

Hang Lung Properties Limited  
Stock Code: 00101

2030

## SUSTAINABILITY REPORT 2018

EXPERIENCE

SPACE

2025

2018 2020

OPERATING PRACTICES



**We Do It Right** is our fundamental principle and guides our operations as a business. With this philosophy, we aspire to sustainable business growth, creating long-term value for our stakeholders by developing world-class properties, engaging with our communities, enhancing partnerships, and providing extensive support to our staff for developing their potential. By leveraging the different expertise and insights of our rich industry experience, we strive to accomplish the Group's mission, while maintaining high standards and integrity in our products and services.

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*Drawings presented throughout this Report are artist's impressions for decorative purposes only and are unrelated to the businesses of the Group.*

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Ronnie Chan  
Chairman

## About this Report

This is the 7<sup>th</sup> sustainability report for Hang Lung Group Limited (Hang Lung Group, stock code: 00010) and its subsidiaries (the Group), including Hang Lung Properties Limited (Hang Lung Properties, stock code: 00101). Hang Lung Properties, the property arm and major operating unit of the Group, produced and issued this Report to disclose information and data on material sustainability topics of the Group from 1 January 2018 to 31 December 2018, unless otherwise specified. This Report also articulates how our new sustainability strategy will help drive sustainable growth for the Group.

### Scope of this Report

This Report covers our management approach to the material sustainability topics of our entire operation, including 26 solely owned properties in Hong Kong, and 10 properties and one project under planning on the Mainland. The reported economic and social key performance indicators (KPIs) of our material topics also cover our entire operation, whereas our reported environmental KPIs only cover properties that have operated for at least two years, to ensure the disclosed data reflect the normal operating conditions of the properties. The properties covered by the reported environmental KPIs include our 26 solely owned properties in Hong Kong and eight properties on the Mainland: Plaza 66 and Grand Gateway 66 in Shanghai, Palace 66 and Forum 66 (Mall and Office Tower) in Shenyang, Parc 66 in Jinan, Center 66 (Mall and Office Tower) in Wuxi, Riverside 66 in Tianjin and Olympia 66 in Dalian.

Compared to our Sustainability Report 2017, the reporting scope for Hong Kong decreased to 26 properties due to the divestment of two investment properties in 2018: retail portion of Carmel-on-the-Hill and commercial portion of Bayview Garden. In mainland China, we expanded our reporting scope to cover the environmental data of Olympia 66 in Dalian.

### Reporting Standards and Assurance

This Report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option and use the most updated standards in all four series. We have also prepared this Report in compliance with the “comply or explain” provisions and “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. Information in this Report has been independently verified by the British Standards Institution with respect to the aforementioned standards. Please refer to the Independent Assurance Opinion Statement for details.

### Contact Us

We welcome your feedback on our sustainability report and sustainability performance. Please share your views with us at [HLProperties@hanglung.com](mailto:HLProperties@hanglung.com).

## About the Group

### Corporate Profile

Hang Lung Group, the parent company of Hang Lung Properties, was founded by Mr. Chan Tseng-Hsi in 1960. As a leading property developer headquartered in Hong Kong, the Group owns and manages top-quality properties in Hong Kong and has established a strong presence across nine cities on the Mainland: Shanghai, Shenyang, Jinan, Wuxi, Tianjin, Dalian, Kunming, Wuhan and Hangzhou. We boast an extensive real estate portfolio that includes commercial, office, residential, serviced apartment, industrial and parking space.

In upholding our sustainability principle **Build to Own, Build to Last**, we commit to putting sustainable development at the heart of our core values as we create architectural landmarks in cities with great potential. Our teams are mindful of the environment and the community as we design, build and operate our properties. The Group will continue to fulfill our corporate responsibility by delivering sustainability values to our customers, translating those values into sustainable growth for our investors, and ultimately developing the Group into a greatly admired mega commercial property enterprise in Hong Kong and the Mainland.

### Business Overview

The core businesses of the Group in 2018 continued to be commercial property development, leasing and management, supplemented by the sale of residential units in Hong Kong. As of the end of 2018, the Group managed 26 solely owned properties in Hong Kong and 10 properties on the Mainland – seven completed properties and three under development – serving mainly commercial retail and office tenants as well as shoppers in the cities where we operate.

