



Sustainable Finance Framework

July 2021

 **Hysan** 希慎



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 Sustainability Strategy

Hysan takes pride in being not only a business that owns and manages properties, but also a Business of Life. The “LIFE” within our Business of Life mindset has become the foundation of our strategic sustainable development principles. We regularly review our strategy and business operations and continue to support and align our efforts with nine United Nations Sustainable Development Goals (“SDGs”). Our Sustainable Development Principles are:



Smart use of natural resources and technology for reducing the environmental impacts of Hysan’s daily operations



Integrate community needs into our core business operations and partnerships, provide support to community projects, and develop sustainable partnerships with our tenants.



Build a diverse and inclusive workforce, treat our people fairly and help them realize their full potential



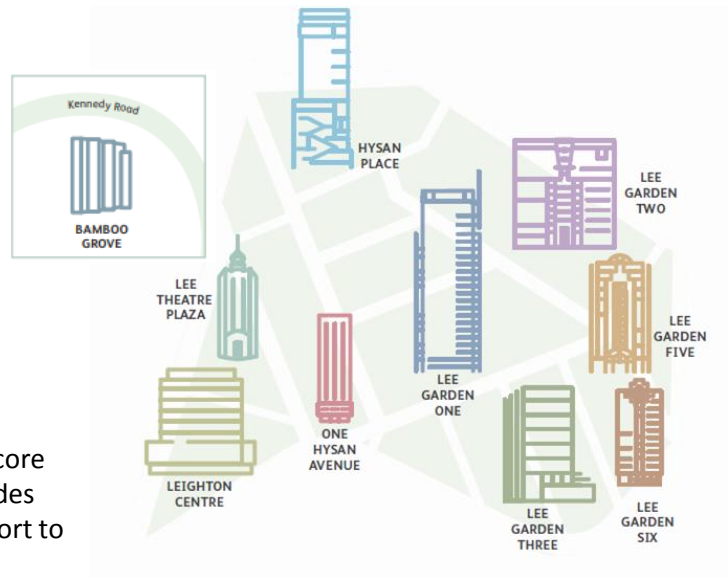
Build a strong governance structure, maintain an ethical workplace and promote sustainable finance

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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.



Sustainability governance

Fostering the right governance framework is crucial for successful delivery of our sustainability strategy. Hysan has established a Board-level Sustainability Committee in 2020 which supports the Group’s corporate responsibility, sustainable development and climate change position. The Sustainability Executive Committee and the operation-level Sustainability Task Force ensure that the sustainability strategies and practices are integrated into the Group’s operations, as well as identifying targets and exploring new initiatives to implement.



Sustainability recognition

Hysan has been recognised by renowned sustainability indices throughout the world. These include the FTSE4Good Index, Global Real Estate Sustainability Benchmark (“GRESB”), Hang Seng Corporate Sustainability Index, and MSCI Global Sustainability Indexes.



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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 3: Good Health
- SDG 6: Clean Water and Sanitation
- SDG 7: Clean Energy
- SDG 8: Good Jobs and Economic Growth
- SDG 9: Innovation and Infrastructure
- SDG 11: Sustainable Cities and Communities
- SDG 12: Responsible Consumption
- SDG 13: Protect the Planet
- SDG 16: Peace and Justice

Key Hysan's ESG & CSR initiatives and updates

Hysan has implemented several key initiatives aimed at achieving positive environmental and social impact. A summary of these initiatives are as per below:-

	Categories	Initiatives and updates
Environmental	<ul style="list-style-type: none">• Green Buildings• Energy efficiency and renewable energy	<ul style="list-style-type: none">• Adoption of green building features and obtaining green building certifications for forthcoming Tai Po residential development• 46% of Hysan's portfolio area has green building certifications such as the LEED certification by USGBC and BEAM Plus certification by HKGBC• Implemented a new building analytic system and obtained ISO 50001 Energy Management System certification to identify optimization opportunities to further improve energy consumption• Commenced installation of large-scale solar system on rooftops of portfolio properties which is expected to generate 39,000 kWh of green energy per year starting with rooftop of Hysan Place• installed eco-exercise-bike chargers, which charge phones using kinetic power generated by exercise bikes at Hysan Place and Lee Garden Three

