignment with SDGs	Eligible Assets and Projects for the Group
Eligible Green Projects	
Green Buildings  	<ul style="list-style-type: none"> • Acquisition, ownership, design, construction and renovation of owned and/or managed 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 ○ Hong Kong BEAM Plus – minimum certification level of Gold or above; or ○ Chinese Green Building Evaluation Standard – minimum



¹ <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/>











² <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/social-bond-principles-sbp/>



³ <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-bond-guidelines-sbg/>

⁴ <https://www.lsta.org/content/green-loan-principles/>

⁵ <https://www.lsta.org/content/social-loan-principles-slp/>

	<p>certification of 2 Stars; or</p> <ul style="list-style-type: none"> ○ BREEAM – minimum certification level of Excellent; or ○ EDGE – EDGE Certified or above <ul style="list-style-type: none"> ● These green buildings may additionally achieve a certification of the WELL Building Standard™, SITES initiative, or a RESET Standard accreditation, with the aim of improving the well-being of occupiers, improving the sustainable landscape design and local biodiversity, and enhancing circularity and health ● Refurbishment and/or maintenance that will reduce building environmental impact in accordance with BEAM Plus, LEED and Chinese Green Building Evaluation Standard ● Please refer to Appendix 1 for details on the LEED® certifications, BEAM Plus certifications, Chinese Green Building Evaluation Standard, BREEAM, EDGE and WELL Building Standard™
<p>Climate Change Adaptation</p> 	<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, with reference to the results and adaptation recommendations of the climate hazard and vulnerability assessment. For example: Install floodgates at entrances, and providing sandbags and water pumps to reduce flooding risks; In Westlake 66 in Hangzhou, we improved the design parameters for wind pressure to prevent potentially strong wind risks; In Riverside 66, increased the power of generator and water pumps, increased the diameter of rainwater pipes, and used larger water tanks to response flooding risk.
<p>Energy Efficiency</p> 	<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, at least a 10% improvement in energy efficiency when compared to relevant baseline. Examples of smart technologies include smart HVAC systems like iBMS on overall building facilities monitoring and control online with sophisticated energy management algorithm across different venues; Advanced technology on power supply to end use equipment like quantum technology on electricity management. ● Projects involving the upgrades of facilities/equipment (e.g. chiller system, lift system, lighting system, ground source heat pumps) of existing development that shall result in, based on third-party assessment, 10% improvement against the development’s original energy consumption

<p>Renewable Energy</p>  	<ul style="list-style-type: none"> • Design, development, construction, installation, acquisition, maintenance and operation of renewable energy, such as photovoltaic (PV) panels, wind energy and geothermal energy • Projects involving replacement or upgrading facilities/equipment to expand the use and generation of renewable energy • Procurement of renewable energy, including power purchase agreements (PPAs) and renewable energy certificates (RECs)
<p>Circularity and Waste Management</p> 	<ul style="list-style-type: none"> • Facilities, systems and equipment that are used for waste prevention, reduction and recycling • Projects related to sustainable sourcing and circular use of raw materials
<p>Pollution Prevention and Control</p>   	<ul style="list-style-type: none"> • Facilities, system and equipment that are used to monitor and/or mitigate environmental pollution (e.g., air, noise) during the construction and/or operation of buildings
<p>Sustainable Water and Wastewater Management</p> 	<ul style="list-style-type: none"> • Reduce water usage through water conservation systems and technologies, such as leak detection technology, equipment upgrades, efficient use of cooling towers • Reduce consumption of clean potable water from natural resources by rainwater harvesting and reclaiming wastewater, such as grey water treatment systems
<p>Clean Transportation</p> 	<ul style="list-style-type: none"> • Installation, operation, and maintenance of clean transportation infrastructure, such as electric vehicle (EV) charging stations and bicycle parking facilities
<p>Eligible Social Projects</p>	
<p>Accessibility Enhancement</p> 	<ul style="list-style-type: none"> • Accessibility enhancements, retrofits and upgrades for existing facilities (e.g., improving physical access throughout the building) • Accessibility enhancements for new projects (e.g., design upgrades to align with higher accessibility standards)
<p>Development of Healthy Buildings</p> 	<ul style="list-style-type: none"> • Projects that promote occupant health and wellbeing, such as the installation of IAQ sensors, antimicrobial filters and UV disinfection systems

