

Sustainability Report 2016

WE DO IT RIGHT

Stock Code : 00101



COVER PAGE

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Our Fifth Sustainability Report

This is the fifth standalone sustainability report for Hang Lung Group Limited (Hang Lung Group) (Stock code: 00010) and its subsidiaries (the Group), which include Hang Lung Properties Limited (Hang Lung Properties) (Stock code: 00101). We are proud of our sustainability efforts over the past five years. We continue to demonstrate our commitment through transparency in reporting and setting up accountability systems within the Group to drive the values we believe in.



About this Report

Reporting Approach

To cater to the needs of different stakeholders, this year we have produced two separate sustainability documents:

- This digital **Sustainability Report 2016** (the Report) presents details of our sustainability management approach and key performance indicators for various material sustainability aspects in a comprehensive and systematic fashion. The Report was prepared in accordance with the core option of the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines, and the “comply or explain” provisions as well as “recommended disclosures” of the Environmental, Social and Governance Reporting Guide (ESG Guide) contained in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the Listing Rules). We also appointed the Hong Kong Quality Assurance Agency (HKQAA) to provide independent verification of the information in the Report. Please refer to page 72 of the Report for the Verification Statement.
- Our **Sustainability Highlights 2016** (the Highlights), available both in print and digital format, present in the form of a magazine, show 10 stories that cover aspects including corporate governance, buildings, employees and community. The Highlights allow general readers to experience how the Group integrates sustainability into business in a narrative way. Please visit our corporate website for the online version of the Highlights: www.hanglung.com/sustainability.

Scope of this Report

Hang Lung Properties, the property arm and major operating unit of the Group, has produced and issued this Report. The scope of the Report, however, covers information on material sustainability aspects of the Group from 1 January 2016 to 31 December 2016 unless otherwise specified. This ensures that we sufficiently address stakeholders’ concerns related to sustainability issues arising out of the major business operations of the Group.

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Letter from the Chief Executive Officer

2016 was an extraordinary year from the global sustainability perspective. It was a year full of surprises, just to name a few – Donald Trump’s plan to withdraw from the Paris Agreement; the Brexit challenges the long-believed economic model of globalization; the intensifying terrorism escalates global instability. Despite the macro uncertainties, we are proud that Hang Lung Properties stood firm in pursuing sustainability, and once again achieved some remarkable results.

For over 50 years, Hang Lung Properties holds a forward-looking approach to design, development and operations, which enables us to steer through obstacles and create an industry leading portfolio. We remain steadfast to our business philosophy **We Do It Right**, and more importantly our commitment to our employees, our business partners and the communities we serve on sustainable development and business optimization.

To give an overview on the last fiscal year, one shall never forget the memories of the two brave firefighters who lost their lives in the tragic fire incident at one of our tenants’ premise. While our crisis management protocol has effectively dealt with the situation and minimized the adverse impacts, we value the lessons learned from the incident, and we pledge ourselves through our investments, planning and training for our staff, tenants and customers to impart the crisis management strategies that protect everyone from any possible crises in the future.

We are ambitious towards the future. The management structure that drives our Sustainability Vision remains solid. Our long term business model, **Build to Own and Build to Last**, is an ode to how we recognize and value sustainable development.

By 2016, we substantially strengthened our internal project management system. It streamlines our process of ensuring quality and safety management of construction projects, and the necessary procedures to take our teams beyond compliance. On-going asset enhancement and optimization initiatives across our portfolio make our properties more resource-efficient and adaptive to a changing climate and business environment. Our headquarters, the iconic Standard Chartered Bank

Building attained BEAM Plus V1.2 Existing Building Platinum Rating, the first office building to receive such an accreditation in Hong Kong. We also made a notable reduction in our electricity intensity, and renewing our target to cut another 12% by 2020 against our 2015 baseline.

Such accomplishments cannot be achieved without the unremitting support of all of our employees to instill and operationalize sustainability as a corporate culture across our business. Having people as our irreplaceable asset, we maintain ample investment in our learning and development programs to maximize our individual potential, and at the same time strive to create a sense of belonging among our employees through our diversified staff engagement programs. In giving back to our communities, our Hang Lung As One volunteer team continued their efforts in organizing over 100 volunteer activities in 2016, with nearly 14,000 service hours contributed by our colleagues.

These achievements were externally endorsed rather than just self-complacency. Over the last year, we have received a number of awards in different themes, such as sustainability reporting, green building development, people management, customer service and corporate governance, which humble and motivate us. All these demonstrate that Hang Lung Properties, along with our employees, are all working very hard to **Go the Extra Mile**.

Now we foresee both opportunities and challenges ahead of our sustainability journey, yet we will for sure uphold our commitment to invest in the long-term, to cultivate sustainable growth and to challenge the status quo. We are not walking this journey alone though. Through this fifth report we wish to articulate our sustainability strategies, and relay our appreciation to each of you who have supported us over the last year and for years to come.

We hope that you enjoy being a part of this growth.

Philip Chen

Chief Executive Officer
September 2017

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Adriel Chan
Executive Director

Dialogue with the Sustainability Steering Committee Chairman

Q1. Hang Lung has recently come to be a leader in sustainability among Hong Kong listed companies. Clearly, there is commitment from the Board and management. Could you share some of the thought process behind this?

Sustainability is indeed a Board-level priority. With their support, we established our Sustainability Steering Committee in 2012 and have published a standalone Sustainability Report since then, making this year our fifth report.

As a listed company, it is our duty to see that Hang Lung’s stakeholders are properly served. We pride ourselves on our long-term, sustainable strategy, and this means being honest with ourselves about both what we have done well, as well as our shortcomings. The level of transparency in the report is reflective of the scale of our goals, though with so much on our plate, they will take some time to achieve.

We believe that operating sustainably is not only the right thing to do, but the only way to do it.

Q2. Your corporate sustainability goals are clear, but can you tell us what sustainability means to you personally?

The elements of “sustainability” resonated with me long before it became a popular term. In particular, sustainable environmental and societal values have been close to my heart for decades.

I was fortunate to have grown up surrounded by greenery, and so spent a lot of time outdoors. I have always been drawn to nature and its ecosystems, and am interested to see its protection and preservation. In the ultra-urban environment of Hong Kong, I have also seen the myriad of social issues that we face, from poverty to public health challenges, which government alone cannot solve.

Governance was a topic that I was only exposed to after joining the workforce, but its value was immediately apparent to me while I was working in mainland China in the mid-2000s.

Since sustainability is part of my own value system, it is at the same time easy and difficult to apply to business. Easy, because I am applying my own beliefs to the organization, but difficult because there are so many compromises that must be made in the process.

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Dialogue with the Sustainability Steering Committee Chairman *(Continued)*

Q3. There are some who do not see the full value of sustainability, or who do not understand it. How would you explain why Hang Lung should be sustainable?

Hang Lung is here to create value for its shareholders and stakeholders. Doing it in a sustainable manner means that we are looking at how value accrues over time, rather than at one point in time. As we consider the effects of decisions over longer periods, we must naturally look up and down the value chain. This results in us putting emphasis on our communities and the environment. To a large extent, this also informs our governance structure.

Q4. As the Chairman of the Sustainability Steering Committee, what do you see as the greatest opportunities and challenges relating to sustainability?

The opportunities are endless! We employ almost 5,000 employees, who touch hundreds of thousands of customers every day across Hong Kong and mainland China. To use just one example, if we could leverage this stakeholder base to help conserve energy or reduce waste, then we could have a substantial impact on our carbon footprint. Now replace “conserve energy” with any other sustainability goal, and you get the idea.

Perhaps the biggest challenge, however, will be convincing all these stakeholders that it is in our own interest to lead more sustainable lifestyles!

Q5. What plans do you have for the coming years?

We have historically done well in governance and green buildings. In recent years, we have made leaps and bounds in measurement and transparency. Going forward, we would like to focus on building operations, and engaging our communities.

There are external factors too. In Hong Kong, there have been developments in regulation on issues such as waste charging, energy efficiency, and occupational health and safety. As we build up our internal reporting systems, we will be able to effectively tackle these and more.

We also focus on our people and culture, as they are the driving force behind our long-term success. In recent years, we have invested substantially in talent recruitment and retention, and we must now groom and nurture them to create an effective, efficient, and culturally-aligned team.

Q6. How can Hang Lung achieve a leadership position amongst our peers?

Although we perform relatively well today, the market places increasing emphasis on sustainability. Yet, one of the best things about sustainability is that it is not a zero-sum game. In fact, when we all do better, we all reap even more rewards.

Still, I believe that people and culture are the keys to success. We must also continually drive for operational excellence, and communicate clearly to our employees what sustainability looks like in respective roles. With buy-in from our employees, we can then extend our impact to our customers, tenants, business partners, and other stakeholders, at which point we can comfortably say that we are doing our part.

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About Hang Lung Properties



Ronnie Chan
Chairman

We Do It Right

We Do It Right is the business motto of the Group and its ethos is embedded throughout our operations. Guided by this philosophy, we strive to create value for our stakeholders by building quality properties, engaging with our communities, reinforcing partnerships and helping our employees develop their potential. We apply the expertise we have gained in this industry to establish and maintain high standards in products, services and integrity.

Corporate Profile

Hang Lung Properties, with its parent company, Hang Lung Group, being founded in 1960, is now a leading Hong Kong property developer, with a presence in 8 cities across mainland China. We manage a diverse portfolio of commercial, office, residential, serviced apartment, industrial/office and car park properties.

With a recognized commitment to quality, the Group aims to build the best properties in cities with good growth potential and develop a top-quality workforce that is capable of providing services of the highest possible standard to our valued customers. Our ultimate goal is to maximize returns on our investments while operating in a way that aligns with the universal definition of sustainable development by the United Nations:

“To meet the needs of the present without compromising the ability of future generations to meet their own needs”

As our business continues to grow, our mission is to become an admired national commercial property enterprise that is financially, socially and environmentally sustainable over the long term.

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Business Overview

The Group is headquartered in Hong Kong. Building on its solid foundation as one of the city's leading property developers, the Group has capitalized on the opportunities created by strong economic growth in mainland China to extend its footprint into 8 first-tier and second-tier cities, namely Shanghai, Shenyang, Jinan, Wuxi, Tianjin, Dalian, Kunming and Wuhan.

The principal activities of the Group are commercial property development and investment, and sales of residential units in Hong Kong. As of the end of 2016, the investment portfolio under the direct management of the Group mainly covered 28 wholly owned properties in Hong Kong and 10 properties (6 completed properties, 2 properties under expansion and 2 properties under development) in mainland China.

Major Investment Properties of the Group

Location	Properties
Completed Properties	
Hong Kong	Fashion Walk
	Central Portfolio
	The Peak Galleria
	Kornhill Plaza
	Mongkok Portfolio
Amoy Plaza	
Shanghai	Plaza 66
	Grand Gateway 66
Shenyang	Palace 66
	Forum 66 (Shopping Mall and Office Tower)
Jinan	Parc 66
Wuxi	Center 66 (Shopping Mall and Office Tower 1)
Tianjin	Riverside 66
Dalian	Olympia 66
Properties under Development	
Shenyang	Forum 66 (Hotel)
Wuxi	Center 66 Phase 1 (Office Tower 2)
	Center 66 Phase 2
Kunming	Spring City 66
Wuhan	Heartland 66



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Business Overview *(Continued)*

Review of Operations

Amidst significant economic headwinds, Hang Lung Properties recorded a strong financial performance in 2016, confirming the success of our prudent management strategies. Year on year, property sales revenue grew by 345% and rental income increased by 3% (excluding the 6% depreciation in the renminbi (RMB)).

Key 2016 Business Milestones

Hong Kong	Mainland China
<p>Property Leasing</p> <ul style="list-style-type: none"> Enhanced tenant mix and completed total upgrade of facilities at AEON STYLE lifestyle department store in Kornhill Plaza Further strengthened Fashion Walk's identity as hub for hot fashion brands and trendsetters with ongoing improvement works to enhance customer experiences Completed asset enhancement works at Gala Place and improved synergy of Mongkok retail portfolio by branding the area as "Where Trends Meet" Restructured tenant mix at Amoy Plaza to serve the Amoy Gardens and nearby communities <p>Property Sales</p> <ul style="list-style-type: none"> Sold 436 units at The Long Beach Sold 2 semi-detached houses at 23-39 Blue Pool Road Sold 1 duplex at The HarbourSide Sold 2 apartments at Carmel-on-the-Hill 	<p>Property Leasing</p> <ul style="list-style-type: none"> Grand opening of Olympia 66 in Dalian Completed majority of asset enhancement works at Plaza 66 Shopping Mall and Office Tower 1 in Shanghai <p>Property Development</p> <ul style="list-style-type: none"> Unveiled plans to introduce a five-star hotel, the Conrad Hotel at Forum 66 in Shenyang Commenced work on temporary steel platform for the construction of Office Tower 2 at Center 66 in Wuxi Completed initial piling works at Spring City 66 in Kunming

For further details of our business performance, please refer to our Annual Report 2016:

<http://www.hanglung.com/HLPAnnualReport2016/index.html>

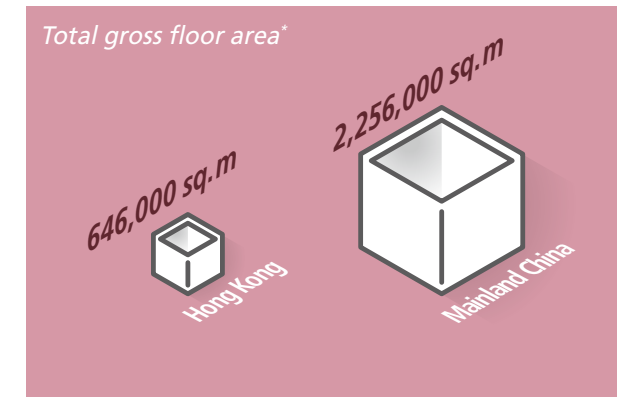
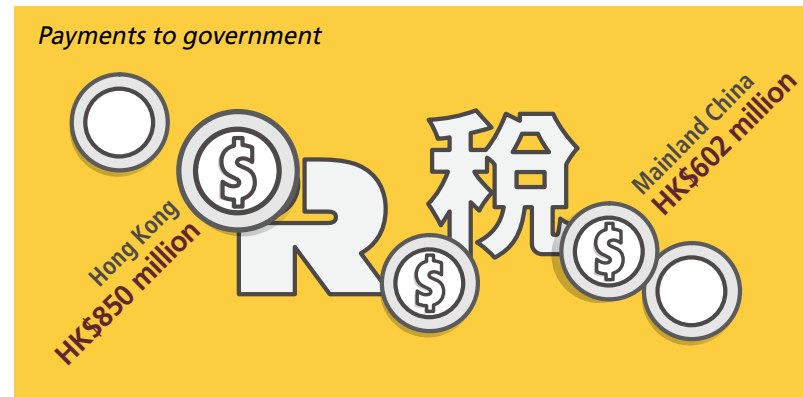
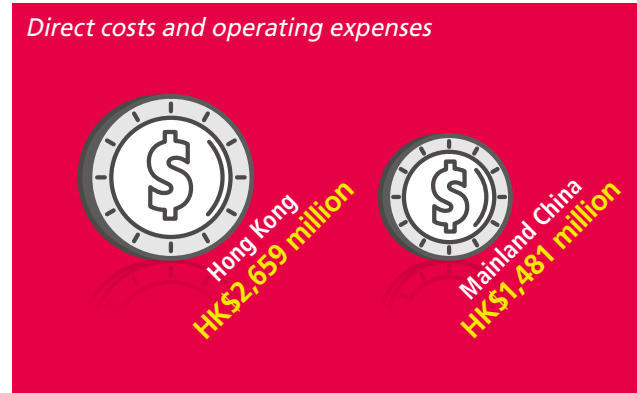
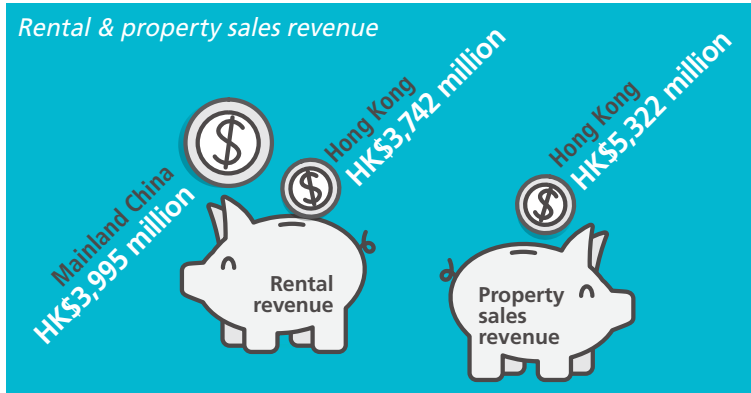
Outlook

Looking a few years ahead, we anticipate that slower economic growth and weak retail market sentiment will pose challenges for our business in both Hong Kong and mainland China. To enhance our long-term competitiveness and profitability, we will roll out further asset enhancement initiatives in 2017, including renovation works at The Peak Galleria in Hong Kong and at Grand Gateway 66 in Shanghai. We will continue to upgrade our portfolio and bring in new elements such as the five-star hotel, Conrad Hotel at Forum 66 in Shenyang, which is expected to open in 2019.

Our property development projects in mainland China are progressing as planned. The shopping mall at Spring City 66 in Kunming is scheduled to open at the end of 2018. Heartland 66 in Wuhan is scheduled for completion in phases from 2019. All these initiatives will help the Group maintain sustainable growth.

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2016 Business Highlights



* Only includes gross floor area of operating investment properties.

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Sustainability at Hang Lung

Introduction



Sustainability is a vital part of our corporate strategy for achieving long-term growth. The values we create for our people, the environment and society at large very much determine our financial performance. As such, we make every effort to align our sustainability strategy with our business philosophy, **We Do It Right**, by embedding sustainability throughout the value chain of our business.

Strong support from the top lays a solid foundation for us to incorporate sustainability considerations into decision-making at all levels. The Boards have established sustainability as a priority and senior management is accountable for the Group's performance regarding all sustainability issues that are material to our business.

The Group's early priorities focused on green building development and the establishment of processes to facilitate the ongoing review and optimization of our governance structure and internal controls. Alongside these initiatives, we have worked to develop a corporate culture that emphasizes integrity, staff development, customer service excellence and community engagement. In less than a decade, these cumulative endeavors have let us put models of sustainability theory into active and effective practice as a central element of our core business strategy through the implementation of concrete action plans.

In 2016, Hang Lung Properties was again included as a constituent of the Hang Seng Corporate Sustainability Index in Hong Kong and the Hang Seng (Mainland and HK)

Corporate Sustainability Index. Similar to previous years, Hang Lung Properties received an 'AA' rating from HKQAA for our sustainability performance under the assessment framework of the indexes.

We have been an active participant of the Dow Jones Sustainability Index (DJSI) since 2010 and we regularly benchmark our sustainability performance against our international peers. Starting from 2015, we have conducted an annual in-depth gap analysis on the benchmarking results with the aim of facilitating our continual improvement. In 2016, RobecoSAM, the assessment agency for the DJSI, awarded us the 'Industry Mover' distinction in recognition of our excellent progress on sustainability performance.

We are a recipient of the inaugural 'Business for Sustainability' logo, an initiative organized by The Hong Kong Council of Social Service to reward good sustainability practices, and, for the second consecutive year, one of the top 20 companies in the Hong Kong Business Sustainability Index compiled by The Hong Kong Polytechnic University.

We are committed to managing our impact on the environment, the community and the local economy. We have made good progress over the past decade, but we are not complacent about what we have achieved. We will continue to engage with our stakeholders to better understand their expectations, with the objective of developing our business in a way that creates beneficial outcomes for the Group and our stakeholders.

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Sustainability Management Structure

Sustainability is multi-disciplinary and requires input and support from all departments and levels of the Group. In 2012, the Group established a sustainability management structure that is designed to build its capacity to pursue its sustainability goals.

The Sustainability Steering Committee (the Committee) forms the core of the management structure. The Committee comprises key executives and heads from all major business functions. This broad-based involvement ensures that the wider interests of the Group in the development of sustainability strategies are adequately represented.

Business Function	Key Areas of Interest Related to Sustainability
Corporate Communications	Community engagement, community investment, crisis management, external communications
Cost & Controls	Construction site health and safety, projects quality and cost control, supply chain management (project contractors)
Finance	Financial management, procurement practices, supply chain management (goods and services)
Human Resources	Labor practices, occupational health and safety, staff recruitment and retention, staff development, staff well-being
Internal Audit	Ethics and integrity, enterprise risk management, grievances and whistle-blowing mechanisms
Legal & Secretarial	Corporate governance, legal compliance
Leasing	Customer privacy, responsible marketing, tenant mix
Project Management	Green building construction, site pollution control
Development & Design	Green building design, site selection and planning
Service Delivery	Customer service, customer and tenant satisfaction, customer health and safety, energy and carbon management, water management, waste management

Reporting to the Chief Executive Officer, the Committee's key functions are to formulate Group-wide sustainability strategies and plans, regularly and systematically review the Group's sustainability performance and drive continual improvement. The Committee also reports the Group's sustainability performance to the Boards of Directors at least once a year and seeks their advice on related issues. The Committee's Chairman is Executive Director of the Boards Mr. Adriel Chan, who took up this responsibility in January 2017.

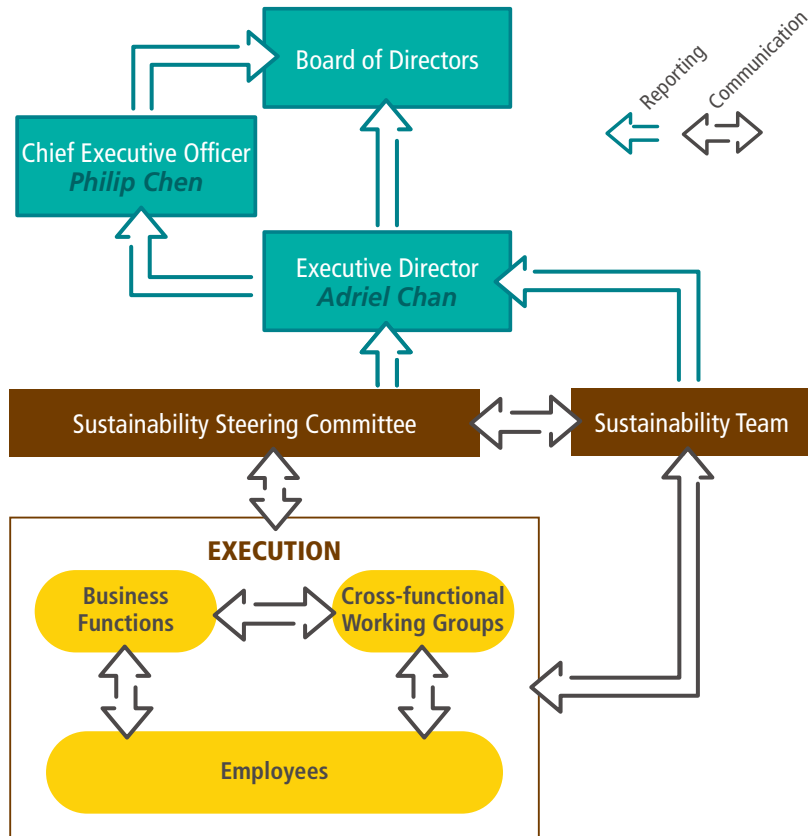
Business functions are responsible for formulating sustainability goals and targets related to their areas of interest and designated members of staff to implement the necessary action plans. Cross-functional working groups are formed for sustainability aspects that require significant input across different business functions (e.g. occupational health and safety issues).