Despite market uncertainty in Hong Kong and the Mainland, the Group remained resilient in 2018. In spite of a 64% decrease in property sales due to fewer residential units being sold in 2018, revenue from property leasing grew by 5%. 2018 also saw the successful acquisition of a prime plot of land

in Hangzhou, which will increase our ability to capitalize on the opportunities arising in that vibrant city. In terms of project development, the topping out ceremonies for the mall and office tower at Spring City 66 in Kunming and Office Tower 2 at Center 66 in Wuxi were also significant milestones in our Mainland operations that put the Group in a more advantageous position. These projects will also strengthen the “66” brand and fuel sustainable growth over the coming years.

### Outlook

Looking forward, we maintain a cautiously optimistic view of both the Hong Kong and Mainland property leasing markets. We will continue to expand and enhance our services in both regions, and our established properties are also expected to deliver sustainable growth. Following the successful launch of our new Customer Relationship Management Program, HOUSE 66, at Plaza 66 in Shanghai and Parc 66 in Jinan, we will focus on further enhancing customer-centric initiatives that will provide our customers with a branded experience in 2019.

Our ongoing projects are progressing as planned. Renovation projects, which include Peak Galleria in Hong Kong and the shopping mall at Grand Gateway 66 in Shanghai, are anticipated to be completed and re-opened before the end of 2019. Certain new developments on the Mainland are also expected to be completed in the second half of 2019. These include the mall and office tower at Spring City 66 in Kunming, the second office tower at Center 66 in Wuxi, and the five-star hotel, Conrad at Forum 66 in Shenyang. These developments will further diversify our business, representing exciting opportunities and stronger, sustainable growth in years to come.

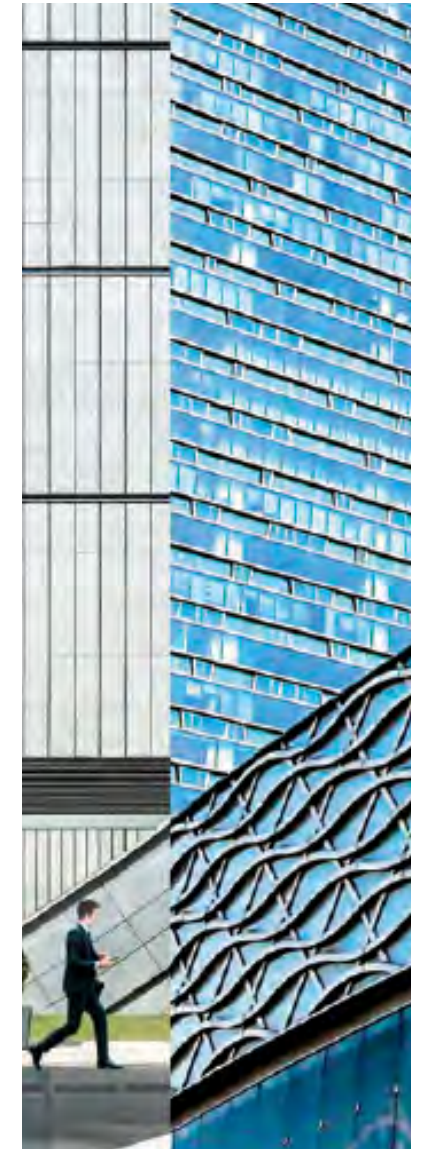
For more details of our business performance and prospects, please refer to our 2018 Annual Report.



### Our Green Portfolio

We are committed to developing green building in order to minimize our impact to the environment as a result of our business operation. The green building certifications and pre-certifications are listed in the two tables below.

