



Hong Kong Housing Society
Social Finance Framework

July 2024

Table of Contents

1 HKHS Overview

1.1 About HKHS

1.2 ESG Governance

2 Social Finance Framework

2.1 Summary

2.2 Use of Proceeds

2.3 Process for Project Evaluation and Selection

2.4 Management of Proceeds

2.5 Reporting

2.5.1 Allocation Reporting

2.5.2 Impact Reporting

External Review

1 HKHS Overview

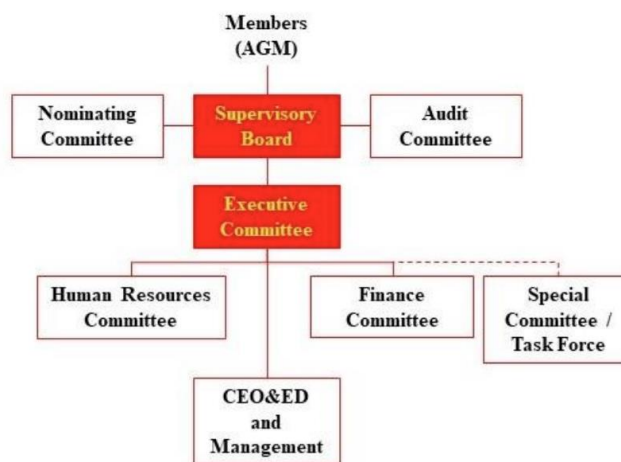
1.1 About HKHS

Hong Kong Housing Society (“HKHS”) was established in 1948 and incorporated as a body corporate in 1951 under the Hong Kong Housing Society Incorporation Ordinance (Cap. 1059). It is an independent, not-for-profit and self-financing organization aiming to provide quality housing and related services for the people of Hong Kong. HKHS is an important partner of the Hong Kong Special Administrative Region (“HKSAR”) government and plays an active role in providing low to middle-income families with rental units and subsidized sale flats (“SSF”). HKHS is also uniquely positioned as the “housing laboratory”, which aims to try out innovative housing schemes. HKHS strives to be a world-class housing solution provider and innovator. The establishment of HKHS has prospered the housing market of Hong Kong and improved the living environment of tens of thousands of families.

HKHS firmly upholds and promotes social mission as its primary focus. It is committed to developing quality public housing and enhancing housing management business and services to improve people’s livelihood. HKHS has two main core businesses, namely housing development and property management, and five main income streams - property sales, property management services, property leasing, interest income and investment income.

HKHS is responsible for providing specific categories of subsidized housing to meet the housing needs of the general public. Throughout the years, HKHS has been developing subsidized sale and rental housing projects on a self-financing basis on sites granted to HKHS by the Government at a concessionary land premium. These projects received high demand from low to middle-income families, which proves HKHS’ unique and important position in the affordable housing market of Hong Kong.

HKHS is a Members-run organization. Any person subscribing to the aims and objects of HKHS shall be eligible to become a member of HKHS. HKHS adopts a two-tier board structure, a Supervisory Board and an Executive Committee, made up of Government officials and professionals coming from different sectors of the community. The Supervisory Board determines the mission, vision, core values and guiding principles; the Executive Committee sets the strategies and policies to achieve the mission and objectives; and the Management is accountable for the implementation of the strategies in the business operations.



1.2 ESG Governance

To ensure effective implementation of the sustainability strategy, a clear governance structure was adopted. The Directors' Meeting ("DM") is responsible for reviewing and approving sustainability priorities, strategies, targets and initiatives and overseeing the progress in their implementation. It also takes a leading role in assessing the impact of material sustainability risks and opportunities as well as their associated implications for HKHS in the long run.

Under the direction of DM, the Sustainability Working Group ("SWG"), chaired by the Director (Corporate Planning & Finance) and comprises of senior representative from all divisions, is formed. The SWG is responsible for formulating and implementing sustainability targets and initiatives that are compatible with the strategic direction and context of HKHS. It is also responsible for identifying, monitoring and reporting to DM on sustainability risks and opportunities and the current sustainability performance.

To ensure sustainability values are incorporated into the day-to-day operation, other relevant staff from operating divisions/sections are responsible for implementing sustainability initiatives and operational control as well as providing performance data on sustainability initiatives.



2 Social Finance Framework

2.1 Summary

This bespoke Social Finance Framework (the "Framework") has been developed to demonstrate how HKHS intends to enter into social financing transactions (and other financing transactions which include social financing tranches) (together the "SFT") to fund projects that will deliver social benefits to support HKHS' business strategy and vision. Fundraising will include bonds and loans with structures tailored to contribute to sustainable development by application of the proceeds towards Eligible Social Projects

defined in this Framework. With respect to bonds, bonds issued under the Framework will be aligned with the Social Bond Principles (“SBP”), 2023¹ or as they may be subsequently amended. With respect to loans, loans drawn under the Framework will be aligned with the Social Loan Principles (“SLP”), 2023² or as they may be subsequently amended.