In 2015, the Group established a full-time Sustainability Team in addition to the existing management structure. The Team is under the direct supervision of the Chairman of the Committee and works closely with the respective representatives of different business functions and working groups to ensure the seamless implementation of the Group's sustainability strategy. Other major responsibilities of the Team include sustainability reporting, conducting gap analyses, building internal awareness, engaging stakeholders and establishing the Group as a sustainability leader.

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Sustainability Management Structure *(Continued)*

Sustainability Management Structure



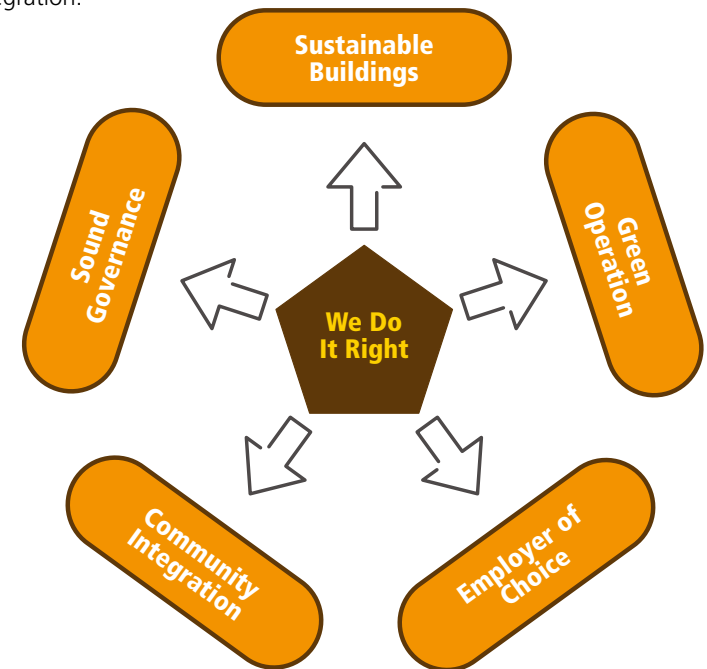
MORE INFORMATION

Our Sustainability Journey: Building from the Ground up

Sustainability is a paradigm shift from a business model that focuses primarily on financial performance to one that also considers non-financial performance. We believe the pursuit of 'sustainability' is an ongoing process. Thus, while we are proud of our achievements in building a sustainability brand and culture within the Group in recent years, we will continue to implement initiatives to further enhance our performance. Please take a look at our Sustainability Highlights 2016 to learn more about this story.

Sustainability Vision

Pursuing sustainability by taking a triple bottom line approach (i.e. people, planet and profit) in running our business is how **We Do It Right** at the Group. To keep us on a path to effective value creation for our stakeholders, we uphold a Sustainability Vision (Vision) that is applied in 5 areas: Sound Governance, Sustainable Buildings, Green Operation, Employer of Choice and Community Integration.



We regularly review our strategy for achieving the objectives of our Vision, and these objectives are overseen by the sustainability management structure. In 2016, we remained committed to strengthening our efforts and taking constructive actions that will lead to us making progress in each area of our Vision.

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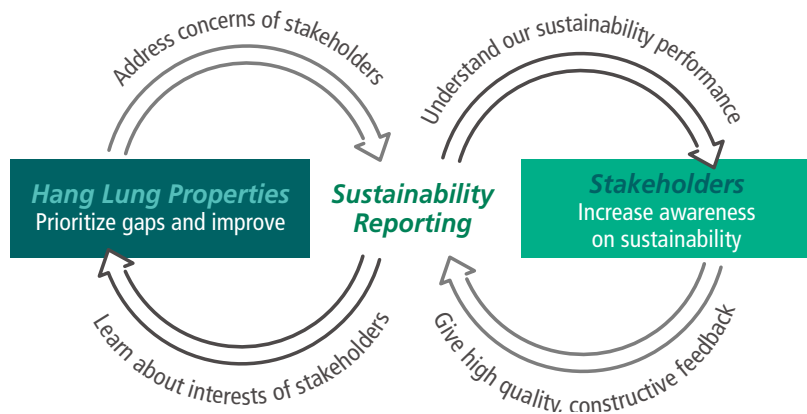
Sustainability Vision *(Continued)*

Sustainability Vision	Objectives	2016 Performance Highlights
Sound Governance	To ensure the highest standards of governance, transparency, honesty and integrity in our operations.	<ul style="list-style-type: none"> Formalized the Crisis Management Framework that has proven to be solid in handling major incidents. Received the 'Industry Mover' distinction from RobecoSAM, the assessment agency for the Dow Jones Sustainability Index, for showing improvement in and commitment to sustainability. Received 3 awards in the Asia Sustainability Reporting Awards 2016, for demonstrating transparency and accountability in reporting. Launched a new corporate website that provides more information and a user-friendly interface.
Sustainable Buildings	To construct world-class sustainable buildings that add significant and tangible value to the communities we serve.	<ul style="list-style-type: none"> Achieved BEAM Plus V1.2 (Existing Building): Platinum Rating for the Standard Chartered Bank Building. Awarded certification under Leadership in Energy and Environmental Design (LEED) for Core and Shell Development: Gold Level for Olympia 66 in Dalian. Launched a new Project Management Manual that helps control project quality and manage construction site safety in a more systematic manner. Maintained a low accident rate of 0.032 injuries per 100,000 man-hours for our 6 construction sites in mainland China.
Green Operation	To promote a green environment wherever we work and in our operational practices.	<ul style="list-style-type: none"> Renewed our electricity intensity target to a 12% reduction by 2020 for our portfolio in Hong Kong and mainland China against our 2015 baseline. Achieved a 4.1% reduction in electricity intensity against our 2015 baseline. Ongoing asset enhancement program to enhance energy efficiency at our existing buildings.
Employer of Choice	To be an 'employer of choice' by ensuring a respectful, harmonious and safe work environment and providing training and career development opportunities for our employees.	<ul style="list-style-type: none"> Further enhanced our Employee Wellness Program by organizing an array of health-related events and activities. Reviewed employee benefits and improved our remuneration packages to maintain our competitiveness. Average training hours per full-time employee increased by 13.5% to 20.5 hours. Upgraded our e-learning platform, eAcademy 66, which offers 3 internally developed online training courses for employees, covering staff orientation, crisis management and IT training respectively.
Community Integration	To acknowledge the immense support we receive from the communities we serve by making meaningful contributions to them through participation in and sponsorship of worthwhile causes and initiatives.	<ul style="list-style-type: none"> Organized over 100 volunteer activities with almost 14,000 volunteer service hours contributed by our staff, equivalent to nearly 3 volunteer service hours per full-time employee. Donated HK\$2 million to the Hong Kong Red Cross. Organized the 7th Hang Lung Mathematics Awards, which included the presentation of HK\$1 million in scholarships.

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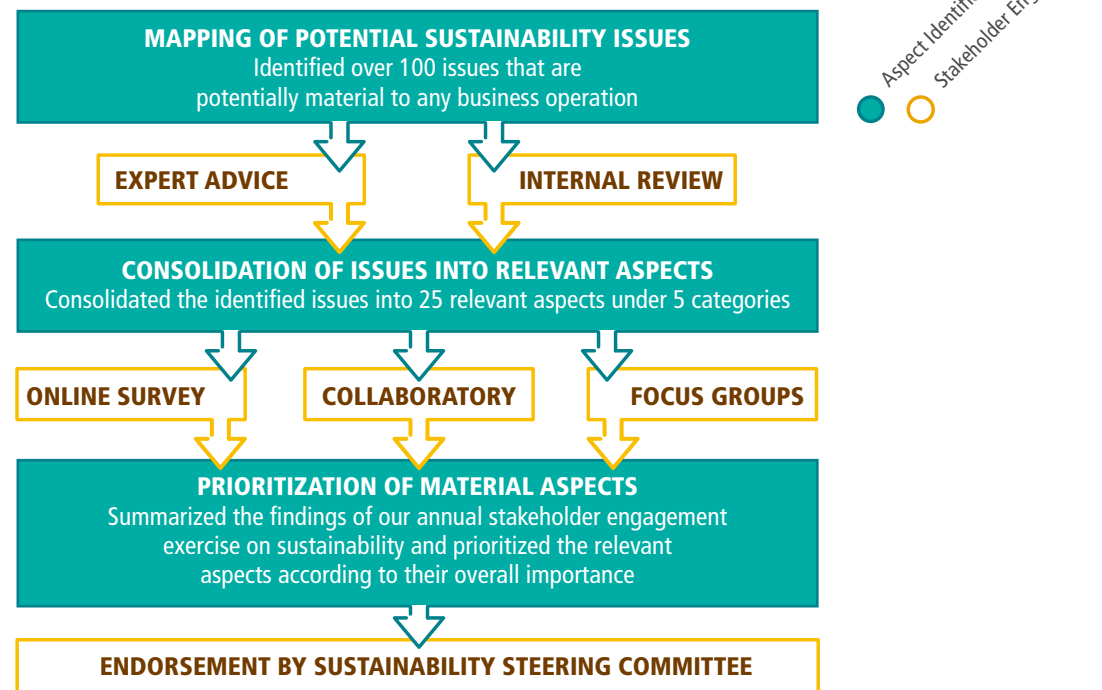
Materiality Assessment

Sustainability reporting is first and foremost about engagement. Its content should be driven by the findings of our interactions with stakeholders, which include a materiality assessment exercise. By going through this process, we can learn about the expectations of our stakeholders, take more effective steps to address their concerns and enhance their awareness of sustainability issues in a meaningful way.



Methodology

We ensure our materiality assessment is transparent and inclusive so that we can genuinely understand what sustainability issues are important to our business. The structure of our 2016 materiality assessment process is illustrated in the infographic below.



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Materiality Assessment *(Continued)*

Aspect Identification

As the first step, we identified over 100 sustainability issues that are potentially material to companies operating in our industry by:

- Making reference to external sustainability benchmarks (e.g. Dow Jones Sustainability Index) and reporting frameworks (e.g. GRI G4 Reporting Guidelines);
- Reviewing aspects that are considered material by our peers; and
- Reviewing aspects that are considered important by our Sustainability Team.

We then sought internal advice from various departments to eliminate issues that are less relevant to the Group and to categorize the remaining issues. We also sought advice from an external sustainability consultant before consolidating the identified issues into 25 aspects under the following 5 categories: 1) Economy & Community; 2) Environment; 3) People; 4) Operating Practices; and 5) Product Responsibility.

Stakeholder Engagement

After compiling the list of relevant sustainability aspects, we launched our annual stakeholder engagement exercise for sustainability reporting, which was facilitated by an independent consultant to ensure that it was conducted objectively and in accordance with GRI G4 Reporting Guidelines.

We proactively engage with stakeholder groups that are directly affected by our business operations – such as employees, investors, customers, tenants, contractors, suppliers and the community at large – to solicit their views and concerns. We also engage with groups that may influence or be concerned about our sustainability performance and approach, such as NGO partners, sustainability professionals, corporate peers, government officials, tertiary institutions, media organizations and industry associations, with the aim of leveraging their knowledge and expertise to improve our sustainability performance.

Method of Engagement	Online Survey	Focus Groups	Collaboratory
Target Group	All stakeholder groups	Employees	Experienced sustainability professionals from different external stakeholder groups and members of our own top management.
Rationale	To understand the importance of each sustainability aspect to our business from the various perspectives of different stakeholders.	To have an in-depth discussion with our colleagues about the sustainability issues they believe are most important and the possible actions we can take to address these issues.	To provide a platform for interactive high-level discussion between Group senior management representatives and external sustainability professionals on specific sustainability issues that may affect our business in the long term.
Process and Outcome	Invited stakeholders were asked to rank the importance of the 25 sustainability aspects on a scale of 1 to 5. We received 473 responses. To encourage participation, we committed to donating HK\$20 to NGO partner Friends of the Earth (HK) for every completed survey we received.	We organized 2 focus groups this year, inviting a total of 19 colleagues from among our middle management and new joiners. Participants shared their views on the current management approach taken by the Group on different sustainability aspects.	The first event of its kind to be organized by the Group, the Collaboratory was a three-hour sustainability workshop that covered the following topics: <ul style="list-style-type: none"> • Beyond green buildings • Climate change resilience • Building corporate identity around people and community 10 representatives from the industry sector, NGOs, government and universities exchanged their views and insights with 12 senior executives from the Group.

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Materiality Assessment *(Continued)*

Materiality Matrix

We prioritized our 25 sustainability aspects based on the findings of our stakeholder engagement exercise, taking into account which aspects that are of immediate concern and interest among our stakeholders as well as those sustainability issues they believe we should place increasing focus on in the years ahead. The results of our materiality assessment were endorsed by the Sustainability Committee and are presented below.



Material Aspects	Aspect Boundary*	
	within the Group	outside the Group
Very Important		
1 Economic performance	•	
11 Employee attraction and retention	•	
12 Occupational health and safety	•	•
13 Employee well-being	•	
14 Employee development	•	
15 Internal communication	•	
17 Ethics and integrity	•	•
18 Compliance with laws and regulations	•	•
19 Risk and crisis management	•	•
24 Customer health and safety	•	•

● Economy & Community
● Environment
● People
● Operating Practices
● Product Responsibility

* Indicates where the impacts of the aspect occur.

Material Aspects	Aspect Boundary*	
	within the Group	outside the Group
Important		
3 Community investment	•	•
7 Pollution mitigation	•	•
9 Waste disposal and recycling	•	•
20 Sustainability integration	•	•
21 Grievance mechanisms	•	•
22 Information privacy	•	•
23 Customer feedback	•	•
25 Tenant and customer engagement	•	•
Less Important		
2 Social integration and regeneration	•	•
4 Community engagement	•	•
5 Climate change, energy consumption, and greenhouse gases (GHG) emissions	•	•
6 Green building certification	•	
8 Use of materials	•	
10 Water consumption	•	•
16 Supply chain management and procurement practices	•	•

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Review of Assessment Results

The results of the materiality assessment reflect the sustainability aspects that are considered important to our stakeholders as well as to our business in 2016. The assessment process helps us determine whether our current management approach on various sustainability aspects is sufficiently meeting the expectations of our stakeholders. Selected key observations about the materiality matrix and our responses are presented in the following table.

Key Observation	Our Response
Ethics, integrity and legal compliance	“Ethics and Integrity” (Aspect No. 17) and “Compliance with Laws and Regulations” (Aspect No.18) remain our top material issues for the second consecutive year. Upholding high standards of integrity and legal compliance are critical to our long-term business sustainability and growth. We understand that there are particular challenges associated with these issues when conducting businesses in mainland China. We remain vigilant and will continue to build a culture of integrity through the provision of training, while ensuring our Internal Audit Department has the resources and expertise to identify and investigate possible breaches. The Group’s Audit Committee is in charge of reviewing and monitoring the policies and practices of our operations for compliance with the latest legal requirements. Any changes to laws and regulations will be swiftly communicated to relevant departments and staff through regular legal update notifications.
Increasing expectations concerning labor practices	All aspects under “People” (Aspect No. 11 to No. 15) are considered material by our stakeholders this year. We acknowledge the need to attract and retain the best talent in order to sustain the rapid growth of our business. In addition to implementing comprehensive manpower and recruitment programs, we continue to put strong emphasis on the career and personal development of our employees. We also focus on enhancing the well-being of our people, with the aims of enabling individuals to do their best work and take pride in being a part of the Group.
Health and safety	Increasing attention has been placed on aspects related to the health and safety of our colleagues/service providers (Aspect No. 12) and our customers/tenants (Aspect No. 24) over the past few years. In 2014, we launched an ongoing initiative to enhance the safety management systems at our construction sites in mainland China. To nurture a stronger safety culture among our colleagues and safeguard the health and safety of our customers and tenants, we are reviewing and strengthening our current safety management system for workplace and frontline operations in Hong Kong in 2017.
Importance of environmental aspects	Despite the low overall importance of various environmental aspects (Aspect No. 5 to No.10) among our stakeholders, we believe that it is our corporate responsibility to manage our impact on the environment and conserve natural resources as part of a sustainable growth strategy. ‘Going green’ not only helps protect the environment, but it can also lead to quantifiable benefits such as reduced energy and resource costs. We are working to enhance our environmental performance and raise the environmental awareness of our stakeholders.
Green building certification	We observe that the importance of “Green Building Certification” (Aspect No. 6) has diminished since 2015. Green building certification has become an industry norm, and studies show that a building is not necessarily green enough even if it is green-building certified. Therefore, we plan to review our existing strategy in green building development, so that we will put equal emphasis on the operating efficiency of our buildings alongside the attainment of green building certifications. We will also explore how we can facilitate improved social integration through our building operations through greater consideration of issues such as barrier-free access.

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Three-year Action Plan 2015-2017 Update

In 2014, we developed a Three-year Action Plan (Action Plan) in response to our stakeholders' expectations, under which we set the goal of implementing our Sustainability Vision by the end of 2017. The table below gives an update on our progress and indicates where amendments have been made to the Action Plan.

Area	Action Plan for 2015	Action Plan for 2016	Revised Action Plan for 2017	Overall Progress by the end of 2016
Environmental performance	<ul style="list-style-type: none"> Formulation of a Group-wide Environmental Policy to drive improvement in environmental performance across our buildings in Hong Kong and mainland China. Disclose more information related to the challenges the Group faces in implementing environmental initiatives in our existing buildings. Ensure that the target of reducing electricity intensity by 10% (adjusted in 2014, previously 7.5%) across the whole property portfolio over 5 years from the 2010 baseline can be achieved with the opening of several major properties in 2015. 	<ul style="list-style-type: none"> Expand disclosure of environmental performance data across more of our operations. Introduce the Group-wide Environmental Policy to selected projects in mainland China. Reassess and set new targets for the enhancement of energy efficiency at our properties for the next 5 years. 	<ul style="list-style-type: none"> Study the feasibility of enhancing the operating efficiency of our existing buildings. Explore the potential for a more comprehensive disclosure process for carbon emission data. Full implementation of the Group-wide Environmental Policy in Hong Kong and mainland China. 	<ul style="list-style-type: none"> Updated our electricity intensity target to 12% reduction by 2020 for our portfolio in Hong Kong and mainland China against the 2015 baseline. Strengthened internal data verification procedure to ensure the accuracy of the reported utility consumption data. Continued to disclose information regarding our environmental performance on publicly accessible platforms, e.g. online newsletter. The resources required for the implementation of an environmental management system are much greater and more complex than anticipated, and our findings show that the system may not fit well in the local context of our mainland China operations. It has therefore been removed from the Three-year Action Plan.

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Three-year Action Plan 2015-2017 Update *(Continued)*

Area	Action Plan for 2015	Action Plan for 2016	Revised Action Plan for 2017	Overall Progress by the end of 2016
Occupational health and safety (OHS)	<ul style="list-style-type: none"> Set up systematic procedures for collecting OHS data from contractors in Hong Kong and mainland China. Work more closely with the industry to identify ways to enhance the authentic reporting of OHS data. 	<ul style="list-style-type: none"> Increase disclosure in the OHS management framework and the safety governance structure. 	<ul style="list-style-type: none"> Disclosure of OHS data across our operations in Hong Kong and mainland China using a more standardized reporting methodology. Enhancement of the OHS management system for workplace and frontline operations in Hong Kong. 	<ul style="list-style-type: none"> Invested substantial technical and financial resources to enhance our OHS performance at project sites, with the result that we are now far ahead of our planned objectives. Our independent safety consultant reports regularly to us on the OHS performance of our project sites. Provided OHS training to colleagues and contractors to increase awareness. Formalized the Project Management Manual, which covers safety management at project sites in a more systematic manner. Given our solid progress, we plan to launch a new project to review our OHS management system for workplace and frontline operations in Hong Kong to build a stronger safety culture.
Attracting and retaining talent	<ul style="list-style-type: none"> Proactively engage frontline staff through surveys covering multiple aspects of their work. 	<ul style="list-style-type: none"> Provide extra resources towards staff development. Create a sense of belonging among staff through organizing a diverse range of staff activities. Continue to collect feedback through formal and informal channels. 	<ul style="list-style-type: none"> Explore opportunities to enhance training effectiveness through the development of personalized training plans. 	<ul style="list-style-type: none"> Conducted internal stakeholder focus groups to collect feedback on labor practices. Organized events, such as breakfast with the Chief Executive Officer, to facilitate communication between employees and top management. Enhanced the Employee Wellness Program through organizing a wide variety of staff activities and programs. Further enhanced our training programs and expanded our e-learning platform, eAcademy 66, to provide a more diverse range of training that caters the varying needs of different employees.

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Three-year Action Plan 2015-2017 Update *(Continued)*

Area	Action Plan for 2015	Action Plan for 2016	Revised Action Plan for 2017	Overall Progress by the end of 2016
Supply chain risks	<ul style="list-style-type: none"> • Increase the number of assessments conducted on suppliers. • Review the existing supply chain management system to strengthen communication with suppliers on environmental, social and governance (ESG) issues. 	<ul style="list-style-type: none"> ◦ Enhance suppliers' awareness of ESG issues pertaining to supply chain management. ◦ Reevaluate the existing assessment procedure on ESG aspects for suppliers. 	<ul style="list-style-type: none"> ◊ Reevaluate process for reviewing the ESG performance of our supply chain for goods and services. 	<ul style="list-style-type: none"> ◦ Central Environmental Purchasing Policy and Suppliers Code of Conduct in place to ensure that our suppliers are aware of our requirements. ◦ Gradually increasing the proportion of goods and services for which environmental impact is a consideration. ◦ Over the past 2 years, efforts were more focused on enhancing our inventory system, which is essential for tracking our performance in procurement. ◦ We will continue to monitor our progress in managing the ESG performance of our supply chain for goods and services.
Integrating sustainability	<ul style="list-style-type: none"> • Provide training for employees on the importance of sustainability to the Group and the role they play in helping us achieve our Sustainability Vision. 	<ul style="list-style-type: none"> ◦ Build greater internal capacity to embed sustainability considerations into our core business. ◦ Further increase the visibility of the Group's sustainability efforts in the community by sharing knowledge and expertise on topics such as designing and constructing buildings in accordance with LEED standards and operating with integrity in mainland China. 	<ul style="list-style-type: none"> ◊ Develop the Group into a recognized sustainability leader, with the capacity to positively influence our industry peers. 	<ul style="list-style-type: none"> ◦ Provided comprehensive sustainability training, particularly on OHS and integrity. ◦ Active representation at sustainability-related events with speaking opportunities in conferences and seminars, sharing our experiences and learning from our peers. ◦ Increased public exposure regarding our sustainability management approach. ◦ Received regional awards recognizing our sustainability efforts.