	LOCATION	PROPERTY	SCOPE OF CERTIFICATION	TYPE OF CERTIFICATION	RATING	PRE-CERTIFICATION	CERTIFICATION	
COMPLETED PROJECTS	Hong Kong	Standard Chartered Bank Building	Entire Property	BEAM Plus V1.2 Existing Building	Platinum	2013	2016	
		Peak Galleria		BEAM Plus V1.1 Existing Building			2015	
		23-39 Blue Pool Road		LEED BD+C: Homes v3 2008			2010	2013
	Shanghai	Plaza 66	Office Tower 1	LEED BD+C: Core and Shell v3 2009	Gold	2012	2018	
			Office Tower 2				Under Review	
		Grand Gateway 66	Office Tower				Under Review	
	Shenyang	Palace 66	Entire Property	LEED BD+C: Core and Shell v2	Gold	2008	2010	
		Forum 66	Shopping Mall				2012	
			Office Tower				2017	
	Jinan	Parc 66	Entire Property	LEED BD+C: Core and Shell v2	Gold	2009	2011	
Wuxi	Center 66 (Phase 1)	Shopping Mall	2014					
		Office Tower 1	2015					
Tianjin	Riverside 66	Entire Property	LEED BD+C: Core and Shell v3 2009	Gold	2011	2016		
Dalian	Olympia 66	Entire Property				2011		
PROJECTS UNDER DEVELOPMENT	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					2009
	Kunming	Spring City 66	Office Tower					2013
			Shopping Mall					2014
			Serviced Apartment Tower					
	Wuhan	Heartland 66	Office Tower					2014
			Shopping Mall					
Serviced Apartment Tower								





Weber Lo  
Chief Executive Officer

## Letter from the Chief Executive Officer

As technology significantly enhances access to information, we have reached a new level of transparency through which people are becoming more conscious of the various environmental, social and governance factors that affect them. Stakeholders today, therefore, judge whether or not a company is trustworthy not only based on its business performance, but also on its overall sustainability performance. We must go beyond what we used to be, and transform our mindset to become more stakeholder-centric. At Hang Lung, we aim to create a truly sustainable business by delivering branded experiences that align with the values of our stakeholders.

The goal of becoming more stakeholder-centric led us to formulate a new strategic sustainability framework, **Our Sustainable Future**. In 2018, we launched our most comprehensive stakeholder engagement exercise to date. By having in-depth conversations with most of our senior management and representatives from major stakeholder groups, we came to understand what they really care about, and identified the megatrends that they believe will shape our world in the coming decade. The feedback helped us to put together a framework that underpins our aspiration to ride the trends, as well as set clear goals and targets to create a desirable shared future for our stakeholders.

While developing these long-term strategic objectives, we also took some bold moves last year to ensure that we are on the right track toward sustainability. While we remain cautious in our plans for expansion, we acquired our first piece of land since 2013 in Hangzhou, China. This will not only support healthy business growth in years to come; the land also serves as an excellent platform for our team to experiment with innovative ideas in developing a neighborhood with sustainability at the core. **Build to Own, Build to Last**, as we always emphasize.

We are very mindful of the adverse impact of climate change, as global carbon emissions continue to rise at an alarming rate. Last year we experienced some of the consequences first-hand. Fortunately, our team was able to keep losses to a minimum when the Mangkhut super typhoon hit Hong Kong. Nonetheless, in what was once again one of the hottest years, we struggled to reduce our electricity use, despite all the measures we had taken. To this end, we have decided to list climate risk as one of the corporate risks under our Enterprise Risk Management Framework. We must act to reverse the situation as it concerns the survival of humanity.

People continue to be the core of our business. We want our employees to be happy, and recognize that looking after their wellbeing has many benefits for our business, from productivity to innovation. With this in mind, we are rapidly progressing plans to enhance our workplace. We spent over 100,000 hours training our employees in 2018, a record for Hang Lung. Our objective is clear: with so many global challenges ahead, only a satisfied team with shared values will be able to lead the Group through the storm.

