

Second Party Opinion

Far East Consortium International Ltd.'s Sustainable Finance Framework

Nov. 19, 2021

Far East Consortium International Ltd. (FEC) is a diversified group that engages in property development and investment, hotel operations and management, car park operations and facilities management, securities and financial product investment, and gaming operations, with businesses spanning across mainland China, Hong Kong, Malaysia, Singapore, Australia, New Zealand, the United Kingdom, and Continental Europe.

In our view, FEC's Sustainable Finance Framework, published in November 2021, is aligned with:

- ✓ Social Bond Principles (SBP), ICMA, 2021
- ✓ Green Bond Principles (GBP), ICMA, 2021
- ✓ Green Loan Principles (GLP), LMA/LSTA/APLMA, 2021
- ✓ Social Loan Principles (SLP), LMA/LSTA/APLMA, 2021
- ✓ Sustainability Bond Guidelines (SBG) ICMA, 2021

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Issuer's Sustainability Objectives

FEC's sustainability strategy is centered on four pillars: (1) managing environmental footprint by acting responsibly through sustainable practices, behavior, and innovative technology; (2) being an employer of choice providing an inclusive workplace for talents to thrive; (3) cultivating communities through creating positive impacts for them; and (4) ensuring client focus, i.e., providing guests with a safe, secure, and engaging experience. Each pillar is articulated around a few objectives and enablers to reach them. For instance, waste minimization is an objective to the environmental pillar, with the reduction in disposable plastics, food and construction waste being key actionable items.

With close to 50 years of operating experience, the company positions itself as one of the leading property developers in the Asia-Pacific region. It aspires to become an industry leader in building a sustainable future by actively engaging in areas that contribute to meaningful economic, social, and environmental impacts.

FEC has developed a sustainable finance framework to raise funds that will drive positive environmental and social impacts in line with its sustainability strategy.

Second Party Opinion Summary

Use of proceeds

Alignment  FEC's sustainable finance framework is aligned with this component of the SBP, GBP, GLP, SLP, and SBG.

Score Not aligned Satisfactory **Strong** Advanced

The company commits to allocating the net proceeds of financing instruments issued under the framework exclusively to eligible green and social projects, which relate to clear environmental and social objectives and to some of the United Nations' Sustainability Development Goals (SDGs).

Process for project evaluation and selection

Alignment  FEC's sustainable finance framework is aligned with this component of the SBP, GBP, GLP, SLP, and SBG.

Score Not aligned **Satisfactory** Strong Advanced

The company's framework outlines the process to ensure selected projects fit within the eligible project categories and to manage associated environmental and social risks. The company's ESG Steering Committee, comprising senior executives from various functional areas, will select and evaluate eligible projects.

Management of proceeds

Alignment  FEC's sustainable finance framework is aligned with this component of the SBP, GBP, GLP, SLP, and SBG.

The company will deposit the net proceeds from financing instruments in a general funding account and maintain a register to track their allocation. The company commits to substituting projects ceasing to be eligible with alternative eligible projects. The company will hold unallocated net proceeds in short-term instruments.

Reporting

Alignment  FEC's sustainable finance framework is aligned with this component of the SBP, GBP, GLP, SLP, and SBG.

Score Not aligned **Satisfactory** Strong Advanced

The company will disclose annually in its Corporate Responsibility Report and website the allocation of net proceeds across eligible projects, as well as their environmental and social impact. The company commits to engaging an independent third-party to review its fund allocation and impact reporting post-issuance.

Framework Assessment

Use of proceeds

The Principles make optional recommendations for stronger structuring practices, which inform our alignment opinion as satisfactory, strong, or advanced. For use of proceeds, we consider the commitments and clarity on how the proceeds are used.

 FEC's sustainable finance framework is aligned with this component of the SBP, GBP, GLP, SLP, and SBG.

Commitments score

Not aligned Satisfactory **Strong** Advanced

We consider FEC's overall commitments on use of proceeds to be satisfactory.


The company's framework is aligned with the Principles because FEC is committed to allocating the net proceeds of financing raised under its framework exclusively to eligible green and social projects. The framework lists six eligible green project categories, namely green buildings, energy efficiency, renewable energy, pollution prevention and control, clean transportation, and climate change adaptation. Likewise, the four eligible social project categories include affordable housing, access to essential services, pandemic response, and socioeconomic advancement and empowerment.

The company describes each project category and relates it to at least one SDG. It also clearly articulates the environmental and social objectives behind each eligible category. FEC commits to not allocate proceeds to finance or refinance activities relating to fossil fuel, clean coal, nuclear-related assets, alcohol, armament, mining, or gaming.

FEC commits to disclosing the share of financing and refinancing in its use of proceeds allocation. The look-back period for refinanced projects will not exceed 36 months from the time of issuance.

Process for project evaluation and selection

The Principles make optional recommendations for stronger structuring practices, which inform our alignment opinion as satisfactory, strong, or advanced. For our process for project selection and evaluation, we consider the commitments and clarity on the process used to evaluate and select eligible projects to fund with the proceeds of the sustainable finance instrument.

 FEC's sustainable finance framework is aligned with this component of the SBP, GBP, GLP, SLP, and SBG.

Commitments score

Not aligned **Satisfactory** Strong Advanced

We consider FEC's overall process for project selection and evaluation commitments to be satisfactory.

The framework is aligned with the Principles because it clearly communicates the process by which the company determines how projects fit within eligible categories. FEC's ESG Steering Committee, comprising senior executives from property development, hotel, carpark, and gaming businesses, drives the process. Its Sub-Committees, made up of the Property Sub-Committee, Hotel Sub-Committee and Finance/IR Sub-Committee, are responsible for sourcing, reviewing, and selecting eligible projects, as well as presenting the shortlisted projects to the ESG Steering Committee for final screening and approval.

