

# **GREEN BOND REPORT**

2018

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# SWIRE PROPERTIES' GREEN BOND

*The issuance of our first 10-year green bond is part of our SD 2030 Strategy. It reaffirms our ongoing commitment to sustainable development, and designing and developing green projects that improve the wellbeing of building occupants and local communities. It also helps to further the development of green capital markets in Hong Kong.*



We launched our first green bond in January 2018, raising US\$500 million at a coupon rate of 3.5 %, due 2028. The 10-year green bond was issued under our US\$4 billion Medium Term Note Programme and was rated A2 by Moody's Investors Service and A by Fitch Ratings.

Part of the proceeds will be used to finance our newest Grade-A office development, One Taikoo

Place, a core component of our HK\$15 billion Taikoo Place redevelopment project.

Swire Properties' 10-year green bond is the first in Hong Kong to obtain Pre-issuance Stage Certification under the newly launched Green Finance Certification Scheme by the Hong Kong Quality Assurance Agency (HKQAA).

## Details of First Green Bond

<b>Size</b>	US\$500 million
<b>Tenor</b>	10-year
<b>Issue Date</b>	10th January 2018
<b>Coupon</b>	3.5%
<b>Issue Price</b>	99.566%
<b>Ranking</b>	Senior Unsecured
<b>Joint Lead Managers &amp; Bookrunners / Joint Green Advisors</b>	Bank of America Merrill Lynch HSBC
<b>Ratings</b>	A – Fitch A2 – Moody's
<b>Certification</b>	First Green Bond in Hong Kong to obtain Green Finance Certification from HKQAA 
<b>Second Party Opinion Provider</b>	 SUSTAINALYTICS
<b>Inclusion in Green Bond Indices</b>	Bloomberg Barclays MSCI Green Bond Index ICE BofAML Green Bond Index



Our **Green Bond Framework** is available online. Net proceeds will be used to fund green projects meeting one or more of the following categories of eligibility recognised in the **Green Bond Principles**.



Renewable Energy



Energy Efficiency



Sustainable Water and Wastewater Management



Climate Change Adaptation



Green Buildings

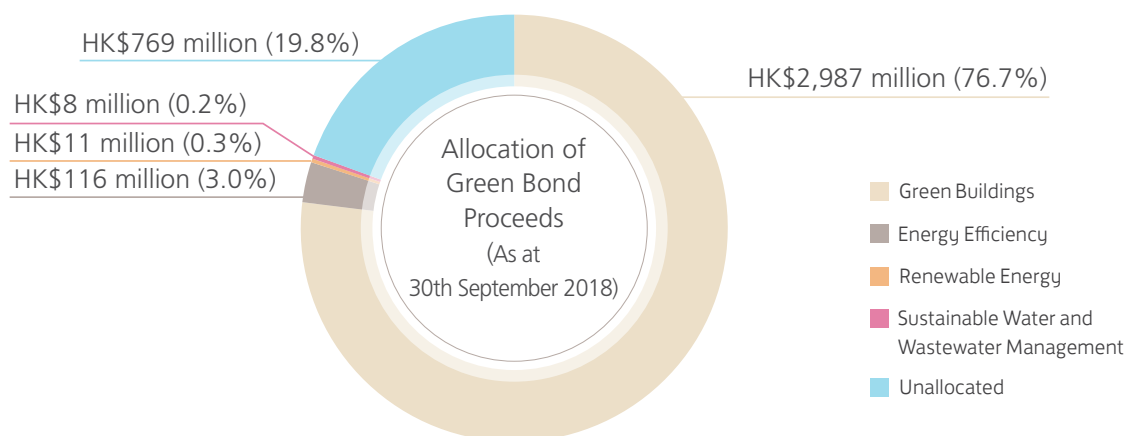
# ALLOCATION OF GREEN BOND PROCEEDS

Category	Projects	Green Bond Proceeds Allocated <sup>1</sup>	
Green Buildings	One Taikoo Place	HK\$2,987 million	76.7%
Energy Efficiency	Cityplaza, Pacific Place and Taikoo Place	HK\$116 million	3.0%
Renewable Energy	One Taikoo Place	HK\$11 million	0.3%
Sustainable Water and Wastewater Management	One Taikoo Place	HK\$8 million	0.2%
<b>Total allocated proceeds</b>		HK\$3,122 million	80.2%
<b>Unallocated proceeds<sup>2</sup></b>		HK\$769 million	19.8%
<b>Total proceeds</b>		HK\$3,891 million	100.0%

<sup>1</sup> As at 30th September 2018

<sup>2</sup> The unallocated proceeds may be invested in cash or cash equivalents, or used to repay existing borrowings under general credit facilities.

