

Second-Party Opinion

New World Development Green Finance

Evaluation Summary

Sustainalytics is of the opinion that the New World Development (NWD) Green Finance Framework is credible and impactful and aligns with the four pillars of the Green Bond Principles 2017. Additionally, Sustainalytics views the NWD's Green Finance positively.

Key strengths:



USE OF PROCEEDS The eligible use of proceeds categories (i.e. Green Buildings, Energy Efficiency and Renewable Energy, Water Management, Waste Management and Climate Change Adaptation) are recognized by the Green Bond Principles as project categories having positive environmental benefits.



PROJECT EVALUATION / SELECTION New World Development's project evaluation and selection process is executed through a "Green Finance Review Panel." This is in line with market practice.



MANAGEMENT OF PROCEEDS NWD's internal process in management of use of proceeds is in line with market practices, and includes a register of "Funding Transactions" under the Green Finance Framework, with relevant information about the transaction and allocation.



REPORTING NWD demonstrates a commitment to transparency in allocation and impact reporting. With regards to (ii) impact reporting, New World Development will report on energy consumption reduction (in kWh), carbon emissions reduction (in tonnes of CO₂e), water consumption reduction (in m³) among other metrics.

Evaluation date	March 2018
Issuer Location	Hong Kong

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Introduction

New World Development Company Limited (“New World Development”, “NWD” or “the company”), an investment holding company, invests in, develops, and manages properties in Hong Kong, Mainland China, and internationally, including residential as well as commercial real estates, provision of property and facility management, infrastructure operations, and a variety of other services. The company was founded in 1970 and is headquartered in Hong Kong.

New World Development has developed a “Green Finance Framework” under which it intends to issue green bonds and green loans and use the proceeds to finance or refinance ‘Eligible Projects’ (or existing loans and bonds in relation to such projects) related to improving the environmental performance of its real estate assets and properties. New World Development has engaged Sustainalytics to provide a second-party opinion on its framework and the framework’s environmental credentials. This Green Finance Framework has been published in a separate document.¹

The net proceeds of each green bond or green loan will be used to refinance or finance, in whole or in part, existing (refinancing) and future projects that improve the environmental performance of residential, commercial and retail buildings. Specifically, the net proceeds will be used exclusively on projects and assets that relate to the following categories:

1. Green Buildings - certified in accordance with any one or more of the following green building standard systems: (i) HK BEAM or BEAM Plus (Gold or above), (ii) China Green Building Evaluation Standard (Two-star or above), (iii) LEED (Gold or above)
2. Energy Efficiency and Renewable Energy
3. Water Management
4. Waste Management
5. Climate Change Adaptation

New World Development engaged Sustainalytics to review the Green Finance Framework and provide a second-party opinion on the alignment of the Green Finance Framework with the Green Bond Principles 2017, as administered by the International Capital Market Association (the “ICMA”).²

As part of this engagement, Sustainalytics held conversations with various members of New World Development’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as the management of proceeds and reporting aspects of the New World Development Green Finance Framework. Sustainalytics also reviewed relevant public documents and non-public information. Following this engagement between New World Development and Sustainalytics, some elements of the framework were clarified to ensure an alignment with the level of disclosure expected by the Green Bond Principles 2017.

This document contains Sustainalytics’ opinion of the New World Development Green Finance Framework and should be read in conjunction with that framework.

¹ Available at: <http://www.nwd.com.hk/sustainability>

² ICMA’s Green Bond Principles 2017, document available at: <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/GreenBondsBrochure-JUNE2017.pdf>

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the NWD Green Finance Framework

Summary

Sustainalytics is of the opinion that the New World Development Green Finance Framework is transparent, robust, and aligns with the four pillars of the Green Bond Principles 2017. In addition, Sustainalytics highlights the following elements of the Green Finance Framework:

