

Second-Party Opinion

Hysan Sustainable Finance Framework



Evaluation Summary

Sustainalytics is of the opinion that the Hysan Sustainable Finance Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2021 and Green Loan Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Green Buildings, Energy Efficiency, Renewable Energy, Waste Management and Recycling, Climate Change Adaptation, Affordable Basic Infrastructure, Pandemic and infection related investments and expenditure – are aligned with those recognized by both the Green Bond Principles, Social Bond Principles and Green Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDG 3, 7, 9, 11, 12, and 13.



PROJECT EVALUATION / SELECTION Hysan has established a working group to oversee the project evaluation and selection process. The working group is comprised of representatives from Hysan’s technical service, property management, project department, sustainability department and finance department. The working group will identify and manage environmental and social risks associated with eligible projects. Shortlisted projects will be presented to Hysan’s Sustainability Committee for final approval. Sustainalytics considers the project selection process in line with market practice



MANAGEMENT OF PROCEEDS Hysan’s finance team will track the allocation of proceeds through an internal register. Pending full allocation, the Company may hold proceeds in accordance with its internal liquidity management policy. Hysan has confirmed with Sustainalytics the intention to allocate proceeds within 36 months of issuance. This is in line with market practice.



REPORTING Hysan has committed to reporting on the allocation and impact of net proceeds on an annual basis until all the net proceeds have been allocated, on its website and within corporate responsibility reports. Allocation reporting will include details of each Sustainable Finance Transaction (SFT), the aggregate amount, and the name and description of eligible projects to which SFT’s have been allocated. Hysan will report on relevant impact metrics where possible. Sustainalytics views Hysan’s allocation and impact reporting as aligned with market practice.

| | |
|------------------------|------------------|
| Evaluation Date | July 16, 2021 |
| Issuer Location | Hong Kong, China |

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Introduction

Hysan Development Company Limited (“Hysan”, the “Company”, or the “Group”) is a property investment, management and development company in Hong Kong founded in 1970. Hysan operates mainly in downtown Hong Kong and is headquartered on the Hong Kong island, China.

Hysan has developed the Hysan Sustainable Finance Framework (the “Framework”) under which it intends to issue sustainability bonds, loans and other forms of debt financing such as convertible¹ and perpetual bonds² and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that improve the environmental performance of its buildings in Hong Kong and generate positive social impacts. The Framework defines eligibility criteria in five green areas and two social areas:

Eligible Green Projects

1. Green Buildings
2. Energy Efficiency
3. Renewable Energy
4. Waste Management and Recycling
5. Climate Change Adaptation

Eligible Social Projects

1. Affordable Basic Infrastructure
2. Pandemic and infection related investments and expenditure

Hysan engaged Sustainalytics to review the Sustainable Finance Framework, dated July 2021, and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP), Social Bond Principles 2021 (SBP)³, Green Loan Principles 2021 (GLP), and Social Loan Principles 2021 (SLP).⁴ This Framework has been published in a separate document.⁵

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁶ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2021, as administered by ICMA, and the Green Loan Principles 2021 and Social Loan Principles 2021, as administered by LMA, APLMA, and LSTA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

¹ For standard convertible bonds, once the conversion has occurred, the SPO is no longer valid for the assessed securities falling under this asset class. In the case of mandatory convertible bonds, net proceeds should be fully allocated prior to the conversion date to be eligible.

² Hysan confirmed commitment to matching eligible green assets equal to or more than the net proceeds of the bonds until the bond exists or until being repurchased or called back by the issuer in the future.