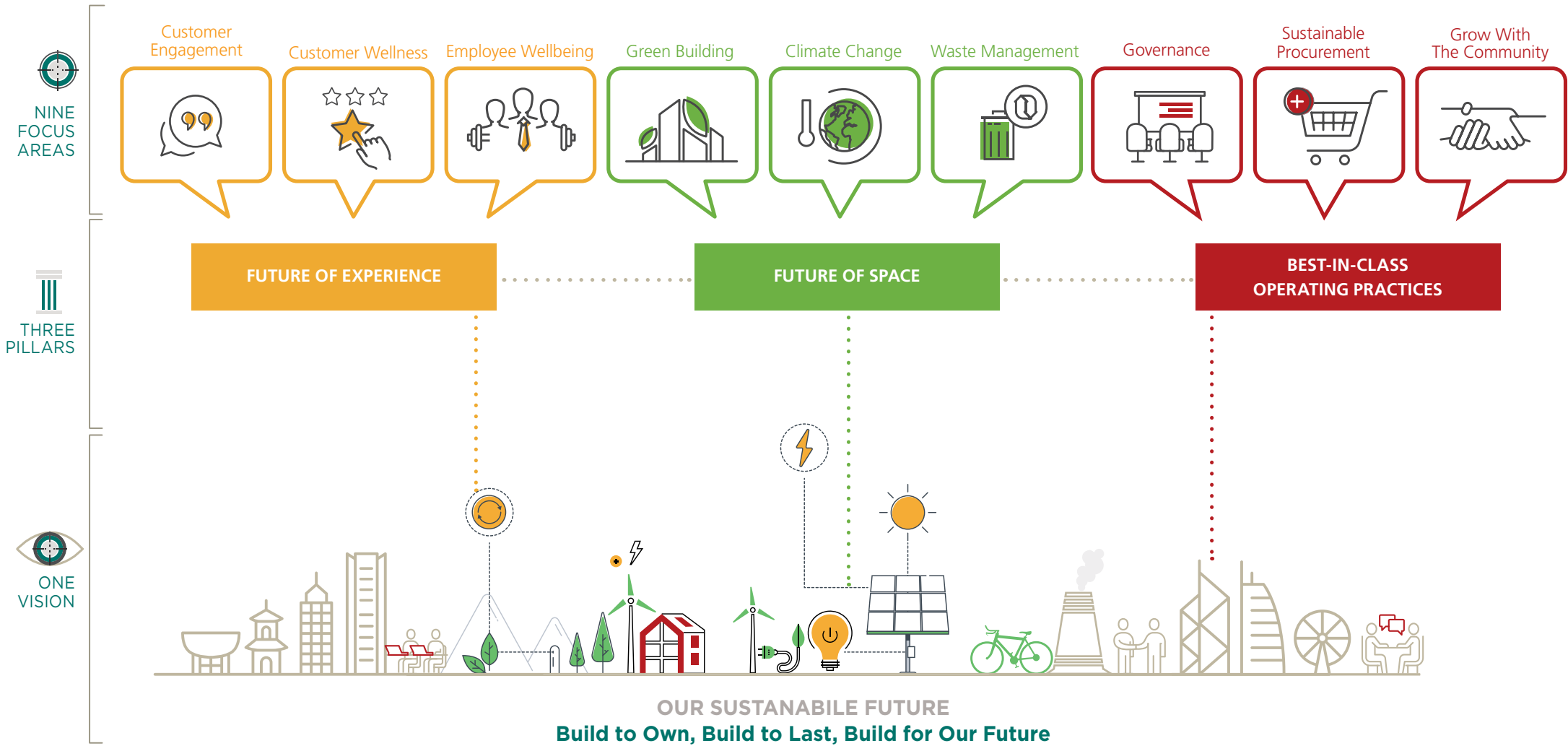
This is the first time I have addressed our progress toward sustainability as the CEO of Hang Lung. Rest assured that I am determined to help the Group achieve sustainable growth while striving for positive social impact. I have to admit, however, that the power of one individual is very limited in terms of driving changes, let alone global changes. I need your support. Please let me and our team know about the changes you would like to bring about, and work with us collaboratively to help accelerate progress.

**Weber Lo**  
Chief Executive Officer  
June 2019

# Sustainability in Action

## Introduction To Our New Strategic Sustainability Framework

### CREATE SUSTAINABLE VALUES FOR OUR FUTURE STAKEHOLDERS



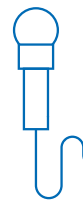
↓  
**ONE VISION**

**OUR SUSTAINABLE FUTURE**  
Build to Own, Build to Last, Build for Our Future



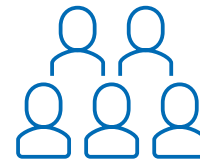
Today we are facing a number of persisting and emerging global challenges, including poverty, inequality, climate, environmental degradation, threats to prosperity, peace and justice and many more. The world has called for concerted efforts by business, government and the broader community, underpinned by the United Nations Sustainable Development Goals (SDGs), to address these challenges and build towards an inclusive, sustainable and resilient future for people and the planet. As a corporate global citizen, we share a common future with everybody else in the world, and fully acknowledge the potentially devastating outcome if all these challenges remain unaddressed.