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Corporate Governance



Introduction

Strong governance is the cornerstone for realizing our corporate objective of maximizing returns for our stakeholders over the long term. The core of the governance structure of Hang Lung Group and Hang Lung Properties is an effective and professional Board that is dedicated to upholding the highest standards of corporate governance, sound internal controls and effective risk management. A robust Board enhances transparency, accountability, integrity and honesty, which are crucial to earning the trust of our shareholders and other stakeholders.

Effective management systems and good communication are also vital to ensuring sound organizational performance and governance. Our enhanced Enterprise Risk Management framework helps us identify and mitigate risks more effectively, while our recently formalized crisis management system helps minimize the adverse impact of any unexpected disruptive event on our stakeholders. These systems also enable us to better understand the risks we are exposed to and put more effective controls in place.

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Corporate Governance Structure

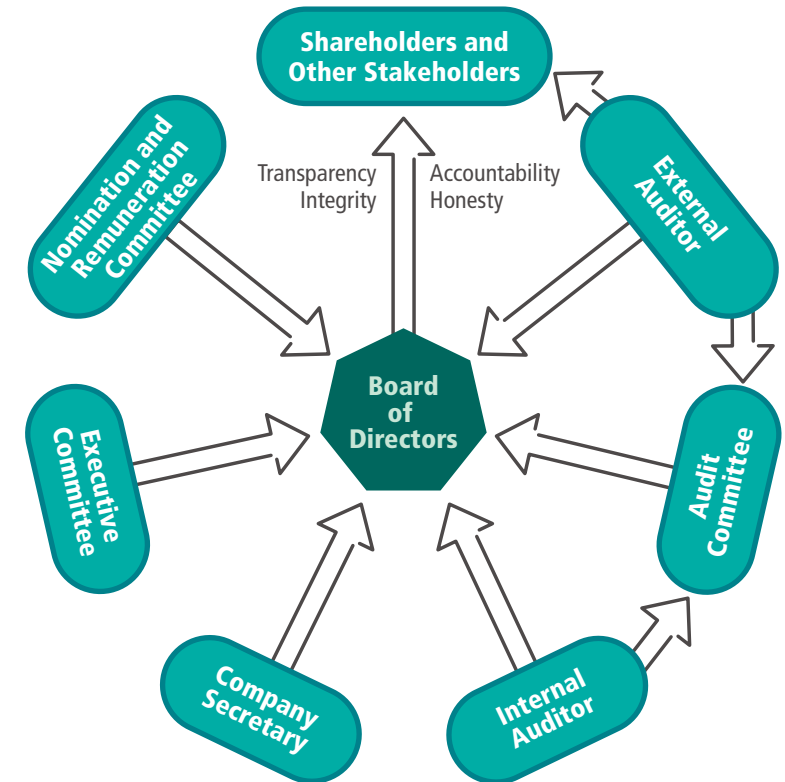
The Boards of Hang Lung Group and Hang Lung Properties consist of Executive Directors and Non-Executive Directors from different backgrounds. As of the date when this Report is signed-off, the Board of Hang Lung Group has 11 members: 4 Executive Directors, 3 Non-Executive Directors and 4 Independent Non-Executive Directors. The Board of Hang Lung Properties has 10 members: 4 Executive Directors and 6 Independent Non-Executive Directors.

We have a Board Diversity Policy in place that sets out our approach to achieving Board diversity, enhancing Board effectiveness and ensuring good corporate governance. The concept of 'Board diversity' is considered from a range of perspectives, including but not

limited to gender, age, cultural and educational background, ethnicity, professional experience, required expertise, skills, knowledge and length of service. This ensures that our Boards are well equipped to make sound, independent decisions in a timely manner.

In November 2016, Hang Lung Group and Hang Lung Properties appointed Mr. Adriel Wenbwo Chan as Executive Director of the Boards. This appointment has further enhanced the diversity of the Boards of Hang Lung Group and Hang Lung Properties in terms of the balance of skills, expertise, experience and professional background, particularly in the areas of technology and risk management. With effect from 28 April 2016, Prof. Pak Wai Liu retired from his role as an Independent Non-Executive Director of Hang Lung Properties.

We fully comply with, and in many cases exceed, all of the provisions and some of the recommended best practices of the Corporate Governance Code of the Listing Rules. We have established 3 Board committees for each of our Boards – the Executive Committee (EC), the Audit Committee (AC) and the Nomination and Remuneration Committee (N&RC) – to enhance the capabilities of the Boards in discharging their functions. The corporate governance structure, the Board composition and the functions of the 3 Board committees of Hang Lung Group and Hang Lung Properties are illustrated in the next page.



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Corporate Governance Structure (Continued)

Board of Hang Lung Group

Board Position	Name	EC	AC	N&RC
Chairman	Mr. Ronnie Chichung Chan	•		
Chief Executive Officer	Mr. Philip Nan Lok Chen	•		
Non-Executive Director	Mr. Gerald Lokchung Chan			
	Mr. George Ka Ki Chang		•	
	Mr. Roy Yang Chung Chen			
Independent Non-Executive Director	Mr. Simon Sik On Ip, <i>GBS, CBE, JP</i>		•	•
	Prof. Lap-Chee Tsui, <i>OC, GBM, GBS, JP</i>		•	
	Mr. Martin Cheung Kong Liao, <i>SBS, JP</i>			•
	Prof. Pak Wai Liu, <i>SBS, JP</i>		•	•
Chief Financial Officer	Mr. Hau Cheong Ho	•		
Executive Director	Mr. Adriel Wenbwo Chan	•		

Board of Hang Lung Properties

Board Position	Name	EC	AC	N&RC
Chairman	Mr. Ronnie Chichung Chan	•		
Chief Executive Officer	Mr. Philip Nan Lok Chen	•		
Independent Non-Executive Director	Mr. Ronald Joseph Arculli, <i>GBM, CVO, GBS, OBE, JP</i>			•
	Mr. Dominic Chiu Fai Ho		•	•
	Mr. Nelson Wai Leung Yuen			
	Dr. Andrew Ka Ching Chan, <i>BBS, JP</i>		•	
	Prof. Hsin Kang Chang, <i>GBS, JP</i>		•	•
	Ms. Anita Yuen Mei Fung, <i>BBS, JP</i>		•	
Chief Financial Officer	Mr. Hau Cheong Ho	•		
Executive Director	Mr. Adriel Wenbwo Chan	•		

Functions of the 3 Board-level committees

Committee	Key Functions
Executive Committee	<ul style="list-style-type: none"> Establish the strategic direction of the Group. Monitor the performance of management.
Audit Committee	<ul style="list-style-type: none"> Discuss the nature and scope of internal audit work. Oversee financial reporting system, risk management and internal control systems. Develop and review the Group's policies and practices on corporate governance.
Nomination and Remuneration Committee	<ul style="list-style-type: none"> Set policy on remuneration of Executive Directors of the Boards. Fix remuneration packages for Executive Directors of the Boards.

For more details on our corporate governance, please refer to the 'Corporate Governance Report' section of the Annual Reports published by Hang Lung Group and Hang Lung Properties, and visit the corporate governance section of our websites: www.hanglunggroup.com and www.hanglung.com.

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Ethics and Integrity

To minimize the business risks of illegal and/or immoral conduct, we strive to foster an ethical culture throughout the Group. Our Code of Conduct, which is applicable to all Directors as well as full-time, part-time and temporary members of staff, sets out the ethical guidelines and expected standards of behavior that individuals must adhere to wherever they are acting on behalf of the Group.

We remind all employees of our policy governing conflict of interest situations every six months. We also require executive staff to complete and sign a form declaring their interests, directly or indirectly, with the Group and its associated companies on a biannual basis.

Launched in 2013, the Group’s Hang Lung Integrity Program reinforces our expectations regarding standards of integrity. In 2016, 227.5 hours of anti-corruption training were delivered, among which 190 hours were delivered as part of the program to raise internal awareness of the standards.

We have a zero-tolerance policy with regard to misconduct. We have established monitoring and management control systems that enable us to pinpoint the root cause of bribery, fraud or other malpractices. We have a whistle-blowing mechanism for employees and other stakeholders – including tenants, business partners, contractors and suppliers – to confidentially raise serious concerns about misconduct, fraud or malpractice in any matters related to the Group. Our Internal Audit Department is responsible for investigating all reported cases in strict confidence, monitoring the reporting situation and reporting any cases to the Audit Committee every 6 months.

Compliance with Laws and Regulations

We adopt a proactive approach to make sure that we comply with all relevant laws and regulations. The Audit Committee is responsible for reviewing and monitoring the Group’s policies and practices with regard to legal and regulatory requirements. We disseminate legal updates on any relevant new laws and regulations and/or changes to existing legislation to executive staff, who are responsible for sharing this information with appropriate members of their teams. We also issue reminders to unit heads on legal and regulatory compliance matters and invite external speakers to deliver training on new or updated legal requirements to relevant staff.

We have systems and policies in place to ensure compliance with all relevant laws and regulations. These legal requirements include, but are not limited to: the Buildings Ordinance, the Residential Properties (First-Hand Sales) Ordinance, the Competition Ordinance, the Personal Data (Privacy) Ordinance, the Minimum Wage Ordinance, the Employment Ordinance and the Occupational Safety and Health Ordinance in Hong Kong; and the Anti-Monopoly Law, the Construction Law, the Labor Law, the Trade Union Law and the Anti-Unfair Competition Law in the People’s Republic of China.

Risk and Crisis Management

Risk Management Framework

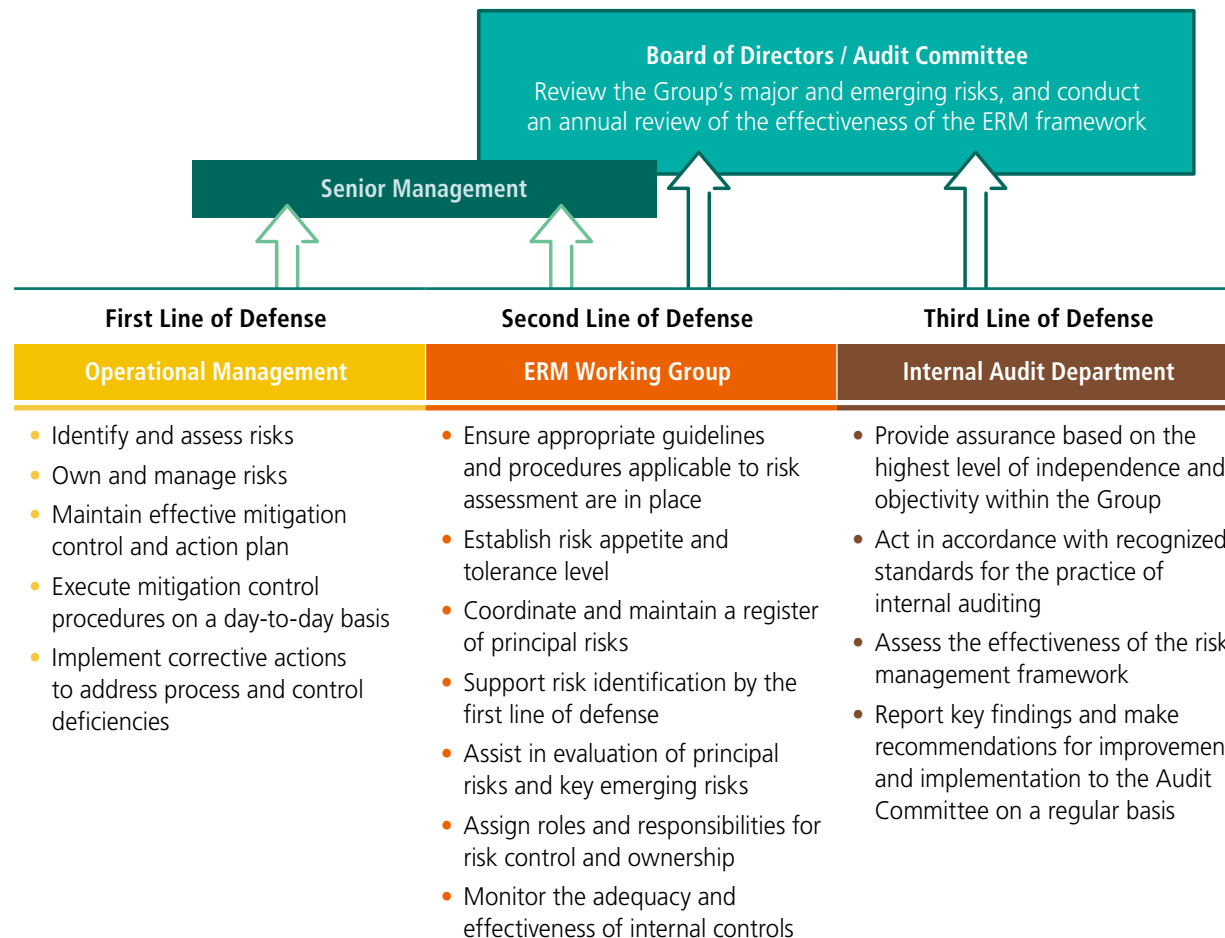
Risks are inherent in every sector of our business. We must take steps to understand, analyze and address risk if we are to achieve our business objectives. We are committed to continually enhancing our Enterprise Risk Management (ERM) framework, which is linked to our corporate strategic planning as well as integrated into our day-to-day operations and decision making. We use the “Three Lines of Defense” model for our ERM framework, under which different functions and levels of the Group can work collaboratively to provide enhanced safeguards against an ever-widening range of risks.

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Risk and Crisis Management *(Continued)*

Since 2015, we have strengthened and formalized our ERM framework in phases. One major step was the setting up of our ERM Working Group, which is currently chaired by Executive Director of the Boards Mr. Adriel Chan and comprises heads of all business functions, as the second line of defense to ensure that processes and controls are appropriately designed, that they are in place and operate effectively, and that identified risks are mitigated in a coordinated fashion. As of the end of 2016, our ERM framework covered all strategic risks at the corporate level. The next phase of development will extend the framework to cover operational risks at the project level in 2017, helping to further instill a risk management culture across the whole company. The diagram on the right presents the current functions of our three lines of defense.



Our ERM framework demonstrates our organizational risk intelligence. The framework allows for a balanced and impartial consideration of different risks – ranging from conventional strategic and operational risks to emerging environmental and social risks. Please refer to the “Risk Management” section of our Annual Report 2016 to learn more about the Group’s principal risks and the corresponding key controls and mitigation measures we have in place.

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Risk and Crisis Management (Continued)

Corporate Crisis Management

An effective risk management system is essential for an organization to be able to identify and assess risks in a way that ensures they can be avoided, mitigated or controlled to a tolerable level. However, even the most robust risk management system cannot anticipate every eventuality. In late 2015, we formalized our crisis management structure, as codified in our corporate-wide Crisis Management Manual, for dealing with emergency or major unexpected events that may have an adverse impact on our business operations.

Our Crisis Manager, Mr. C.F. Kwan (Director - Corporate Communications & Investor Relations), is responsible for coordinating the structure and reports directly to the Executive Directors in this capacity. Our crisis management policies and guidelines as well as areas of responsibility for different departments and local management teams in the event of an emergency, are clearly explained in the Crisis Management Manual. By the end of 2016, customized crisis management plans had been prepared for all of our properties and major business functions in Hong Kong and mainland China.

We are reinforcing the effectiveness of our crisis management mechanism through knowledge development initiatives that include enhancing employee awareness of potential crisis situations and increasing their capacity to respond to crises in an effective and efficient way. We have taken the following measures to strengthen crisis management capabilities within the Group:

Measure	Description
Regular Information Disclosure	Information regarding crisis management is regularly shared with our colleagues through our newsletter, <i>Connections</i> , and by internal e-mail. Real crisis cases from Hong Kong and mainland China are also shared with colleagues for the learning opportunities they provide.
Regular Drills	We organize regular drills with colleagues, tenants, contractors and relevant government departments. After the drills, project sites must submit evaluation reports and make observations and recommendations about the effectiveness of existing practices.
IT Disaster Recovery Drill	Apart from physical crises, our heavy reliance on information technology requires us to have well-developed procedures for dealing with IT disasters. Our IT Department conducts annual disaster recovery drill to ensure that IT services can be resumed as soon as possible in the event of a related crisis.
Crisis Audits	Our Internal Audit Department conducts crisis audits to evaluate the effectiveness of each project's crisis management plan and assesses the crisis communication mechanisms established between local team members and different stakeholders.
Crisis Management Online Course	We launched our Crisis Management Online Course in March 2016. As of the end of 2016, 1,902 Group employees had taken the one-hour course, which is designed to ensure that colleagues understand their roles and responsibilities in the event of a crisis.
Crisis Management Training	In addition to our online course, we also provide more in-depth training sessions for colleagues on topics such as crisis prevention and management, how to handle the media in the event of a crisis, etc.

MORE INFORMATION

Stay Calm in a Crisis: Emergency Preparedness and Response



Our robust crisis management structure supported our efforts to respond effectively and efficiently to a number of unfortunate incidents in 2016, such as the tragic SC Storage fire incident and the severe flood at Riverside 66 in Tianjin. Please refer to our Sustainability Highlights 2016 to learn more about the real-life crisis management at Hang Lung.

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Communication with Stakeholders

Our business viability relies on establishing and maintaining trusting relationships with our diverse group of stakeholders. Engaging in ongoing communication with internal and external stakeholders through a variety of channels helps us understand their needs and opinions and respond to their questions and concerns in a timely way.

Internal Stakeholders

Maintaining high levels of transparency between management and staff is pivotal for the smooth operation of the Group and sustaining good morale among our staff. As outlined in the table on the right, we adopt various approaches to facilitate effective two-way communication.

Communication Channel	Description
Staff briefing	Staff briefing sessions are held after our annual and interim results announcements at all our major offices in Hong Kong and mainland China. Chief Executive Officer Mr. Philip Chen, together with other members of senior management, announce the Group's results and discuss the future business prospects and other related matters with attendees.
Breakfast meeting	Informal breakfast meetings are organized throughout the year to facilitate the exchange of corporate development ideas between the senior management team (including the Chief Executive Officer) and colleagues from different departments. In 2016, 9 breakfast meetings were held, attended by a total of 87 Managers.
Newsletter, Connections and online newsletter platform, eConnections	The Corporate Communications Department publishes our newsletter, <i>Connections</i> , on a monthly basis, to communicate the latest information about the Group's strategies, updates, achievements and business operation to staff. Each completed project in mainland China issues a localized version of <i>Connections</i> on a monthly basis to inform employees of the latest company developments at the project. Regular updates are also provided to our colleagues in both Hong Kong and mainland China through our online newsletter platform, <i>e-Connections</i> .
Intranet	Staff can make comments and suggestions about the development of the Group by submitting a suggestion form via our intranet. This feedback is collected by the Human Resources Department and passed to the relevant departments for follow up.

External Stakeholders

Our communications with external stakeholders include providing public access to our online newsletter platform, *eConnections*. We communicate with shareholders through our financial reports, press releases and Annual General Meetings, to ensure they have the latest information on developments of the Group and can exercise their rights in an informed manner. We maintain regular dialogue with institutional investors and financial analysts through analyst briefings, investor meetings and overseas roadshows.

We conduct opinion surveys among our customers and tenants on a regular basis. We arrange regular meetings with our suppliers, consultants and contractors to discuss legal compliance issues and our operational and environmental requirements. In the design, execution and evaluation stages of project development, we hold community-based meetings to discuss our objectives and gather opinions and feedback from individuals and community organizations. We proactively communicate with our media partners through press releases, notices, announcements and other similar materials. We also maintain relations with various government departments in Hong Kong and mainland China to ensure we stay well informed of the latest legislative, standards and permit requirements, and to solicit support for our future development plans.

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Employees



Introduction

A competent and committed workforce is key to sustainable business growth. Guided by our Sustainability Vision, we strive to help our people maximize their professional and personal potential. In 2016, we were proud to be named again as an ‘Employer of Choice’ by *JobMarket* in Hong Kong. We also remain one of the best-known property brands in mainland China.

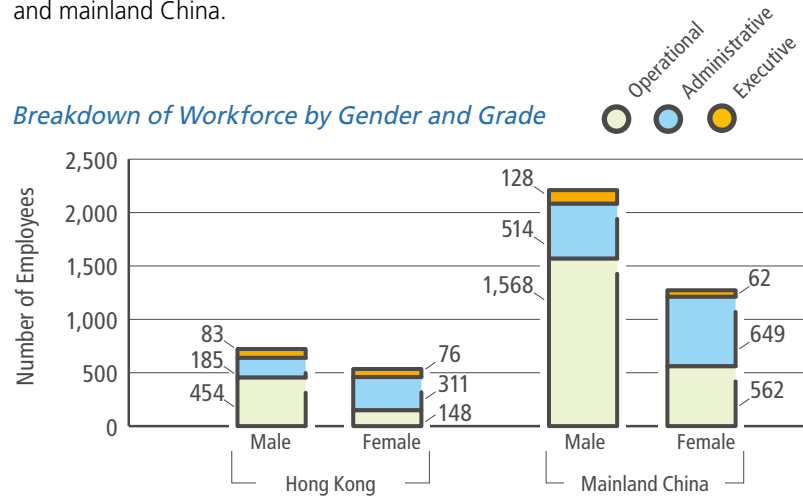
Nevertheless, the vigorous competition for talent in Hong Kong and the increasing number of projects in mainland China are making recruiting and retaining staff with the knowledge and skills to support the growth of our business increasingly challenging. We have adopted a multi-pronged strategy for attracting employees with high potential who share our values, including providing competitive compensation and benefits packages, enhancing the working environment and providing various opportunities for our people to develop their knowledge and skills.

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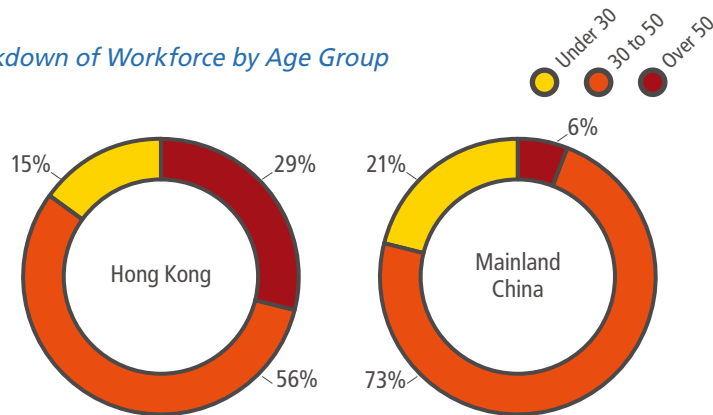
About our Workforce

As of 31 December 2016, the Group employed 4,740 staff across Hong Kong and mainland China.

Breakdown of Workforce by Gender and Grade



Breakdown of Workforce by Age Group



Recruitment

As our business continues to expand, we have increasing manpower needs. We use a variety of incentives to attract talented, ambitious and motivated people, including competitive remuneration and benefits packages, which are benchmarked against our industry peers on a regular basis. Benefits provided to full-time employees include the option of joining our Occupational Retirement Schemes Ordinance (ORSO) scheme, life and medical insurance, health checks, car park benefits and a range of corporate staff discounts.