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	Categories	Initiatives and updates
	<ul style="list-style-type: none"> Waste Management and Recycling 	<ul style="list-style-type: none"> Setting up of water refilling stations at Lee Garden Two and Hysan Place for shoppers and tenants as well as in 100% of building management offices for frontline employees which aim to reduce single-use plastic bottles Installation of reverse vending machine at Hysan Place to collect and recycle plastic bottles Invited F&B tenants to join food waste collection programme
Social	<ul style="list-style-type: none"> Pandemic and infection related 	<ul style="list-style-type: none"> Introduced a wide range of virus prevention solutions including temperature sensors in office lobbies, anti-bacterial treatments for lifts and door handles, automatic sterilization of escalator handrails, upgraded sanitation standards, more powerful air filters and purifiers, and disinfection and sanitization devices at retail lobbies Provided rental assistance in the form of concessions or deferment, lease restructures, and targeted marketing and operational support
	<ul style="list-style-type: none"> Social and community engagement events 	<ul style="list-style-type: none"> Implemented measures and initiatives targeted at giving back to the community including staff volunteering, media and venue support, monetary donation Organized and supported 18 community engagement events, engaged over 50,000 stakeholders, held 107 environmental education and outreach workshops as well as partnered 15 NGOs in 2020 Organized and supported 18 community engagement events including the following:- <ul style="list-style-type: none"> Hysan Urban Farm: Spans approximately 8,000 square feet and demonstrates how sustainable activity can be practiced above Hong Kong's busiest shops and offices. Some events include organic farming workshop, green wonders (tour and workshop for parent and kids).Hosted close to 6,500 guests since farm's opening in 2013. Visitors gain practical skills and insights into biodiversity and organic farming. Hysan also partnered with a local restaurant to pilot a farm-to-table project, sharing portions of the farm's organic produce so that members of the community could also taste the rooftop vegetables and fruits GreenFest: Virtual youth-focused sustainability festival with over 380 attendees from 24 countries and stimulating exchange of ideas and solutions on the circular economy and further inspiring younger generation to take positive action towards less wasteful future Cheers Around Lee Gardens Community Campaign: Encourage local SME businesses to produce social media videos with positive messages during peak COVID period Inclusive Art and Culture Programme: Regularly invites visitors to enjoy different art and cultural events throughout the Lee Gardens Area

Framework concept

Hysan’s Sustainable Finance Framework (“SFF”) has been developed to demonstrate how Hysan and its group entities intend to enter Sustainable Financing Transactions (“SFTs”) to fund projects that will deliver environmental and social benefits which will support Hysan’s sustainability strategy and vision.

SFTs will include bonds, loans and other forms of debt financing with proceeds intended to be deployed towards Eligible Green and Social Projects as defined in this Framework.

- With respect to bonds, bonds issued under this Framework will be aligned with ICMA principles: the 2021 Green Bond Principles (“GBP”), 2021 Social Bond Principles (“SBP”) and 2021 Sustainability Bond Guidelines (“SBG”) or as they may subsequently be updated.
- With respect to loans, loans issued under this Framework will be aligned with the 2021 Green Loan Principles including Guidance Notes (“GLP”), or as they may subsequently be amended. Should the loan be used for projects that deliver green and/or social benefits, the loan will be labelled as “Sustainability Loan”.

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

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

- Use of Proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds, and
- Reporting

The SFF will be in force as long as there are existing SFTs. Hysan may update this SFF and commits that any new version will keep or improve the current level of transparency and reporting.

1) Use of Proceeds

The proceeds of each SFTs will be used exclusively for financing and/or re-financing of existing Eligible Green & Social Project Categories “Eligible Project Categories” 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, SBP, SBG, and GLP.

- The proceeds of a Green Bond/Loan issued under this Framework will be applied to projects that fall under the Eligible Green Project Categories set out in Section 1a) below
- The proceeds of a Sustainability Bond or Loan issued under this Framework will be applied to both Eligible Green Project Categories set out in Section 1a), and Eligible Social Project Categories set out in Section 1b) below

Eligible Project Categories may include the projects Hysan made during the 3 years prior to the issuance or signing date of the respective SFTs and during the life of the SFTs.

1A) Eligible Green Project Categories

Qualified project Categories	Description of Eligible Green Projects	Examples for Hysan
Green Buildings	<ul style="list-style-type: none">• 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">• US Leadership in Energy and Environmental Design (LEED): Gold or above• BEAM Plus: Gold or above• Chinese Green Building Label (GBL): 2 Stars or above	<ul style="list-style-type: none">• Lee Garden One: Final Platinum BEAM Plus• Hysan Place: Final Platinum BEAM Plus• Lee Garden Three: Provisional Platinum BEAM Plus• Lee Garden Three: LEED Gold Pre-Certification• Lee Garden Three: 2 Stars China Green Building Label• Commercial building at Caroline Hill Road, Causeway Bay, Hong Kong, (New building)
Energy Efficiency	<ul style="list-style-type: none">• Investments in facilities and technology to achieve at least a 10% improvement in energy efficiency including	<ul style="list-style-type: none">• Energy efficient air cooled chillers• Variable speed drivers for air handling units• T5 lighting panels• LED lights• Lighting with sensors• Variable voltage variable frequency (VVVF) type lift power system
Renewable Energy	<ul style="list-style-type: none">• Installation of renewable energy systems and associated infrastructure	<ul style="list-style-type: none">• Installation of solar lights, panels and solar system

