



Kerry Properties Limited Sustainable Finance Framework

May 2022



嘉里建設有限公司
KERRY PROPERTIES LIMITED

(Incorporated in Bermuda with limited liability)

KPL Sustainable Finance Framework

1. Introduction



1.1 Business Overview

Kerry Properties Limited (“KPL”, or collectively with its subsidiaries, the “Group”, stock code: 683.HK) is a leading property investment and development company in Mainland China and Hong Kong. Leveraging on its decades of experience, expertise and brand equity in property development, the Group focuses on building high-quality residences and mixed-use projects in prime locations of major cities in Greater China. It also owns and operates a premier investment portfolio of office, commercial and residential properties.

KPL is recognised by reputable ESG investment indexes and rating agencies including GRESB (Global Real Estate Sustainability Benchmark), MSCI ESG Ratings, Hang Seng Corporate Sustainability Index Series and the Greater Bay Area Business Sustainability Index. This effectively showcases KPL’s strong commitment and ongoing efforts in driving business in a sustainable manner.

1.2 Sustainability at KPL

KPL is committed to building a future-fit and truly sustainable city with strong leadership support and widespread engagement with multiple stakeholders along the value chain. KPL also adopts a holistic approach to embed sustainability throughout the life cycle of its properties. From planning, procurement, construction to operation and maintenance, we consider the environmental and social impact of our developments. KPL places high emphasis on sustainable development and has installed an ethos of creating sustainable value for its business, stakeholders and the environment. The Group strives to cultivate quality environment, create decent jobs, and provide green and inclusive space for all.

In addition, KPL has established the Sustainability Vision 2030 to align the Group’s sustainability roadmap with the United Nations Sustainable Development Goals (“UNSDGs”) in 2018. Built on four pillars: Environment, People, Community and Value Chain, the strategy not only aligns the Group’s vision with the global agenda, but also provides a holistic framework for advancing sustainability performance in operations and business plans coupled with corresponding targets. With a vision to achieve such targets by 2030, the Group takes a long-term perspective, and focus on anticipating and adapting to both present and future changes.

2. KPL Sustainable Finance Framework

This Sustainable Finance Framework (the “Framework”) is developed to set out how KPL and its entities would enter into sustainable finance transactions (“SFTs”) to implement or invest in projects that contribute to the Group’s sustainability strategy and vision.

The Framework aligns with the Green Bond Principles (2021) (“GBP”), Social Bond Principles (2021) (“SBP”) and Sustainability Bond Guidelines (2021) (“SBG”) issued by the International Capital Market Association (“ICMA”). The Framework also aligns with the Green Loan Principles (2021) (“GLP”) and Social Loan Principle (2021) (“SLP”) issued by the Loan Market Association (“LMA”).

2.1 Sustainable Financing Transactions

Sustainable finance transactions under this Framework includes dated, perpetual, convertible bonds and loans that are intended to fund Eligible Projects as defined in this Framework.

2.2 Responsibility

The Board oversees the broader sustainability trends and has overall responsibility for the Group’s sustainability strategy and reporting.

The Board is supported by the Sustainability Steering Committee (the “Committee”) which identifies, evaluates, manages and carries out the overall responsibility with regards to sustainability matters. They will conduct regular review of this Framework to maintain its effectiveness.

The Committee is chaired by the Executive Director and Board Member, comprising members from the Board as well as management from key areas of the Group, serving as a senior-level working group for setting the sustainability policy and strategy. The composition of the Committee shall be reviewed annually by the Chairman of the Committee to ensure an appropriate balance and representation of expertise and experience.

Sustainability Department is responsible for day-to-day sustainability-related matters within the Group. It periodically engages internal and external stakeholders in order to understand their expectations such that material ESG issues to the Group could be identified. It integrates the Group’s ESG strategy into our business and operations as well as embedding a sustainability culture across all functions.

3. Use of Proceeds



The proceeds of KPL’s sustainable financing transactions will be allocated, in whole or in part, to eligible green and/or social projects (collectively, “Eligible Projects”) as listed in section [3.1 Eligible Green Projects](#) and [3.2 Eligible Social Projects](#). For green loans and bonds, the proceeds will be used for projects that meet one or more of the eligible green projects criteria. For social loans and bonds, the proceeds will be used for projects that meet one or more of the eligible social projects criteria. As for sustainability bonds, the proceeds will be used for projects that meet a combination of eligible green project and eligible social project criteria.