We made 873 new hires in 2016.

Equal Employment Opportunities

We are an equal opportunities employer that offers fair and equal treatment to our employees and job candidates. As stipulated in the Equal Employment Opportunities Policy in our Code of Conduct, we prohibit discrimination in employment on any grounds, including gender, age, marital status, family status, pregnancy, disability, race, ethnic origin, religion or other personal attributes protected by laws.

As part of our commitment to providing employment opportunities for people with special needs, we partner with a wide range of local NGOs. In October 2016, we participated in the Fair Opportunity Inclusive Recruitment Program organized by CareER to provide job opportunities for tertiary-educated students and graduates with disabilities. We conducted interviews with 21 candidates during the fair. We are also a supporting organization of the Hong Kong Athletes Career & Education Program through offering interviews to retired athletes whenever appropriate.

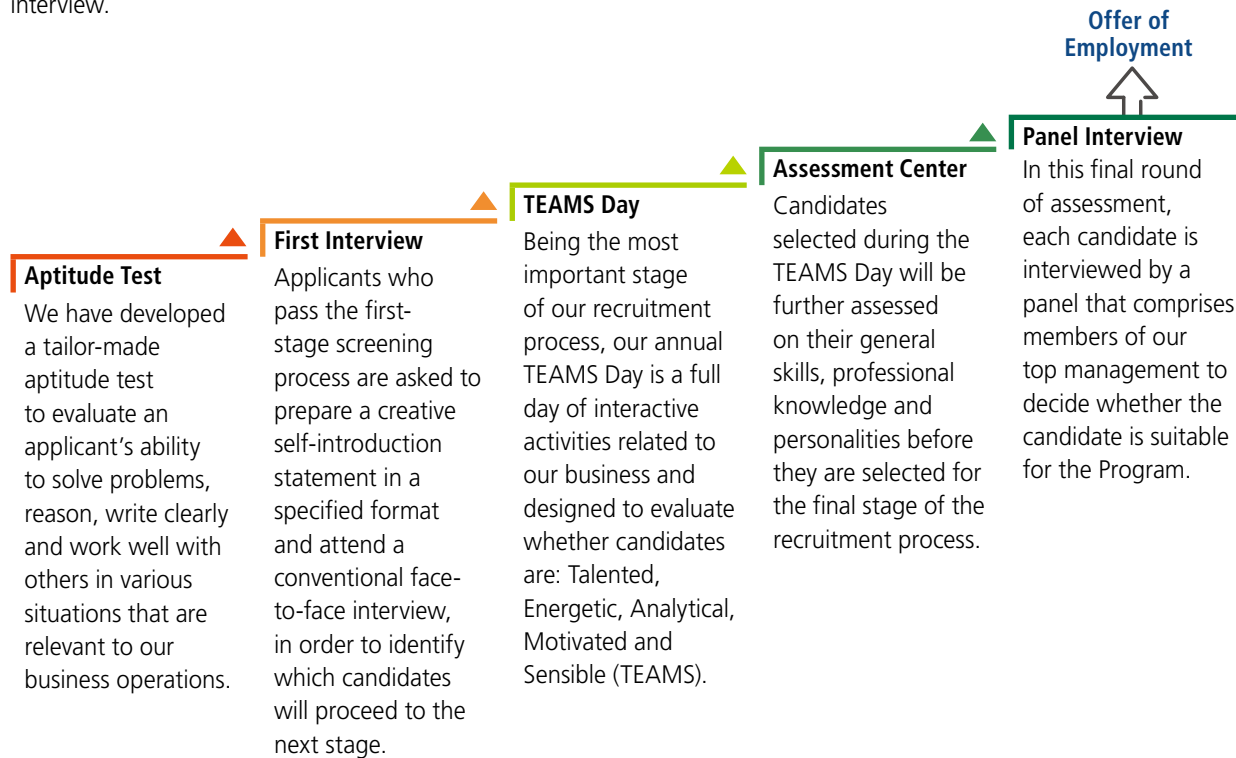
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Recruitment *(Continued)*

Management Trainee Program

To support our ongoing business expansion, we established a Management Trainee Program in 2005, through which we nurture talented graduates for future leadership roles in the Group. Applicants to the Program undergo a rigorous five-stage assessment, which includes an aptitude test, a first interview, a TEAMS Day, an assessment center and a panel interview.



In 2016, we selected 10 management trainees out of over 1,200 candidates from Hong Kong, mainland China and overseas.

The 18-month Program is designed to give management trainees a well-rounded, in-depth understanding of the property industry, our corporate culture, the Group's core business and the day-to-day operations of different departments. Trainees are attached to different business functions, including our mainland China portfolio, to receive on-the-job training in various areas. Throughout the Program, top management and senior executives from different departments will coach trainees and help develop their leadership skills. In addition, the trainees receive professional and operational training designed to support their personal advancement, covering issues such as business etiquette, professional grooming, business management and property management.

Internships

To build a talent pipeline and offer practical job experience to young people, we provide internship opportunities to students from different Hong Kong and overseas universities. We hired 6 students as interns in 2016.

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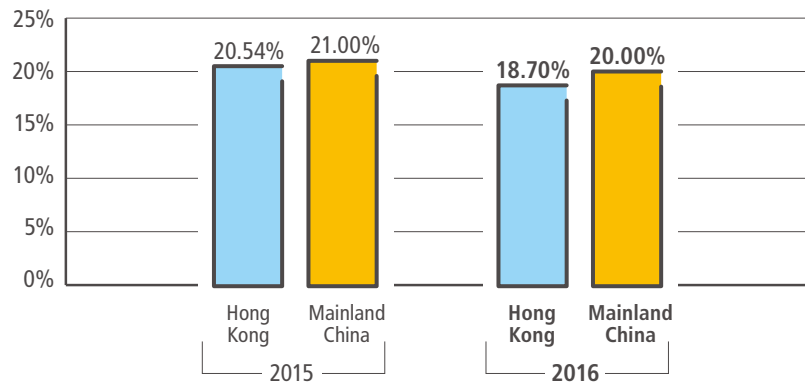


Retention

In addition to recruiting the right people, retention of talent is a major factor in maintaining our competitive advantage. It is vital that we work to retain in-house expertise and experience by containing our employee turnover rate at an acceptable level. Other benefits include improved succession planning, higher staff morale and lower training and recruitment costs.

We recorded a small reduction in our turnover rates in Hong Kong and mainland China in 2016, at 18.7% and 20% respectively.

Turnover Rates in Hong Kong and mainland China



Employee Well-being

When employees enjoy a healthy and safe working environment and a good work-life balance, they are able to flourish and achieve their full potential for the benefit of themselves and the Group. We focus on 4 main areas in our efforts to enhance the overall well-being of our employees. A number of our key policies, programs and initiatives under the 4 areas are highlighted in the following table.

Category	Approach	Highlights
Wellness	We have a comprehensive Employee Wellness Program in place to organize events and provide training that helps build awareness of the benefits of healthier lifestyles. Healthier employees perform better, resulting in improved workplace productivity and fewer lost days due to staff illness.	<ul style="list-style-type: none"> We organized an array of activities as part of our Health Month in November 2016, including those that gave employees opportunities to learn about spinal care, eye care, stress management and stretching exercises. We also organized a Health Day to offer health talks and consultations by Chinese medicine practitioners and nutritionists to employees.
Work-life Balance	We are committed to promoting a good work-life balance, with the aims of strengthening employee loyalty and productivity. Our Hang Lung Social Club regularly organizes social and leisure activities for our employees and their family members to build camaraderie among employees and foster a healthy work-life balance culture.	<ul style="list-style-type: none"> We restructured and strengthened the organization of the Hang Lung Social Club in 2016. This has allowed for a more effective allocation of resources with clearer roles and responsibilities in the organization of activities and events that cater to the wide-ranging interests of our employees. Activities held in 2016 include our Annual Dinner, an art jamming workshop, a wetland park tour, a bowling competition and a bubble soccer match. We established several new interest clubs under the coordination of the Hang Lung Social Club last year, including Photography Club and Dragon Boat Team.

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Retention *(Continued)*

Category	Approach	Highlights
Family-friendly	We implement various family-friendly measures that make it possible for employees to more easily fulfill both their family and work obligations.	<ul style="list-style-type: none"> We offer pro-family benefits in line with, and in some cases beyond, statutory requirements to eligible employees, including marriage leave, maternity leave, paternity leave and compassionate leave. Cash coupons will also be offered for newlyweds and employees with new-born babies. Beginning in 2015, we have been providing breastfeeding rooms in our offices in Hong Kong and mainland China wherever possible. Chan Tseng-Hsi Foundation provides interest-free loans to assist employees with funding the tertiary education of their children. 6 loans were approved in 2016, involving a total of HK\$106,000 in assistance. Professional counseling services are provided to employees and their family members to help them manage stress and maintain good mental health.
Workplace Health and Safety	It is our duty as an employer to maintain a safe and healthy work environment, and provide related, necessary information and training as required by law.	<ul style="list-style-type: none"> Our Occupational Health and Safety Policy, which is included in our Code of Conduct, provides necessary guidance on the provision and maintenance of a safe workplace. We provided a total of 1,747.5 hours of occupational health and safety training to our staff in Hong Kong and mainland China in 2016 to enhance their awareness and knowledge in this area. Programs covered areas such as Construction Industry Safety Training Certificate, safety when working at height, safe lifting postures and safe driving habits. We appointed external Registered Safety Officers to conduct a risk assessment for all display screen equipment users in Hong Kong and advice on ways to improve occupational health and safety.

MORE INFORMATION

Fostering a Fun, Friendly and Cohesive Workforce: The Hang Lung Social Club

Many people regard a company as a workplace only. At Hang Lung, we take a different view. The Hang Lung Social Club organizes a wide array of social, recreational and sports activities for our staff and their family members so that our people can have fun, maintain a good balance between work and life, and build friendships with their colleagues. Please take a look at our Sustainability Highlights 2016 to learn more about this story.



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Retention *(Continued)*

Internal Recognition

To inspire our workforce to strive for excellence, we recognize exceptional performances and staff loyalty through various awards.

Award	Objective	Presentation in 2016
Emerald Award	The award is our highest form of recognition and is bestowed on frontline employees who go the extra mile to provide outstanding customer service.	The Emerald Pin was awarded to 6 individuals from over 240 nominations. The winners were decided by a panel of top management in the final judging round after a thorough selection process. The winners also joined a three-day exchange tour of service excellence to learn more about customer service in other service industries.
Hang Lung Leading Edge Marketing Awards	Launched in 2015, the award aims to encourage creativity and excellence, channel integration, quality execution and tenant partnership in marketing campaigns across the Hang Lung portfolio.	Gold, Silver and Bronze awards were presented to 7 winning teams out of 17 entries from 13 shopping malls.
Long-service Award	The award celebrates the loyalty of employees who have worked with the Group for 10 years or longer.	The Group Chairman presented Long-service Awards to 48 employees who had been with Hang Lung from 10 to 30 years.

MORE INFORMATION

Recognizing Achievements and Leading by Example

We encourage our employees to take pride in themselves and our company by fostering a culture of service excellence. Our employee awards are designed to recognize and reward outstanding members of staff who demonstrate a willingness to 'go the extra mile' in assisting others and supporting the aims and values of Hang Lung. Please take a look at our Sustainability Highlights 2016 to learn more about this story.



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Retention *(Continued)*

Training and Development

Investing in employee training and development is crucial to enhance our internal capacity and to support our staff in fulfilling their career aspirations. We provide a wide variety of internal and external training programs to help employees expand their knowledge and skills in a fast-changing business environment. The following table outlines the major categories of training and development programs available to different groups of staff.

Program	Objective	Group of Staff			
		New Joiners	Operational Staff	Administrative Staff	Executive Staff
On Board Program	To introduce new members of staff to the structure, objectives and values of the Group.	•			
Language	To enhance communication skills.			•	•
Customer Service	To align customer service standards across our the Group.		•		
Professional Development	To provide the latest information, concepts and skills to employees in various areas of operation.		•	•	•
Leadership Development	To develop the leadership skills of supervisors.		•	•	•
Safety and Health	To minimize work-related injuries.		•	•	
Talks on Legal Requirements	To promote awareness of and compliance with the latest legislation.		•	•	•

To facilitate the discussion of best practices and exchange of new ideas, we organized Group-level conferences in various areas this year, including human resources, marketing and project management. We also enhanced our convenient online learning platform, eAcademy 66, by launching 3 new interactive online courses, covering orientation for new staff, crisis management and IT security. Details of these courses are outlined in the table below.

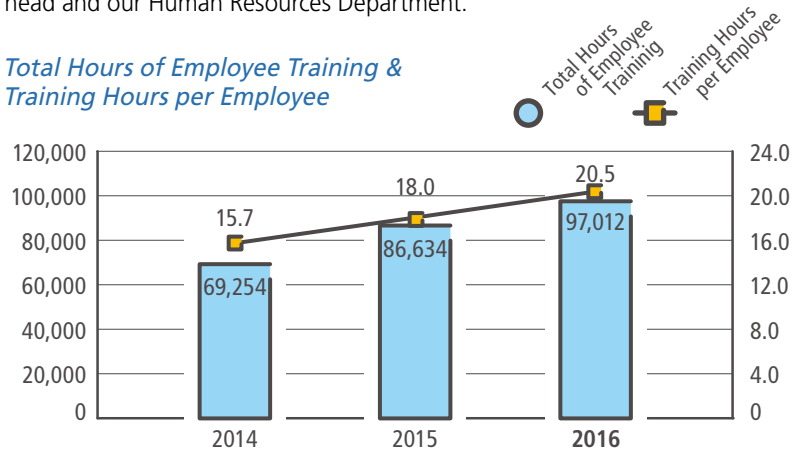
Online Courses	Objective	Training hours in 2016
Orientation	To acquaint newcomers with the Group.	415
Crisis Management	To raise awareness of good crisis management practices among all staff and to strengthen employee preparedness in the event of a crisis.	1,902
IT Security	To enhance employee understanding of IT security and to help reduce the Group's IT security risks.	2,614.5

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Retention *(Continued)*

In addition to general corporate training programs, we also provide personalized training to employees by assessing their specific training needs. Employees who pursue part-time studies or seek to attain professional qualifications that will enhance their job performance are eligible for external training sponsorships, subject to the approval from the relevant department head and our Human Resources Department.

Total Hours of Employee Training & Training Hours per Employee



In line with our belief in open communication and continuous personal and professional development, supervisors conduct biannual one-on-one appraisals with their direct reports to give feedback on their performance, discuss their career aspirations and help them set appropriate goals. The intended outcomes of this process are to help our employees to realize their potential, which will in turn support the sustainability objectives of the Group.

MORE INFORMATION

Enabling Employees to Shine

In providing training and experiences that help our employees to better handle the challenges of rapidly changing business and social environments, we are investing in the long-term sustainability and growth of our company. Please take a look at our Sustainability Highlights 2016 to learn more about this story.



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Communities

Introduction

The Group recognizes that gaining and maintaining the trust of the communities in which we operate is crucial to the long-term success of our business. Our community investment programs aim to support social development and drive positive change.



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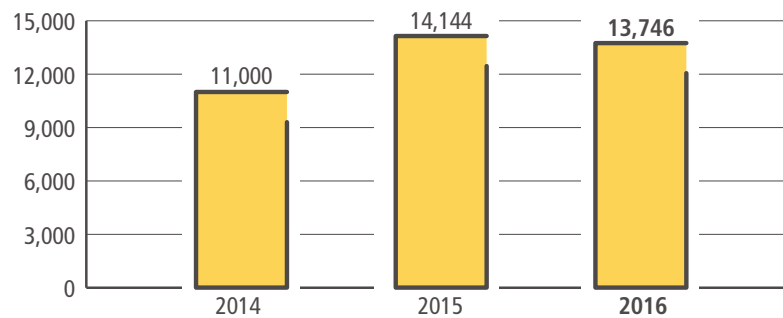
Community Investment



We donated HK\$19 million to various charities in 2016. We also provided free venues at our properties in Hong Kong to over 40 community and non-profit organizations. We support the employment of people from vulnerable populations by purchasing services from local social enterprises. Starting from 2011, we have contracted the Hong Chi Association, a non-profit organization that provides education and job training opportunities for intellectually disabled individuals, to provide letter-shop services for our *Connections* newsletter.

Apart from direct financial contributions, we also give time in volunteer services. Leveraging the expertise of different non-profit organizations in Hong Kong and mainland China, we organize various community outreach programs for our Hang Lung As One volunteer teams, with the aims of contributing to social development and encouraging greater social awareness and inclusiveness.

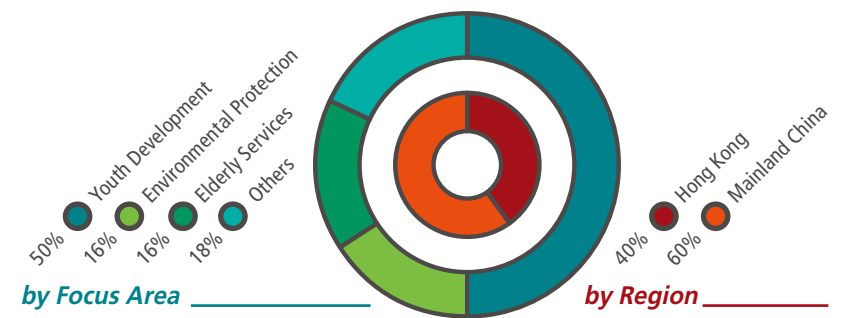
Total Volunteer Hours Contributed by Staff



Hang Lung As One volunteer teams

Established in Hong Kong in 2012, our Hang Lung As One volunteer team concept has been extended to all cities in which we operate. With the dedication of our staff volunteers, we organized more than 100 volunteer activities under the theme 'Better Me, Better Society' in 2016, contributing a total of 13,746 volunteer service hours in Hong Kong and mainland China. Our volunteer programs remain focused on 3 main areas: youth development, environmental conservation and elderly services. These focus areas align with the United Nations Sustainable Development Goals of providing quality education to younger generations (Goal 4), combatting climate change and supporting wildlife conservation (Goals 13, 14 and 15), and creating a sustainable community where older people are respected (Goal 11).

Breakdown of Volunteer Activities



Some of the volunteer activities organized by the Group in 2016 are highlighted in the next page.

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Community Investment *(Continued)*

Focus Area	Objectives	Highlights
Youth Development	To equip future leaders with the necessary knowledge, skills and perspectives to address challenges, and help develop well-rounded future employees and community members.	<ul style="list-style-type: none"> To leverage our expertise in property development and encourage young people's interest in architectural design, we launched the Architectural Tour Program in 2014. Members of the Hong Kong volunteer team were trained as guides to help secondary school students to learn more about local heritage. 3 tours were organized in 2016, benefitting over 200 students. Our Cultural Heritage Series was launched in Hong Kong in 2016 to provide an opportunity for underprivileged primary school students to learn about the importance of preserving cultural heritage through participation in various activities. Volunteers accompanied over 100 students to learn about traditional arts, crafts and customs, including Chinese opera, fire dragon dance, movable type printing and bamboo scaffolding.
Environmental Protection	To enhance public awareness and understanding of environmental issues and encourage them to join hands with us to make a positive impact on the environment.	<ul style="list-style-type: none"> Volunteers from Hong Kong organized cycling tours for primary school students to help them appreciate the natural environment. The volunteer team at Grand Gateway 66 in Shanghai hosted activities to teach primary school students about saving energy, low-carbon living and waste diversion so that they can help protect the environment through their daily actions. Volunteers from Palace 66 in Shenyang, Parc 66 in Jinan, Riverside 66 in Tianjin and Heartland 66 in Wuhan participated in tree-planting activities.
Elderly Services	To help tackle the challenging social issues that are arising as a result of Hong Kong's aging population and to recognize senior citizens for their past and present contributions to society.	<ul style="list-style-type: none"> In Hong Kong, "Be An Arty Youth" series was held for the second consecutive year. Volunteers accompanied senior citizens to experience popular activities among the young people, such as coffee art, tea brewing, art jamming and crafting leather accessories. In mainland China, volunteers from Plaza 66 and Grand Gateway 66 in Shanghai, Parc 66 in Jinan, Palace 66 in Shenyang, Riverside 66 in Tianjin, Center 66 in Wuxi, Olympia 66 in Dalian visited homes for senior citizens during festivals to spread warm feelings and good wishes.

MORE INFORMATION

Teaming Up for Change: Hang Lung As One volunteers

Our role as a property developer is not only to construct and manage buildings, but also to enhance the quality of life of the communities in which we operate. Focusing particularly on young people and the elderly, we organize a host of community-based activities with support from our Hang Lung As One volunteer teams. As well as engaging on social and welfare issues, our volunteers also promote greater awareness of environmental protection through various activities that aim to build a better environment for future generations. Please take a look at our Sustainability Highlights 2016 to learn more about this story.

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Community Partnership

Partnering with different organizations that share the objectives and values of our Sustainability Vision can enhance our positive impact on society. We have developed strong collaborative relationships with a wide variety of non-governmental organizations, academic institutions and industry associations to further our social development goals.

Flagship Community Partnership Programs

We continued to move forward with our 2 ongoing flagship community partnership programs in 2016.

The Hang Lung Center for Real Estate

The Hang Lung Center for Real Estate (the Center) was founded at Tsinghua University in Beijing in 2010 with an endowment of HK\$30 million in research funding from the Group. The Center is committed to spearheading academic research in the area of real estate and grooming future industry leaders. This initiative leverages the University's multi-disciplinary strengths and distinguished faculty to attract scholars of international standing to build a world-class academic team in the areas of housing policy and security, land management and urban development. In addition, the Center provides policy-focused research to the government in support of new ideas that can promote sustainable urban development and healthy market growth in mainland China.

In 2016, we strengthened our collaboration with the Center by co-organizing a three-day executive training program at the University. Through this program, 40 colleagues with the job grade of Assistant Manager or above gained a better understanding of the latest market trends in mainland China, which will help in the formulation of effective business development strategies for future growth of the Group.

Hang Lung Mathematics Awards

The Hang Lung Mathematics Awards (HLMA) is a biennial event organized jointly by Hang Lung Properties and the Institute of Mathematical Sciences and the Department of Mathematics at The

Chinese University of Hong Kong (CUHK). The competition aims to unlock the potential of talented secondary school students in the areas of mathematics and scientific research, raise interest in mathematics among young people and advance the development of mathematics education. Unlike other mathematics competitions that require students to answer a standard set of questions, the HLMA gives students the freedom to select a mathematics-related subject for independent research.

Since its establishment in 2004, the HLMA has helped develop the mathematics and science potential of nearly 2,000 students and awarded HK\$7 million in scholarships to support their pursuit of tertiary studies. In 2016, nearly 80 teams, composed of about 240 students from 60 schools, joined the competition. A total of HK\$1 million in scholarships and school development grants was awarded to the winning teams and their schools. The monetary value of each award is listed in the table below.