<p>Regeneration and Development of Public Spaces</p> 	<ul style="list-style-type: none"> • Conservation and restoration of heritage buildings • Dedicated spaces (e.g., garden, building, park) for the enjoyment and use of the broader community
<p>Community Investment and Engagement</p> 	<ul style="list-style-type: none"> • Programs benefitting youth, women, the elderly, people with low income and/or people with disabilities, such as vocational support, mentoring programs, internships etc. • Programs that support small and medium enterprises (SMEs)⁶ and social enterprises to promote socio-economic advancement, such as through targeted procurement or in-kind support

2. Process for Project Evaluation and Selection

The Eligible Projects are identified and selected via a process that involves senior representatives from major business units and corporate functions. Representatives with appropriate technical skills and experience from Treasury, Finance, Development and Design, Business Operations, Project Management, Service Delivery and Sustainability Team have formed a working group to review and select Eligible Projects according to the criteria outlined above. The shortlisted projects will be presented to the Sustainability Steering Committee or the Executive Committee of the Board for approval. The Sustainability Steering Committee, chaired by the Vice Chair of the Group, reviews and monitors the Group’s progress on various sustainability actions plans, targets and performance indicators.

3. Management of Proceeds

The net proceeds from the UOP Financing Instruments will be managed by the Group’s treasury team. An internal record containing below information will be maintained:

- i. Key information of the UOP Financing Instruments including issuer/borrower entity, transaction date, principal amount, repayment date or amortization profile, maturity date, interest or coupon, covenants, and in the case of bonds, the ISIN number;
- ii. Name and description of Eligible Projects; and
- iii. The aggregate amount of net proceeds allocated to each Eligible Project.

The Group commits to allocating proceeds raised from each UOP Financing Instruments within 36 months of the issuance. Pending allocation, the net proceeds from the UOP Financing Instruments will be held in accordance with HLG’s liquidity guidelines for short term time deposits or investments, or used to repay existing borrowings of the Group.

⁶ SMEs refers to manufacturing enterprises which employ fewer than 100 persons and non-manufacturing enterprises which employ fewer than 50 persons.

During the life of the UOP Financing Instruments issued, if the designated project(s) ceases to fulfil the criteria necessary for it to be deemed an Eligible Project, the net proceeds will be reallocated to an alternative Eligible Project(s) that comply with the green and/or social financing eligibility criteria outlined above, as soon as reasonably practicable.

4. Reporting

The Group will provide information on the allocation and impacts of its UOP Financing Instruments in its Sustainability Reports, Annual Report and/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:

a. Allocation Reporting

- i. Key information of the UOP Financing Instruments including principal amount and, maturity date.
- ii. A list of Eligible Projects funded through the UOP Financing Instruments, including amounts allocated; and
- iii. Remaining balance of unallocated proceeds.

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

b. Impact Reporting

In addition, where feasible, the Group will provide qualitative and (if reasonably practicable) quantitative environmental and social performance indicators (“Impact Indicators”) of the Eligible Projects funded. Subject to the nature of the Eligible Projects and availability of information, the Group will report on the most appropriate Impact Indicators. Such indicators will be reviewed by an independent third party at periodic intervals where feasible. Commonly used indicators are listed below:

Eligible Green Projects	Impact Indicators ⁷
Green Buildings	<ul style="list-style-type: none"> • Total floor area of certified green buildings (m²) • Type of scheme and level of certification by property • Annual GHG emissions reduced/avoided (tCO₂e) • Annual energy savings intensity (MJ per sq. meter) • Annual reduction in water consumption (m³)
Climate Change Adaptation	<ul style="list-style-type: none"> • Number and type of mitigation and adaptation measures installed • GHG emission intensity (tCO₂e)
Energy Efficiency	<ul style="list-style-type: none"> • Energy consumption reduction (kWh) • Electricity intensity (kWh per sq. meter)
Renewable energy	<ul style="list-style-type: none"> • Annual renewable energy produced (MWh pa) • Renewable energy capacity (MWh) • Number of solar lights and panels installed • Annual GHG emissions reduced/avoided (tCO₂e) • Percentage of electricity demand met by renewable energy (%)
Circularity and Waste Management	<ul style="list-style-type: none"> • Waste diverted from landfill or incineration (tonnes) • Landfill diversion rate (%)
Pollution Prevention and Control	<ul style="list-style-type: none"> • Annual amount of waste separated and/or collected and treated or disposed in an environmentally sound manner (tonnes) • Amount of pollutants reduced
Sustainable Water and Wastewater Management	<ul style="list-style-type: none"> • Amount of water reduced (m³) • Amount of water reused (m³) • Amount of water recycled (m³) • Amount of wastewater treated before being disposed of and/or amount of wastewater reused (m³) • Water intensity (m³ per sq. meter)
Clean Transportation	<ul style="list-style-type: none"> • Number of parking spaces installed with EV charging facilities • Amount of GHG emission reduced/avoided (tCO₂e)

