



**Urban Renewal Authority
Sustainable Finance Framework**

November 2024

Contents

1. Corporate Profile.....	3
1.1 URA Corporate Sustainability Effort.....	3
2. Urban Renewal Authority Sustainable Finance Framework.....	6
2.1 Use of Proceeds	7
2.1.1 Exclusion Criteria.....	9
2.2 Project Evaluation and Selection Process.....	10
2.3 Management of Proceeds	11
2.4 Reporting	12
2.5 External Review.....	13
2.6 Amendments to This Framework	13

1. Corporate Profile

The Urban Renewal Authority (“URA”) was established under the Urban Renewal Authority Ordinance in May 2001 to replace the Land Development Corporation as the statutory body to undertake, encourage, promote and facilitate the regeneration of the older urban areas of Hong Kong.

The URA strives to fulfil its mission of urban renewal through holistic and district-based planning and implementation on all fronts. In the midst of a complex and volatile economic environment, the URA collaborates with its partners and unites the efforts of all parties to stride towards the goal of sustainable urban renewal with resilience.

1.1 URA Corporate Sustainability Effort

Environment, Social and Governance (ESG) matters, Corporate Social Responsibility (CSR) and sustainability have long been integral to URA’s daily operations. URA prioritises the interests of all stakeholders affected by its business activities, including redevelopment, rehabilitation, preservation, revitalisation and retrofitting (5Rs).

By intervening in the urban environment, the URA aims to combat climate change through proactive measures such as promoting district ventilation and greening; reducing residents’ energy consumption by providing well-designed buildings; and improving connectivity within the district. URA’s corporate sustainability efforts are exemplified in how the URA engages with and manages its stakeholders, including households and businesses displaced by redevelopments, as well as other residents affected by rehabilitation works.

Strategy and Disclosure

In response to the Government’s target to achieve carbon neutrality by 2050, the carbon neutrality study for URA has established the baseline and boundary of its carbon emissions. The URA is drawing up a roadmap for carbon neutrality with short-term, medium-term and long-term emission reduction targets and implementation plans in URA’s operations and 5Rs business activities.

The Urban Renewal Sustainability Framework has been implemented across URA’s projects to assess their sustainability performance. Consisting of five domains, namely, Economy, Environment, Society, Process and People, the Urban Renewal Sustainability Framework “measures” the differences in sustainability before and after URA’s intervention. The improvements brought by URA’s intervention reflect our performance. The first-round results of these assessments will be published in URA’s upcoming Annual Sustainability Report.

While it is not mandatory for the URA, as a public organisation, to publish a sustainability report, URA takes the initiative to follow the Global Reporting Initiative (GRI) Standards to prepare future sustainability reports, in order to enhance URA’s sustainability reporting standard and showcase our sustainability achievements.

URA’s first Annual Sustainability Report for 2023/24, which is expected to be released at the end of 2024, will cover key topics, including governance and business conduct, corporate financial sustainability, diversity, employee health and well-being, responsible procurement, community development, carbon footprint, construction site safety and the sustainability framework.

In the future, the URA will further strengthen its ESG governance to underscore our commitment to sustainability.

Formulating a "Carbon Reduction" Approach to Sustainable Development

With sustainable development firmly embedded in the URA's core business strategies, we are working in tandem with the Government to achieve carbon neutrality by 2050. Over the past year, the URA has reviewed business processes, policies and operation details to integrate carbon reduction targets into all aspects of its business and operations, thus working towards our long-term goal of 'zero carbon' emissions.