FEC has established procedures to identify and manage perceived environmental and social risks associated with the eligible projects. The Sub-Committees will be responsible for assessing and escalating identified risk on an ad hoc basis to the ESG Steering Committee with a recommended course of action. The ESG Steering Committee may decide to remediate a risk or abandon the project if the risks look too high.


The company intends to incorporate market-based certifications as part of project selection for green buildings, including but not limited to Chinese Green Building Label, Hong Kong BEAM Plus,

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US Leadership in Energy and Environmental Design (LEED), Singapore BCA Green Mark Rating, and Building Research Establishment Environmental Assessment Method (BREEAM). However, other eligible categories do not systematically include reference to market-based taxonomies, standards, or certifications.

Management of proceeds

The Principles require disclosure of the issuer's management of proceeds from sustainable finance over the life of the funding. The alignment opinion focuses on how clear in the documentation is the issuer's commitment to ensuring that the funds raised will remain dedicated to eligible sustainability projects throughout the life of the sustainable finance funding.

 FEC's sustainable finance framework is aligned with this component of the SBP, GBP, GLP, SLP, and SBG.


The company's framework is aligned with the Principles because FEC is committed to tracking the use of proceeds for each transaction. The company will deposit the proceeds in a general funding account and maintain a register to track the use of proceeds for each sustainable finance transaction.

In case of divestment, if a designated project ceases to meet the eligible criteria under the framework, or if material controversies emerge in relation to a project, FEC commits to reallocating the net proceeds to an alternative project as soon as practicable.

Pending allocation or reallocation, FEC will manage the proceeds as per its normal liquidity management policy, where they will be held in short-term instruments, such as cash or equivalents, short-term deposits, or money market funds. FEC commits not to invest any unallocated proceeds to projects that conflict with the eligibility criteria under the framework.

Reporting

The Principles make optional recommendations for stronger disclosure practices, which inform our disclosure opinion as satisfactory, strong, or advanced. We consider plans for updates on the sustainability performance of the issuer for general purpose funding, or the sustainability performance of the financed projects over the lifetime of any dedicated funding, including any commitments to post-issuance reporting.

 FEC's sustainable finance framework is aligned with this component of the SBP, GBP, GLP, SLP, and SBG.

Disclosure score

Not aligned

Satisfactory

Strong

Advanced

We consider FEC's overall reporting practices to be satisfactory.

The company's framework is aligned with the Principles because FEC commits to reporting the allocation of proceeds, as well as the environmental and social impacts of the financed projects. The company will report these elements annually until full allocation of the net proceeds in its corporate responsibility report or its website. Allocation reporting will include the amounts allocated to eligible green or social projects, and the remaining balance of unallocated proceeds.

Environmental impact indicators will include at least annual energy savings, amount of waste reduced, and amount of carbon dioxide emission reduced. Likewise, social indicators will include rental costs/purchase prices compared with the private market, as well as number of elderly and employees with disabilities hired.

In line with the market's best practices, FEC commits to engaging an independent third party to verify its internal tracking method, allocation reporting, and impact reporting post-issuance.












The company mentions, rather than clearly commits to, disclosing key underlying methodology and assumptions used to calculate the quantitative performance measures, and referencing the Harmonized Framework for Impact Reporting.

Mapping To The U.N.'s Sustainable Development Goals

The Sustainable Development Goals (SDGs), which the United Nations (U.N.) set up in 2015, form an agenda for achieving sustainable development by 2030.

We use the International Capital Market Association's (ICMA's) SDG mapping for this part of the report. We acknowledge that ICMA's mapping does not provide an exhaustive list of SDGs and that ICMA recommends each project category be reviewed individually to map it to the relevant SDGs.

FEC's Sustainable Finance Framework intends to contribute to the following SDGs:

Use of proceeds	SDGs			
Green Buildings	 <p data-bbox="462 682 633 766">9. Industry, innovation and infrastructure</p>	 <p data-bbox="673 682 860 766">*11. Sustainable cities and communities</p>		
Energy Efficiency	 <p data-bbox="446 997 649 1060">*7. Affordable and clean energy</p>			
Renewable Energy	 <p data-bbox="446 1312 649 1375">*7. Affordable and clean energy</p>	 <p data-bbox="673 1312 860 1396">*11. Sustainable cities and communities</p>	 <p data-bbox="885 1312 1079 1396">*12. Responsible consumption and production</p>	 <p data-bbox="1104 1312 1299 1333">13. Climate action</p>
Pollution Prevention and Control	 <p data-bbox="462 1648 633 1711">*3. Good health and well-being</p>	 <p data-bbox="682 1648 852 1711">6. Clean water and sanitation</p>	 <p data-bbox="885 1648 1079 1732">*11. Sustainable cities and communities</p>	 <p data-bbox="1104 1648 1299 1732">*12. Responsible consumption and production</p>

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Clean Transportation



***11. Sustainable cities and communities**

Climate Change Adaptation



3. Good health and well-being



***13. Climate action**

Affordable Housing



***1. No poverty**



***11. Sustainable cities and communities**

Access to Essential Services



***3. Good health and well-being**



***4. Quality education**



***8. Decent work and economic growth**

Pandemic Response



3. Good health and well-being

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Socioeconomic Advancement
and Empowerment



***1. No poverty**



***8. Decent work
and economic
growth**



***10. Reduced
inequalities**

*The eligible project categories link to these SDGs in the ICMA mapping.

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