- The eligible use of proceeds categories (i.e. Green Buildings, Energy Efficiency and Renewable Energy, Water Management, Waste Management and Climate Change Adaptation) are recognized by the Green Bond Principles as project categories having positive environmental benefits. For additional information, please see Section 3 for Sustainalytics' assessment on the use of proceeds;
- New World Development's Green Buildings eligibility criterion is based on third-party certification standards, specifically HK BEAM or BEAM Plus, China Green Building Evaluation Standard and LEED. Moreover, due to its comprehensive approach to sustainability, New World Development may seek to obtain an additional certification focused on the well-being of its tenants (WELL Building Standard certification) for some of its buildings already covered by any of the above-mentioned green building standards. Sustainalytics assesses this engagement positively and views it as additional evidence of NWD's commitment to leading sustainable practices in the real estate market;
- Sustainalytics has conducted an evaluation of the certifications and views the company's focus on the highest levels of certification as industry best practice (see Appendix 1 for additional information on the certification schemes).
- Sustainalytics recognizes that the market expects issuers to undertake climate risk studies that demonstrate the need for financing infrastructure adaptation projects. While NWD has not completed climate risk studies on its portfolio to date, NWD has confirmed to Sustainalytics that it recognizes the need for such studies and that it will endeavour to conduct and provide such climate risk studies for future adaptation projects, whenever feasible. Sustainalytics views this effort to finance infrastructure adaptation projects in the future based on climate risk studies positively.
- New World Development's project evaluation and selection process is executed through a "Green Finance Review Panel" comprising representatives of various functional areas who will select and recommend Eligible Projects to the Chairperson of the Group's Sustainability Steering Committee for final approval. The eligibility criteria include various environmental metrics such as the projected environmental performance assessed against relevant benchmarks and the energy performance data assessed by a third-party auditor, where feasible. This process is aligned with market best practices.
- The management of use of proceeds is in line with market practices and includes a register of "Funding Transactions" under the Green Finance Framework, with relevant information about the transaction and allocation.
- New World Development demonstrates a commitment to transparency in allocation and impact reporting. The (i) allocation reporting will be externally verified by a third-party auditor. This is in line with market best practices. With regards to (ii) impact reporting, New World Development will report on a comprehensive set of quantitative impact metrics including energy consumption reduction (in kWh), carbon emissions reduction (in tonnes of CO₂e), water consumption reduction (in m³) and others. Sustainalytics assess the impact reporting as being in line with market practices.

Alignment with Green Bond Principles 2017

Sustainalytics has determined that the New World Development Green Finance Framework aligns to the four pillars of the Green Bond Principles. For detailed information, please refer to Appendix 2: Green Bond Programme External Review Form.

Section 2: Sustainability Strategy of the Issuer

Contribution of framework to NWD's sustainability strategy

Sustainalytics considers that New World Development has implemented a strong sustainability strategy and governance structures due to the following reasons:

- (i) New World Development operates under a comprehensive Sustainability Policy³ and specifically commits to minimize potential environmental impacts and exceed regulatory requirements in relation to sustainability issues;
- (ii) To achieve the Sustainability Policy, New World Development developed an extensive building lifecycle sustainability framework⁴ involving an internal committee comprising representatives of property development lifecycle departments;
- (iii) New World Development implemented a Group Sustainability Steering Committee providing the group's strategic sustainability leadership and related sustainability policies (Group Sustainability Policy, Green Office Policy, Supplier Sustainability Self-Assessment Questionnaire etc.) and programmes which are executed with the support of a Group Green Taskforce;
- (iv) The company displays leadership in the achievement of green building certifications, with 93% of its total gross floor area of ongoing Hong Kong development projects having received a green building certification, and more than 1 million m² in Mainland China having obtained LEED Gold or Platinum Certifications or Pre-certifications.⁵ Moreover, New World Development has disclosed that in the previous reporting period the company had reached a 98% green building certification rate, the remaining being attributed to the new projects still in the process of applying for similar certifications⁶;
- (v) New World Development signed two widely recognized local environmental charters,⁷ namely the Hong Kong Energy Saving Charter⁸ (since 2012) as well as the Hong Kong Charter on External Lighting (since 2016),⁹ launched by the Environmental Bureau of the Government of Hong Kong Special Administrative Region and reports.