Eligible Projects may include the projects that are made during the 36 months prior to the issuance or signing date of the respective sustainable finance transactions and during the life of it thereof.

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

- Fossil fuel and clean coal
- Nuclear related assets
- Alcohol
- Armament
- Mining
- Gaming

3.1 Eligible Green Projects

Green Projects Category	Eligibility Criteria	Examples
<p>Green Buildings</p> <p>UN SDG: 9, 11</p>	<ul style="list-style-type: none"> • All new buildings (including commercial and residential) are certified in accordance with one or more of the following regional, national or internationally green certifications: <ul style="list-style-type: none"> - LEED Gold or above - BEAM Plus Gold or above - China Green Building Evaluation Label 3 stars or above - RESET™¹ Air Core & Shell certification - WELL¹ Gold or above 	<ul style="list-style-type: none"> • Shenzhen Qianhai Kerry Centre <ul style="list-style-type: none"> ✓ LEED – Core & Shell Certification: Platinum and Gold Certification ✓ WELL Gold Standard • Hong Kong Kerry Centre <ul style="list-style-type: none"> ✓ WELL Core Platinum ✓ BEAM Platinum Standard • 87% of KPL’s portfolio area is green building certified
<p>Energy Efficiency</p> <p>UN SDG: 7, 11, 13</p>	<ul style="list-style-type: none"> • Projects to increase energy efficiency or reduce energy consumption which will yield either a 10% improvement in energy efficiency of relevant buildings or operations or a 10% reduction in energy intensity of the Group 	<ul style="list-style-type: none"> • Installation, replacement or upgrade of energy-efficient equipment or facilities such as solar LED lights, green roof made of artificial turf to reduce the cooling load • Adoption of smart energy management systems • Investments in other technologies which will improve energy efficiency within the company’s operations, e.g.: • Upgrade of energy-efficient chiller system and efficiency optimisation through retro-commissioning schemes • System upgrades and retrofitting for energy efficiency, such as upgrading chiller water pumps with variable speed drives • Replacement of air conditioning system to more energy-efficient models via CLP Eco Building Fund (consider low-GWP refrigerants for such cooling systems and promote robust refrigerant leak control, detection and monitoring, while

¹ It is in conjunction with Green Building Certifications.

Green Projects Category	Eligibility Criteria	Examples
		<p>ensuring recovery, reclamation, recycling or destruction of refrigerants at end of life)</p> <ul style="list-style-type: none"> • Online energy-use monitoring systems used to analyse trends in consumption and identify opportunities for improvement in energy efficiency during building operations and maintenance. Such systems allow analysis of the variations in the chiller performance under different weather conditions and opportunities for energy saving. Underutilised chillers could be identified to be switched off during winter, attaining efficiency in the overall cooling capacity
<p>Renewable Energy</p> <p>UN SDG: 11, 13</p>	<ul style="list-style-type: none"> • Projects to install renewable energy system or to purchase renewable energy certificates recognised by international standards or organisations 	<ul style="list-style-type: none"> • Installation of solar panels and solar power systems • Purchase of RECs that can be tracked to a specific renewable energy source, and controversial renewable energy such as nuclear power, will be excluded to align with market practice
<p>Climate Change Adaptation</p> <p>UN SDG: 12, 13</p>	<ul style="list-style-type: none"> • Projects to enhance new or existing buildings' resilience towards extreme weather events and/or chronic climate risks. Such projects could take place at different stages of a project lifecycle, such as planning and design, construction, operation and maintenance • Conduct Vulnerability Assessment to formulate and implement Adaption / Risk Management Plan 	<ul style="list-style-type: none"> • Investment in the infrastructure (such as heavy rain drainage systems and flood prevention systems) designed to provide protection and enhance resilience towards extreme weather and climate risks