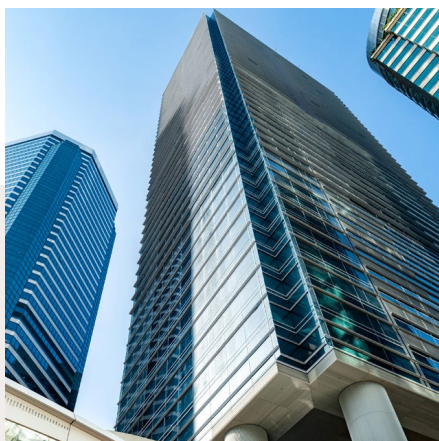
<sup>3</sup> An independent assurance provider, PricewaterhouseCoopers has issued a limited assurance report. Please refer to pages 6 to 8 of this report for further details.



## Reporting Criteria

- Total proceeds of HK\$3,891 million represent the US\$500 million raised from the issuance of the green bond, details of which are set out in page 2 of this report.
- A green bond is added to the Green Bond Report when it was issued during the reporting period.
- A green bond is removed from the Green Bond Report when it has been fully repaid.
- Allocation and use of proceeds for each eligible green project are made according to the approval of the Sustainable Development Steering Committee or the Executive Committee of Swire Properties Limited.

# GREEN PROJECT UPDATES



## One Taikoo Place

Gross floor area

1 million sq. ft.

Storeys      Occupancy rate\*

48              100%

Occupation Permit (OP) date

September 2018

\*As at 15th November 2018

<b>Project Name</b>	One Taikoo Place	
<b>Location</b>	Quarry Bay, Hong Kong	
<b>GFA</b>	1 million sq.ft.	
<b>Certification</b>	<ul style="list-style-type: none"> <li>• Pre-certified Platinum for LEED BD+C: Core and Shell Version 2009</li> <li>• Provisional Platinum for BEAM Plus New Buildings Version 1.2</li> <li>• Pre-certified Platinum for WELL v1 Certification Scheme</li> </ul>	<b>Certification Date</b> December 2015 October 2017 April 2018
<b>Green Bond Proceeds Allocated</b>	HK\$3,006 million	
<b>Highlights of Green Elements</b>	<p><b>Renewable Energy</b></p> <ul style="list-style-type: none"> <li>• Dual-level roof fitted with an integrated solar photovoltaics (PV) system and green roof</li> <li>• Bio-diesel tri-generation system to supply heating, cooling and electricity. Used cooking oil from tenants is converted into biodiesel by third-party recyclers to power this system</li> </ul> <p><b>Energy Efficiency<sup>5</sup></b></p> <ul style="list-style-type: none"> <li>• Air handling units with electronically commutated (EC) plug fans to enhance efficiency</li> <li>• Highly optimised chiller control system with powerful data analytics</li> <li>• Energy efficient lighting and control system</li> </ul> <p><b>Sustainable Water and Wastewater Management</b></p> <ul style="list-style-type: none"> <li>• Harvest rainwater for irrigation and recycle grey water for flushing</li> <li>• Low-flow sanitary fittings</li> </ul>	<p><b>Estimated Environmental Impact</b></p> <ul style="list-style-type: none"> <li>• Total renewable energy generated annually: 468,300 kWh, which is equivalent to an annual carbon emissions avoidance<sup>4</sup> of 370 tonnes of CO<sub>2</sub>e</li> <li>• Annual energy savings exceeding BEAM Plus<sup>6</sup> and LEED<sup>7</sup> baseline performance by 33% and 28% respectively</li> <li>• Freshwater savings exceeding BEAM Plus baseline performance by &gt;40%</li> </ul>

<sup>4</sup> Calculated by using the 2017 emission factor of Hong Kong Electric

<sup>5</sup> Expenditures relating to energy efficiency element of One Taikoo Place are included in "Green Buildings" Category

<sup>6</sup> Based on Building Energy Code 2012 Edition as baseline

<sup>7</sup> Based on ASHRAE 90.1-2007 as baseline (LEED 2009 for Core and Shell Development)