³ The Sustainability Bond Guidelines, Green Bond Principles, and Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

⁴ The Green Loan Principles and Social Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at: <https://www.lsta.org/content/green-loan-principles/#> and <https://www.lsta.org/content/social-loan-principles-slp/>

⁵ The Sustainable Finance Framework is available on Hysan Development Company Limited’s website at: <https://www.hysan.com.hk/investor/>

⁶ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.9, which is informed by market practice and Sustainalytics' expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Hysan's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Hysan representatives have confirmed (1) they understand it is the sole responsibility of Hysan to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Hysan.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond and loan proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Hysan has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Sustainable Finance Framework

Sustainalytics is of the opinion that the Hysan Sustainable Finance Framework is credible, impactful and aligns with the four core components of the SBG, GBP, SBP, GLP, and SLP. Sustainalytics highlights the following elements of Hysan's Sustainable Finance Framework:

- Use of Proceeds:
 - The eligible categories – Green Buildings, Energy Efficiency, Renewable Energy, Waste Management and Recycling, Climate Change Adaptation, Affordable Basic Infrastructure, Pandemic and Infection Related Investments and Expenditures – are aligned with those recognized by the GBP, SBP, GLP, and SLP. Sustainalytics considers that Hysan's investments will help increase the resource efficiency of the buildings under its management, thus positively contributing to reduce GHG emissions, in line with Hong Kong's climate policies. In addition, social activities are expected to increase the availability of basic infrastructure and improve pandemic alleviation and prevention.
 - Under the Green Buildings category, Hysan may finance the construction or renovation of commercial and residential buildings certified with the following third-party green buildings certifications and minimum levels: LEED (Gold or above), BEAM Plus (Gold or above) and Chinese Green Building Label (2 Stars or above). Sustainalytics views these certifications and the selected levels to be credible and aligned with market practice. Please refer to Appendix 1 for Sustainalytics assessment of the green building certification schemes.
 - Within the Energy Efficiency category, the Company may invest in facilities and technologies that achieve at least a 10% improvement in energy efficiency, such as air-cooled chillers, variable speed drivers for air handling units, LED lighting, sensors, and power management systems. Sustainalytics views positively the Framework's inclusion of a defined energy

- efficiency threshold on a portfolio basis for the installation of energy efficient systems and technologies.
- Under the Renewable Energy category, Hysan may finance renewable energy systems and associated infrastructure such as the installation of photovoltaic solar systems. Sustainalytics considers these investments to be in line with market practice.
 - Regarding Waste Management and Recycling, the Company may finance waste collection facilities in commercial and residential buildings, such as for the recycling of paper and food waste. Projects are expected to reduce waste streams and increase recycling capabilities.
 - Regarding the Climate Change Adaptation category, the Company intends to finance installation and upgrade measures to improve building resilience to the impacts of climate change and extreme weather events. Examples of such activities include enhanced flood protection systems and additional insulation. The Issuer has confirmed with Sustainalytics that such buildings will have undergone a vulnerability assessment on resilience against extreme weather.
 - Under Affordable Basic Infrastructure, Hysan may invest in construction and refurbishment/maintenance of basic infrastructure. Examples of these projects include construction of (i) pedestrian bridges to link buildings for public use, (ii) public parks, (iii) community focused areas, (iv) accessibility and barrier free infrastructure and facilities for elderly and special need groups and (v) projects related to community cultural conservation and restoration of cultural heritage. The Company has confirmed to Sustainalytics that infrastructure financed under the category will be accessible to all and free.
 - Within the Pandemic and Infection Related Investments and Expenditure category, Hysan may finance projects aimed at aiding pandemic prevention and alleviation for the public. Examples of such projects include sanitation and infection preventative services and equipment at properties that are owned by the Company, including temperature sensors, anti-bacterial treatments, automatic sterilization, and antiviral air filtration devices.
 - Sustainalytics notes that the Framework includes an exclusionary list which further limits financing to activities such as fossil fuels, coal, and nuclear-related assets.
- Project Evaluation and Selection:
 - Hysan has established a working group to oversee the project evaluation and selection process. The working group is comprised of representatives from Hysan's technical service, property management, project department, sustainability department and finance department. The working group will identify and manage environmental and social risks associated with eligible projects. Shortlisted projects will be presented to Hysan's Sustainability Committee for final approval.
 - Based on the establishment of a cross-functional working group, Sustainalytics considers this process to be in line with market practice.
 - Management of Proceeds:
 - Hysan's finance team will track the allocation of proceeds through an internal register. The proceeds of each Sustainable Finance Transaction (SFT) will be deposited in a general funding account and earmarked to eligible projects. Hysan's management level Sustainability Executive Committee will provide guidance on allocation processes to senior management. The internal register will include key information on each SFT such as the type of funding transaction, a description of each eligible project, amount allocated versus unallocated and the temporary use of proceeds. Pending full allocation, the company may hold proceeds in accordance with its internal liquidity management policy. Hysan has confirmed with Sustainalytics the intention to allocate proceeds within 36 months of issuance.
 - Based on these elements, Sustainalytics considers this process to be in line with market practice.
 - Reporting:
 - Hysan has committed to reporting on the allocation and impact of net proceeds on an annual basis until all the net proceeds have been allocated, on its company website and within corporate responsibility reports. Allocation reporting will include details of each SFT, the aggregate amount, and the name and description of eligible projects to which SFT's have been allocated. Hysan will report on impact metrics where possible, including elements such as