At Hang Lung, we recognize the importance of the SDGs, while also striving to put stakeholders first. To address these challenges in a meaningful way that is aligned with our stakeholder-centric strategy, the Group planned to develop a new framework that aims to create sustainable values for our future stakeholders.



**18 in-depth interviews**  
conducted with  
stakeholder representatives

**31 top management**  
engaged



**8 companies**  
benchmarked



**150**  
stakeholders  
surveyed

In 2018, we initiated the preparation phase of the development of that new framework. This phase included stakeholder engagement exercises to understand what different stakeholders, such as our colleagues, customers, investors and business partners, really care about in the future. We also conducted policy research, and benchmarked against selected peer companies on the best practices in addressing stakeholder concerns.

Upon consolidating the findings of the work that we did during the preparation phase, we wish to introduce this new strategic sustainability framework of Hang Lung, Our Sustainable Future. This framework lays the foundation of how we will position ourselves to be capable of having a meaningful economic, social and environmental impact on our future stakeholders in the following decade till 2030. Since buildings are an inseparable part of cities, we will focus on aligning our efforts with *Goal 11: Sustainable Cities and Communities* of the SDGs, while supporting the rest of the goals whenever opportunities arise. This approach will allow us to utilize our resources and expertise more efficiently and help contribute to a sustainable future.





## THREE PILLARS

### FUTURE OF EXPERIENCE

#### *Deliver Holistic and Engaging Experiences*

Due to high economic growth over the past few decades, the basic survival needs of people can be satisfied in most parts of the world nowadays. Coupled with the digital revolution, stakeholders are more empowered and knowledgeable than ever before, which has further reinforced the development of personal core values for self-actualization. At the same time, stakeholders expect to be understood and appealed to in their full complexity.

In the future of experience, we believe that developers, rather than acting as a landlord or employer, will evolve into something more akin to a partner of our customers and employees, so that we create value and invent the future together. Commercial properties are no longer just a physical asset to sell, but part of people's lives, while the workplace is not a just a place to work, but a platform that drives growth and innovations.



### FUTURE OF SPACE

#### *Build Green and Efficient Spaces*

As the world becomes more populous, urbanized and prosperous, demand for energy, food and water will rise. However, the Earth has a finite amount of natural resources to satisfy this demand. In the meantime, this is further complicated by the changing climate as one of the consequences of the rising demand for resources. How to maintain a balance between economic growth and environmental protection is a key global challenge in the decade ahead.

In the future of space, we envision a more resource-efficient economy with low carbon intensity, so that we can continue to drive economic growth while preventing further environmental degradation. As a developer and building operator, we also expect low-impact buildings that are resilient to climate change to be the industry norm.



### BEST-IN-CLASS OPERATING PRACTICES

#### *Create a Sustainable Value Chain*

As depicted in the Sustainable Development Goals, collaborative efforts by every single individual are required to change the world. However, given the high complexity and relatively low awareness of all the issues, change still appears to be slow. We have, however, seen improvements over the past few years as the media has started to cover these issues, and concerned stakeholders have started to explore together feasible solutions to tackle the challenges.

In the future, we anticipate corporates to be sufficiently equipped to manage their own sustainability risks and opportunities, as well as influence or scrutinize their business partners to ensure that there is not any unsustainable practice along their value chain. In broader terms, corporates will also redeploy resources back to the community so that the community supporting them will continue to thrive.



## NINE FOCUS AREAS

### FUTURE OF EXPERIENCE

#### OUR GOALS

##### CUSTOMER ENGAGEMENT

Collaborating with our customers to work towards common sustainability goals

##### CUSTOMER WELLNESS

Fulfilling the rising expectations of customers for better quality of living

##### EMPLOYEE WELLBEING

Creating a workplace that curates experiences and incubates innovations

#### FIRST REVIEW PERIOD (2019-2021)

- All properties annually organize at least one sustainability initiative to engage their tenants or customers

- All properties shall develop systems and metrics to measure customer wellness
- Major properties exceed local Indoor Air Quality standards