⁷ *Appropriate environmental and social impact indicators will be determined in reference to frameworks and resources published by ICMA, such as the Handbook – Harmonised Framework for Impact Reporting <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Handbook-Harmonised-Framework-for-Impact-Reporting-June-2021-100621.pdf>

Eligible Social Projects	Impact Indicators ⁸
Accessibility Enhancement	<ul style="list-style-type: none"> • Percentage of properties fitted with basic BFA facilities (%) • Number of facilities built
Development of Healthy Buildings	<ul style="list-style-type: none"> • Number of occupants served
Regeneration and Development of Public Spaces	<ul style="list-style-type: none"> • Number of buildings conserved/restored
Community Investment and Engagement	<ul style="list-style-type: none"> • Types and number of beneficiaries • Number of businesses supported • Number of employment opportunities created

⁸ *Appropriate environmental and social impact indicators will be determined in reference to frameworks and resources published by ICMA, such as the Handbook – Harmonised Framework for Impact Reporting <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Handbook-Harmonised-Framework-for-Impact-Reporting-June-2021-100621.pdf>

Sustainability-Linked Financing Instruments

Sustainability-Linked (“SL”) Financing Instruments includes bonds and loans aligned to the Sustainability-Linked Bond Principles (SLBPs) 2020⁹ or Sustainability-Linked Loan Principles (SLLPs) 2022¹⁰, or as these Principles may be subsequently amended.

All SL Financing Instruments will be based around the following five core components:

1. Selection of Key Performance Indicators (“KPIs”)
2. Calibration of Sustainability Performance Targets (“SPTs”)
3. Financial/ Structural Characteristics
4. Reporting
5. Verification

The details of these components will be set out in the relevant documentation for each SL Financing Instrument with general principles as below:

1. Selection of KPIs

KPIs for SL Financing Instruments will be chosen on the basis that they are material, measurable, auditable and address the specific ESG challenges faced by the Group.

2. Calibration of SPTs

Based on the KPIs, HLG will determine measurable and identifiable SPTs that are ambitious, material to our business.

3. Financial/ Structural Characteristics

Proceeds of SL Financing Instruments will be available for general corporate purposes unless otherwise specified.

These transactions will feature financial and/or structural characteristics that facilitate the achievement of the SPTs. This may include penalties and/or incentives, depending on the transaction.

4. Reporting

The Group will report the performance of the SPTs to the investors or lenders.

5. Verification

Appropriate external verification will be undertaken for the performance of the SPTs.

⁹ <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-linked-bond-principles-slbp/>

¹⁰ <https://www.lsta.org/content/sustainability-linked-loan-principles-sllp/>

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.chinagbc.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 <https://www.wellcertified.com/>.

Building Research Establishment Environmental Assessment Method (“BREEAM”)

BREEAM, developed by the Building Research Establishment (BRE), is an international sustainable assessment method for individual buildings, communities and infrastructure projects. BREEAM’s

independent third-party certified standard allows asset performance improvements across the built environment life cycle, from design and construction to use and refurbishment. The BREEAM ratings range from Acceptable (In-Use scheme only) to Pass, Good, Very Good, Excellent to Outstanding and it is reflected in a series of stars on the BREEAM certificate. For more information, please visit <https://www.breeam.com/>.

Excellence in Design for Greater Efficiencies (“EDGE”)

EDGE, an innovation developed by the International Finance Corporation (IFC), is an international green building certification system focused on making new residential and commercial buildings more resource efficient. It consists of a web-based software application, a green building standard and a green building certification system. It allows project teams to evaluate the most cost-effective ways to incorporate energy and water saving options into the building. Based on the energy, water and materials savings, EDGE has three certification levels for buildings – EDGE Certified, EDGE Advanced (Zero Carbon Ready) and EDGE Zero Carbon. For more information, please visit <https://edgebuildings.com/>.