energy saved, emissions avoided, amount of waste and wastewater recycled, and number of accessible infrastructures constructed and developed.

- Based on the commitment to allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2021

Sustainalytics has determined that the Hysan Sustainable Finance Framework aligns with the four core components of the GBP, SBP, GLP, and SLP. For detailed information please refer to Appendix 2: Sustainability Bond/ Sustainability Bond Programme External Review Form.

Section 2: Sustainability Strategy of Hysan

Contribution of Framework to Hysan's sustainability strategy

Within its Environmental Policy,⁷ Hysan focuses on the following sustainability areas (i) measuring and reporting its carbon reduction efforts, (ii) promoting waste reduction at source and (iii) enhancing green purchasing as well as (iv) improving stakeholder management.

In 2020, Hysan committed to reducing its energy consumption by 20% by 2024 using 2005 as a baseline. This will be achieved through implementation of a new building analytic system and obtaining ISO 50001 Energy Management System certification to identify optimization opportunities to further improve energy consumption. In addition, the Company lowered its GHG emissions to 35,576 tCO₂e in 2020 from 40,903 tCO₂e in 2018.⁸

Beyond energy and carbon reduction targets, the Company reports on various waste management achievements. In 2020, Hysan collected 32 tonnes of food waste and recycled 2,192 kg of fluorescent tubes. Hysan's tenants were invited to join a food waste collection programme, which sends food waste to the Organic Waste Treatment Facility operated by the Hong Kong government's Environmental Protection Department. Hysan has set up a food waste decomposer which recycles organic waste into compost for urban farming sessions for residential tenants. Since 2017, Hysan has avoided sending over 279,000 single-use plastic bottles of 500ml to landfills. Water refilling stations have been set up at Lee Garden Two and Hysan Place for shoppers and tenants, as well as in building management offices. Hysan encouraged stakeholders to refill their own containers and bottles with filtered drinking water, to reduce the impact of beverage packaging. A reverse vending machine has been installed at Hysan Place, which collected and recycled over 3,400 plastic bottles from shoppers and other members of the community in 2020.⁹

In addition, Hysan appointed an independent consultant in late 2019 to conduct stakeholder engagement exercise and in-depth materiality assessment on each aspect of ESG. Hysan maintains regular contact with stakeholders (including but not limited to investors, shareholders, tenants, customers, suppliers, employees, non-governmental organizations and local communities) through numerous engagement channels throughout the year. For example, town hall meetings and focus group sessions to partner with retail tenants to engage in green initiatives. Such initiatives include plastic and food waste recycling, clothes donation for NGOs and an Urban Farm Programme at Hysan Place to engage adults and children in learning about organic farming.¹⁰

Given Hysan's sustainability efforts, Sustainalytics is of the view that Hysan is well positioned to issue sustainability bonds or loans and that its sustainable finance investments will further help the Company advance its sustainability vision.

