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## Swire Properties Green Finance Framework

Founded in Hong Kong in 1972, Swire Properties Limited ("**Swire Properties**") is listed on The Stock Exchange of Hong Kong Limited and is one of the Hong Kong's leading property developers and investors. Swire Properties engages in property investment, that is the design, development, leasing and management of commercial, retail and some residential properties; property trading, that is the development and construction of properties, principally residential apartments, for sale; and investments in and operation of hotels.

Swire Properties' vision is to be the leading sustainable development ("**SD**") performer in the real estate industry globally by 2030. In support of this vision, we have developed a SD 2030 Strategy that is organised around five pillars. At the heart of our holistic strategy is the creative transformation of *Places* into vibrant, high quality sustainable communities. This is achieved through proactive investment in our *People* and long-term, mutually beneficial relationships with our *Partners*. Importantly, we are committed to delivering a positive contribution to our communities through sound *Environmental Performance*, while ensuring we deliver sustainable *Economic Performance* combined with good corporate governance and high ethical standards.

Swire Properties first published its Green Bond Framework in January 2018. Our Green Bond(s) will reinforce our commitment to our SD 2030 Strategy, which includes designing, constructing and managing high quality developments that contribute positively to the communities in which they are located. While we take great care to develop high quality buildings, as part of our SD 2030 Strategy we also seek to continually improve our environmental performance. We focus beyond the direct impact of our buildings and seek to reduce climate impact and optimise resource efficiency.

As part of our ongoing commitment to furthering the development of green financing in Hong Kong, this Green Finance Framework is created to extend the scope of our Green Bond Framework to cover green loans in July 2020. This Green Finance Framework has taken into account the core components recommended in the Green Loan Principles issued by Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association in December 2018 ("**2018 GLP**") and the 2018 Green Bond Principles issued by the International Capital Market Association ("**ICMA**").

### Framework Overview

Swire Properties or its subsidiaries may from time to time, enters into green bonds and green loans ("**Green Finance Transactions**") under this framework. Swire Properties has developed the following framework, which addresses the four key pillars of the 2018 Green Bond Principles ("**2018 GBP**") and 2018 GLP:

1. Use of proceeds;
2. Process for project evaluation and selection;
3. Management of proceeds; and
4. Reporting.

## **1. Use of Proceeds**

The net proceeds of the Green Finance Transactions will be used to fund or refinance, in whole or in part, new or existing eligible green projects at Swire Properties' real estate assets or properties that meet one or more of the following categories of eligibility as recognised in the 2018 GBP and the 2018 GLP ("**Eligible Green Projects**"):

- i. Projects relating to *Renewable Energy*, such as solar and waste-to-energy projects;
- ii. Projects relating to *Energy Efficiency*, such as adoption of smart technologies and/or systems for optimizing energy management in our new and existing developments. In addition, the net proceeds may also be used to upgrade the existing equipment (for example, lighting or chillers) in such developments to higher efficiency models to achieve at least a 10% improvement in energy efficiency;
- iii. Projects relating to *Sustainable Water and Wastewater Management*, including grey water treatment systems and water conservation installations;
- iv. Projects relating to *Climate Change Adaptation*, such as projects for the design, construction, maintenance and upgrades of buildings / assets for adapting to more frequent and extreme weather events caused by climate change (for example, projects for the upgrade of flood defence or storm water management systems); and
- v. Projects relating to *Green Buildings* that have received within the last two years, or that receive during the tenor of the Green Finance Transactions, a third-party-verified green building certification such as LEED® (Gold / Platinum), BEAM Plus (Gold / Platinum) or other equivalent green building certifications. Such projects may include the development or redevelopment of such Green Buildings, and/or renovations and/or tenant improvements relating to the environmental performance of such buildings. Such Green Building projects may also include improving the wellbeing of occupiers with a view to achieving the WELL Building Standard™ (Silver / Gold / Platinum) certification for such buildings. Please refer to Appendix 1 for details on the LEED®, BEAM Plus and WELL Building Standard™ certifications.

## **2. Process for Project Evaluation and Selection**

The Eligible Green Projects are identified and selected via a process that involves participants from various functional areas. Representatives from Swire Properties' technical services and sustainable development department and treasury department will form a working group to review and select Eligible Green Projects according to the criteria outlined above. The working group will identify and manage potentially material environmental and social risks associated with the Eligible Green Projects, if applicable. The shortlisted projects will be presented to the Sustainable Development Steering Committee or the Executive Committee of Swire Properties for approval.

### **3. Management of Proceeds**

The net proceeds from each Green Finance Transaction will be managed by Swire Properties' treasury team. Swire Properties will keep an internal record, containing information including:

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

Pending allocation, the net proceeds from the Green Finance Transactions may be invested in cash or cash equivalents, or used to repay existing borrowings under general credit facilities of Swire Properties group.

### **4. Reporting**

Swire Properties will provide information on the allocation of the net proceeds of its Green Finance Transactions on Swire Properties' website and in Swire Properties' Sustainable Development Reports. Such information will be provided on an annual basis until all the net proceeds have been allocated. The information will contain at least the following details:

- i. A list of Eligible Green Projects funded through Swire Properties' Green Finance Transactions, including amounts allocated; and
- ii. Remaining balance of unallocated proceeds.

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

In addition, where feasible, Swire Properties will provide qualitative and (if reasonably practicable) quantitative environmental performance indicators of the Eligible Green Projects funded. Such performance indicators include:

- i. Energy consumption reduction (kWh);
- ii. Carbon emission reduction (tonnes of CO<sub>2</sub>e);
- iii. Water consumption reduction (m<sup>3</sup>); and
- iv. Amount of waste diverted from landfills (tonnes).

## 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 [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 of all sizes to demonstrate their commitment to sustainable development. For more information, please visit [www.hkgbc.org.hk](http://www.hkgbc.org.hk).

### **WELL Building Standard™ (“WELL”)**

WELL is a performance-based system for measuring, certifying, and monitoring features of the built environment that impact the health and wellness of the people who live, work, and learn in the buildings. WELL focuses on seven categories of building performance: air, water, nourishment, light, fitness, comfort, and mind. It is administered by the International WELL Building Institute™ and third party certified by Green Business Certification Inc. For more information, please visit [www.wellcertified.com](http://www.wellcertified.com).