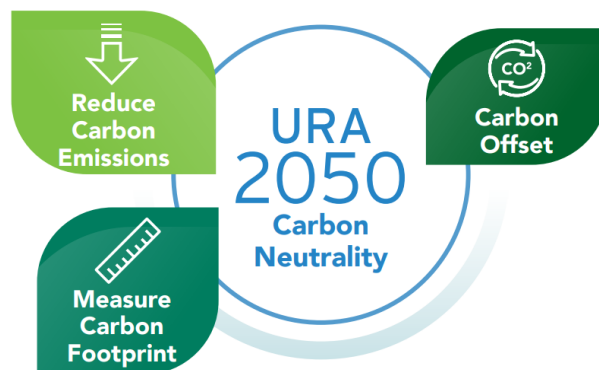


Figure 1: Key Aspects of URA 2050 Carbon Neutrality Strategy

Promoting Green and Smart Buildings Designs

While acknowledging that redevelopment and construction works would inevitably pose impacts on the environment, the URA strives to create low-carbon neighbourhoods and green buildings to foster sustainable development of the city. Green provisions covering energy efficiency, water conservation, construction waste management and the use of recycled materials have been incorporated into the development agreements of the URA's redevelopment projects to encourage Joint Venture developers to adopt sustainable practices in building design and construction.

To further its commitment in sustainable development, the URA has adopted the best industry practices according to the regional/international green building standards for relevant redevelopment projects.

As of reporting year 2023/24, there were a total of 35 projects having attained final BEAM / BEAM Plus Rating for sustainable building design, of which:

- 14 projects obtained final Hong Kong BEAM Platinum ratings;
- 4 projects with final BEAM Plus Platinum ratings; and
- 17 projects with final BEAM Plus Gold ratings.



In addition, 9 projects have obtained provisional BEAM Plus ratings in the design and construction stage, with 3 of these projects achieved provisional Platinum ratings. Among these 3 projects with provisional BEAM Plus Platinum ratings, over a 20 percent reduction in building energy consumption and more than a 45 percent reduction in potable water use were achieved; and more than 30 percent of demolition waste was recycled in these projects.

Going forward, each and every URA redevelopment project is required to achieve Gold or above grading under the BEAM or BEAM Plus assessments.

Building Rehabilitation and the People

One of the URA's missions is to encourage the maintenance and improvement of existing buildings with regards to their structural stability, integrity of external finishes and fire safety. Apart from promoting and administering various Government subsidy schemes to assist property owners in conducting repair and maintenance work, the URA places great emphasis on addressing the needs of individual stakeholders and ensuring that their livelihoods are not disrupted by the maintenance works.

Apart from repairs and improvements, the Common Area Repair Works Subsidy (CAS) also supports flat owners and buildings to adopt environmentally-friendly building materials and installations in their common area rehabilitation works.

2. Urban Renewal Authority Sustainable Finance Framework

The Authority establishes this “Urban Renewal Authority Sustainable Finance Framework” (the “**Framework**”), with the intention to integrate sustainable finance elements as part of the funding exercise. The Framework serves as a basis for the Authority to finance or refinance, in whole or in part, eligible green and/or social projects via the launch of bond(s) or loan(s) (collectively “**Sustainable Financing Instrument(s)**” or “**SFI(s)**”).

Under the Framework, the URA can launch SFI(s) in the following formats:

- Green: proceeds are exclusively allocated to Eligible Green Project Category(ies);
- Social: proceeds are exclusively allocated to Eligible Social Project Category(ies); and
- Sustainability: proceeds are allocated to a mix of Eligible Green Project Category(ies) and Eligible Social Project Category(ies).

The Sustainable Financing Instruments launched under this Framework will be structured in alignment with sustainable finance principles listed below (and any updated version going forward), depending on the type of Sustainable Financing Instrument(s) being raised:

- Published by the International Capital Market Association (“**ICMA**”), Green Bond Principles (“**GBP**”) 2021 (with June 2022 Appendix 1)¹; Social Bond Principles (“**SBP**”) 2023²; and Sustainability Bond Guidelines (“**SBG**”) 2021³ (jointly referred to as the “**ICMA Principles**”); and/or
- Jointly published by the Loan Market Association (“**LMA**”), the Asia Pacific Loan Market Association (“**APLMA**”) and the Loan Syndications and Trading Association (“**LSTA**”), Green Loan Principles (“**GLP**”) 2023⁴ and Social Loan Principles (“**SLP**”) 2023⁵ (jointly referred to as the “**LMA Principles**”).