For each SFT, HKHS asserts that it will adopt the following principles under SBP and SLP:

- I. Use of Proceeds
- II. Process for Project Evaluation and Selection
- III. Management of Proceeds
- IV. Reporting

Each of these principles is elaborated in the following paragraphs:

2.2 Use of Proceeds

The net proceeds of the SFT (or, as applicable, the relevant tranche of the SFT) (the **SFT Proceeds**) will be used to finance or refinance (with a maximum look-back period of 24 months), in whole or in part, new or existing eligible social projects at HKHS that meet one or more of the following categories of eligibility as recognised in the SBP and/or the SLP (“Eligible Social Projects”):

Eligible Social Project Category	Eligibility Criteria
Affordable housing	Enable access to adequate, safe and affordable housing for <ul style="list-style-type: none"> - Low-income families fulfilling eligibility criteria in terms of income and/or asset limit set by Hong Kong Housing Authority - Disadvantaged communities (e.g. elderly)
Affordable basic infrastructure	Support projects related to development of community and recreational facilities that are accessible to residents of the affordable housing projects referred to above as well as the general public free of cost or subsidized, and operated by government departments, quasi-governmental bodies or non-profit organizations.

Exclusion criteria

For the avoidance of doubt, in any case, the following activities shall not be eligible for the use of the SFT Proceeds:

- Nuclear energy generation related assets and projects
- Fossil fuel dedicated assets and projects
- Activities deemed illegal under the laws or regulations in HKSAR

¹<https://www.icmagroup.org/assets/documents/Sustainable-finance/2023-updates/Social-Bond-Principles-SBP-June-2023-220623.pdf>

²<https://www.lsta.org/content/social-loan-principles-slp/>

2.3 Process for Project Evaluation and Selection

The DM will assume the responsibility of overseeing the process of selecting, evaluating and monitoring Eligible Social Projects. The DM will meet as frequently as required, to review project submissions from Planning and Development Division to ensure the Eligible Social Projects are in line with the Eligibility Criteria set out in the Use of Proceeds section of this Framework, and the mission, vision, core values and Sustainability Framework of HKHS.

To ensure strong governance process and inclusivity of expertise from functions across HKHS, the following key persons of the DM are responsible for project evaluation and selection.

- Chief Executive Officer and Executive Director
- Director (Corporate Planning and Finance)
- Development and Marketing Director
- Director (Projects)
- Director (Property Management)
- Social and Elderly Wellness Director
- Human Resources Director
- Corporate Communication Director

If the DM identifies social and/or environmental risks associated with the relevant projects deemed as material, DM should invite in-house expert or independent consultant(s) (if necessary) to conduct appropriate review and recommend mitigation measures.

2.4 Management of Proceeds

To ensure the SFT Proceeds are directed towards the Eligible Social Projects, HKHS will keep an internal register of information in respect of each SFT including:

- a) SFT: key information about that SFT, including the transaction date, percentage of financing and refinancing of Eligible Social Projects, total principal amount of proceeds and outstanding principal amount of proceeds, maturity date and (if applicable) amortization schedule, interest or coupon rate and (in the case of public bonds) the ISIN number etc.; and
- b) Allocation of Use of Proceeds:
Information including:
 - Summary details of Eligible Social Projects to which the SFT Proceeds have been allocated in accordance with this Framework;
 - Amount of the SFT Proceeds allocated to each project;
 - Confirmation of DM endorsement that the project is considered to be an Eligible Social Project;
 - Aggregate amount of the SFT Proceeds allocated earmarked to Eligible Social Projects;
 - The remaining balance of unallocated SFT Proceeds yet to be earmarked;
 - Estimated social benefit; and
 - Other necessary information.

HKHS intends to fully allocate the SFT Proceeds into Eligible Social Projects within 24 months from the issuance or drawdown (as applicable) of the SFT. If, for any reason, an Eligible Social Project ceases to meet the Eligible Criteria set out in this Framework, the project will be removed and substituted as soon as reasonably practical. Pending allocation, the net SFT Proceeds will be kept in HKHS general account and/or invested according to the treasury department’s general liquidity guidelines for short term investments.

2.5 Reporting

2.5.1 Allocation Reporting

HKHS will annually disclose the allocation of the SFT Proceeds on its corporate website, annual report or sustainability report.

The annual disclosure, to be verified by a third party, will include the following:

- a. Details of each of the SFT with any amount outstanding at any point during the reporting period. Key information to be provided will include the transaction date, percentage of financing and refinancing of Eligible Social Projects, outstanding principal amount of proceeds, maturity date and (if applicable) amortization schedule, interest or coupon rate and (and in the case of public bonds) the ISIN number.
- b. Aggregate amount of the SFT Proceeds of each SFT earmarked to Eligible Social Projects
- c. The remaining balance of the SFT Proceeds of each SFT yet to be earmarked
- d. A list of Eligible Social Projects earmarked to be funded by the SFT Proceeds, and key project details
- e. A selection of more detailed project examples (where competition and confidentiality considerations allow)

Where the Eligible Social Project to which the SFT Proceeds of a SFT will be allocated is known at the time of launching the SFT, this will be disclosed at the time of launch. HKHS has also committed to report on material developments related to the Eligible Social Projects.

2.5.2 Impact Reporting

Qualitative performance indicators and, where feasible, quantitative performance measures (e.g. number of beneficiaries, especially from target populations) and disclosure of the key underlying methodology and/or assumptions used in the quantitative determination.

Eligible Social Project Category	Examples of Impact Reporting Indicators
Affordable housing	- Number of beneficiaries/benefited families - Number of housing units created or rehabilitated
Affordable basic infrastructure	- Capacity of community and recreational facilities developed - Population enabled with access to the infrastructure

External Reviews

HKHS has obtained an external review of this Framework from Hong Kong Quality Assurance Agency to evaluate its alignment with the SBP and SLP which can be viewed in the relevant section on HKHS' website.