

# Hysan

## Green Finance Framework

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## **1. Introduction**

### **Business overview**

Hysan Development Company Limited (“Hysan”, Hong Kong stock code: 00014) was incorporated on 20th October, 1970 in Hong Kong. Listed on the Hong Kong Stock Exchange since 1981, Hysan is a leading property investment, management and development company in Hong Kong with a major portfolio of high-quality office, retail and residential properties. It is one of the largest commercial landlords in the city’s prime office/retail district of Causeway Bay. Hysan’s investment portfolio amounts to over 4.5 million square feet.

### **Hysan’s Green and Sustainability vision strategy**

As a “Business of Life”, Hysan has steadily maintained its commitment to generating sustainable and outstanding returns for shareholders, while also creating positive, visible change for stakeholders and the communities it serves.

Hysan is committed to maintaining the highest standards in the following areas:

- Ethics
- Corporate governance
- Health and safety
- Our environmental impacts
- Contributions to communities
- Our staff
- Working relationships with partners

Hysan integrates societal contributions into our core business operations and partnerships, and provides expertise, manpower, venues and financial support to community projects.

Hysan has been recognised by renowned sustainability indices throughout the world. These include the FTSE4Good Index, Hang Seng Corporate Sustainability Index Series Member 2016-2017 and MSCI Global Sustainability Indexes.



2016 Constituent  
MSCI Global  
Sustainability Indexes

## Hysan and UN Sustainable Development Goals (SDGs)

On 25th September 2015, UN member countries adopted a set of goals – SDGs - to end poverty, protect the planet and ensure prosperity for all as part of a new sustainable development agenda. Each goal has specific targets to be achieved over the next 15 years.



Hysan has reviewed the UN Sustainable Development Goals (SDGs) and its activities support many of the SDGs. In particular, the most material goals that Hysan makes a positive contribution to are:

- SDG 7: Clean Energy
- SDG 11: Sustainable Cities and Communities
- SDG 12: Responsible Consumption
- SDG 13: Protect the Planet
- SDG 17: Partnership for the Goals

## Framework concept

This bespoke Hysan Green Finance Framework (“GFF”) has been developed to demonstrate how Hysan and its group entities intend to enter into Green financing transactions to fund projects that will deliver environmental benefits to support Hysan’s business strategy and vision.

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

Green Financing Transactions (“GFT”) will include bonds and loans tailored to contribute to a low carbon economy by application of the proceeds to Eligible Projects as defined in this Framework.

- With respect to **bonds**, bonds issued under GFF will be in alignment with the ICMA Green Bond Principles (GBP) June 2018<sup>1</sup> or as they may be subsequently amended.
- With respect to **loans**, loans issued under GFF will be in alignment with the LMA Green Loan Principles (GLP)<sup>2</sup> 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.

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

## **2. Hysan Green Finance Framework**

For each GFT, Hysan management asserts that it will adopt the following core components of the GBP and GLP:

- I. Use of Proceeds
- II. Project Evaluation and Selection
- III. Management of Proceeds, and
- IV. Reporting

The GFF also covers External Review.

The GFF will be in force as long as there is live GFTs. Hysan may update this GFF and commits that any new version will keep or improve the current level of transparency and reporting.

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<sup>1</sup> <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

<sup>2</sup> [https://www.lma.eu.com/application/files/9115/4452/5458/741\\_LM\\_Green\\_Loan\\_Principles\\_Booklet\\_V8.pdf](https://www.lma.eu.com/application/files/9115/4452/5458/741_LM_Green_Loan_Principles_Booklet_V8.pdf)

## I. Use of Proceeds

The proceeds of each GFT will be used exclusively for the financing and/or re-financing of “Eligible Projects” at Hysan, in whole or in part, including the acquisition, construction, development or re-development of such projects that provide clear environmental and sustainability benefits explicitly recognized by GBP, which includes

- Climate change adaptation
- Waste Management & Recycling
- Energy efficiency
- Green Buildings \*

\* Please refer to Appendix 1 for details of the building standards referenced.

The eligible projects means projects that comprise financing which fall within the categories below, which are or have been originated by the various business units of Hysan.

Eligible Projects for Hysan	Alignment with GBP and GLP	Description and Examples
Green Buildings	Green Buildings	<ul style="list-style-type: none"> <li>• New construction or renovation of existing commercial and residential buildings certified in accordance with any one of the following selected certification systems: (‘Green building certification’)               <ul style="list-style-type: none"> <li>- U.S. Leadership in Energy and Environmental Design (LEED): Gold or above</li> <li>- BEAM Plus: Gold or above</li> <li>- Chinese Green Building Label (GBL): 2 Stars or above</li> </ul> </li> </ul>
Energy Efficiency	Energy Efficiency	<ul style="list-style-type: none"> <li>• Investments in facilities and technology to achieve at least a 10% improvement in energy efficiency including               <ul style="list-style-type: none"> <li>- Energy efficient air cooled chillers</li> <li>- Variable speed drivers for air handling units</li> <li>- T5 lighting panels</li> <li>- LED lights</li> <li>- Lighting with sensors</li> <li>- Variable voltage variable frequency (VVVF) type lift power system</li> </ul> </li> </ul>

Waste Management and Recycling	Pollution prevention and control	<ul style="list-style-type: none"> <li>• Recycling facilities installed in commercial and residential buildings</li> <li>• Expenditure for recycling of food waste, rechargeable batteries and toner/cartridge</li> <li>• Expenditure for construction waste recycling during construction stage</li> </ul>
Climate Change Adaptation	Climate Change Adaptation	<ul style="list-style-type: none"> <li>• Projects that will strengthen building resilience to climate change impacts such as extreme weather events and natural disasters, e.g. installation and upgrades of enhanced flood protection system, additional insulation, etc.</li> </ul>

Exclusion criteria include activities which involves:

- Fossil fuel and clean coal
- Nuclear-related assets

## **II. Project Evaluation and Selection**

The Eligible Projects are identified and selected via a process that involves participants from various functional areas. Representatives from Hysan’s technical service, property management, sustainability department and treasury department will form a working group to review and select Eligible Projects according to the criteria outlined above. The working group will identify and manage potentially material environment and social risks associated with the Eligible Projects, if applicable. The shortlisted project will be presented to the Sustainability Committee of Hysan for approval.