To promote credibility and consistency of URA’s green economic activities, and to strengthen Hong Kong’s status as an international green finance hub, this Framework takes reference to the Hong Kong Taxonomy for Sustainable Finance⁶ (“**Hong Kong Taxonomy**”) published by the Hong Kong Monetary Authority (“**HKMA**”) as applicable and feasible.

In aligning with the above principles and guidelines (and any updated version going forward), the Framework is presented through the four core components of the GBPs, SBPs, SBGs, GLPs and SLPs as well as their recommendations for external review:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds

¹ ICMA Green Bond Principles, June 2021 (with June 2022 Appendix 1), <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

² ICMA Social Bond Principles, June 2023, <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/social-bond-principles-sbp/>

³ ICMA Sustainability Bond Guidelines, June 2021, <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-bond-guidelines-sbg/>

⁴ LMA Green Loan Principles, February 2023, <https://www.lsta.org/content/green-loan-principles/>

⁵ LMA Social Loan Principles, February 2023, <https://www.lsta.org/content/social-loan-principles-slp/>

⁶ Hong Kong Taxonomy for Sustainable Finance, May 2024, <https://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2024/20240503e1.pdf>

4. Reporting

2.1 Use of Proceeds

The proceeds of each Sustainable Financing Instrument launched by the URA will be used to finance or refinance, in whole or in part, projects that meet the Eligibility Criteria of Eligible Green and/or Social Project category(ies) (“Eligible Green and/or Social Projects”).

On a best effort basis, URA will prioritise recent / newer Eligible Green and/or Social Projects, depending on the type of Sustainable Financing Instrument(s) being raised.

URA may launch Hong Kong Taxonomy-aligned SFI(s) by applying additional criteria below (“Additional Hong Kong Taxonomy Criteria”) when selecting potential projects.

Eligible Green Project Category

Eligible Green Project Category	Eligibility Criteria	Additional Hong Kong Taxonomy Criteria ⁷
<p style="text-align: center;">Green Buildings - New Buildings</p>	<p>Acquisition, development and/or construction of new residential, commercial, or industrial buildings that have received (final or provisional), or targeted to receive based on its design, construction and operational plans, regional or international green building certification standards below (“Minimum Green Building Certification Standards”):</p> <ul style="list-style-type: none"> ○ Hong Kong Green Building Council BEAM Plus – Gold or above; or ○ U.S. Leadership in Energy and Environmental Design (LEED) – Gold or above. 	<p>Achieve either of the below:</p> <ul style="list-style-type: none"> ○ Energy Use component of applicant’s BEAM Plus Certification should meet at least a minimum of 10 credits under EU2 (Reduction of CO₂ Emissions) and a minimum score of 70% in Energy Use category and, either: <ul style="list-style-type: none"> a. For projects certified under BEAM Plus 1.2: 30% energy saving against the BEC 2018 baseline, or b. For projects certified under BEAM Plus 2.0, 20% energy saving against BEC 2021 baseline ○ Buildings certified at least Extra Low in EUI or level 2 improvement (i.e. 25% reduction) in Energy Performance under the Hong Kong Zero-Carbon-Ready Building Certification Scheme

⁷ Additional Hong Kong Taxonomy Criteria will be applied only if information is available during the project selection process.

<p>Green Buildings - Existing Buildings</p>	<p>Construction, renovation, upgrade or building services system overhaul on existing residential, commercial, industrial or commercial part of a composite building that satisfies either of the below:</p> <ul style="list-style-type: none"> ○ Received (final or provisional), or targeted to receive any of the Minimum Green Building Certification Standards ○ Demonstrates a reduction of primary energy demand, energy consumption or direct GHG emissions of at least 30% against the building’s historical average performance 	<p>For commercial buildings:</p> <ul style="list-style-type: none"> ○ The reduction of primary energy demand, energy consumption, or direct GHG emissions of at least 30% against the building’s historic average; or ○ at least Extra Low in EUI or Level 2 improvement (i.e., 25% reduction) according to Zero-Carbon-Ready Building Certification Scheme <p>For residential buildings:</p> <ul style="list-style-type: none"> ○ The reduction of primary energy demand, energy consumption, or direct GHG emissions of at least 30% against the building’s historic average
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Eligible Social Project Categories