Sustainalytics also highlights New World Development's positive track record in energy efficiency improvements. The company reported having achieved a 5% energy consumption reduction in 2017 after having implemented a real-time building energy monitoring system called "Eco-world",¹⁰ and indicates that it plans to further conduct additional energy efficiency measures. Sustainalytics is of the opinion that the company's sustainability commitments would substantially benefit by adding quantitative and time-bound targets with respect to the buildings' energy consumption and carbon intensity.

Given the company's strong commitment and governance of its sustainability framework, and track record of performance Sustainalytics believes that New World Development is well positioned to issue green bonds and finance or refinance related green loans.

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

While the use of proceeds has environmental benefits, the eligible projects may include potential risks. The main risks associated with New World Development's Eligible Projects include typical real estate environmental risks such as exposure to soil or groundwater contamination or dust and particle pollution and social risks such as workers' health and safety or community opposition.

In addition to respecting all laws and regulations in place in Hong Kong and Mainland China, NWD's Group Sustainability Steering Committee has endorsed and implemented a formal Risk Management Policy, a Health and Safety Policy, and a Supplier Code of Conduct and a Supplier Sustainability Self-Assessment Questionnaire – all of which have been included in the collaborator selection process.¹¹ Sustainalytics views

³ <http://www.nwd.com.hk/sustainability/policies-and-guidelines/sustainability-policy>

⁴ New World Development Sustainability Report 2017, available at: http://sr.nwd.com.hk/2017/sr_en.pdf

⁵ New World Development Sustainability Report 2017, available at: http://sr.nwd.com.hk/2017/sr_en.pdf

⁶ New World Development Sustainability Report 2016, available at: http://sr.nwd.com.hk/2016/sr_en.pdf

⁷ New World Development Sustainability Report 2017, available at: http://sr.nwd.com.hk/2017/sr_en.pdf

⁸ <http://www.energysaving.gov.hk/esc2017/en/charter/index.html>

⁹ <http://www.charteronexternallighting.gov.hk/en/index.html>

¹⁰ New World Development Sustainability Report 2017, available at: http://sr.nwd.com.hk/2017/sr_en.pdf

¹¹ New World Development Sustainability Report 2016, available at: http://sr.nwd.com.hk/2016/sr_en.pdf

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positively NWD's comprehensive management of sustainability (environmental and social) risks and highlights the following elements:

- (i) The company established a revised Risk Management framework incorporating ESG-related risks (climate change impacts on business, environmental group pressure, natural disasters, waste management, pollution, contamination, social group pressure, health and safety, demographic changes, reputational risks etc.), and it is currently seeking to integrate those ESG risks into NWD's ongoing strategic planning;¹²
- (ii) New World Development requires that all supply chain partners follow the company's Supplier Code of Conduct;¹³
- (iii) New World Development complemented its commitment and preparedness for a sustainable supply chain after its key contractor, New World Construction Company Limited (NWCON), obtained ISO 14001:2004 Environmental Management and ISO 9001:2008 Quality Management Systems certifications, in addition to a previous Occupational Health and Safety (OHSAS 18001:2007) certification;¹⁴
- (iv) The company reinforces its Risk Management framework with dedicated in-house teams which regularly conduct site audits to assess environmental, health and safety conditions at NWD's construction sites.

Based on the above, Sustainalytics is of the opinion that New World Development has an adequate level of preparedness required to proactively assess and mitigate social and environmental risks associated with the eligible projects.

Section 3: Impact of Use of Proceeds

Importance of reducing carbon footprint and contribution to the Hong Kong Climate Action Plan

Hong Kong's commercial and residential buildings accounted for 64% of the total energy consumption in Hong Kong from 2005 to 2015,¹⁵ with 90% of the total GHG emissions in Hong Kong stemming from energy consumption, largely attributed to the carbon footprint of buildings.¹⁶ New World Development's past performance in achieving green building certification for 98% of its building portfolio demonstrates the company's strong commitment to reducing the carbon footprint of its current and future properties. As such, New World Development's proposed green-certified real estate projects will further enhance the thermal insulation capacity and energy efficiency of its buildings. Moreover, Sustainalytics considers that the proposed Eligible Projects will make a direct positive contribution to Hong Kong's Climate Action Plan 2030 which targets a carbon intensity reduction of 65% to 70% by 2030 compared to the 2005 baseline year.¹⁷ However, Sustainalytics encourages New World Development to always ensure that the technologies supporting its energy efficiency projects target a minimum 10% overall performance improvement so as to align its sustainability commitments to current market practices.