Green Projects Category	Eligibility Criteria	Examples
<p>Water and Wastewater Management</p> <p>UN SDG: 3, 6</p>	<ul style="list-style-type: none"> Projects to recycle and reuse grey water, improve water efficiency and treat wastewater 	<ul style="list-style-type: none"> Installation of rainwater harvesting system Installation of air-conditioning condensation water recycling system Upgrade or installation of water-efficient fixing, including water-efficient sanitary wares with Water Efficiency Labels and automatic watering system Installation or enhancement of water leakage system Treatment of wastewater onsite before discharge. Wastewater is mainly from construction sites and kitchen of F&B facilities
<p>Pollution Prevention and Control</p> <p>UN SDG: 3, 11</p>	<ul style="list-style-type: none"> Projects to reduce waste generation and encourage recycling or upcycling. 	<ul style="list-style-type: none"> Installation of recycling facilities which are highly accessible for intended users. Facilities include reverse vending machine, recycling bins and food waste upcycling machine. And many types of materials have been recycled, e.g. paper, plastic, metals and glass Installation of waste sorting facilities, including installing sorting bins in public area to facilitate recycling
<p>Clean Transportation</p> <p>UN SDG: 3, 13</p>	<ul style="list-style-type: none"> Projects to transition to and purchase Electric Vehicles 	<ul style="list-style-type: none"> Purchasing Electric Vehicles Installation of EV charging facilities

3.2 Eligible Social Projects

Social Projects Category	Eligibility Criteria	Target Population	Examples
<p>Affordable Basic Infrastructure</p> <p>UN SDG: 9, 10</p>	<ul style="list-style-type: none"> Projects to construct, upgrade or maintain basic infrastructure in the Group's properties 	<ul style="list-style-type: none"> People with disabilities Elderly 	<ul style="list-style-type: none"> Development, renovation and maintenance of public areas for making such areas more accessible to people with disabilities Barrier-free infrastructure and facilities, e.g. playground facilities specifically designed for the elderly, dedicated toilets for disabled, extended maneuvering spaces for wheelchair users, parking spaces dedicated for disabled persons
<p>Access to Essential Services</p> <p>UN SDG: 9</p>	<ul style="list-style-type: none"> Projects to construct, upgrade or maintain essential services in the Group's properties 	<ul style="list-style-type: none"> Underserved, owing to a lack of quality access to essential goods and services 	<ul style="list-style-type: none"> Sanitation facilities to improve public hygiene and prevent spread of disease, e.g. air filters in air-conditioning systems, disinfection stations, anti-microbial coating Child-care and family-friendly facilities, e.g. breastfeeding area and children-friendly playgrounds

Social Projects Category	Eligibility Criteria	Target Population	Examples
Cultural and Heritage Conservation	<ul style="list-style-type: none"> • Projects to conserve or revitalise heritage sites or sites with cultural significance. Heritage sites refer to declared monuments as defined by local authorities. Sites with cultural significance include those identified by United Nations Educational, Scientific and Cultural Organisation (“UNESCO”) as cultural sites • Engagement programme to promote cultural significance of the site 	<ul style="list-style-type: none"> • Low-income population with barriers to access • Neighborhood of heritage sites or sites with cultural significance 	<ul style="list-style-type: none"> • Development, maintenance and refurbishment of cultural and heritage conservation sites to conserve building structure and features. Examples include Hangzhou mixed-use project which adopted the special use of bricks and metals as building materials to preserve the site’s industrial significance. An integrated design strategy was employed to create an interconnected space between the buildings and their surroundings to remind people of the district’s rich history and culture • Engagement programmes to promote cultural significance of cultural and heritage conservation sites, e.g. collaborating with local NGOs and/or suppliers on programme development
Employment Generation UN SDG: 8, 10	<ul style="list-style-type: none"> • Projects to support employment for vulnerable groups. Such projects include: <ul style="list-style-type: none"> - Training and mentorship programme - Return-to-work programme 	<ul style="list-style-type: none"> • Vulnerable groups are physically, mentally, or socially disadvantaged persons who may be unable to meet their basic needs and may therefore require specific assistance • Start-ups and SMEs 	<ul style="list-style-type: none"> • Internships, training and mentorship, return-to-work programmes for vulnerable groups • Projects to support start-ups and SMEs to encourage their sustained growth

The Target Population will be the exclusive recipients / beneficiaries of the proceeds applied towards specific social projects.

4. Process for Project Evaluation and Selection

A working group, which is formed by representatives from property management department, project development department, sustainability department and finance department, is responsible to review, select and approve (as appropriate) proposed projects. Each project will be evaluated and selected according to the following criteria:

- If it fulfils one or more of the eligible project criteria as listed in section [3.1 Eligible Green Projects](#) and [3.2 Eligible Social Projects](#)
- Potential impacts of the project on the economy, environment and community

To facilitate informed decision-making, each proposed project should be accompanied by relevant information and evidence on the project's expected impacts with respect to the KPIs mentioned in section [6.2 Impact Reporting](#). The Working Group will periodically review the Eligible Projects and ensure that relevant standards are adhered to and if potential environmental or social risks are identified, they will be escalated to senior management on an ad-hoc basis.