Well-positioned to address common environmental and social risks associated with the projects

While Hysan's use of proceeds categories are recognized as impactful, Sustainalytics recognizes that the eligible projects bear potential social and environmental risks related to the environmental impact of land use change and community relations, as well as health and safety of workers in the construction sector. Hysan has implemented the following measures to mitigate the named risks:

- Hysan's Health and Safety Management System includes safety management plans, established reporting lines on the implementation of its health and safety policy and safety training. In addition,

⁷ Hysan, "Environment Policy", (2021), at: https://www.hysan.com.hk/app/uploads/2021/05/Hysan-Environmental-Policy_Eng_2021.pdf

⁸ Hysan, "Sustainability Report", (2020), at: https://www.hysan.com.hk/app/uploads/2021/03/2020-Hysan-Sustainability-Report-Eng_final-1.pdf

⁹ Hysan, "Sustainability Report", (2020), at: https://www.hysan.com.hk/app/uploads/2021/03/2020-Hysan-Sustainability-Report-Eng_final-1.pdf

¹⁰ Hysan, "Sustainability-Community", at: <https://www.hysan.com.hk/sustainability/community/>

the Company mandates contractors and suppliers to minimize health and safety risks through organizational structure, work processes, supervision and training, in line with Hysan's Health and Safety Policy.¹¹ Sustainalytics considers these measures contributing to the management of H&S risks.

- The company's Whistleblowing Policy shall be used when there is reason to suspect that laws, human rights or the Code of Ethics¹² are being violated. Possible violations include corruption, fraud, or harassment. Employees are encouraged to use the Whistleblowing Policy to inform the audit and risk management committee of any such inappropriate activity.¹³
- Hysan established a sustainability executive committee for reviewing the Group's corporate responsibility and sustainability development and policies.¹⁴ Regarding environmental risks, the Hong Kong EIA Ordinance¹⁵ lays out the type of projects requiring environmental impact assessments (EIA). Hysan confirmed that the eligible projects do not require EIA per EIA Ordinance. In addition, the Company commits to comply with all applicable environmental regulation in its Environmental Policy and confirmed to Sustainalytics that its buildings were built on already fully developed grounds. The Company also obtained ISO 14001 Environmental Management System certification for their head office.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Hysan has implemented adequate measures and is well-positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All seven use of proceeds categories are aligned with those recognized by SBG, GBP, SBP or GLP. Sustainalytics has focused below where the impact is specifically relevant in the local context.

Assisting Hong Kong in meeting its net-zero target via green buildings

In November 2020, Hong Kong pledged to reach net-zero emissions by 2050.¹⁶ The IEA estimates that buildings contributed more than 30% of global energy consumption and 30% of energy related CO₂ emissions in 2020.¹⁷ In Hong Kong, buildings account for 90% of the total electricity consumption and contribute to 60% of the total CO₂ emissions each year, which signifies the critical need to reduce energy consumption in buildings.¹⁸

As per estimates by Civic Exchange, 60%-80% of the buildings in Hong Kong that will exist in 2050 have already been constructed. Addressing total emissions of both existing and new buildings will be critical for Hong Kong to reach net-zero target.¹⁶ Recognizing the building sector's large carbon footprint, Hong Kong formed the Energy Saving Plan for Hong Kong's Built Environment in 2015, where an emission intensity reduction target of 40% by 2025 compared to 2005 was established.¹⁸ In 2017, Hong Kong launched the Hong Kong Climate Action 2030+ Plan, where it intends to reduce carbon intensity of the region by 65%-70% by 2030 compared to 2005.¹⁸ Hong Kong by 2018, had 42,000 private buildings and 8,000 government owned buildings¹⁶ and since 1996, 3,000 buildings are BEAM certified indicating progression in green building certifications in Hong Kong.¹⁸

Based on the above context, Hysan's investments in green buildings and energy efficiency will help contribute to Hong Kong's climate goals while reducing the carbon footprint of the building sector.