Assessment of Green Building Certifications

New World Development Green Buildings eligibility criterion is based on third-party certification standards, specifically, LEED® (Gold or above), HK BEAM or BEAM Plus (Gold or above) and China Green Building Evaluation Standard (Two-star or above). Sustainalytics has conducted an evaluation of these certification schemes and is of the opinion that they are credible and transparent and that they provide an adequate integration of environmental aspects during all stages of a building's lifecycle (see Appendix 1). In addition, Sustainalytics assesses the use of the top green building certifications as industry best practice. Overall, Sustainalytics is of the opinion that New World Development's green building investments will result in significant environmental benefits.

¹² New World Development Sustainability Report 2016, available at: http://sr.nwd.com.hk/2016/sr_en.pdf

¹³ New World Development Sustainability Report 2016, available at: http://sr.nwd.com.hk/2016/sr_en.pdf

¹⁴ New World Development Sustainability Report 2016, available at: http://sr.nwd.com.hk/2016/sr_en.pdf

¹⁵ Energy Efficiency Office Electrical & Mechanical Services Department (EMDS), Hong Kong Energy End-Use Data 2017, September 2017; and The remaining energy consumption is assigned to Transport (31%) and Industrial (5%) sectors.

¹⁶ Hong Kong Environmental Bureau <http://www.energysaving.gov.hk/esc2017/en/charter/index.html>

¹⁷ <http://www.enb.gov.hk/sites/default/files/pdf/ClimateActionPlanEng.pdf>

Importance of waste reduction in Hong Kong

Hong Kong's current consumption rates generating over 6 million tonnes of municipal solid waste (MSW) annually are expected to continue to increase and exceed the capacity of Hong Kong's two strategic landfills currently in use by 2020.¹⁸ These patterns prompted the local government to adopt a new waste management strategy called "Hong Kong Blueprint for Sustainable Use of Resources 2013 – 2022,"¹⁹ in order to reduce per capita MSW disposal rate by 40% by 2022, raise civic awareness and support waste-related infrastructure. Sustainalytics considers that New World Development's proposed projects focusing on waste diversion, recycling, upcycling and composting will deliver a positive contribution to Hong Kong's waste reduction efforts.

Importance of climate change adaptation and water management strategies for Hong Kong

The Intergovernmental Panel on Climate Change warned that a large proportion of East Asia's cities (including Hong Kong and Mainland China) are increasingly exposed to specific extreme weather events such as extreme floods and coastal flooding due to typhoons and cyclones or water shortages due to droughts, high evapotranspiration or over-exploitation of water resources²⁰. Sustainalytics is of the opinion that NWD's projects targeting the resilient refurbishment of its buildings' portfolio will contribute to an improvement in the urban built environment and reduce the communities' climate vulnerability exposure via structural measures such as flood defence systems or storm water management systems. Similarly, New World Development's planned investments in the extension of its wastewater recycling and treatment capacities would help complement Hong Kong's water saving efforts and would help reduce the city's reliance on new reservoir development,²¹ Sustainalytics is of the opinion that New World Development's proposed climate change adaptation and water management projects will positively contribute to develop climate-resilient livelihoods and will contribute to secure Hong Kong's water requirements, especially during drought periods.

Contribution to the United Nations Sustainable Development Goals

The Sustainable Development Goals ("SDGs") were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. New World Development Green Finance Framework advances the following SDG goals and targets:

Use of Proceeds	UN SDG	SDG target
Green Buildings & Energy Efficiency and Renewable Energy	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency.
Water Management and Waste Management	11. Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
Climate Change Adaptation	11. Sustainable Cities and Communities	11.b By 2020, substantially increase the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, resilience to disasters, and develop and implement, in line with the Sendai Framework for Disaster Risk Reduction 2015-2030, holistic disaster risk management at all levels.