Award	Student Education Award	Teacher Leadership Award	School Development Grant
Gold Award X 1	HK\$250,000	HK\$50,000	HK\$100,000
Silver Award X 1	HK\$120,000	HK\$20,000	HK\$60,000
Bronze Award X 1	HK\$60,000	HK\$10,000	HK\$30,000
Honorable Mentions X 5	HK\$32,000	HK\$8,000	HK\$20,000

To leverage the expertise of past participants in the HLMA and nurture the mathematics potential of younger generations, our Hang Lung As One volunteer team in Hong Kong has joined forces with HLMA alumni and students from CUHK's Department of Mathematics since 2015 to provide free, fun mathematics tutorial classes to underprivileged primary school students. 6 tutorial classes were provided in 2016.

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Community Partnership *(Continued)*

Aiming to encourage greater public interest in mathematics, particularly its use in daily life, we launched a Facebook fan page 'HLMA - To Infinity' this year. The page presents key mathematical concepts and quotes in a simple way by using videos, animations and games. By the end of 2016, the page had received more than 1.5 million views and attracted over 10,500 fans. This social media publicity campaign won us the Silver Stevie Award at the 13th Annual International Business Awards in the 'Communications or PR Campaign of the Year - Sponsorship' category.

Other Community Partnerships

In addition to maintaining our long-term partnership programs, we also join hands with other organizations on a case-by-case basis. 2 such partnerships that we formed in 2016 are highlighted below.

Hong Kong Red Cross

We donated HK\$2 million to Hong Kong Red Cross (HKRC) to support the establishment of a multi-function room at their new headquarters. We further co-organized a Hang Lung Blood Donation Day with HKRC to encourage our colleagues and tenants to donate blood and share information about HKRC's vital work. About 100 people took part in the donation drive. We will continue to explore other means of collaboration with HKRC to raise the awareness about the importance of blood donation and how it helps save lives.

Hospitality Student Initiative

We sponsored the HSI Case Competition 2016, organized by the Hospitality Student Initiative (HSI) – an organization comprised students from the School of Hotel and Tourism Management at CUHK. The competition aims to nurture leadership and entrepreneurial skills among undergraduates who are pursuing a hospitality or business-related major. Working in teams, participants are invited to work on a specific business case, which in 2016 was related to innovative ideas for the application of technology in shopping malls. A panel of judges composed of representatives from Hang Lung, distinguished industry leaders and academics from the hospitality and tourism sectors reviewed the project proposals and performances of the teams. A total of HK\$50,000 was granted in scholarships to winning teams and to cover the administration costs of the event. 4 outstanding participants were hired as interns by Hang Lung Properties.

MORE INFORMATION

Summing Up the Value of the Hang Lung Mathematics Awards



By helping us to better understand how nature, society and economies function, mathematics has an important part to play in supporting greater sustainability. Every other year, the HLMA offers talented students the opportunity to immerse themselves more deeply in the world of mathematics and consider how mathematical concepts and ideas might be applied to bring about positive social change. Please take a look at our Sustainability Highlights 2016 to learn more about this story.

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Community Integration

Heritage Conservation

Our aim is to have our properties improve the quality of life for the communities in which they are constructed. We therefore consider the potential social and environmental impact of our developments before, during and after the construction stage. Before construction commences, we conduct impact assessments and solicit the views of the local community in order to develop appropriate mitigation plans. During and after construction, we maintain regular communication with community representatives to share our progress and ensure we can respond swiftly to any questions or concerns.

We have invested substantial financial and technical resources in restoring, conserving and integrating onsite historical buildings into our project designs to preserve local history while contributing to economic vibrancy. At Center 66 in Wuxi, our modern design took 3 pre-existing historical buildings into consideration. The old buildings were dismantled before the development and re-assembled in their original form following the main construction phase. At Riverside 66 in Tianjin, we incorporated the traditional European-style Zhejiang Xingye Bank Building into plans for our contemporary retail center at the design stage.

Accessibility

We recognize that accessibility is a key element of sustainable buildings, and helps to promote social inclusivity. In mainland China, we have gone beyond legal requirements with respect to including barrier-free facilities at our new properties. For example, our Olympia 66 in Dalian includes a tactile guiding path that begins 1,100 meters from the mall's main entrance, 22 designated disabled car-parking spaces, wheelchair passageways and ramps. Inside the mall, there are 5 lifts with low-level button panels, Braille buttons and audible message broadcast systems installed, facilitating unassisted navigation of the mall by the physically challenged individuals. In recognition of our efforts to create a barrier-free environment, Olympia 66 is the sole commercial property in the city to have received a plaque of "The Model for Accessible Commercial Complex in Dalian" from the Union for the Disabled in Dalian.

To embed the issue of accessibility into the fabric of our developments at all levels, we established the Barrier-Free Access working group in late 2016. The working group will help drive a wide-ranging review of the existing provision of accessibility features at our properties in mainland China and arrange for retrofits or upgrades where required. We also plan to incorporate training on assisting disabled and elderly people as part of our customer service training programs in the future.

MORE INFORMATION

Setting Out to Create a Barrier-Free Community



The concept of barrier-free access is not new in mainland China, yet public awareness of this major social issue remains low. Our goal in establishing a Barrier-Free Access working group is not only to create more barrier-free properties and but also to promote social inclusivity and greater understanding among the broader community of some of the accessibility challenges faced by physically disabled individuals. Please take a look at our Sustainability Highlights 2016 to learn more about this story.

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Customers

Introduction

Fast-paced technological, demographic and economic change are just some of the many variables that contribute to the changing expectations of our customers. Engaging with those who purchase and use our services helps us anticipate their needs and take swift action, resulting in benefits such as strengthened customer loyalty, sales growth for tenants and increased market share that help support the financial sustainability of our business.

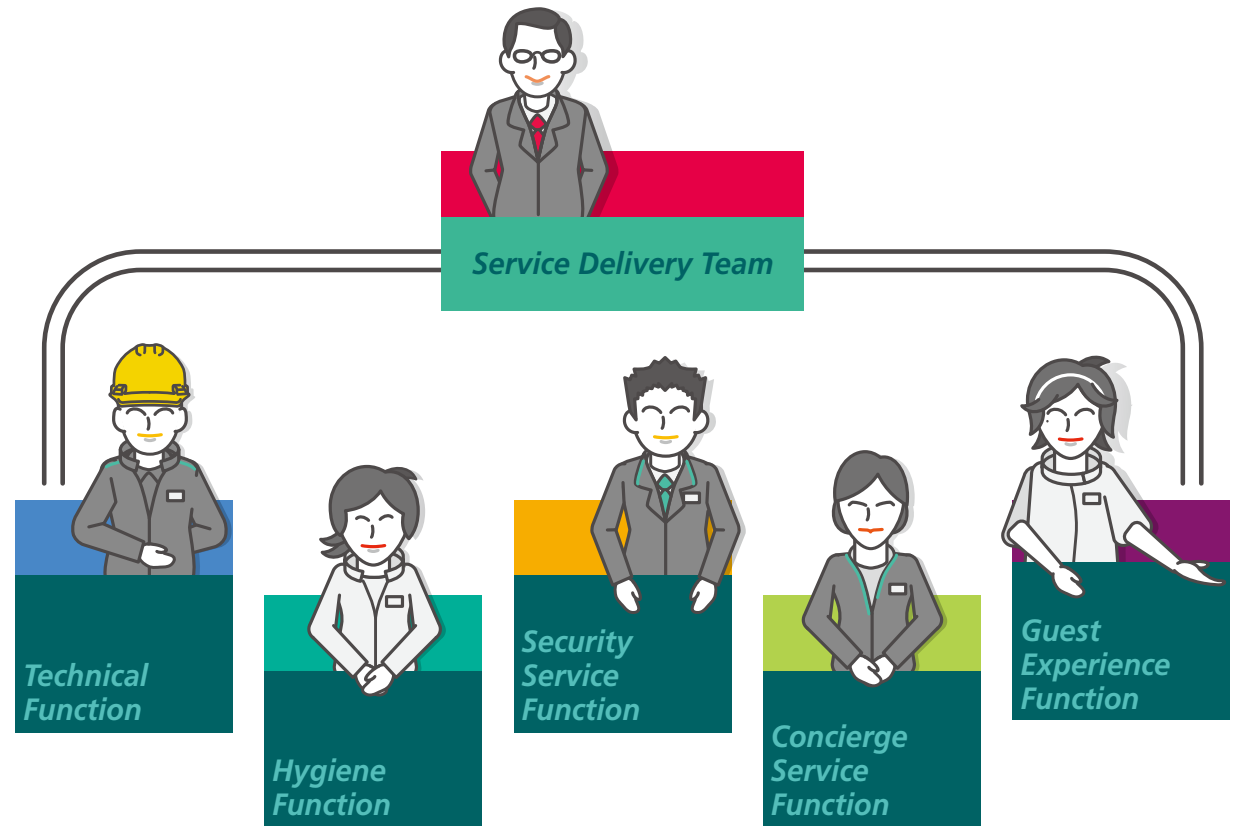


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Customer Service

Good customer service is an ongoing process that requires actively engaging customers, taking steps to develop long-term relationships, and regularly reviewing our performance. We strive to continually raise the bar of customer service excellence.

The Group has built a solid foundation to ensure that the needs of customers can be sufficiently satisfied. Established in 2014 under the Leasing & Management Department, the Service Delivery Team oversees 4 service areas: technical support, hygiene, security and concierge. The establishment of the team has enabled us to handle customer requests and provide services in a more effective and systematic manner. In late 2016, we undertook a restructuring exercise at our operations in mainland China that included adding a Guest Experience function under the Service Delivery Team. Alongside its direct service responsibilities, a key objective of the function is to maintain close communication with customers and tenants to deepen our understanding of their needs. The Guest Experience function will analyze all feedback and observations and then work with the other 4 functions to tailor services that fulfill the specific desires and requirements of our customers.



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Customer Service *(Continued)*

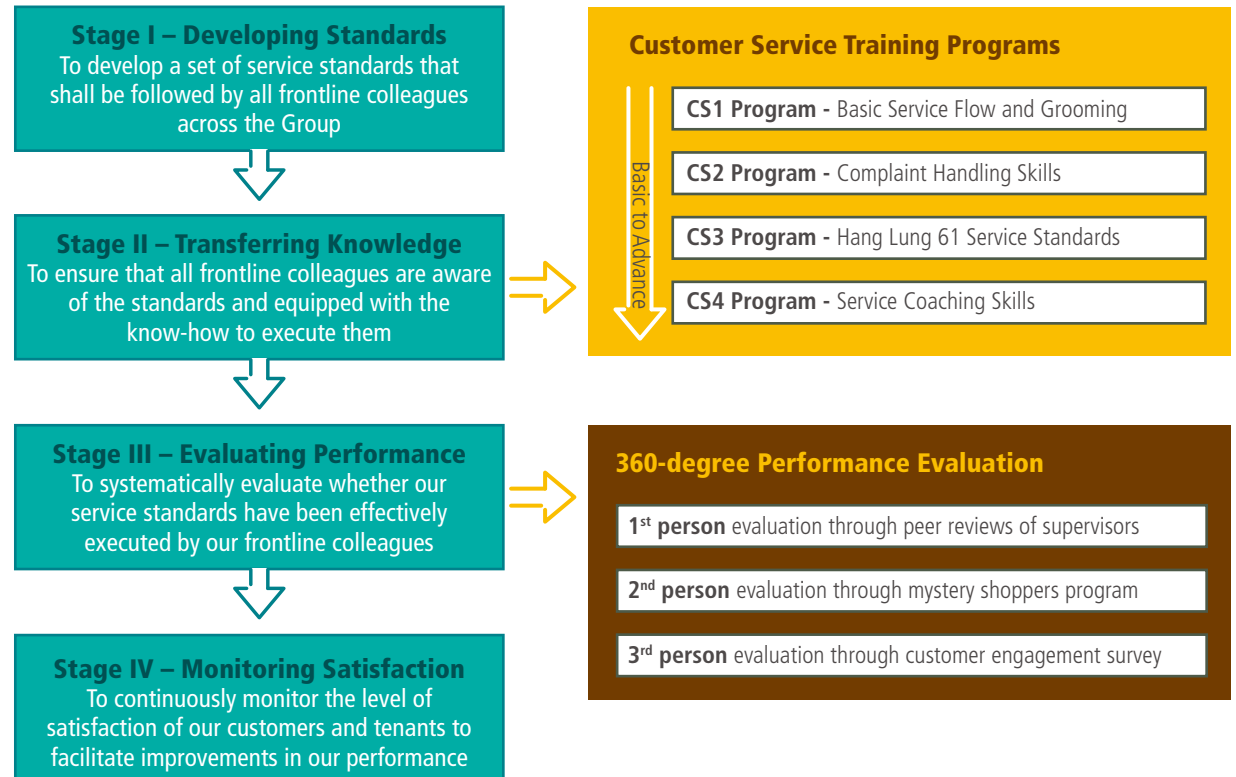
Hang Lung Star Service Campaign

In 2013, the Group launched the 'Hang Lung Star Service Campaign' (the Campaign), which aims to build the capacity of our frontline staff with respect to providing high quality and consistent customer service and is now our flagship service quality initiative. The Campaign includes 4 elements: development of a set of service standards, provision of training, evaluation of performance and measurement of customer satisfaction levels. The diagram on the right further illustrates the various components of the Campaign.

Stages I and II of the Campaign were initiated in parallel to ensure that the necessary training was available to frontline staff with the implementation of the new service standards. Starting in 2013, we have spent around 3 years to deliver training that covers basic customer service knowledge (CS1) and complaint-handling skills (CS2) to every member of frontline staff in mainland China. In 2016, we launched an advanced-level training course for our frontline staff to introduce the full set of Hang Lung 61 Service Standards (CS3). In addition to training for frontline staff, in 2016 we also started to offer training courses for frontline supervisors, with tailored content that includes development of relevant coaching and supervision skills (CS4).

In late 2016, we initiated Stage III of the Campaign and started to develop our own 360-degree performance evaluation mechanism, aiming to obtain both qualitative and quantitative data through different approaches to measure the effectiveness of the Campaign. It is anticipated that pilot data on key parameters, such as the overall level of customer satisfaction at our individual properties in mainland China, will be ready by mid-2017.

Stage IV of the Campaign is scheduled to be rolled out by the end of 2017.



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Customer Service *(Continued)*

EST Program

Leveraging the power and utility of technology is an increasingly important part

of providing premium customer service. To ensure we keep pace with the latest developments and opportunities, in 2014, we established an EST (Experience, Service and Technology) Committee and launched the EST Program. The primary objective of the Program is to research and deploy technology as a key facet of creating outstanding mall experiences in both online and offline spaces. As of December 2016, the Program had been extended to cover all of our shopping malls in mainland China.

One of the major initiatives under the Program has been the development of dedicated WeChat apps for each of our mainland China shopping malls. In addition to providing timely information about promotional offers and activities at our malls, customers can also participate in our O2O (Online to Offline) mini-games and flash sales to get exclusive discounts and products by accessing our WeChat apps. Our new smart car park system in Olympia 66 in Dalian enables drivers to locate their cars and pay their parking fees through WeChat Pay. Over 90% of parking fees at Olympia 66 had been settled by WeChat Pay by the end of 2016. We plan to expand this customer-friendly service to Plaza 66 and Grand Gateway 66 in Shanghai in 2017.

We will continue to explore the potential for adopting other forms of established and emerging technology to enhance our customer service.



Cumulative
WeChat Followers
by end of 2016
560,192

Customer Health and Safety

The Group takes a systematic approach to safeguarding the health and safety of our customers by identifying and mitigating the potential for operational risks at both our commercial and residential properties. We focus on integrating customer safety into the design of our properties and our day-to-day operations.

As mentioned earlier in this report, each of our properties developed its own Crisis Management Plan in 2016, detailing the roles and responsibilities of different functions in the event of an emergency. Automated external defibrillators (AEDs) are provided in many of our properties in Hong Kong, with necessary training provided to our frontline staff on their use. We run a series of emergency preparedness and fire drills in Hong Kong and mainland China, using different scenarios that could affect staff, tenants, customers and/or construction units. These drills help familiarize those at risk on what and how to respond during an evacuation or other emergency situation. We also require our staff to conduct regular inspections for potential health and safety hazards at our properties.

Other measures in place at our properties to ensure public safety include the provision of security personnel, surveillance cameras and alarm systems. Our Service Delivery Team is currently reviewing the existing surveillance camera systems at our properties in mainland China, with plans to initiate an upgrading project by mid-2017.

Customer Data Privacy

Safeguarding the personal information of our customers is a central part of maintaining their trust. We fully enforce and uphold the requirements of the Hong Kong's Personal Data (Privacy) Ordinance and all relevant personal data protection legislation in mainland China by taking all reasonable steps to safeguard the personal data of our customers from unauthorized access, processing, erasure or other use during collection, holding, processing, use and/or transfer.

Our Code of Conduct outlines the general rules that all employees must adhere to in handling personal data. Our Internal Audit Department is responsible for investigating any individual who is potentially in breach of these rules. Should a breach be confirmed, the individual involved will be subjected to disciplinary action, potentially including termination of employment. Our corporate policy on the handling and management of personal data is publicly accessible on our corporate website.

In late 2016, we launched an internal guideline on the use of personal data in direct marketing in Hong Kong. Given the more complex legal landscape in mainland China and the recent launch of new regulations, we are developing separate guidelines for our mainland operations and expect to implement these before the end of 2017.

Invited external speakers delivered 425.5 hours of training on the Personal Data (Privacy) Ordinance in 2016 to further enhance the awareness and understanding of data privacy issues among our staff.

We did not receive any complaints regarding breaches of customer privacy or loss of customer data in 2016.

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Supply Chain

Introduction

Effective management of environmental, social and economic performance throughout our supply chains can help us conserve resources, optimize processes, increase productivity and promote positive corporate values. We are dedicated to the consistent implementation of our procurement policies and procedures across our entire operation.



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Sustainable Supply Chain

In 2016, the total procurement spending on centrally purchased goods and services in Hong Kong was HK\$134,251,053, all of which was spent on local suppliers.

Management of Suppliers

Incorporating sustainability into supply chains in the property development industry is inherently complex. It is therefore crucial for us to develop strong relationships with our suppliers to ensure the proper alignment of our policies that will help us maintain a high level of quality and integrity in the procurement of goods and services for the Group.

Our suppliers must abide by the provisions of our Supplier Code of Conduct and the general Terms and Conditions of our Purchase Orders. The Supplier Code of Conduct sets out our sustainability principles and establishes our minimum expectations regarding the actions

that our suppliers take on behalf of the Group, with a particular focus on compliance with local laws and regulations, labor practices, health and safety standards, anti-corruption and bribery, and product delivery.

We have a stringent procurement process in place to facilitate fair competition among prospective bidders and generate maximum value for the Group. Before any tendering process commences, we provide a pre-qualification questionnaire to new suppliers, through which we assess their track record with respect to the quality of their work, product/service knowledge, partnerships, customer service, timeliness and safety. We continue to evaluate and monitor the performance of our suppliers through regular assessments throughout their tenure with the Group. We carry out annual performance reviews with our major suppliers. Any supplier that performs poorly in the delivery of their contracted services may be excluded

from future tendering processes. In serious cases, we may decide to execute the early termination clause of a contract.

Green Procurement

The Group strives to balance quality, price and environmental impact when procuring materials. We have developed a Central Environmental Purchasing Policy, which encourages the use of locally sourced and environmentally responsible materials. The Policy articulates the importance of buying responsibly sourced timber and paper, avoiding non-

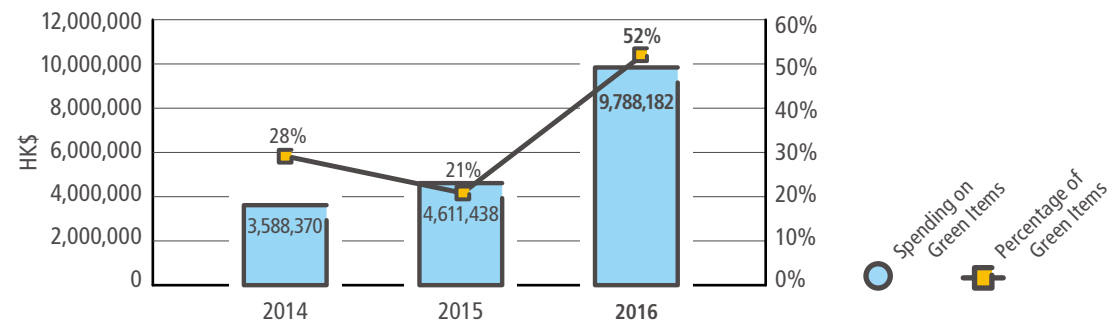
environmentally-friendly packaging materials whenever possible, and recycling metals and plastics. All employees are required to follow these principles as they represent effective strategies for reducing our resource consumption and enhancing cost-effectiveness.

There are nearly 100 green products currently available in the procurement catalogues used by our departments and projects. In 2016, the proportion of purchased goods in Hong Kong that were produced with environmental considerations in mind

was 52%, representing a 112.3% increase in absolute spending when compared to 2015.

The Central Environmental Purchasing Policy also forms part of the clauses in the contract we sign with our suppliers and contractors to encourage the use of locally sourced and environmentally responsible materials. For instance, we require our general cleaning services contractor to use cleansing products approved by the Hong Kong Government's Environmental Protection Department to perform at least 50% of its tasks.

Spending on Green Items and the Percentage of Green Items



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Managing our Building Contractors

With the increasing complexity of construction projects, we are taking a more rigorous and systematic approach to contractor management and maintaining closer communication with our contractors throughout the project development cycle so that our projects can be delivered within budget, on time and to high quality and safety standards.

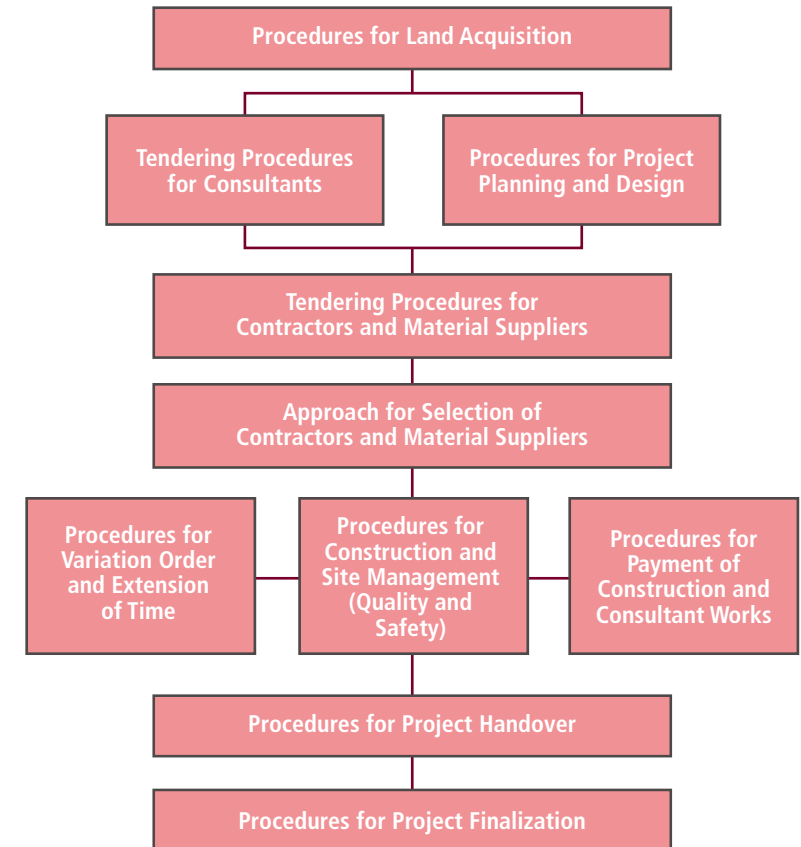
Project Management

The project management cycle begins immediately after land acquisition and runs until construction work has completed and the development has been handed over to the managing operator. This complex process requires contributions from many different internal and external parties, and it is therefore essential to have a clear operating framework if a project is to be seamlessly delivered.