When a project ceases to be eligible, it will be removed and replaced as soon as practicable. New projects could be in a different project category depending on our Eligible Projects pipeline.

5. Management of Proceeds



Sustainable financing transactions issued under this Framework will be credited to the relevant general funding account managed by the Group's treasury team, with eligible green or social projects to be earmarked. KPL will maintain a register to keep track of the use of proceeds of each sustainability financing transaction. The register will contain the following information:

(A) Funding Transaction

- Issuer/borrower entity
- Transaction date
- Principle amount of proceeds

- Repayment or amortisation profile
- Maturity data
- Interest or coupon
- ISIN number (for bonds only)

(B) Allocation of Use of Proceeds

- Basic information of the approved eligible project (i.e. name, applying unit, description)
- Amount of proceeds allocated to the approved eligible project
- Remaining amount of proceeds of the funding transaction that have not been allocated to eligible projects

The Group commits to allocating proceeds raised from each sustainable financing transactions within 36 months of the issuance.

Any balance of proceeds of any funding transactions not earmarked to fund eligible projects will be held in accordance with Kerry Properties' prevailing treasury or liquidity management policy. The Group commits not to invest any unallocated proceeds to projects or activities in fossil fuel, clean coal, nuclear related assets, alcohol, armament, mining or gaming.

6. Reporting

KPL will report the allocation of its sustainable financing transactions issued under this Framework on its sustainability report or corporate website annually until full allocation. In case of material development, KPL will also make timely report and disclosure in its corporate website. The annual reporting will contain allocation reporting and whenever feasible, impact reporting.

6.1 Allocation Reporting

Allocation reporting should include the following information:

- A list of approved eligible projects and their basic information (i.e. name, description)
- Amount of proceeds allocated to the approved eligible projects
- Remaining amount of proceeds of the funding transaction that have not been allocated to eligible projects
- Share of financing vs refinancing

6.2 Impact Reporting

Whenever feasible, Kerry Properties will report impacts of the eligible projects in its annual reporting via its sustainability report or corporate website. Depending on the nature of the eligible projects, suitable KPIs as listed in the table below will be disclosed per project, or in an aggregated manner. KPL will also reference the framework and metrics recommended by the ICMA on impact reporting in its disclosure whenever possible.

Green Projects Category	KPIs
Green Buildings	<ul style="list-style-type: none"> • Type and level of green building certification obtained • Percentage of new investment portfolio with green certification (%)
Energy Efficiency	<ul style="list-style-type: none"> • Energy saved (MWh) • Greenhouse gas emissions avoided (tCO₂e) • Energy intensity reduction (%) • Greenhouse gas intensity reduction (%)
Renewable Energy	<ul style="list-style-type: none"> • Installed capacity (MW) and energy generated (MWh) • Amount of renewable energy purchased (unit)
Climate Change Adaptation	<ul style="list-style-type: none"> • Percentage of investment portfolio with climate resilience features (%)
Water and Wastewater Management	<ul style="list-style-type: none"> • Water recycled and reused (m³) • Water treated and reused (m³)
Pollution Prevention and Control	<ul style="list-style-type: none"> • Recycling rate (%) • Waste intensity reduction rate (%)
Clean Transportation	<ul style="list-style-type: none"> • Number of EVs charging stations installed (#) • Percentage of EVs in the fleet (%)

Social Projects Category	KPIs
Affordable Basic Infrastructure	<ul style="list-style-type: none"> • Number of barrier-free facilities (#)
Access to Essential Services	<ul style="list-style-type: none"> • Number of sanitation facilities (#) • Number of child-care and family-friendly facilities (#)
Cultural and Heritage Conservation	<ul style="list-style-type: none"> • Number of projects with cultural and heritage conservation considerations and/or programmes (#)
Employment Generation	<ul style="list-style-type: none"> • Number of projects to support employment for vulnerable groups (#)/ new job creation for the Target Population (#)

7. External Review

7.1 Second Party Opinion

Sustainalytics has provided a second party opinion for this Framework in accordance with GBP, SBP, SBG, and GLP.

The Second Party Opinion, as well as the Sustainable Finance Framework hereof, will be published and made available at <https://sustain.kerryprops.com/en/home>.