¹¹ Hysan, "Health and Safety Policy", (2021), at: https://www.hysan.com.hk/app/uploads/2021/05/HnS-Policy_web_en_2021.pdf

¹² Hysan, "Code of Ethics", at: <https://www.hysan.com.hk/app/uploads/2020/10/07-Section-I-B-Code-of-Ethics-v7-20191212-website.pdf>

¹³ Hysan, "Whistleblowing Policy", (2019), at: <https://www.hysan.com.hk/app/uploads/2020/10/06-eWhistleblowing-Policy-2019.11.26.pdf>

¹⁴ Hysan, "Sustainability Executive Committee", at: https://www.hysan.com.hk/app/uploads/2021/01/e_Board-Sustainability-Committee-TOR-Jan-2021.pdf

¹⁵ The Government of the Hong Kong Special Administrative Region, "Hong Kong Environmental Protection Department", at: https://www.epd.gov.hk/eia/english/guid/ordinance/sh2_a-c.html

¹⁶ Civic Exchange, "Decarbonising Hong Kong Buildings Policy Recommendations and Next Steps", at: <https://www.hkgreenfinance.org/wp-content/uploads/2020/12/Decarbonising-Hong-Kong-Buildings-Policy-Recommendations-and-Next-Steps.pdf>

¹⁷ IEA, "World Energy Output Special Report: Buildings, (2020)", at: <https://www.iea.org/reports/sustainable-recovery/buildings#abstract>

¹⁸ AHK, "Building Energy Efficiency: The Key to a Green City", at: <https://hongkong.ahk.de/news/news-details/building-energy-efficiency-the-key-to-a-green-city>

Pandemic Resilient Infrastructure for Resilient Economy

The COVID-19 pandemic triggered one of the deepest economic recession in the last century. The pandemic threatened health, disrupted economic activity along with hurting well-being and jobs.¹⁹ In the case of pandemics, investment in prevention, cost lesser than investment in cure.²⁰ Healthy buildings play a critical role in creating healthy environment for all occupants by preventing illness and preventing loss of productivity.²¹ Investment in building design such as increasing ventilation, maintaining optimal humidity and filtration of indoor air along with signages to maintain hygiene and regular cleaning protocol in a building have been found effective in limiting the transmission of the coronavirus and disruption in day to day work.²¹

The socioeconomic toll on Hong Kong has been significant on business functioning and the job market.²² The unemployment rate in Hong Kong rose to 6.3% in September – November 2020 from 3.3% in October – December 2019 owing to the pandemic.²³ The impacts of COVID-19 are likely to have lasting effect, proactive and anticipatory foresight while planning, building and maintaining infrastructure can help prepare for future uncertainties.¹⁹

Based on the above context, Hysan’s investments in products and services related to pandemic prevention will help limit the impact among citizens of Hong Kong by preventing the spread of illness and loss of productivity.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The bond(s) issued under the Hysan Sustainable Finance Framework advances the following SDGs and targets:

| Use of Proceeds Category | SDG | SDG target |
|---------------------------------|--|---|
| Green Buildings | 9. Industry, Innovation and Infrastructure | 9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities |
| Energy Efficiency | 7. Affordable and Clean Energy | 7.3 By 2030, double the global rate of improvement in energy efficiency |
| Renewable Energy | 7. Affordable and Clean Energy | 7.2 By 2030, increase substantially the share of renewable energy in the global energy mix |
| Waste Management and Recycling | 12. Responsible Consumption and Production | 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse |
| Climate Change Adaptation | 13. Climate Action | 13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries |
| Affordable Basic Infrastructure | 11. Sustainable Cities and Communities | 11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums 11.4 Strengthen efforts to protect and safeguard the world’s cultural and natural |

¹⁹ OECD, “COVID-19 and a new resilient infrastructure landscape”, at: <https://www.oecd.org/coronavirus/policy-responses/covid-19-and-a-new-resilient-infrastructure-landscape-d40a19e3/>

²⁰ World Bank, “We must invest in pandemic prevention to build an effective global health architecture”, at: <https://blogs.worldbank.org/voices/we-must-invest-pandemic-prevention-build-effective-global-health-architecture>

²¹ Center for Active Design, “5 Ways to Optimize Buildings for COVID-19 Prevention”, at: <https://centerforactivedesign.org/5-ways-to-optimize-buildings>