Aiming to provide guidance and management with key fundamental control principles and procedures governing various stages of the project development cycle, the Group initiated a review of its entire project management system in 2013. After undertaking a series of standardizations and optimizations to the existing system, we officially launched the Group-wide Project Management Manual in late 2015, which is applicable to all projects to ensure consistency in management approach. The Project Management Manual covers the following stages of our project planning and development cycle.

Good knowledge management is crucial for the effective implementation of our Project Management Manual. In 2016, we launched a series of capacity-building exercises, including 7 project management workshops as well as a Group-level project management conference. These have helped ensure that all relevant colleagues are equipped with the necessary knowledge and skills to facilitate continual improvement as it related to the project development cycle. We consider the Project Management Manual to be a living document that should be updated from time to time as we continue to strengthen our internal procedures and project management capabilities, and to address practical needs.

Project Planning and Development Cycle



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Managing our Building Contractors *(Continued)*

MORE INFORMATION

Revitalizing our Project and Construction Site Safety Management

In 2016, the Group officially launched the new Project Management Manual, which contains our Construction Safety Manual, to standardize and codify our control principles and procedures on project management and construction site safety management. We have also taken steps to raise awareness of these issues among our colleagues by organizing workshops, conferences and training courses. Please take a look at our Sustainability Highlights 2016 to learn more about this story.

Safety management at construction sites

Construction site safety is a top priority for the Group. We will never sacrifice safety for project progress. Our major construction projects are all located in mainland China, where the development of a robust safety culture among local contractors is still in its infancy. In 2015, we institutionalized our construction safety management with the following objectives:

- To ensure contractor compliance with the relevant safety regulations;
- To establish an effective communication platform that helps enhance the overall awareness of our staff and contractors of how to deal with safety concerns;
- To build up the knowledge and capacity of site workers on how to carry out their work in a safe fashion; and
- To minimize site injuries and to achieve zero fatalities.

Guided by our Occupational Health and Safety Policy and under the coordination of our Cost & Controls Department, the Group has developed a comprehensive set of guidelines and operating procedures to enhance overall safety performance at our project sites. In particular, our Construction Safety Manual and Safety Management Checklist clearly articulate our specific safety requirements and emergency protocols for different work tasks.

While the Cost & Controls Department acts as a coordinator for all matters related to construction safety, the Group has delegated specific responsibilities to different parties, to facilitate the incorporation of safety considerations and manage the potential safety hazards from multiple perspectives at different stages of a construction project. We have also hired dedicated consultants that specialize in construction site health and safety for our key projects in mainland China. We regard this action as an extra line of defense. The diagram on the next page illustrates the safety management structure of our construction sites and the corresponding responsibilities of different key parties.

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Managing our Building Contractors *(Continued)*

Top Management

Cost & Controls Department

- To coordinate the whole construction safety management system of the Group
- To monitor and evaluate safety performance at our construction sites
- To regularly review and update our safety requirements, work processes and operating procedures

Development and Design Department

- To incorporate safety design and considerations in our tender documents
- To communicate our safety requirements to prospective bidders during the tendering stage
- To work with the safety consultant and evaluate the competence of bidders as regards safety management

Project Management Department

- To ensure contractors are in full compliance with the Construction Safety Manual
- To ensure immediate investigation and rectification in case of incidents or non-compliance
- To formulate and review site-specific safety management strategies to ensure that the highest possible standards in safety management implemented

Project Safety Representative

- To implement our safety management system at our project sites on a day-to-day basis
- To ensure our safety requirements are clearly conveyed to construction units
- To follow up on recommendations from the safety consultant and the supervision company
- To participate in safety meetings and prepare monthly safety reports

Safety Consultant

- To offer professional third-party safety advice as part of the decision-making process
- To conduct site investigations, to identify safety hazards and to provide suggestions for improvement
- To provide safety training to colleagues and site workers
- To keep a record of all safety indicators and report regularly on these to the Group
- To work with the design and construction team in eliminating potential safety hazards

We also recognize the importance of effective communication in building a stronger safety culture and awareness within the Group. We provide updates on our quality and safety performance at our project through our quarterly *Quality Newsletter*. These newsletters act as a reference point for the latest regulatory and quality requirements in mainland China for all departments in the Group. The safety and quality non-conformance registers maintained at our construction sites are shared with all project teams, so that different teams can learn from each other to further enhance the overall safety performance at all our project sites.

The table below shows the key construction safety performance indicators at our mainland China construction sites that were active in 2016.

Key Construction Safety Performance Indicators (2016)

Number of active construction sites	6
Total man-hours	3,122,399
Number of fatalities	0
Number of accidents	1
Number of near-misses	2
Number of accidents per 100,000 man-hours	0.032
Total construction safety training hours for contractors	820.75
Total construction safety training hours for Hang Lung staff	621.15

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Buildings and the Environment

Introduction

Buildings have extensive direct and indirect impacts on the environment. Our operating philosophy of **'Build to Own and Build to Last'**, requires us to minimize our potential negative impact on the environment at all stages of our value chain and work to incorporate sustainable features and mechanisms that improve the way we design, build and operate our properties from an environmental perspective.

Approach to Environmental Management

Our Environmental Policy facilitates the practical application of our commitment to achieving our Sustainability Vision to construct world-class sustainable buildings that add significant and tangible value to the communities we serve and to operate and maintain those buildings with a strong emphasis on the triple bottom line of economy, environment and society. The Policy provides guidance on undertaking activities in an environmentally responsible manner, with consideration of general environmental management, sustainable use of resources, climate change and the conservation of biodiversity and natural habitats.



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Project Development

Site Selection

Our holistic approach to site selection places significant emphasis on sustainability issues such as social well-being and environmental conservation. In general, we consider the following factors when assessing the suitability of a site for development:

- Long-term business viability of the area – whether the site is centrally located, with high connectivity to the surrounding neighborhood through the provision of mass and sustainable transportation methods.
- Current status of the land plot – whether the site has previously been developed, to minimize the need to develop greenfield areas.
- Existing infrastructure – whether existing infrastructure – e.g. access to utilities, road network capacity, and telecommunication coverage – is sufficient to support our development.
- Micro-climate conditions – whether local climate conditions will be altered as a result of our development, through phenomena such as the heat island effect and urban air ventilation.
- Local natural habitat – whether the site is environmentally and/or ecologically sensitive, and what potential impact our development might have in this regard.
- Proximity to water sources – whether there is any body of water or groundwater reservoir nearby, which might be affected by discharge, surface runoff or leaching as a result of our development.
- Composition of surrounding neighborhood – whether our property, once completed, could adversely affect the local community and nearby residents.

Green Building Certifications

In early 2007, we became one of the first companies in mainland China to align with international standards and best practices in green building design and construction by committing to pursuing Gold ratings or above under the LEED certification program for all of our new properties in mainland China. We also strive to attain BEAM Plus certifications for our existing properties in Hong Kong and regularly invest in enhancing the environmental performance of this portfolio. These green building certification programs provide us with external assurance on the measures we have incorporated to improve the environmental performance of our buildings. We will continue to review our strategy in pursuing green building certifications to keep our competitive edge, and contribute to raising industry standards for green building design and construction over the long term.

In 2016, we secured a Gold rating under the LEED certification program for Olympia 66 in Dalian. The following tables provide a summary of completed projects and projects under development that had received green building certification or pre-certification by the end of 2016.

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Project Development *(Continued)*

Completed Projects

Location	Property	Scope of Certification	Type of Certification	Rating	Pre-certification	Certification
Hong Kong	The Peak Galleria	Entire Property	BEAM Plus V1.1 Existing Building	Gold	2013	2015
	Standard Chartered Bank Building	Entire Property	BEAM Plus V1.2 Existing Building	Platinum	2013	2016
	23-39 Blue Pool Road	Entire Property	LEED BD+C: Homes v3 2008	Gold	2010	2013
Shanghai	Plaza 66	Office Tower 1	LEED BD+C: Core and Shell v3 2009	Gold	2012	Under Review
		Office Tower 2		Gold	2012	Under Review
	Grand Gateway 66	Office Tower	LEED BD+C: Core and Shell v3 2009	Gold	2012	Under Review
Shenyang	Palace 66	Entire Property	LEED BD+C: Core and Shell v2	Gold	2008	2010
	Forum 66	Shopping Mall	LEED BD+C: Core and Shell v2	Gold	2008	2012
		Office Tower	LEED BD+C: Core and Shell v3 2009	Gold	2008	2017
Jinan	Parc 66	Entire Property	LEED BD+C: Core and Shell v2	Gold	2009	2011
Wuxi	Center 66 (Phase 1)	Shopping Mall	LEED BD+C: Core and Shell v2	Gold	2009	2014
		Office Tower 1		Gold	2009	2015
Tianjin	Riverside 66	Entire Property	LEED BD+C: Core and Shell v2	Gold	2009	2015
Dalian	Olympia 66	Entire Property	LEED BD+C: Core and Shell v3 2009	Gold	2011	2016

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Project Development *(Continued)*

Projects under Development

Location	Property	Scope of Certification	Type of Certification	Rating	Pre-certification	Certification
Wuxi	Center 66 (Phase 1)	Office Tower 2	LEED BD+C: Core and Shell v3 2009	Gold	2016	Under Review
	Center 66 (Phase 2)	Entire Property		Gold	2009	
Kunming	Spring City 66	Office Tower	LEED BD+C: Core and Shell v3 2009	Gold	2013	Under Review
		Shopping Mall		Gold	2013	
		Serviced Apartment Tower		Gold	2014	
Wuhan	Heartland 66	Office Tower	LEED BD+C: Core and Shell v3 2009	Gold	2014	Under Review
		Shopping Mall		Gold	2014	
		Serviced Apartment Tower		Gold	2014	

Environmental Impact Assessment

Our efforts to control pollution and reduce waste begin in the design phase. Governed by the Regulations on the Administration of Construction Project Environmental Protection of the People's Republic of China, we work with professional consultants to undertake a stringent Environmental Impact Assessment (EIA) for every new project in mainland China. Designed to identify potential environmental impacts during the pre-construction, post-construction and operation phases of the project, the EIA covers assessment of potential air pollution, wastewater discharge, noise pollution, impact on natural habitat and biodiversity, solid waste and light pollution. Based on the assessment findings, we formulate and implement mitigation measures to ensure that we are, at the minimum, in compliance with all statutory requirements.

Alongside the EIA process, we conduct a series of public engagement exercises, including website announcements, public displays, surveys and face-to-face interviews, to ensure that all concerned stakeholders are well-informed and consulted on the potential environmental and social impacts of our development.

Necessary mitigation measures as suggested in the EIA report are included in the tendering documents for prospective contractors to ensure that they understand our environmental requirements. We maintain ongoing dialogue with appointed contractors to monitor their implementation of mitigation measures and ensure that these are still adequate as the project progresses.

Construction Waste Management

Given the large scale of our projects in mainland China, a considerable amount of construction waste is generated at our sites. We have developed a customizable Construction Waste Management Plan for use at individual sites, which outlines our approach to the recovery, handling, transfer and disposal of construction waste.

At least 50%, and in some cases over 75%, of construction waste from our sites is diverted from landfills and incineration facilities for recycling or reuse at appropriate sites. This is one of the requirements to attain Gold rating under the Leadership in Energy and Environmental Design (LEED) certification program.

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Building Operation

Consideration of the environmental impact of operating our buildings begins in the planning and design phase. We develop energy efficient designs and incorporate green features wherever possible, with the aim of minimizing natural resource use and waste generation over the long term. In the operational phase, we look for ways in which we can further optimize our efficiency in terms of energy consumption, water consumption, waste management and greenhouse gas emissions. We encourage our employees and tenants to contribute to these efforts through a variety of environmental awareness campaigns and programs.

Energy Efficiency

Buildings are energy-intensive structures and electricity often constitutes a significant proportion of operating expenses. By investing in energy efficiency, we not only help protect the environment but can also lower our financial costs.

Under our Asset Enhancement Program, we have allocated considerable resources to the refurbishment of our existing buildings in Hong Kong since 2006. Initiatives over the past decade include replacing air-cooled chiller plants at 13 of our properties with more efficient water-cooled systems. This has resulted in a cumulative energy saving of 82.63 million kWh, cutting our electricity costs by a total of HK\$105 million. In 2015, we extended the program to our older properties in Shanghai, and have been undertaking upgrades and retrofits of major facilities such as chiller plants, lighting and building management

systems. Over 95% of the enhancement works at Plaza 66 in Shanghai had been completed by the end of 2016. Examples of our energy conservation initiatives in 2016 are set out below:

Hong Kong

- Replaced old lighting in staircases with motion-activated LED lights at The Peak Galleria. This has cut annual electricity consumption by 14,278 kWh.
- Completed replacement of old lighting in car parks with LED lights at Park-In Commercial Centre. This has reduced annual electricity consumption by 58,649 kWh.

Mainland China

- Replaced compact fluorescent lights, T5 light tubes and T8 light tubes with LED lights, and installed solar window film at Plaza 66 in Shanghai. This has cut annual electricity consumption by an estimated 2.21 million kWh.
- Completed replacement of old lighting with LED lights at Forum 66 in Shenyang. This has cut annual electricity consumption by 321,316 kWh.

MORE INFORMATION

Rejuvenating Older Buildings through Systems Upgrade



Old buildings are full of history but their operational performance is often highly inefficient compared with more modern properties. To improve the performance of our decades-old Hong Kong headquarters, Standard Chartered Bank Building, we invested significant resources in enhancing its energy efficiency and indoor air quality. Through these efforts, Standard Chartered Bank Building became the first commercial office building in Hong Kong to achieve a Platinum rating in its final assessment under BEAM Plus for Existing Buildings (Version 1.2). Please take a look at our Sustainability Highlights 2016 to learn more about this story.

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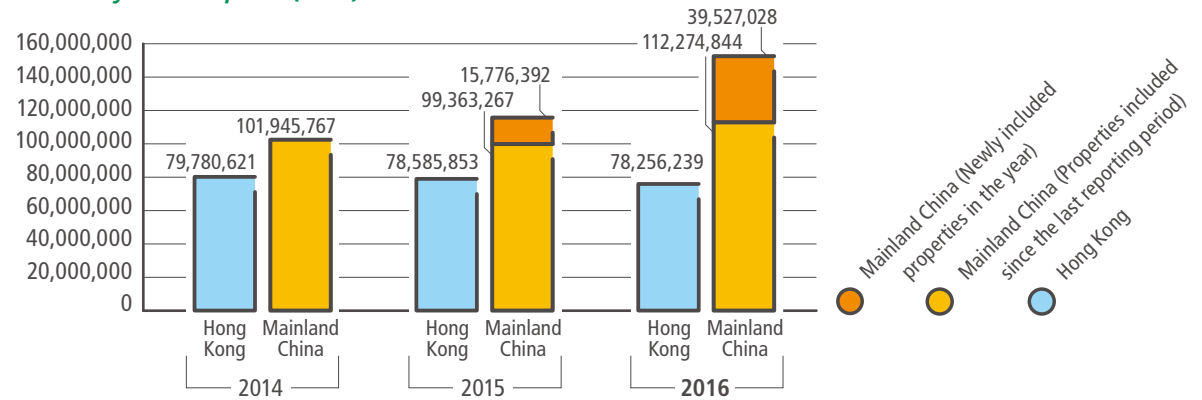
Building Operation *(Continued)*

Ongoing work includes replacement of the passenger lifts at Hang Lung Centre and the chiller plants at Hanford Commercial Centre in Hong Kong, which are scheduled for completion by the end of 2017 and 2018 respectively. In mainland China, we commenced asset enhancement works at the Grand Gateway 66 mall in Shanghai in January 2017.

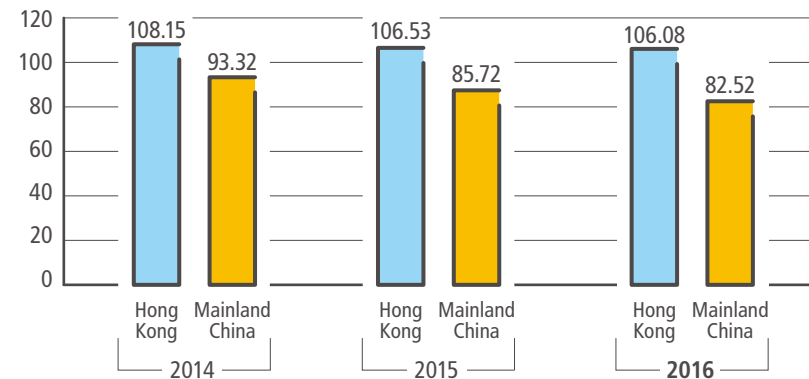
Overall, our efforts to continually enhance the energy efficiency of our existing properties has reduced the electricity intensity of our portfolio by 19% compared to our 2010 baseline, significantly surpassing our original target of a 10% reduction by 2015. In particular, the total floor area of our Hong Kong portfolio has remained constant over the past 3 years, meaning that the reduction in intensity in Hong Kong was equal to the absolute reduction in electricity consumption. In mainland China, we have also recorded a reduction in intensity but the reported electricity consumption of our portfolio has increased by 49% in the past 3 years. This is due to the inclusion of the electricity consumption of new properties that are now in full operation, including Forum 66 (Mall) in 2015, and Center 66 (Mall) and Riverside 66 in 2016, in the calculation of our reported total electricity consumption. For properties in mainland China that were covered under our last reporting period (Plaza 66, Grand Gateway 66, Palace 66, Parc 66 and the mall at Forum 66), we recorded a 2.5% reduction in total electricity consumption.

Based on our preliminary findings on the potential reduction through our planned retrofits and building optimization and in line with the principle of continuous improvement, our senior management have committed to a new target of reducing our electricity intensity by 12% by 2020, taking the electricity consumption of our properties in 2015 as the new baseline.

Electricity Consumption (kWh)



Electricity Intensity (kWh/m²/year)



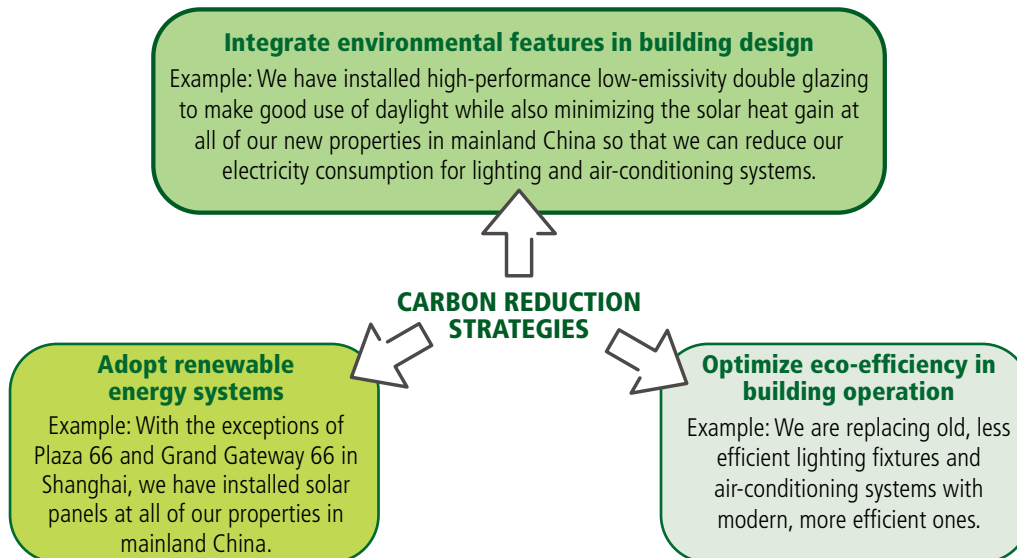
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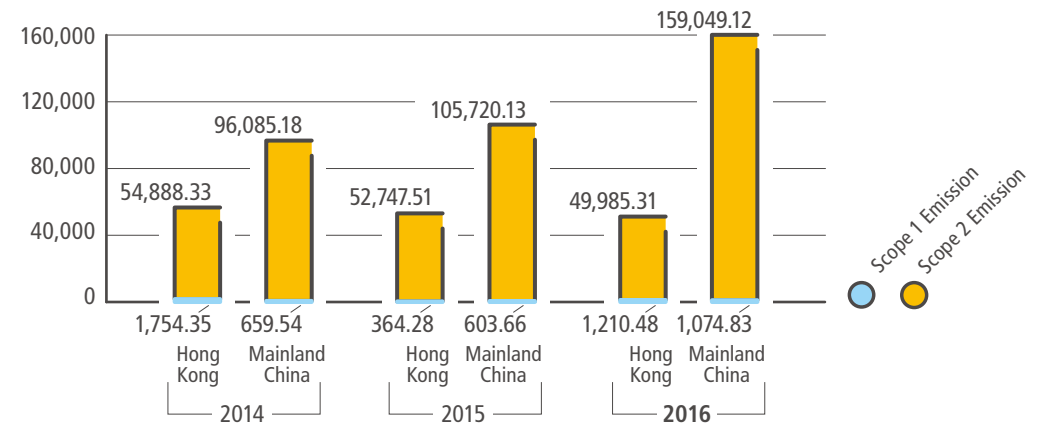
Climate Change and Greenhouse Gas (GHG) Emissions

Climate change is a global challenge that affects us all. We support the Paris Agreement as adopted at the 21st Conference of Parties to the United Nations Framework Convention on Climate Change (COP21). To help manage our impact on climate change, we monitor and review our carbon footprint on a regular basis. We have also appointed an independent consultant to verify our annual direct GHG emissions (Scope 1) and indirect GHG emissions (Scope 2) to ensure the accuracy and reliability of our carbon footprint data.