¹⁸ <https://www.gov.hk/en/residents/environment/waste/wasterecycinhk.htm>

¹⁹ <http://www.enb.gov.hk/en/files/WastePlan-E.pdf>

²⁰ Latest reports on climate change risks for Hong Kong indicate increased stress on water resources, flood risks and coastal inundation; for detailed analysis and climate projections, please consult https://www.ipcc.ch/pdf/assessment-report/ar5/wg2/WGIIAR5-Chap24_FINAL.pdf and http://www.csr-asia.com/report/report_cc_challenges_hk.pdf

²¹ http://www.wsd.gov.hk/filemanager/en/content_1171/TWM.pdf

Conclusion

New World Development has developed a Green Finance Framework under which it intends to issue green bonds and green loans. Proceeds under the Framework will be used to finance or refinance 'Eligible Projects' (or existing loans and bonds in relation to such projects) related to improving the environmental performance of the company's real estate assets and properties, specifically projects related to (i) Green Buildings, (ii) Energy Efficiency and Renewable Energy, (iii) Water Management, (iv) Waste Management and (v) Climate Change Adaptation.

Sustainalytics is of the opinion that the use of third-party green building certification schemes ensures a robust integration of environmental considerations, and views positively New World Developments' commitment to achieving top certification levels. Moreover, Sustainalytics is confident that NWD's green bonds and green loans will positively contribute to improving the sustainability performance of the company's portfolio of buildings, thereby advancing national climate-related targets, and advancing SDGs 7 and 11. Furthermore, the New World Development displays a strong commitment to allocation and impact reporting, with a comprehensive set of impact reporting metrics ensuring a transparent evaluation of the projects' environmental performance.

Based on the above, Sustainalytics is confident that New World Development is well positioned to issue green bonds and green loans, and that the New World Development Green Finance Framework is credible, robust and aligned with the ICMA Green Bond Principles.

Appendices

Appendix 1: Overview and comparison of Real Estate Certification Schemes

	HK BEAM ²²	BEAM PLUS ²³	China Green Building Evaluation Standard	LEED ²⁴	WELL Building Standard
Background	BEAM Society Limited (BSL) developed the Hong Kong Building Environmental Assessment Method ("HK-BEAM"), a green building assessment tool established in 1996 with the issue of two assessment methods, one for 'new' and one for 'existing' office buildings, largely based on the UK Building Research Establishments' BREEAM. The HK-BEAM aims to promote buildings that are more sustainable through enhanced design, construction, commissioning, management, operation and maintenance practices.	BEAM Society Limited (BSL) developed the Building Environmental Assessment Method ("BEAM"), namely the BEAM Plus assessment - a green building assessment tool tailor-made 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 Evaluation 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)	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, maintenance and operation of buildings.	WELL Building Standard ("WELL") is a building certification issued by the International WELL Building Institute (IWBI); Comprehensive, third-party verified standard targeting the commercial and institutional office buildings. The WELL standards measure the health, well-being, productivity and the happiness of building occupants.
Certification levels	Bronze Silver Gold Platinum	Bronze Silver Gold Platinum	1-Star 2-Star 3-Star	Certified Silver Gold Platinum	Silver Gold Platinum
Areas of Assessment: Environmental Performance of the Building	<ul style="list-style-type: none"> Site Aspects (location, planning and design, 	<ul style="list-style-type: none"> Site Aspects (location and design of building, emissions from the 	<ul style="list-style-type: none"> Land savings and outdoor environment; Energy savings and utilisation; 	<ul style="list-style-type: none"> Energy and atmosphere Sustainable Sites Location and Transportation 	<ul style="list-style-type: none"> Air Water Nourishment Light Fitness

²² [https://www.beamsociety.org.hk/files/4-04%20New%20Buildings%20\(Full%20Version\).pdf](https://www.beamsociety.org.hk/files/4-04%20New%20Buildings%20(Full%20Version).pdf)