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Qualified project Categories	Description of Eligible Green Projects	Examples for Hysan
Waste Management and Recycling	<ul style="list-style-type: none"> Projects that will help to reduce waste and increase recycling capabilities 	<ul style="list-style-type: none"> Recycling facilities installed in commercial and residential buildings Expenditure for recycling of food waste, rechargeable batteries and toner/cartridge
Climate Change Adaptation	<ul style="list-style-type: none"> Projects that will strengthen building resilience to climate change impacts such as extreme weather events and natural disasters 	<ul style="list-style-type: none"> Installation and upgrades of enhanced flood protection system Additional insulation, etc

1B) Eligible Social Project Categories

Qualified project Categories	Description of Eligible Social Projects	Examples for Hysan
Affordable basic infrastructure	<ul style="list-style-type: none"> Financing construction and refurbishment / maintenance of basic and essential infrastructure 	<ul style="list-style-type: none"> Connectivity bridges linking building for public use Public parks Community focused areas Accessibility and barrier-free infrastructure and facilities for elderly and special need groups Projects related to community cultural conservation and restoration of cultural heritage
Pandemic and infection related investments and expenditure	<ul style="list-style-type: none"> Expenditure and investments in projects that are related to aiding prevention and alleviating impact of the pandemic 	<ul style="list-style-type: none"> Sanitation and infection preventative services and equipment at properties that are owned by the company (e.g., temperature sensors in office lobbies, anti-bacterial treatments for lifts and door handles, automatic sterilization of escalator handrails, disinfection and sanitization and monitoring devices, more powerful air filters and purifiers)

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Hysan commits that proceeds raised from SFTs will not go towards financing or refinancing activities relating to the below:

- Fossil fuel and clean coal
- Nuclear-related assets

2) 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, project department, sustainability department and finance 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.

3) Management of Proceeds

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

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

(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: Information including:

- Name and description of Eligible Projects to which the proceeds of the SFT have been allocated in accordance with this Framework
- Amount of SFT 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

Hysan commits to allocating proceeds raised from each SFT within 36 months of issuance.

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 or activities in fossil fuel and clean coal and nuclear-related assets.

Hysan aims to maintain a substantial buffer of Eligible Projects which ensure that if an Eligible Project in a SFT is sold or become ineligible, there will be an appropriate 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 another 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.

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4) Reporting

Hysan will provide information on the allocation of the net proceeds of SFT 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:

4A) Allocation Reporting

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

i. 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).

ii. Allocation of Use of Proceeds:

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

iii. Unallocated Proceeds:

- The remaining balance of unallocated proceeds yet to be allocated

4B) 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

Eligible Green Project Categories	Impact Indicators
Green Buildings	<ul style="list-style-type: none"> • Amount of energy saved (kWh) • CO₂ (or other GHG) emissions avoided (tonnes of CO₂e) • Number and type of certification of green buildings
Energy Efficiency	<ul style="list-style-type: none"> • Amount of energy saved (kWh) • CO₂ (or other GHG) emissions avoided (tonnes of CO₂e)
Renewable Energy	<ul style="list-style-type: none"> • Amount of renewable energy generated (kWh) • Number of solar lights and panels installed
Waste Management and Recycling	<ul style="list-style-type: none"> • Amount of waste recycled (kg) • Number of recycling facilities provided
Climate Change Adaptation	<ul style="list-style-type: none"> • Amount of wastewater reused (m³) • Area of rooftop farming, green roofs, green walls included in buildings (m²)

Eligible Social Project Categories	Impact Indicators
Affordable basic infrastructure	<ul style="list-style-type: none"> • Capacity of public parks, community focused areas, footbridges constructed and developed • Number of accessibility and barrier-free infrastructure and facilities for elderly and special need groups constructed and developed • Number of projects and project details related to community cultural conservation and restoration of cultural heritage
Pandemic and infection related investments and expenditure	<ul style="list-style-type: none"> • Number of sanitation and infection preventative services and equipment

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External Review

Hysan has engaged an external review of this SFF from an independent party Sustainalytics to provide a Second Party Opinion. Sustainalytics reviewed the SFF for its sustainable and green qualities as well as its alignment with GBP, SBP, SBG, 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 Sustainable Finance Framework hereof, will be published and will make available at <http://www.hysan.com.hk>

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Appendix 1: External Certifications

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

LEED use 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.

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.