Eligible Social Project Categories	Eligibility Criteria
<p>Affordable Housing</p>	<p>Residential Projects related to the provision of affordable housing to dedicated target population in concession price.</p> <p><u>Target Population:</u></p> <ul style="list-style-type: none"> ○ Hong Kong permanent resident that cannot afford private housing and ineligible to enjoy any other housing subsidies offered by the Government or other related organisations, and subject to affordability test. <p><u>Concession Price:</u></p> <ul style="list-style-type: none"> ○ The concession price shall be set at no more than 80% of the Assessed Market Value (“AMV”) at the time the sale is open for application. The AMV shall be assessed by an independent surveyor.
<p>Socioeconomic Advancement and Empowerment</p>	<p>Projects under any of the URA’s Development Schemes/Projects or Integrated Project Focus Areas that provide barrier-free, free-for-access, and easily accessible public facilities (e.g. Parks) with the aim to promote social integration.</p>

<p>Employment Preservation and Promotion of Productivity</p>	<p>Non-residential projects aimed at employment preservation and reactivation of businesses, with no less than 70% of the total number of tenants are Small and Medium Enterprise(s)⁸ (“SME(s)”), and Non-profit Organization(s)⁹ (“NGO(s)”) in Hong Kong.</p>
<p>Promotion of Building Rehabilitation in Combatting Urban Decay</p>	<p>Subsidy schemes that are provided to owner(s) of Eligible Building(s) to carry out comprehensive maintenance works in building common areas, with the aim to promote building rehabilitation for combatting urban decay.</p> <p><u>Eligible Building:</u></p> <ul style="list-style-type: none"> ▪ An Eligible Building shall satisfy all criteria as stated below: <ul style="list-style-type: none"> ○ Private residential or composite (commercial and residential) building, as referred to the Occupation Permit issued by the Buildings Department; ○ The average annual rateable value of all the domestic units in the building should not exceed relevant applicable limit¹⁰. ○ Not in single ownership; ○ Aged 30 years or above; and ○ Comply with other applicable eligibility criteria as stated in the URA Common Area Repair Works Subsidy¹⁰.

2.1.1 Exclusion Criteria

In any case, the Eligible Green and/or Social Projects shall not include any projects that are involved in any of the following sector:

- Fossil fuel-based electric power generation;
- Improvement in the efficiency of fossil fuel-based electric power generation; and
- Any industries or activities prohibited by the Laws of Hong Kong, for example, child labour, gaming, adult entertainment, ammunition, and businesses or activities with record of engaging in illegal business activities.

⁸ As defined by Trade and Industry Department of HKSAR Government: a small and medium-sized enterprise is any manufacturing business which employs fewer than 100 persons, or any non-manufacturing business which employs fewer than 50 persons in HKSAR.

⁹ Non-profit Organization refers to organization that satisfies either of the below definition: (i) Charitable institutions or trusts of a public character, which is exempted from tax under section 88 of Inland Revenue Ordinance; or (ii) Non-profit making organizations which are registered under the Societies Ordinance (Cap. 151); or incorporated under the Companies Ordinance (Cap.32); and their Constitutional or Memoranda of Association specifically provide that members do not take any share of the profits or any share of the assets upon dissolution

¹⁰ Actual average annual rateable value limit will be updated from time to time via eligibility criteria of the URA Common Area Repair Works Subsidy. For full list of eligibility criteria, please refer to: <https://brplatform.org.hk/en/subsidy-and-assistance/integrated-building-rehabilitation-assistance-scheme/schemes-for-buildings/common-area-repair-works-subsidy>

2.2 Project Evaluation and Selection Process

The Project Evaluation and Selection Process will ensure that the proceeds of any Sustainable Financing Instruments are allocated to finance or refinance Eligible Green and/or Social Projects that meet the criteria and objectives set out above in Section 2.1 - Use of Proceeds. In particular, when possible and applicable, URA may reference the “Hong Kong Taxonomy Criteria” in addition to the Eligibility Criteria when selecting eligible projects.