## **III. Management of Proceeds**

Hysan commits to allocating proceeds of each GFT to Eligible Projects on a timely basis. The proceeds of each GFT will be deposited in the general funding accounts and to be earmarked to Eligible Green Projects.

Hysan has robust internal procedures and will maintain a register to keep track of the use of proceeds for each GFT. The register will contain the following information including:

- (1) Type of Funding Transaction:** key information including, issuer/borrower entity, transaction date, tranche(s) information, principal amount of proceeds, repayment or amortisation profile, maturity date, and interest or coupon (and in the case of bonds, the ISIN number).

**(2) Allocation of Use of Proceeds:** Information including:

- Name and description of Eligible Projects to which the proceeds of the GFT have been allocated in accordance with this Framework
- Amount of GFT proceeds allocated to each project
- The remaining balance of unallocated proceeds yet to be allocated
- Other relevant information such as information of temporary investment for unallocated proceeds

Any balance of issuance proceeds which are not yet allocated to Eligible Projects will be held in accordance with Hysan's normal liquidity management policy. Hysan commits not to invest any unallocated proceeds to projects in the Exclusion Criteria set in the Use of Proceeds section.

Hysan aims to maintain a substantial buffer of Eligible Projects which ensure that if an Eligible Project in a Green bond / loan is sold or become ineligible, there will be a correct replacement.

In case of divestments or if an Eligible Project (as defined above) no longer meets the Eligible Criteria (as defined above), the funds will be reallocated to other Eligible Project.

Additionally, if any material and critical controversies emerge in relation to a specific project, Hysan commits to substitute that project with an alternative Eligible Project.

#### **IV. Reporting**

Hysan will provide information on the allocation of the net proceeds of its Green Bond / Green Loan on Hysan's website and in Hysan's Corporate Responsibility Reports. Such information will be provided on an annual basis until all the net proceeds have been allocated. The information will include the following details:

##### **(1) Allocation Reporting**

Hysan will provide below information for the net proceeds of the all GFTs during the period:

- A. Type of Funding Transaction:** key information including, issuer/borrower entity, transaction date, tranche(s) information, principal amount of proceeds, repayment or amortisation profile, maturity date, and interest or coupon (and in the case of bonds, the ISIN number).

**B. Allocation of Use of Proceeds:**

- Name and description of Eligible Projects to which the proceeds of the GFT have been allocated in accordance with this Framework.
- Aggregate amount of GFT proceeds allocated to each project.

**C. Unallocated Proceeds:**

- The remaining balance of unallocated proceeds yet to be allocated

**(2) Impact Reporting**

Where possible, Hysan will report on the environmental and social (where relevant) impacts resulting from Eligible Projects.

Subject to the nature of Eligible Projects and availability of information, Hysan aims to include, but not limited to, the following Impact Indicators

<b>Eligible Green Project Categories</b>	<b>Impact Indicators</b>
Green Buildings	<ul style="list-style-type: none"> <li>• Amount of energy saved (kWh)</li> <li>• CO<sub>2</sub> (or other GHG) emissions avoided (tonnes of CO<sub>2</sub>e)</li> <li>• Number and type of certification of green buildings</li> </ul>
Energy Efficiency	<ul style="list-style-type: none"> <li>• Amount of energy saved ( kWh)</li> <li>• CO<sub>2</sub> (or other GHG) emissions avoided (tonnes of CO<sub>2</sub>e)</li> </ul>
Waste Management and Recycling	<ul style="list-style-type: none"> <li>• Amount of waste recycled (kg)</li> <li>• Number of recycling facilities provided</li> </ul>
Climate Change Adaptation	<ul style="list-style-type: none"> <li>• Amount of wastewater reused (m<sup>3</sup>)</li> <li>• Area of rooftop farming, green roofs, green walls included in buildings (m<sup>2</sup>)</li> </ul>



### **Example Projects**

#### **Green Buildings:**

- Three buildings have obtained corresponding certifications:
  - Lee Garden One: Final Platinum BEAM Plus (Existing Building);
  - Hysan Place: Final Platinum BEAM Plus (Existing Building)
  - Lee Garden Three: Provisional Platinum BEAM Plus (New Building)
  - Lee Garden Three: LEED Gold Pre-Certification
  - Lee Garden Three: 2 Stars China Green Building Label

### **External Review**

Hysan has engaged an external review of this GFF from an independent party Sustainalytics to provide a Second Party Opinion. Sustainalytics reviewed the GFF for its sustainable and green qualities as well as its alignment with GBP and GLP. The objective of the Second Party Opinion is to provide investors with an independent assessment.

The Second Party Opinion, as well as the Green Bond Framework hereof, will be published and will make available at <http://www.hysan.com.hk>

## **Appendix 1: External Certifications**

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

LEED is a voluntarily, 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 resources-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 [www.usgbc.org/LEED](http://www.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 for all sizes to demonstrate their commitment to sustainable development. For more information, please visit [www.hkgbc.org.hk](http://www.hkgbc.org.hk).