²³ www.hkgbc.org.hk

²⁴ www.usgbc.org/LEED

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	<ul style="list-style-type: none"> emissions from the site) Materials Aspects (efficient use of materials, selection of materials, waste materials) Energy Use (annual energy use, energy efficient systems, energy efficient equipment, facilities for energy, management) Water Use (water quality, water conservation, effluent) Indoor Environmental Quality (safety, hygiene, indoor air quality, ventilation, thermal comfort, lighting quality, acoustics and noise, building amenities) Innovations and Additions 	<ul style="list-style-type: none"> site, site management) Materials Aspects (selection of materials, efficient use of materials, waste disposal and recycling) Energy Use (annual CO2 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"> Water savings and utilisation; Material savings and utilisation; Indoor environment; Operations and management 	<ul style="list-style-type: none"> Materials and resources Water efficiency Indoor environmental quality Innovation in Design Regional Priority 	<ul style="list-style-type: none"> Comfort Mind
Requirements	<p>HK BEAM is a credit-based system where the overall weighting is given by the relative number of credits given for the compliance with sub-criteria derived from the above-mentioned areas of assessment.</p> <p>For some of the environmental aspects detailed in HK-BEAM, compliance with legal requirements is taken as a prerequisite for the award of credits. Consequently, when an assessed</p>	<p>Prerequisites for each performance area + Credits with associated points</p> <p>Detailed compliance with 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>Prerequisites:</p> <p>The system functions on a checklist basis, with 1-Star buildings meeting 26 criteria, 2-Star with an additional 43 items and 3-Star on a further 14 items. Criteria and weighting differ for public and residential buildings, more weight is given to energy and material savings, while the standard for residential buildings places greater importance on urban land</p>	<p>Prerequisites (independent of level of certification) + Credits with associated points</p> <p>These points are then 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</p>	<p>The building has to meet a minimum of 5 preconditions to receive the Silver Certification, a minimum of 7 preconditions to receive the Gold certification or a minimum of 9 to receive the Platinum certification. The preconditions comprise 102 KPIs for the following quality indicators: Air, Water, Nourishment, Light, Fitness, Comfort, Mind</p>

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	<p>issue becomes subject to legislation, it will no longer count for an award of credits, and would be amended or deleted in any future revisions of HK-BEAM.</p> <p>The Overall Assessment Grade is based on the percentage of applicable credits gained. The award classifications are:</p> <p>Platinum 75% - Excellent Gold 65% - Very Good Silver 55% - Good Bronze 40% - Above Average</p>	<p>Credits are allocated for each performance area, and every area is weighted as per international consensus.²⁵ 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>saving and outdoor environments.</p>	<p>Construction and Major Renovations, Existing Buildings: Operation and Maintenance).</p>	
<p>Performance Display</p>					

²⁵ <https://www.beamsociety.org.hk/files/download/download-20130724174420.pdf>

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

Section 1. Basic Information

Issuer name: New World Development Company Limited

Green Bond ISIN or Issuer Green Bond Framework Name, if applicable: *[specify as appropriate]*

Review provider's name: Sustainalytics

Completion date of this form: March 21, 2018

Publication date of review publication: *[where appropriate, specify if it is an update and add reference to earlier relevant review]*

Section 2. Review overview

SCOPE OF REVIEW

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

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

- | | |
|--|--|
| <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 the New World Development Green Finance Framework, available at: <http://www.nwd.com.hk/sustainability> and the Second-Party Opinion document 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*):

Proceeds under the Framework will be used to refinance or finance, in whole or in part, existing (refinancing) and future projects that improve the environmental performance of residential, commercial and retail buildings, specifically projects relating to: (i) Green Buildings – certified in accordance with HK BEAM or BEAM Plus (Gold or above), China Green Building Evaluation Standard (Two-star or above), LEED (Gold or above), (ii) Energy Efficiency and Renewable Energy, (iii) Water Management, (iv) Waste Management, (v) Climate Change Adaptation.

Sustainalytics is of the opinion that the use of third-party green building certification standards ensures a robust integration of environmental aspects, and views positively New World Development's commitment to the highest certification levels.