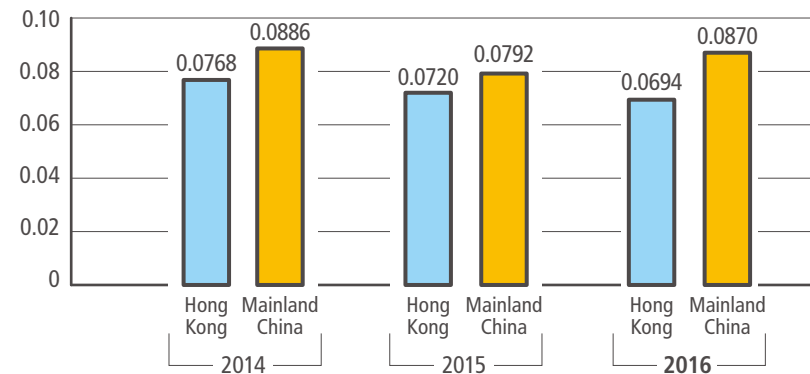
By analysing our carbon footprint, we have found that most of our GHG emissions are attributable to our energy consumption. We have therefore adopted a three-pronged strategy, illustrated in the diagram below, to cut our energy consumption with the primary goal of reducing our carbon footprint.



Total of Scope 1 and Scope 2 GHG Emissions (Tonnes of CO₂e)



GHG Intensity (Tonnes of CO₂e/m²/year (CFA))



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Building Operation *(Continued)*

Resolving climate change requires a concerted effort. Hence we are collaborating with various organizations to identify and implement appropriate solutions. In 2016, the Hong Kong Government initiated an ongoing dialogue with the property development and management sector to explore how businesses in this industry can contribute to the reduction of regional and national carbon emissions. We have been a participant in this engagement exercise since its launch in April 2016 and will remain actively involved as it develops.

Waste Management

Disposing of waste is a significant environmental challenge, particularly in densely populated cities like Hong Kong and major urban areas in mainland China. Over the past 30 years, the total amount of solid waste generated in Hong Kong has increased by nearly 80%, far outpacing the city's population growth of 36%, and similar trends have been observed in mainland China. To tackle this growing environmental challenge, the Central Government and Hong Kong Government have both rolled out action plans containing concrete waste reduction targets.

The property development and management sector is a major source of waste production. We are taking steps to manage our waste production and encourage our tenants, customers and suppliers to do the same. This includes reducing waste production at source, increasing recycling initiatives and disposing of waste in a responsible way.

Waste Recycling

We provide recycling bins at our properties to facilitate the recycling of paper, plastics, metal, glass, fluorescent light bulbs and food waste by our tenants and customers. We also support the recycling of electronic waste. For example, as part of its participation in the Waste Electrical and Electronic Equipment Recycling Program organized by the Environmental Protection Department, our Amoy Gardens has provided a free collection service for residents to recycle electronic waste since 2012.

Food waste accounts for the largest proportion (33% by weight) of municipal solid waste sent to landfills in Hong Kong. Since 2013, we have provided a food waste recycling service to a number of our restaurant tenants. In light of the enthusiastic response to this service at The Peak Galleria and Amoy Plaza, we extended this service to Kornhill Plaza in late 2015. In 2016, a total of 55,211 kg of food waste was recycled under the service. In anticipation of the opening of organic waste treatment facilities in Hong Kong, we will explore the potential to collaborate with the government and non-governmental organizations to further reduce the amount of food waste sent to landfills.

Waste Data Management

In order to establish an achievable Group-level waste reduction target that is aligned with public policies, we must have a comprehensive, reliable and systematic way to monitor our waste and recycling data. In light of the anticipated launch of the Municipal Solid Waste Charging Scheme in Hong Kong and the Environmental Protection Tax Law of the People's Republic of China, we are aware of the pressing need to develop a sophisticated waste data management system that will ensure that all waste data from our sites across mainland China and in Hong Kong is traceable, accurate and reliable. We are currently formulating plans to effectively review our framework for handling waste management, deal with challenges such as differences in management practices in different cities and identify ways in which we can improve our system over the longer term.

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Building Operation *(Continued)*

Water Conservation

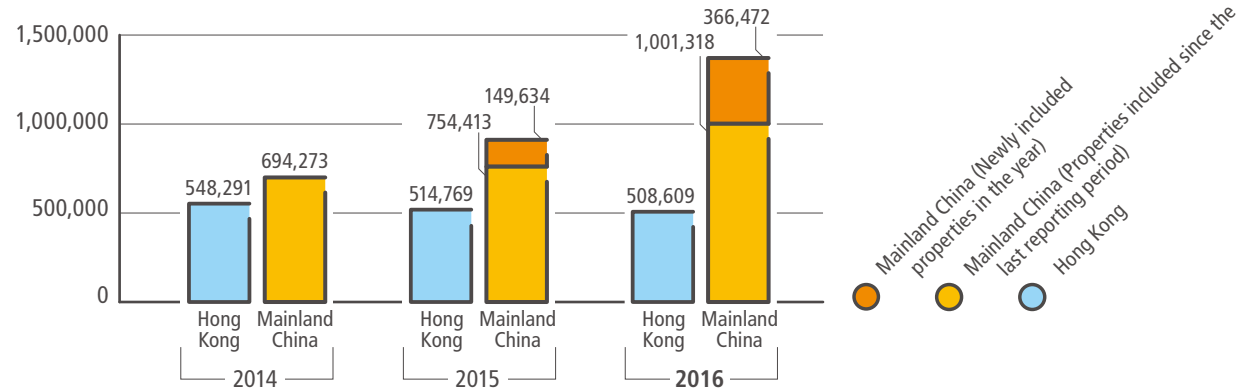
Water scarcity is a growing concern in mainland China and a serious global challenge that we must work together to address.

We have adopted a wide range of measures to reduce water consumption at our properties, including installing water-efficient fittings and raising awareness of water scarcity issues among our employees, customers, tenants and communities. As a result of our efforts and given the total floor area of our Hong Kong portfolio has remained constant over the past 3 years, water consumption and water intensity for our Hong Kong portfolio decreased by 7% from 2014 to 2016 in absolute terms. Water consumption of our mainland China portfolio covered in the previous reporting period* increased by 10.8%, mainly due to increases in demand for water for cleaning and the cooling load as a result of the higher occupancy rate and footfall at the properties. However, the overall water intensity of our mainland China portfolio – which includes water consumption at our properties that came into full operation during the period** – has decreased by 3.3% over the past 3 years.

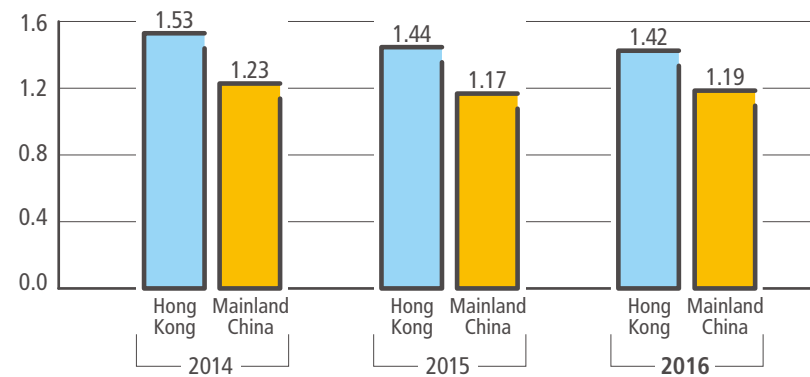
* The properties that are covered in our last reporting period include Plaza 66, Grand Gateway 66, Palace 66, Parc 66 and Forum 66 (mall).

** Forum 66 (Mall) in 2015 and Center 66 (Mall) and Riverside 66 in 2016.

Water Consumption (m³)



Water Intensity (m³/m²)



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Building Operation *(Continued)*

Green Office

Employees' support and buy-in are pivotal in managing our impact on the environment. In 2013, we launched the Hang Lung Green Office program to promote the 4Rs concept (reduce, reuse, recycle and replace) and have since implemented a range of green office measures, including:

- Adjusting lighting and air-conditioning systems by zone to reduce energy consumption;
- Using labels and signage in pantries and lavatories to remind employees to conserve water;
- Making double-sided printing a default setting and reusing envelopes for internal mail to reduce paper consumption;
- Installing segregated waste recycling bins; and
- Encouraging employees to switch from using paper towels to hand dryers to cut paper consumption.

Hang Lung Green Week

In September 2016, we launched Hang Lung Green Week 2016 in Hong Kong to encourage our employees to adopt a low-carbon lifestyle.

The campaign included 4 activities focusing respectively on clothing, eating, living and traveling. Colleagues learnt how to reduce their environmental impact by switching to a more vegetarian-focused diet. They were also encouraged to exchange new and lightly used unwanted goods with each other in our 'Hang Lung Green Giveaway' and rewarded for getting more physically active by taking the stairs instead of the lift on 'Lively Thursday'. To extend the influence of Hang Lung Green Week 2016, we collaborated with Hong Kong Green Building Council (HKGBC) and the Environment Bureau (ENB) of the Hong Kong Government to promote the concept of a 'biz-green' dress code, under which office workers dress for the hot weather but still maintain a professional appearance. HKGBC and ENB mascots were on hand to promote the benefits of the dress code at a special event held at Fashion Walk, which include making office workers feel more comfortable and cutting electricity consumption by allowing air-conditioning systems to be set at more moderate levels.

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Memberships, Charters and Awards

Memberships and Charters

The Group actively supports government bodies, environmental organizations and industry associations that have a positive impact on society. The following list summarizes the memberships, charters and initiatives that we participated in during 2016.

Partner	Area	Nature of Membership/ Initiative Endorsed	Rationale	Supported Since
Hong Kong Special Administrative Region Government	Environmental	Food Wise Charter (Environment Bureau)	We believe in the need to minimize food waste so as to alleviate the burden on landfills in Hong Kong.	2012
		Energy Saving Charter (Environment Bureau and Electrical and Mechanical Services Department)	We are dedicated to saving energy across our portfolio.	2012
		Carbon Reduction Charter and Carbon Audit Green Partner (Environmental Protection Department)	We are committed to reducing our carbon footprint.	2009 and 2014 respectively
		Charter on External Lighting (Environment Bureau)	We have pledged to reduce the light pollution created by our commercial buildings.	2016
	Social	Talent-Wise Employment Charter (Labour and Welfare Bureau, in collaboration with the Rehabilitation Advisory Committee, the Hong Kong Joint Council for People with Disabilities and the Hong Kong Council of Social Service)	We support the Government's initiative to assist disabled people in unleashing their potential and providing an inclusive environment with the aim of enabling disabled people to fully participate in society and enjoy equal opportunities.	2013
		Joyful@Healthy Workplace Charter (Department of Health and Occupational Safety & Health Council)	We have pledged to support the physical and mental well-being of our employees.	2016

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Memberships and Charters *(Continued)*

Partner	Area	Nature of Membership/ Initiative Endorsed	Rationale	Supported Since
Business Environment Council	Environmental	Council Member	We aim to share our experience in environmental protection with and learn lessons from other companies.	2011
World Business Council for Sustainable Development		Manifesto for Energy Efficiency in Buildings	We have pledged to reduce energy consumption of and carbon emissions from our commercial buildings.	2012
Civic Exchange and Walk 21		International Charter of Walking	We are committed to promoting walking to help Hong Kong become a low-carbon city.	2016
Friends of the Earth Hong Kong		'Light Banquets' Campaign and 'Order Less Waste Less' Pledge	We seek to realize zero food waste at banquets.	2012
Green Earth		Green Earth Companion (Soil)	We partner with Green Earth to raise awareness and enhance knowledge of environmental conservation, especially through employee volunteer activities.	2016
Hong Kong Green Building Council		Gold Patron Member	We support the Council's mission to lead market transformation by advocating green policies to the Hong Kong Government; introducing green building practices to all stakeholders; developing design, construction and management standards for the building profession; and promoting green living to the people of Hong Kong.	2011
WWF Hong Kong		'No Shark Fin' Pledge	We have pledged not to sell or buy shark fin as part of our corporate activities.	2013
Hong Kong Public Relations Professionals' Association Limited	Social	Corporate Member	We support the Association's mission to promote public relations as a profession.	2016

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Awards and Recognitions

Hang Lung Properties' achievements in sustainability, human resources management, green buildings, marketing and public relations have enjoyed external recognition. The following list details the major awards and recognition we attained in 2016.*

Awards	Recognitions	Organizer
APIGBA Excellent Intelligent Green Building Awards 2016	<ul style="list-style-type: none"> • Award in Renovation category (Hong Kong Chapter) – Standard Chartered Bank Building • Regional Award in Renovation category – Standard Chartered Bank Building 	Asia Pacific Intelligent Green Building Alliance (APIGBA)
ARC Awards 2016	<ul style="list-style-type: none"> • Honors Award in the category of “Traditional Annual Report: Property Development: Commercial” – Annual Report 2015 	MerComm, Inc.
Asian Excellence Recognition Award	<ul style="list-style-type: none"> • Asia’s Best CSR • Best Environmental Responsibility • Best Investor Relations Company (Hong Kong) 	Corporate Governance Asia
Astrid Awards 2016	<ul style="list-style-type: none"> • Gold Award in the category of “Special Projects: Integrated Campaign” – Emerald Award • Silver Award in the category of “Annual Reports – Corporate – Non-Traditional: Dual Language” – Annual Report 2014 • Honors Award in the category of “Brochures” – Sustainability Report 2014 	MerComm, Inc.
Employer of Choice Award 2016	<ul style="list-style-type: none"> • Employer of Choice Award • Corporate Sustainability Award 	JobMarket
ERB Manpower Developer Award Scheme	<ul style="list-style-type: none"> • Manpower Developer 2014-18 	Employees Retraining Board
Galaxy Awards 2016	<ul style="list-style-type: none"> • Silver Award in the category of “Annual Reports – Print: Real Estate Dev. Svcs.” – Annual Report 2015 	MerComm, Inc.
International Customer Relationship Excellence Awards 2015/2016	<ul style="list-style-type: none"> • Corporate Employer of the Year • Corporate Social Responsibility Leadership of the Year • Employee Engagement Program of the Year • Best Use of Knowledge Management of the Year 	Asia Pacific Customer Service Consortium

* Presented in alphabetical order.

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Awards and Recognitions *(Continued)*

Awards	Recognitions	Organizer
Investor Relations Awards	<ul style="list-style-type: none"> Best IR Company (Large Cap) 	Hong Kong Investor Relations Association
Mercury Awards 2015-16	<ul style="list-style-type: none"> Bronze Award in the category of "Campaigns – Corporate/ Commercial: Awards Campaign" – Emerald Award 	MerComm, Inc.
Quality Building Award 2016	<ul style="list-style-type: none"> Merit Award under the category of "Building Outside Hong Kong (Non-residential)" – Center 66 	The Hong Kong Construction Association and The Hong Kong Institute of Construction Managers
The Asset Corporate Awards 2016	<ul style="list-style-type: none"> Platinum Award Best Initiative in Diversity and Inclusion 	The Asset
The 12 th China Golden Awards for Excellence in Public Relations	<ul style="list-style-type: none"> Silver Award in Crisis Management 	China International Public Relations Association
The 13 th Annual International Business Awards	<ul style="list-style-type: none"> Silver Stevie Award in the category of "Communications of PR Campaign of the Year" – Hang Lung Mathematics Awards – To Infinity social media publicity campaign 	The Stevie® Awards
2014-16 Best Corporate Volunteer Service Project Competition	<ul style="list-style-type: none"> Second runner-up – Hang Lung As One Volunteer Team - Architectural Cultural Tour Program 	Steering Committee on Promotion of Volunteer Services of Social Welfare Department
2015/16 Family Friendly Employers Award Scheme	<ul style="list-style-type: none"> Family Friendly Employer 2015/16 Special Mention 2015/16 (Gold) Awards for Breastfeeding Support 2015/16 	Home Affairs Bureau and Family Council
2016 Asia Sustainability Reporting Awards	<ul style="list-style-type: none"> Asia's Best Sustainability Report (Stand-alone) Asia's Most Transparent Report Asia's Best Environmental Reporting 	CSRWorks
2016 HKMA Best Annual Reports Awards	<ul style="list-style-type: none"> Honorable Mention in the 'General' category – Annual Report 2015 	The Hong Kong Management Association

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Performance Tables

Economic

Indicator	Unit	2014			2015			2016		
		HK	MC	Total	HK	MC	Total	HK	MC	Total
Economic value generated										
Revenue (including property sales revenue)	HK\$ million	13,114	3,916	17,030	4,754	4,194	8,948	9,064	3,995	13,059
Economic value distributed										
Operating cost	HK\$ million	2,906	1,116	4,022	921	1,479	2,400	2,659	1,481	4,140
Employee wages and benefits		N/A	N/A	1,158	884	439	1,323	906	468	1,374
Borrowing cost capitalization		N/A	N/A	766	N/A	N/A	444	N/A	N/A	223
Interest and other borrowing costs paid		N/A	N/A	1,138	N/A	N/A	1,427	N/A	N/A	1,287
Dividends paid		N/A	N/A	3,364	N/A	N/A	3,411	N/A	N/A	3,373
Payments to government (all taxes and related penalties)		684	513	1,197	1,467	686	2,153	850	602	1,452
Community investments		22	0	22	N/A	N/A	15	N/A	N/A	19
Number of cities of operation	Number	1	8	9	1	8	9	1	8	9

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Environmental

Indicator	Unit	2014			2015			2016		
		HK	MC	Total	HK	MC	Total	HK	MC	Total
Energy consumption and generation ^{(1),(2),(3)}										
Direct energy consumed by type										
Diesel	Liters	4,407	4,007	8,414	2,664	5,490	8,154	2,423	6,880	9,303
Towngas ⁽⁴⁾	m ³	N/A	235,717	235,717	0	0	0	0	0	0
Natural gas	m ³	N/A	39,486	39,486	0	94,775	94,775	0	118,741	118,741
Indirect energy consumed (all non-renewable by type)										
Electricity	kWh	79,780,261	101,945,767	181,726,028	78,585,853	115,139,659 ⁽⁵⁾	193,725,511 ⁽⁵⁾	78,256,239	151,801,871	230,058,110
Electricity intensity of buildings in use	kWh/ m ² /year (CFA)	108.15	93.32	N/A	106.53	85.72 ⁽⁵⁾	N/A	106.08	82.52	N/A
Energy generated and consumed										
Renewable energy	kWh	95	403,720	403,815	2,171	444,878	447,049	156	501,916	502,072
Greenhouse gas (GHG) emissions ^{(1),(2),(3)}										
Direct emissions (Scope 1)	Tonnes CO ₂ e	1,754.35	659.54	2,413.89	364.28	603.66	967.94	1,210.48	1,074.83	2,285.31
Energy indirect emissions (Scope 2)	Tonnes CO ₂ e	54,888.33	96,085.18	150,973.51	52,747.51	105,720.13	158,467.64	49,985.31	159,049.12	209,034.43
Other indirect emissions (Scope 3) ⁽⁶⁾	Tonnes CO ₂ e	N/A	N/A	N/A	N/A	N/A	N/A	343.17	106.83	449.99
Intensity ⁽⁷⁾	Tonnes CO ₂ e/ m ² /year (CFA)	0.0768	0.0886	N/A	0.0720	0.0792	N/A	0.0694	0.0870	N/A

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Indicator	Unit	2014			2015			2016		
		HK	MC	Total	HK	MC	Total	HK	MC	Total
Waste management ^{(1),(2),(3)}										
Waste sent to landfill										
Municipal solid waste	Tonnes	5,072	58,026.30	63,098.30	5,418	74,680	80,098	5,608	16,476⁽⁸⁾	22,084
Construction waste by tenants	Tonnes	N/A	N/A	N/A	N/A	N/A	N/A	N/A	50,354	N/A
Recycled Waste										
Paper	kg	138,721	517,745	653,466	121,417	506,186	627,603	110,837	509,400	619,980
Metal	kg	2,174	20,160	22,334	8,019	16,723	24,742	1,387	55,440	56,792
Food waste	kg	7,323	N/A	7,323	8,655 (Liters)	N/A	8,655 (Liters)	55,211	N/A	55,211
Plastics	kg	603	N/A	603	1,056	48,992	50,048	2,239	50,417	52,626
Glass	kg	850	N/A	850	4,009	47,946	51,955	4,727	57,968	61,722
Fluorescent light bulbs/ tubes	kg	4,330	8,013 (pieces)	N/A	6,825	1,063	7,888	10,628	1,181	11,809
Water management ^{(1),(2),(3)}										
Fresh water consumption	m ³	548,290.74	694,273	1,242,563.74	514,769	904,047	1,418,816	508,609	1,367,790	1,876,399
Water intensity of buildings in use ⁽⁹⁾	m ³ / m ²	1.53	1.23	N/A	1.44	1.17	N/A	1.42	1.19	N/A

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Social

Indicator	Unit	2014			2015			2016		
		HK	MC	Total	HK	MC	Total	HK	MC	Total
Profile of workforce										
Total workforce (employees and supervised workers)	Number	1,152	3,300	4,452	1,212	3,620	4,832	1,257	3,504	4,761
Male		686	2,043	2,729	707	2,275	2,982	722	2,210	2,932
Female		466	1,257	1,723	505	1,319	1,824	535	1,273	1,808
Supervised workers ⁽¹⁰⁾		N/A	N/A	N/A	0	26	26	0	21	21
Employees by employment contract										
Permanent	Number	1,126	3,254	4,380	1,200	3,594	4,794	1,241	3,482	4,723
Full time		1,120	3,254	4,374	1,184	3,594	4,778	1,226	3,482	4,708
Part time		6	0	6	16	0	16	15	0	15
Contract/ Temporary		26	1	27	12	0	12	16	1	17
Employees by employee category										
Executive staff	Number	132	173	305	145	183	328	159	190	349
Administrative staff		430	1,066	1,496	474	1,156	1,630	496	1,163	1,659
Operational staff		590	2,016	2,606	593	2,255	2,848	602	2,130	2,732
Employees by age group										
Under 30	Number	165	1,147	1,312	177	1,164	1,341	184	736	920
30 – 50		695	1,942	2,637	707	2,242	2,949	705	2,547	3,252
Over 50		292	166	458	328	188	516	368	200	568

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Indicator	Unit	2014			2015			2016		
		HK	MC	Total	HK	MC	Total	HK	MC	Total
New hires										
Total new hires	Number	398	1,286	1,684	314	1,089	1,403	279	594	873
By age										
Under 30	Number	N/A	N/A	N/A	106	544	650	93	239	332
30 – 50		N/A	N/A	N/A	177	523	700	140	344	484
Over 50		N/A	N/A	N/A	31	22	53	46	11	57
By gender										
Male	Number	N/A	N/A	N/A	151	742	893	133	352	485
Female		N/A	N/A	N/A	163	347	510	146	242	388
Turnover										
Total turnover	Number	N/A	N/A	N/A	249	769	1,018	235	704	939
Turnover rate ⁽¹¹⁾	%	16.62	11.59	13	20.54	21.40	21.18	18.70	20.00	19.81
By age										
Under 30	Number	N/A	N/A	N/A	59	367	426	52	251	303
30 – 50		N/A	N/A	N/A	157	380	537	130	422	552
Over 50		N/A	N/A	N/A	33	22	55	53	31	84
By gender										
Male	Number	N/A	N/A	N/A	128	501	629	119	420	539
Female		N/A	N/A	N/A	121	268	389	116	284	400