- Establish Workplace Wellbeing Baseline Standards and implement them across all our workplaces

#### AMBITION BY 2030

All properties regularly collaborate with their tenants and customers to drive sustainable changes with measurable impact

All properties shall achieve international wellness standards

All offices and workplaces shall achieve international wellness standards



## NINE FOCUS AREAS

### FUTURE OF SPACE

#### OUR GOALS

#### FIRST REVIEW PERIOD (2019-2021)

#### AMBITION BY 2030

##### GREEN BUILDING

Raising the green building standard of the industry

- All new buildings and major retrofit projects meet international green building standards

- All existing properties achieve low-impact operations that go beyond industry standards

##### WASTE MANAGEMENT

Promoting the circular economy and contributing to a waste-free world

- Avoid 50% of construction waste going to landfill
- 10% reduction of commercial waste going to landfill

- Avoid 75% of construction waste going to landfill
- 25% reduction of commercial waste going to landfill

##### CLIMATE CHANGE

Curbing our carbon emissions and building climate resilience

- 15% reduction in electricity-incurred carbon intensity (baseline: 2015)

- 50% reduction in overall carbon intensity (baseline: 2015)
- 10% reduction in absolute carbon emissions (baseline: 2017)



## NINE FOCUS AREAS

BEST-IN-CLASS  
OPERATING PRACTICES

### OUR GOALS

#### GOVERNANCE

Enhancing the internal capacity to put sustainability into actions

#### SUSTAINABLE PROCUREMENT

Expanding our influence and managing our lifecycle impacts

#### GROW WITH THE COMMUNITY

Building a fair and inclusive community that supports our long-term growth

### FIRST REVIEW PERIOD (2019-2021)

- All properties and functions have designated personnel to assist with the implementation of our strategic sustainability framework

- 40% building materials with environmental considerations
- Implement a Sustainable Procurement Policy

- All properties implement at least one shared value initiative annually to address a top social and/or environmental issue in the local community

### AMBITION BY 2030

- All properties and functions shall have adequate capacity and robust system to monitor, manage and report sustainability impacts regularly

- All goods for operational consumption and construction materials shall be sourced with sustainability being taken into consideration

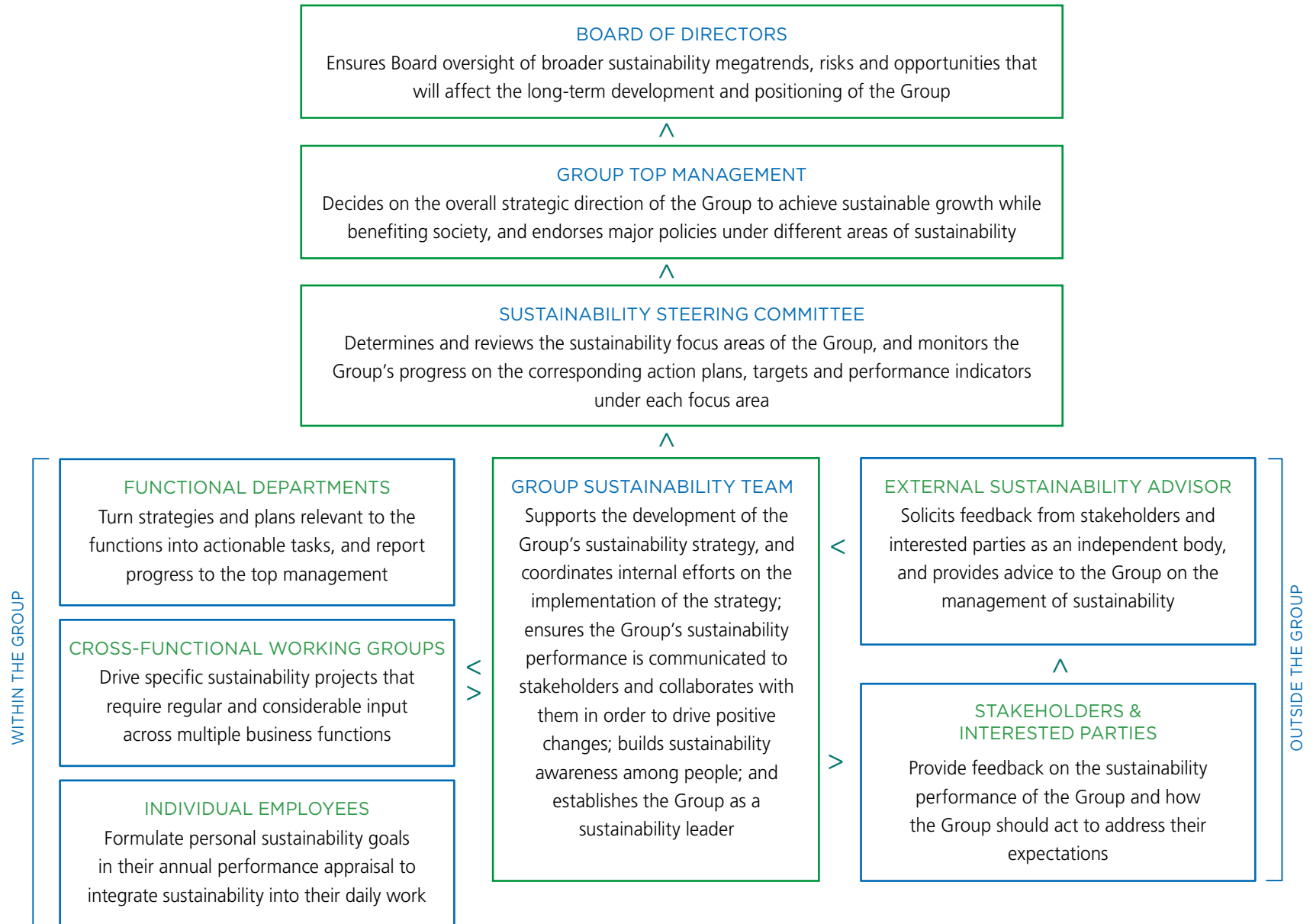
- All properties shall strategically engage local communities and create shared values