Pacific Place



Cityplaza



Taikoo Place

<b>Project Name</b>	Energy Efficiency projects – Cityplaza, Pacific Place and Taikoo Place	
<b>Green Bond Proceeds Allocated</b>	HK\$116 million	
<b>Highlights of Green Elements</b>	<ul style="list-style-type: none"> <li>• High efficiency chiller system at Taikoo Place and Pacific Place</li> <li>• Energy efficient lighting including LED lights at Taikoo Place, Pacific Place and Cityplaza</li> <li>• Variable speed drive (VSD) for condensing water pumps at Taikoo Place and Cityplaza to enhance energy efficiency</li> <li>• EC plug fans in air handling units at Taikoo Place and Pacific Place to enhance energy efficiency<sup>8</sup>. Pilot testing of EC plug fans estimated that the use of fan energy could be reduced by up to 30%</li> </ul>	<b>Estimated Environmental Impact</b> <ul style="list-style-type: none"> <li>• Annual energy savings: <ul style="list-style-type: none"> <li>Cityplaza: 165,900 kWh</li> <li>Taikoo Place: 3,375,200 kWh</li> <li>Pacific Place: 2,899,900 kWh</li> <li>Total: 6,441,000 kWh</li> </ul> </li> <li>• Annual carbon emissions avoided: <ul style="list-style-type: none"> <li>Cityplaza: 131 tonnes of CO<sub>2</sub>e</li> <li>Taikoo Place: 2,666 tonnes of CO<sub>2</sub>e</li> <li>Pacific Place: 2,291 tonnes of CO<sub>2</sub>e</li> <li>Total: 5,088 tonnes of CO<sub>2</sub>e</li> </ul> </li> </ul>

<sup>8</sup> 25% work completed as at 30th September 2018



## **Independent Practitioner's Limited Assurance Report**

### **To the Board of Directors of Swire Properties Limited**

We have been engaged to perform a limited assurance engagement on the selected information described below and set out in the Green Bond Report of Swire Properties Limited (the "Company") as at 30th September 2018.

#### **Selected Information**

The scope of our work was limited to assurance over the Selected Information in page 3 of the Green Bond Report as at 30th September 2018 as summarised below:

- amounts of proceeds allocated to the Eligible Green Projects and
- the remaining balance of unallocated proceeds as at 30th September 2018.

Our assurance does not extend to information in respect of earlier periods or to any other information included in the Green Bond Report as at 30th September 2018.

#### **Reporting Criteria**

The criteria used by the Company to prepare the Selected Information is set out in Appendix 1 of this report (the "Reporting Criteria").

#### **Directors' Responsibilities**

The Directors of the Company are responsible for:

- designing, implementing and maintaining internal controls over information relevant to the preparation of the Selected Information that is free from material misstatement, whether due to fraud or error;
- establishing objective in Reporting Criteria for preparing the Selected Information;
- measuring and reporting the Selected Information based on the Reporting Criteria; and
- the content of the Green Bond Report as at 30th September 2018.

#### **Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

#### **Our Responsibilities**

It is our responsibility to express a conclusion on the Selected Information based on our work performed and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our work in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. This standard requires that we plan and perform our work to form the conclusion whether the Selected Information is free from material misstatement.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently the level of assurance in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. The extent of procedures selected depends on the practitioner’s judgment and our assessment of the engagement risk. Within the scope of our work we performed amongst others the following procedures:

- made enquiries of the Company’s management, including those with involved in providing information relating to the Green Bond Report as at 30th September 2018;
- checked the approval of allocation of proceeds by the Sustainable Development Steering Committee or the Executive Committee of Swire Properties Limited to the Company’s proposal for eligible use of proceeds relating to the transactions;
- tested the mathematical accuracy of the remaining balance of unallocated proceeds; and
- checked, on a sample basis, the use of proceeds as approved by the Sustainable Development Steering Committee or the Executive Committee of Swire Properties Limited to capital expenditure supporting payment documents and ensured that these are for approved projects.

Our work did not include reviewing the effectiveness of systems, processes and controls that generated the Selected Information. Thus, our work was not performed for the purposes of expressing an opinion on the effectiveness and performance of the Company’s management systems, processes and controls, and not for the purposes of expressing an opinion on any statutory financial statements.

### **Inherent Limitation**

The Selected Information needs to be read and understood together with the Reporting Criteria, which the Company is solely responsible for selecting and applying. The absence of a significant body of established practice on which to draw to evaluate and measure information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time. The Reporting Criteria used for the reporting of the Selected Information are as at 30th September 2018.

### **Conclusion**

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the Selected Information as at 30th September 2018 has not been prepared, in all material respects, in accordance with the Reporting Criteria.

### **Restriction on Use**

Our report has been prepared for and only for the board of Directors of the Company and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the content of the report.

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 30th November 2018

## Appendix 1 Reporting Criteria

- A Green Bond is added to the Green Bond Report when it was issued during the reporting period.
- A Green Bond is removed from the Green Bond Report when it has been fully repaid.
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