Overall, Sustainalytics is confident that the projects funded by the proceeds of the green bonds and green loans are aligned with the company's Sustainability Policy and positive environmental performance and contribute to SDGs 7 and 11.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input checked="" 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 checked="" type="checkbox"/> Sustainable water and wastewater management | <input checked="" type="checkbox"/> Climate change adaptation |
| <input 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 (<i>please specify</i>): |

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (*if applicable*):

New World Development's project evaluation and selection process is executed through a panel comprising representatives of various functional areas which would select and recommend Eligible Projects to the Chairperson of the Group's Sustainability Steering Committee for final approval. The eligibility criteria will

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include various environmental metrics such as the projected environmental performance assessed against relevant benchmarks and the energy performance data assessed by a third-party auditor, where feasible. Sustainalytics views this process aligned with market practices.

Evaluation and selection

- | | |
|--|---|
| <input type="checkbox"/> Credentials on the issuer's environmental sustainability 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 Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (<i>please specify</i>): |

Information on Responsibilities and Accountability

- | | |
|--|---|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

The management of use of proceeds is in line with market practices including a register of 'Funding Transactions' under this Green Finance Framework, with relevant information of the transaction and allocation. The management of use of proceeds aligns with the recommendations of the Green Bond Principles 2017.

Tracking of proceeds:

- Green 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 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 |

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- Disclosure of portfolio balance of unallocated proceeds
 Other (*please specify*):

4. REPORTING

Overall comment on section (if applicable):

New World Development demonstrates a commitment to transparent reporting. The company will disclose an annual (i) allocation reporting comprising the net allocation of its green bond and green loan proceeds, detail for each Funding Transaction, the amount of unallocated proceeds, a list of Eligible Projects earmarked to be funded by the green bond and green loan, as well as a list of more detailed project examples on its website, annual report and sustainability report. The allocation reporting will be externally verified by a third-party auditor. This is in line with market best practices. With regards to (ii) impact reporting, New World Development will report on a comprehensive set of impact metrics including building certification (system & level), energy consumption reduction (in kWh), carbon emission reduction (in tonnes of CO_{2e}), water consumption reduction (in m³) and the amount of waste reduced and or diverted from landfills (in tonnes). Sustainalytics assessed the impact of the impact reporting as being in line with market practices.

Use of proceeds reporting:

- Project-by-project
 On a project portfolio basis
 Linkage to individual bond(s)
 Other (*please specify*):

Information reported:

- Allocated amounts
 Green Bond financed share of total investment
 Other (*please specify*):

Frequency:

- Annual
 Semi-annual
 Other (*please specify*):

Impact reporting:

- Project-by-project
 On a project portfolio basis
 Linkage to individual bond(s)
 Other (*please specify*):

Frequency:

- Annual
 Semi-annual
 Other (*please specify*):

Information reported (expected or ex-post):

- GHG Emissions / Savings
 Energy Savings

New World Development Green Finance Framework

- Decrease in water use
 Other ESG indicators (please specify): Building certification achieved (system & level), water consumption reduction (m3) and amount of waste reduced and/or diverted from landfills (tonnes).

Means of Disclosure

- Information published in financial report
 Information published in sustainability report
 Information published in ad hoc documents
 Other (please specify):
 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.)

<https://www.nwd.com.hk/>
<https://www.nwd.com.hk/sustainability/sustainability-report>
<http://www.nwd.com.hk/investor-relations/reports-and-presentations/interim-and-annual-reports>

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- Consultancy (incl. 2nd opinion)
 Certification
 Verification / Audit
 Rating
 Other (please specify):

Review provider(s):

Date of publication:

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

- i. Consultant Review: An issuer can seek advice from consultants and/or institutions with recognized expertise in environmental sustainability or other aspects of the issuance of a Green Bond, such as the establishment/review of an issuer's Green Bond framework. "Second Party Opinions" may fall into this category.
- ii. Verification: An issuer can have its Green Bond, associated Green Bond framework, or underlying assets independently verified by qualified parties, such as auditors. In contrast to certification, verification may focus on alignment with internal standards or claims made by the issuer. Evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria.
- iii. Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against an external green assessment standard. An assessment standard defines criteria, and alignment with such criteria is tested by qualified third parties / certifiers.
- iv. Rating: An issuer can have its Green Bond or associated Green Bond framework rated by qualified third parties, such as specialised research providers or rating agencies. Green Bond ratings are separate from an issuer's ESG rating as they typically apply to individual securities or Green Bond frameworks / programmes.

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