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Indicator	Unit	2014			2015			2016		
		HK	MC	Total	HK	MC	Total	HK	MC	Total
Compensation										
Ratio of basic salary and remuneration of women to men by employee category										
Executive staff	N/A	N/A	N/A	N/A	1:1.933	1:1.519	N/A	1:1.946	1:1.516	N/A
Administrative staff		N/A	N/A	N/A	1:1.219	1:1.485	N/A	1:1.211	1:1.470	N/A
Operational staff		N/A	N/A	N/A	1:1.135	1:1.074	N/A	1:1.148	1:1.077	N/A
Employee training										
Total hours of employee training	Hours	N/A	N/A	N/A	11,772.3	74,861.3	86,633.6	16,561.5	80,450.7	97,012.2
Average hours of employee training		N/A	N/A	15.72	9.71	21.3	18.02	13.18	23.10	20.47
By employee category										
Executive staff	Hours	N/A	N/A	N/A	1,132.0	1,862.5	2,994.5	4,398.0	4,044.0	8,442.0
Administrative staff		N/A	N/A	N/A	5,937.2	19,228.8	25,166.0	8,528.0	23,597.0	32,125.0
Operational staff		N/A	N/A	N/A	4,703.1	53,770.0	58,473.1	3,635.5	52,809.7	56,445.2
By gender										
Male	Hours	N/A	N/A	N/A	6,867	47,073	53,940	9,862.0	50,683.9	60,545.9
Female		N/A	N/A	N/A	4,905	27,788	32,693	6,699.5	29,766.8	36,466.3
Employees receiving regular performance and career development reviews										
Percentage of total employees	%	99.13	100	N/A	98.68 ⁽¹²⁾	100	N/A	98.65	100	N/A

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Indicator	Unit	2014			2015			2016		
		HK	MC	Total	HK	MC	Total	HK	MC	Total
Employees covered by collective bargaining										
Percentage of total employees	%	0	41.23	N/A	0	47.75	N/A	0	47.92	N/A
Anti-corruption training										
Number of employees received anti-corruption training										
Executive staff	Number	43	52	95	48	114	162	23	10	33
Administrative staff		103	122	225	177	702	879	107	0	107
Operational staff		42	14	56	33	59	92	49	0	49
Percentage of employees received anti-corruption training										
Executive staff	%	33	30	N/A	33	92	N/A	14.5	5.3	N/A
Administrative staff		24	11.5	N/A	37	62	N/A	21.6	0	N/A
Operational staff		7.1	0.7	N/A	5.5	2.6	N/A	8.1	0	N/A
Occupational health and safety ⁽¹³⁾										
Injury rate	%	1.03	0.70	0.78	2.23	1.10	1.37	2.39	1.03	1.39
Lost day rate		0.06	0.07	0.67	0.10	0.11	0.11	0.28	0.11	0.16
Absentee rate ⁽¹⁴⁾		1.50	1.42	1.44	2.02	2.08	2.06	1.72	2.34	2.17
Fatalities	Number	0	0	0	0	0	0	0	0	0
Fatalities rate	%	0	0	0	0	0	0	0	0	0

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Notes:

1. The coverage of energy, greenhouse gas emissions, water and waste data in 2014 includes all 28 properties in Hong Kong and 4 properties in mainland China (Plaza 66, Grand Gateway 66, Palace 66 and Parc 66).
2. The coverage of the energy, greenhouse gas emissions, water and waste data in 2015 includes all 28 properties in Hong Kong and 5 properties in mainland China (Plaza 66, Grand Gateway 66, Palace 66, Parc 66 and Forum 66 (Mall) – excluding Forum 66 (Office Tower), Center 66, Riverside 66 and Olympia 66 due to renovation and ongoing construction to improve the operational optimization of the buildings during renovation and defect liability period.
3. The coverage of the energy, greenhouse gas emissions, water and waste data in 2016 includes all 28 properties in Hong Kong and 7 properties in mainland China (Plaza 66, Grand Gateway 66, Palace 66, Parc 66, Forum 66 (Mall), Center 66 (Mall) and Riverside 66 – excluding Forum 66 (Office Tower) and Center 66 (Office Tower) and Olympia 66 due to recent renovation and ongoing construction to improve the operational optimization of the buildings during renovation and the defect liability period.
4. Towngas consumption of properties in Hong Kong reported for 2014 was consumed by tenants.
5. There are restatements for the electricity consumption, electricity intensity of buildings in use of our properties in mainland China and our total electricity consumption across the entire portfolio in 2015. After internal clarification, the electricity consumption of tenants' external advertising signs and our temporary office are excluded from the calculation of electricity consumption of Forum 66 (Mall) in 2015.
6. Other indirect emission (Scope 3) only covers the greenhouse gas emissions generated from business travel by airplane.
7. Our greenhouse gas emission intensity is the sum of direct emissions (Scope 1) and energy indirect emissions (Scope 2), divided by the total construction floor area of the properties included.
8. There was a drastic drop in the weight of municipal solid waste generated from our properties in mainland China in 2016 as construction waste generated from tenants was reported in combined with the general municipal solid waste generated in previous years. Starting from 2016, we would report separately the quantity of construction waste from our tenants in mainland China.
9. Our water intensity is the fresh water consumption per unit common floor area.
10. Hang Lung does not report the gender of supervised workers.
11. The turnover rates for 2014 only cover voluntary resignations received after the probation period of the resigned employee. In 2015 and 2016, the turnover rate covers voluntary resignations, retirements and involuntary leave during the reporting period, and hence the turnover rate is higher.
12. There is a minor restatement for the percentage of employees in Hong Kong receiving regular performance and career development review in 2015. After internal clarification, the figure is adjusted from 99.43% to 98.68%.
13. Our occupational health and safety data reported in the performance table only covers our office and frontline operations. For occupational health and safety data of our contractors at our construction sites, please refer to page 49 of this report.
14. Absentee Days is defined as the sum of non-work related sick leave (i.e. sick leave not caused by a work-related accident/injury/illness).

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Verification Statement

Scope of Verification

Hong Kong Quality Assurance Agency (HKQAA) has been engaged by Hang Lung Group Limited and Hang Lung Properties Limited (collectively as "Hang Lung Group") to undertake an independent verification for the Sustainability Report 2016 (Refer to as "The Report") of Hang Lung Group. The scope of HKQAA's verification covers the data and information sustainability performance of Hang Lung Group for the period 1st January 2016 to 31st December 2016. This is the fifth standalone sustainability report for Hang Lung Group, in which commitments to transparency in reporting and the accountability systems of Hang Lung Group were outlined.

Level of Assurance and Methodology

By referencing relevant international assurance protocols, we planned and performed the verification in a fashion to obtain sufficient appropriate evidence about whether the Report is complete and reliable. We considered materiality, assurance risk, and the quantity and quality of available evidence when planning and performing the verification, in particular when determining the nature, timing and extent of evidence-gathering procedures for obtaining reasonable assurance. Also, we considered the reliability of the information to be used as evidence including the controls over the preparation and maintenance of the data and information to ensure authentication. The verification team formed an independent conclusion, based on the procedures that have performed and the accumulating evidence obtained as a whole throughout the interactive and systematic verification process.

The extent of this verification process undertaken was designed for the reporting criteria selected i.e. "Core Option" of the "GRI G4 Sustainability Reporting Guidelines" complementary with the Construction and Real Estate Sector Disclosures and the "Environmental, Social and Governance Reporting Guide" (ESG Guide) of The Stock Exchange of Hong Kong Limited. We undertook analytical review of:

- the reporting and management processes;
- the stakeholder engagement approach and recent outputs;
- the materiality assessment process in relation to sustainability context of the company; and
- internal control of how related data and information is collected, measured, recorded and reported.

We evaluated the sufficiency and appropriateness of evidence by using a combination of inspection, observation, confirmation, recalculation, re-performance, analytical procedures and inquiry on the selected samples to obtain the reasonable assurance conclusion.

Independence

Hang Lung Group is responsible for the collection and presentation of the information presented. HKQAA is not involved in calculating, compiling, or in the development of the Report. Our verification activities are independent of Hang Lung Group.

Conclusion

On the basis of the results of our verification undertaken, it is the opinion of HKQAA's verification team that:

- The Report outlines the sustainability performance of Hang Lung Group in a material, responsive, fair and balanced manner;
- The data and information states in the Report are reliable and complete; and
- The Report has been prepared in accordance with the reporting criteria.

Hang Lung Group reports the sustainability issues that are most influential to both its business and stakeholders as a result of the very thorough materiality analysis process. The Report illustrates explicitly the Group's commitments and stewardships to sustainability. In essence, the Report describes to an appropriate extent and reflects truthfully the progress and achievement of different programs and activities undertaken by Hang Lung Group in Hong Kong and Mainland of 2016.

Signed on behalf of Hong Kong Quality Assurance Agency

Connie Sham
Head of Audit
June 2017

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GRI Content Index

GRI Indicator	Description	Section/ Explanation	Page	
GENERAL DISCLOSURES				
Strategy and Analysis	G4-1	Statement from the most senior decision-maker of the organization	Letter from the Chief Executive Officer	2
	G4-2	Key sustainability impacts, risks and opportunities	Sustainability at Hang Lung	9-19
Organizational Profile	G4-3	Name of the organization	About this Report	1
	G4-4	Primary brands, products and services	About Hang Lung Properties	5-8
	G4-5	Location of organization’s headquarters	About Hang Lung Properties	5-8
	G4-6	Number of countries where the organization operates	About Hang Lung Properties	5-8
	G4-7	Nature of ownership and legal form	About this Report	1
	G4-8	Markets served	About Hang Lung Properties	5-8
	G4-9	Scale of the organization	About Hang Lung Properties Employees	5-8 27-34
	G4-10	Number of employees	Performance Tables – Social	67
	G4-11	Percentage of total employees covered by collective bargaining agreements	Performance Tables – Social	70
	G4-12	Supply chain description	Supply Chain	45-49
	G4-13	Significant changes during the reporting period	There was no significant change during the reporting period.	N/A
	G4-14	Precautionary approach	About Hang Lung Properties Sustainability at Hang Lung	5-8 9-19
	G4-15	Endorsement of external charters or principles	Memberships, Charters and Awards	60-63
	G4-16	Membership of external associations	Memberships, Charters and Awards	60-63

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GRI Indicator	Description	Section/ Explanation	Page
GENERAL DISCLOSURES			
Identified Material Aspects and Boundaries	G4-17	Entities included in consolidated financial statements; mention those not covered by this report	We report on our principal subsidiaries in our Annual Report as required by the Listing Rules. A list of our principal subsidiaries is outlined in the 2016 Annual Report of Hang Lung Properties (P.193 to 196). N/A
	G4-18	Process for defining the report content and aspect boundaries	Sustainability at Hang Lung 9-19
	G4-19	List of material aspects	Sustainability at Hang Lung 9-19
	G4-20	Aspect boundary within the organization	Sustainability at Hang Lung 9-19
	G4-21	Aspect boundary outside the organization	Sustainability at Hang Lung 9-19
	G4-22	Restatement of information	About this Report 1 About Hang Lung Properties 5-8 Sustainability at Hang Lung 9-19 Performance Tables 64-71
	G4-23	Significant changes in the scope and boundaries	There was no significant change during the reporting period. N/A
Stakeholder Engagement	G4-24	List of stakeholder groups engaged	Sustainability at Hang Lung 9-19
	G4-25	Identification and selection of stakeholders	Sustainability at Hang Lung 9-19
	G4-26	Stakeholder engagement approach	Sustainability at Hang Lung 9-19
	G4-27	Key topics and concerns raised by stakeholders and the organization's response	Sustainability at Hang Lung 9-19
Report Profile	G4-28	Reporting period	About this Report 1
	G4-29	Date of most recent previous report	The Sustainability Report 2015 was published on 30 September 2016. N/A
	G4-30	Reporting cycle	About this Report 1
	G4-31	Contact point	Cover Page 86
	G4-32	GRI content index	GRI Content Index 73-79
	G4-33	External assurance	Verification Statement 72
Governance	G4-34	Governance structure	Sustainability at Hang Lung 9-19
Ethics and Integrity	G4-56	Values, principles, standard and norms of behavior	Corporate Governance 20-26 Employees 27-34 Performance Tables - Social 67-70

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GRI Indicator	Description	Section/ Explanation	Page
SPECIFIC DISCLOSURES			
Economic			
Economic Performance	G4-DMA	Disclosure of management approach	About Hang Lung Properties 5-8
	G4-EC1	Direct economic value generated and distributed	About Hang Lung Properties Performance Tables – Economic 5-8 64
	G4-EC2	Financial implications and other risks and opportunities for the organization’s activities due to climate change	Buildings and the Environment 50-59
	G4-EC3	Coverage of the organization’s defined benefit plan obligations	We report on the organization’s benefit plan obligations in the 2016 Annual Report of Hang Lung Properties (P.181 to 184). N/A
Market Presence	G4-DMA	Disclosure of management approach	About Hang Lung Properties 5-8
	G4-EC6	Proportion of senior management hired from the local community at significant locations of operation	94% of our senior management (Director grade and above) are hired from the local community. The profile of the directors and key executives is outlined in the 2016 Annual Report of Hang Lung Properties (P.116 to 123). N/A
Indirect Economic Impacts	G4-DMA	Disclosure of management approach	Letter from the Chief Executive Officer Sustainability at Hang Lung 2 9-19
	G4-EC7	Development and impact of infrastructure investments and services supported	About Hang Lung Properties Buildings and the Environment 5-8 50-59
	G4-EC8	Significant indirect economic impacts, including the extent of impacts	Supply Chain Buildings and the Environment 45-49 50-59
Procurement Practices	G4-DMA	Disclosure of management approach	Supply Chain 45-49
	G4-EC9	Proportion of spending on local suppliers at significant locations of operation	Supply Chain (only procurement spending in Hong Kong is reported) 45-49

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GRI Indicator	Description	Section/ Explanation	Page
SPECIFIC DISCLOSURES			
Environmental			
Energy	G4-DMA	Disclosure of management approach	Buildings and the Environment 50-59
	G4-EN3	Energy consumption within the organization	Performance Tables – Environmental 65
	G4-EN5	Energy intensity	Buildings and the Environment 50-59 Performance Tables – Environmental 65
	G4-EN6	Reduction of energy consumption	Buildings and the Environment 50-59
Water	G4-DMA	Disclosure of management approach	Buildings and the Environment 50-59
	G4-EN8	Total water withdrawal by source	Performance Tables – Environmental 66
Emissions	G4-DMA	Disclosure of management approach	Buildings and the Environment 50-59
	G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	Performance Tables – Environmental 65
	G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	Performance Tables – Environmental 65
	G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	Performance Tables – Environmental (with limited disclosure) 65
	G4-EN18	Greenhouse gas (GHG) emissions intensity	Buildings and the Environment 50-59 Performance Tables – Environmental 65
Effluents and Waste	G4-DMA	Disclosure of management approach	Buildings and the Environment 50-59
	G4-EN23	Total weight of waste by type and disposal method	Performance Tables – Environmental 66
Compliance	G4-DMA	Disclosure of management approach	Corporate Governance 20-26
	G4-EN29	Significant fines and sanctions for non-compliance with environmental laws and regulations	We did not receive any significant fine or sanction for any non-compliance with environmental laws and regulations. N/A

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GRI Indicator	Description	Section/ Explanation	Page
SPECIFIC DISCLOSURES			
Labour Practices and Decent Work			
Employment	G4-DMA	Disclosure of management approach	Employees 27-34
	G4-LA1	New employees hires and employee turnover	Performance Tables – Social 68
	G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	Employees 27-34
Occupational Health and Safety	G4-DMA	Disclosure of management approach	Corporate Governance 20-26 Employees 27-34 Supply Chain 45-49
	G4-LA6	Injury, occupational diseases, lost days, absenteeism and work-related fatalities	Performance Tables – Social 70
Training and Education	G4-DMA	Disclosure of management approach	Employees 27-34
	G4-LA9	Average hours of training	Performance Tables – Social 69
	G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Employees 27-34
	G4-LA11	Percentage of employees receiving regular performance and career development reviews	Performance Tables – Social 69
Diversity and Equal Opportunity	G4-DMA	Disclosure of management approach	Employees 27-34
	G4-LA12	Composition of governance bodies and breakdown of employees per employee category	Corporate Governance 20-26 Performance Tables – Social 67
Equal Remuneration for Women and Men	G4-DMA	Disclosure of management approach	Employees 27-34
	G4-LA13	Ratio of basic salary and remuneration of women to men by employee category	Performance Tables – Social 69
Non-discrimination	G4-DMA	Disclosure of management approach	Employees 27-34
	G4-HR3	Total number of incidents of discrimination and corrective actions taken	There were no confirmed incidents of discrimination during the reporting period. N/A

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GRI Indicator	Description	Section/ Explanation	Page	
SPECIFIC DISCLOSURES				
Society				
Local Communities	G4-DMA	Disclosure of management approach	Communities	35-40
	G4-SO2	Operations with significant actual and potential negative impacts on local communities	No significant actual or potential negative impacts were identified during the reporting period.	N/A
Anti-corruption	G4-DMA	Disclosure of management approach	Corporate Governance	20-26
	G4-SO4	Communication and training on anti-corruption policies and procedures	Performance Tables – Social	70
	G4-SO5	Confirmed incidents of corruption and actions taken	There were no confirmed incidents of corruption during the reporting period.	N/A
Anti-competitive Behaviour	G4-DMA	Disclosure of management approach	Corporate Governance	20-26
	G4-SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	No legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes were taken during the reporting period.	N/A
Compliance	G4-DMA	Disclosure of management approach	Corporate Governance	20-26
	G4-SO8	Significant fines and sanctions for non-compliance with laws and regulations	We did not receive any significant fine or sanction for any non-compliance with laws and regulations.	N/A

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GRI Indicator	Description	Section/ Explanation	Page	
SPECIFIC DISCLOSURES				
Product Responsibility				
Customer Health and Safety	G4-DMA	Disclosure of management approach	Customers	41-44
	G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services	There were no confirmed incidents of non-compliance during the reporting period.	N/A
Product and Service Labelling	G4-DMA	Disclosure of management approach	Buildings and the Environment	50-59
	CRE8	Type and number of sustainability certification, rating and labeling schemes for new construction, management, occupation and redevelopment	Buildings and the Environment	50-59
Customer Privacy	G4-DMA	Disclosure of management approach	Customers	41-44
	G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	No substantiated complaints regarding breaches of customer privacy and losses of customer data were received during the reporting period.	N/A
Compliance	G4-DMA	Disclosure of management approach	Corporate Governance	20-26
	G4-PR9	Significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	We did not receive any significant fine or sanction for any non-compliance with laws and regulations concerning the provision and use of products and services.	N/A

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HKEx ESG Guide Content Index

General Disclosures and KPIs	Description	Disclosure			Section/ Explanation	Page
		Yes	No	Not Applicable		
A. Environmental						
Aspect A1: Emissions	General Disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land and generation of hazardous and non-hazardous waste.	•			Buildings and the Environment 50-59
	KPI A1.1	The types of emissions and respective emission data.	•			Buildings and the Environment 50-59
	KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity.	•			Performance Tables – Environmental 65
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity.			•	Hang Lung Properties generates insignificant amount of hazardous waste. N/A
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	•			Performance Tables – Environmental 66
	KPI A1.5	Descriptions of measures to mitigate emissions and results achieved.	•			Buildings and the Environment 50-59
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	•			Buildings and the Environment 50-59

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General Disclosures and KPIs	Description	Disclosure			Section/ Explanation	Page	
		Yes	No	Not Applicable			
Aspect A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	•			Buildings and the Environment	50-59
	KPI A2.1	Direct and / or indirect energy consumption by type in total and intensity.	•			Buildings and the Environment Performance Tables – Environmental	50-59 65
	KPI A2.2	Water consumption in total and intensity.	•			Buildings and the Environment Performance Tables – Environmental	50-59 66
	KPI A2.3	Description of energy use efficiency initiatives and results achieved.	•			Buildings and the Environment	50-59
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency and results achieved.	•			Buildings and the Environment	50-59
	KPI A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.			•	This KPI is not applicable to our business.	N/A
Aspect A3: The Environment and Natural Resources	General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	•			Buildings and the Environment	50-59
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	•			Buildings and the Environment	50-59

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General Disclosures and KPIs	Description	Disclosure			Section/ Explanation	Page
		Yes	No	Not Applicable		
B. Social						
Aspect B1: Employment	General Disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	•		Employees	27-34
	KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	•		Performance Tables – Social	67
	KPI B1.2	Employee turnover rate by gender, age group and geographical region.	•		Performance Tables – Social	68
Aspect B2: Health and Safety	General Disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	•		Employees Supply Chain	27-34 45-49
	KPI B2.1	Number and rate of work-related fatalities.	•		Performance Tables – Social	70
	KPI B2.2	Lost days due to work injury.	•		Performance Tables – Social	70
	KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	•		Employees Supply Chain	27-34 45-49

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General Disclosures and KPIs	Description	Disclosure			Section/ Explanation	Page	
		Yes	No	Not Applicable			
Aspect B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	•			Employees	27-34
	KPI B3.1	Percentage of employees trained by gender and employee category.		•		We do not disclose this KPI for the last reporting period.	N/A
	KPI B3.2	The average training hours completed per employee by gender and employee category.	•			Performance Tables – Social	69
Aspect B4: Labour Standards	General Disclosure	Information on : a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	•			Employees	27-34
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.		•		Child and forced labour is not considered a material aspect for the Group.	N/A
	KPI B4.2	Descriptions of steps taken to eliminate child and forced labour practices when discovered.		•		Child and forced labour is not considered a material aspect for the Group.	N/A
Aspect B5: Operating Practices	General Disclosure	Policies on managing environmental and social risks of the supply chain.	•			Supply Chain	45-49
	KPI B5.1	Number of suppliers by geographical region.	•			For our Hong Kong operations, we sourced goods and services from 4,223 suppliers in the reporting period.	N/A
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	•			Supply Chain	45-49

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General Disclosures and KPIs	Description	Disclosure			Section/ Explanation	Page
		Yes	No	Not Applicable		
Aspect B6: Product Responsibility	General Disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	•			Customers 41-44
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.			•	This KPI is not applicable to our business. N/A
	KPI B6.2	Number of products and service related complaints received and how they are dealt with.	•			No substantiated complaints were received. N/A
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	•			The Group has got necessary policy in place to observe and protect intellectual property rights. N/A
	KPI B6.4	Description of quality assurance process and recall procedures.			•	This KPI is not applicable to our business. N/A
	KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	•			Corporate Governance Customers 20-26 41-44

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General Disclosures and KPIs	Description	Disclosure			Section/ Explanation	Page
		Yes	No	Not Applicable		
Aspect B7: Anti-corruption	General Disclosure	Information on : a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	•			Corporate Governance 20-26
	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	•			There were no confirmed cases of corruption during the reporting period. N/A
	KPI B7.2	Description of preventive measure and whistle-blowing procedures, how they are implemented and monitored.	•			Corporate Governance 20-26
Aspect B8: Community	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	•			Communities 35-40
	KPI B8.1	Focus areas of contribution.	•			Communities 35-40
	KPI B8.2	Resources contributed to the focus area.	•			Communities Performance Tables – Economic 35-40 64

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