In order to ensure a strong governance process and inclusivity of expertise from various functions of URA, the URA Executive Committee, chaired by the Managing Director, consists of Head of Divisions from relevant divisions and business units, including but not limited to:

- Finance Division;
- Planning & Design Division;
- Property & Land Division; and
- Works and Contracts Division,

is responsible to oversee, govern and implement the Project Evaluation and Selection Process with key responsibilities as set out in the Framework as below:

- Conduct preliminary screening on Eligible Green and/or Social Projects;
- Ensure all Eligible Green and/or Social Projects have been assessed in line with the URA’s risk management and internal control criteria;
- Confirm and allocate proceeds to Eligible Green and/or Social Projects;
- Conduct regular monitoring of the asset pool to ensure the eligibility of Green and/or Social Projects with the criteria set out above in section 2.1 - Use of Proceeds;
- In case any necessary change is needed (for example, if a project has divested, amortised, been prepaid, sold or otherwise become ineligible), replace any ineligible Green and/or Social Projects with new Eligible Green and/or Social Projects;
- Facilitate regular reporting on any Sustainable Financing Instruments in alignment with reporting commitments set out in below section 2.4 – Reporting; and
- Manage future updates to this Framework, if any.

2.3 Management of Proceeds

The URA has established the Sustainable Finance Register (the “**Register**”) to record the proceeds allocation of Sustainable Financing Instruments. The proceeds of Sustainable Financing Instruments will be deposited in URA’s general funding accounts and allocated to Eligible Green and/or Social Projects under different business units. All proceeds will be “earmarked” until allocation to Eligible Green and/or Social Projects.

For each Sustainable Financing Instrument launched, the Register will contain the following information:

1. Sustainable Financing Instrument Transaction Details:
 - Transaction date;
 - Principal amount of proceeds;
 - Maturity date;
 - Interest or coupon; and
 - International Securities Identification Number (ISIN), as applicable.

2. Allocation of Proceeds:
 - Confirmation from URA Treasury and Funding Department that the respective project is considered an Eligible Green and/or Social Project;
 - Summary of Eligible Green and/or Social Projects to which the proceeds of the Sustainable Financing Instrument have been allocated in accordance to this Framework;
 - Amount of proceeds allocated to each Eligible Green and/or Social Project;
 - The remaining balance of unallocated proceeds;
 - Estimated environmental impact (and social impact where relevant);
 - Phase of the Eligible Green and/or Social Project (e.g. construction, operational);
 - Look-back period of Eligible Projects under re-financing; and
 - Other necessary information, as applicable.

Any proceeds temporarily unallocated will be invested according to the URA’s standard liquidity policy. For avoidance of doubt, unallocated proceeds would not be invested in any of the sectors / activities included in the above section 2.1.1 - Exclusion Criteria as well as any highly polluting, high-carbon emission or resource-intensive projects.

In case of any significant change of an Eligible Green and/or Social Project (for example, if a project has divested, amortized, been prepaid, sold or otherwise become ineligible), or if an Eligible Green and/or Social Project no longer meets the Eligibility Criteria (as defined above in section 2.1 - Use of Proceeds), URA will reallocate the proceeds to other Eligible Green and/or Social Projects promptly on a best effort basis.

2.4 Reporting

The URA commits to publish a Sustainable Finance Report to provide information on proceeds allocation and environmental and/or social impacts on an annual basis until all Sustainable Financing Instruments are no longer outstanding.

The Sustainable Finance Report will contain the following details for each Sustainable Financing Instrument:

1. Allocation Reporting:

- Amount of proceeds allocated to each Eligible Green and/or Social Project Category(ies);
- Aggregate amount of proceeds of Sustainable Financing Instrument(s) allocated that has been earmarked to Eligible Green and/or Social Project(s);
- The remaining balance of unallocated proceeds yet to be earmarked;
- Types of temporary investments;
- Share of financing and re-financing; and
- Upon confidentiality and data availability, detailed description of major Eligible Green and/or Social project(s).