²² International Planned Parenthood Federation, “COVID-19 Impact: What we know so far – Hong Kong”, at: <https://www.ippf.org/blogs/covid-19-impact-what-we-know-so-far-hong-kong>

²³ Economic Review, “Recovery with Challenges – 2021 Hong Kong Economic Outlook”, at: [https://www.bochk.com/dam/investment/bocecon/SY2020035\(en\).pdf](https://www.bochk.com/dam/investment/bocecon/SY2020035(en).pdf)

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| | | heritage |
| Pandemic and infection related investments and expenditure | 3. Good Health and Wellbeing | 3.b Support the research and development of vaccines and medicines for the communicable and non-communicable diseases that primarily affect developing countries, provide access to affordable essential medicines and vaccines, in accordance with the Doha Declaration on the TRIPS Agreement and Public Health, which affirms the right of developing countries to use to the full the provisions in the Agreement on Trade-Related Aspects of Intellectual Property Rights regarding flexibilities to protect public health, and, in particular, provide access to medicines for all. |

Conclusion

Hysan has developed the Sustainable Finance Framework (the “Framework”) under which it may issue sustainability bonds and/or loans and use the proceeds to finance a wide range of environmental and social projects in Hong Kong. Sustainalytics considers that the projects funded by the sustainability bond and/or loan proceeds are expected increase the resource efficiency of the buildings under its management, thus positively contributing to reduce GHG emissions, as well as providing social benefits for the beneficiaries of the social activities.

The Hysan Sustainable Finance Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that Hysan Sustainable Finance Framework is aligned with the overall sustainability strategy of the Company and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 3, 7, 9, 11, 12, and 13. Additionally, Sustainalytics is of the opinion that Hysan has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that Hysan Development Company Limited is well-positioned to issue sustainability bonds and/or loans and that that Sustainable Finance Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles (2021), Social Bond Principles (2021), Green Loan Principles (2021), and Social Loan Principles (2021).

Appendices




Appendix 1: Green Buildings Certification Schemes

| | LEED ²⁴ | BEAM Plus ²⁵ | Chinese Green Building Evaluation Label (China Three Star) ²⁶ |
|---|--|--|---|
| Background | Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, and maintenance and operation of buildings. | BEAM Society Limited (BSL) developed the Building Environmental Assessment Method ("BEAM"), namely the BEAM Plus assessment - a green building assessment tool tailored for the high-rise, high density-built environment of sub-tropical climate in Hong Kong. BEAM Plus assessment is Hong Kong's leading initiative to offer assessments of building sustainability performance, with the Hong Kong Green Building Council being its certification body. | The Chinese 3-Star Green Building Standard is a Certification System used in China for residential and public buildings (including commercial, hotel and government owned) that was introduced in 2006 by MOHURD (Ministry of Housing and Urban-Rural Development). |
| Certification Levels | Certified Silver Gold Platinum | Bronze Silver Gold Platinum | 1-Star 2-Star 3-Star |
| Areas of Assessment: Environmental Performance of the Building | <ul style="list-style-type: none"> • Energy and atmosphere • Sustainable Sites • Location and Transportation • Materials and resources • Water efficiency • Indoor environmental quality Innovation in Design Regional Priority | <ul style="list-style-type: none"> • Site Aspects (location and design of building, emissions from the site, site management) • Materials Aspects (selection of materials, efficient use of materials, waste disposal and recycling) • Energy Use (annual CO₂eq emissions or energy use, energy efficient systems and equipment, energy management) • Water Use (water quality, water conservation, effluent discharges) • Indoor Environmental Quality • Innovations and additions | <ul style="list-style-type: none"> • Land savings and outdoor environment; Energy savings and utilisation; • Water savings and utilisation; • Material savings and utilisation; • Indoor environment; • Operations and management. |
| Requirements | Prerequisites (independent of level of certification) + Credits with associated points These points are then | Prerequisites for each performance area + Credits with associated points Detailed compliance with | Prerequisites The system functions on a checklist basis, with 1- Star buildings meeting 26 criteria, 2-Star an |

²⁴ <https://new.usgbc.org/leed>

²⁵ <https://www.hkgbc.org.hk/eng/>

²⁶ <http://www.gbig.org/collections/14970>

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| | <p>added together to obtain the LEED level of certification.</p> <p>There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools- /Retail- /Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).</p> | <p>legal requirements is a prerequisite for the award of credits.</p> <p>For every performance area BEAM prescribes different prerequisites. Every applicable prerequisite in every BEAM category must be achieved for the project to be assessed.</p> <p>Credits are allocated for each performance area, and every area is weighted as per international consensus.²⁰ The Overall Assessment Grade is determined by the percentage (%) of the applicable credits gained under each performance category and its weighting factor.</p> <p>Verification of compliance with BEAM criteria is done by an independent BEAM assessor.</p> | <p>additional 43 items, and 3-Star on a further 14 items. Criteria and weighting differ for public and residential buildings. In public buildings, more weight is given to energy and material savings, while the standard for residential buildings places greater importance on urban land saving and outdoor environments.</p> |
| <p>Performance Display</p> |  |  |  |

Appendix 2: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

| | |
|--|-----------------------------------|
| Issuer name: | Hysan Development Company Limited |
| Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable: | Sustainable Finance Framework |
| Review provider's name: | Sustainalytics |
| Completion date of this form: | July 16, 2021 |
| Publication date of review publication: | |

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP and SBP:

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|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eligible categories for the use of proceeds – Green Buildings, Energy Efficiency, Renewable Energy, Waste Management and Recycling, Climate Change Adaptation, Affordable Basic Infrastructure and Pandemic and infection related investments and expenditure– are aligned with those recognized by both the Green Bond Principles, Social Bond Principles and Green Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDG 3, 7, 9, 11, 12, and 13.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input checked="" type="checkbox"/> Climate change adaptation |

- | | |
|--|---|
| <input checked="" type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify): |

If applicable please specify the environmental taxonomy, if other than GBPs:

Use of proceeds categories as per SBP:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Affordable basic infrastructure | <input type="checkbox"/> Access to essential services |
| <input type="checkbox"/> Affordable housing | <input type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input checked="" type="checkbox"/> Other (please specify): Pandemic and infection related investments and expenditure |

If applicable please specify the social taxonomy, if other than SBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Hysan has established a working group to oversee the project evaluation and selection process. Shortlisted projects will be presented to Hysan's Sustainability Committee for final approval. Sustainalytics considers the project selection process in line with market practice.

Evaluation and selection

- | | |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- | | |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
|--|--|

- Other (please specify):

3. MANAGEMENT OF PROCEEDS

Overall comment on section *(if applicable)*:

Hysan may hold proceeds in accordance with its internal liquidity management policy, pending full allocation. Hysan has confirmed with Sustainalytics the intention to allocate proceeds within 36 months of issuance.

Tracking of proceeds:

- Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (please specify):

Additional disclosure:

- | | |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify): |

4. REPORTING

Overall comment on section (if applicable):

Hysan has committed to reporting on the allocation and impact of net proceeds on an annual basis until all the net proceeds have been allocated. Allocation reporting will include details of each SFT, the aggregate amount, and the name and description of eligible projects to which SFT's have been allocated. Hysan will report on relevant impact metrics where possible. Sustainalytics views Hysan's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Sustainability Bond financed share of total investment |
| <input checked="" type="checkbox"/> Other (please specify): balance of unallocated proceeds | |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Impact reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported (expected or ex-post):

- | | |
|--|--|
| <input type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| <input type="checkbox"/> Decrease in water use | <input type="checkbox"/> Number of beneficiaries |
| <input type="checkbox"/> Target populations | <input checked="" type="checkbox"/> Other ESG indicators (please specify): |

| Eligible 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) |
| 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 |

Frequency:

- Annual
 Semi-annual
 Other (please specify):

Means of Disclosure

- Information published in financial report
 Information published in sustainability report
 Information published in ad hoc documents
 Other (please specify): in Company's website
 Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP

- i. **Second-Party Opinion:** An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
- iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green, Social and Sustainability Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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