2. Impact Reporting:

Where possible, the URA will report on the environmental impact (and social impact where relevant) of Eligible Green and/or Social Projects allocated. Subject to the nature of Eligible Green and/or Social Projects, availability of information and feasibility, the URA will report using impact indicators such as listed below, and where available, taking reference from the relevant indicators suggested in the ICMA Harmonised Framework for Impact Reporting^{11,12}. In addition, calculation methodologies and key assumptions will be disclosed.

Eligible Project Categories	Example Impact Reporting Metrics
Eligible Green Projects	
Green Buildings	<ul style="list-style-type: none"> • GFA (sqft) or Number of Eligible Green Building(s), by type and level of green building certification • Energy efficiency improvements (MWh or % vs. baseline) • Estimated reduced/avoided GHG emissions (tCO₂eq) • Annual energy savings (MWh pa)

¹¹ Harmonised Framework for Impact Reporting Green Bonds, December 2020, <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/Handbook-Harmonized-Framework-for-Impact-Reporting-December-2020-151220.pdf>

¹² Harmonised Framework for Impact Reporting Social Bonds, June 2022, https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Harmonised-Framework-for-Impact-Reporting-Social-Bonds_June-2022-280622.pdf

Eligible Project Categories	Example Impact Reporting Metrics
Eligible Social Projects	
Affordable Housing	<ul style="list-style-type: none"> • Number of applicants supported • Number of affordable housing units provided
Socioeconomic Advancement and Empowerment	<ul style="list-style-type: none"> • Eligible community area provided (Sqft) • Beneficiaries of minimum benefits
Employment Preservation and Promotion of Productivity	<ul style="list-style-type: none"> • Number of SMEs and/or NGOs supported • Number of jobs maintained / generated
Promotion of Building Rehabilitation in Combatting Urban Decay	<ul style="list-style-type: none"> • Number of building maintenance projects supported • Amount of earmarked funding (\$HKD)

2.5 External Review

The URA has appointed Moody's Ratings to provide an External Review in the form of a Second Party Opinion on the Framework's alignment to the GBP, GLP, SBP, SLP and SBG.

The URA will seek independent and external verification of its proceeds allocation and impact on an annual basis until full allocation or upon any material development of the Sustainable Financing Instrument(s). The verification will be performed by a qualified external reviewer with relevant expertise, such as an auditor or an environmental consultant.

The Second Party Opinion and subsequent Sustainable Finance Reports will be made publicly available on the URA's official website (ura.org.hk).

2.6 Amendments to This Framework

URA will review the Framework on a regular basis, including its alignment to updated versions of the sustainable finance principles as and when they are released, with the aim of adhering to best practices in the market. Such review may result in the Framework being updated and amended. The updates, if not minor in nature, will be subject to the prior approval of the URA and the Second Party Opinion provider. Any future updated version of this Framework that may exist will either keep or improve the current levels of transparency and reporting disclosures, including the corresponding review by an external reviewer. The updated Framework, if any, will be published on the URA's official website (ura.org.hk) and will replace this Framework.

Disclaimer

This Urban Renewal Authority Sustainable Finance Framework (the “Framework”) contains certain forward-looking statements that reflect the URA’s management’s current views with respect to future events and financial and operational performance of URA and its subsidiaries. These forward-looking statements are based on URA’s current expectations and projections about future events. Because these forward-looking statements are subject to risks and uncertainties, actual future results or performance may differ materially from those expressed in or implied by these statements due to any number of different factors, many of which are beyond the ability of URA to control or estimate precisely including but not limited to, future market development, changes in the regulatory environment. You are cautioned not to place undue reliance on the forward-looking statements as well as information and opinions contained herein, which are made only as of the date of this Framework and could be subject to change. The information contained in this Framework does not purport to be comprehensive and, unless differently specified in this Framework, has not been independently verified by any independent third party.

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