Sustainability is inherently complex, so the Group acknowledges the need to have an effective and strong sustainability governance structure in place. The structure centers on the **Sustainability Steering Committee** (the Committee). Chaired by our Board Executive Director Mr. Adriel Chan and comprising key executives, the Committee provides a solid foundation for developing and anchoring the focus areas of our strategic sustainability, its direction and targets.

Our sustainability governance structure aims to create accountability for sustainability at all levels, so that everybody and each party is well aware of their role and responsibilities in contributing to the sustainability objectives of the Group.

## SUSTAINABILITY GOVERNANCE STRUCTURE



## Sustainability Benchmarks and Commitments

The Group commits to openness and transparency regarding our sustainability performance, and we accordingly continue to expand our efforts in participating in different sustainability assessments and benchmarks, both locally and internationally. This enables us to keep up with the latest market trends, and more importantly, helps us to better understand our strengths and weaknesses in order to drive continuous improvement.



Selected as a member of the Dow Jones Sustainability Indices (DJSI) Asia Pacific Index for two consecutive years



Constituent of the Hang Seng Corporate Sustainability Index and Hang Seng (Mainland and Hong Kong) Corporate Sustainability Index with an AA rating



Named a Caring Company by the Hong Kong Council of Social Service for nine consecutive years under the Caring Company Scheme



Ranked one of the top 20 companies under the Hong Kong Business Sustainability Index for the fourth consecutive year



Received a 3-star performance rating and an A grade disclosure rating under the Global Real Estate Sustainability Benchmark 2018











Submitted a response under the CDP Climate Change module for the first time

## Stakeholder Engagement

Our approach to stakeholder engagement is designed to ensure we maintain a good understanding of the views and expectations that help define our current and future sustainability strategies. In particular, we proactively engage with the stakeholder groups that are directly impacted by our operations, such as employees, investors, customers, tenants, suppliers and contractors. We also engage with groups that may provide guidance on our reporting focus and inform our strategic approach, such as local communities, NGO partners, the government, academia, media and industry associations.

On top of the comprehensive stakeholder engagement exercises undertaken to support the formulation of our new strategic sustainability framework in 2018, we continue to engage regularly with key stakeholder groups in a variety of ways to ensure effective communication of our progress in relation to their concerns. Feedback collected through all aforementioned stakeholder engagement exercises also contributed to the preparation of this Report.

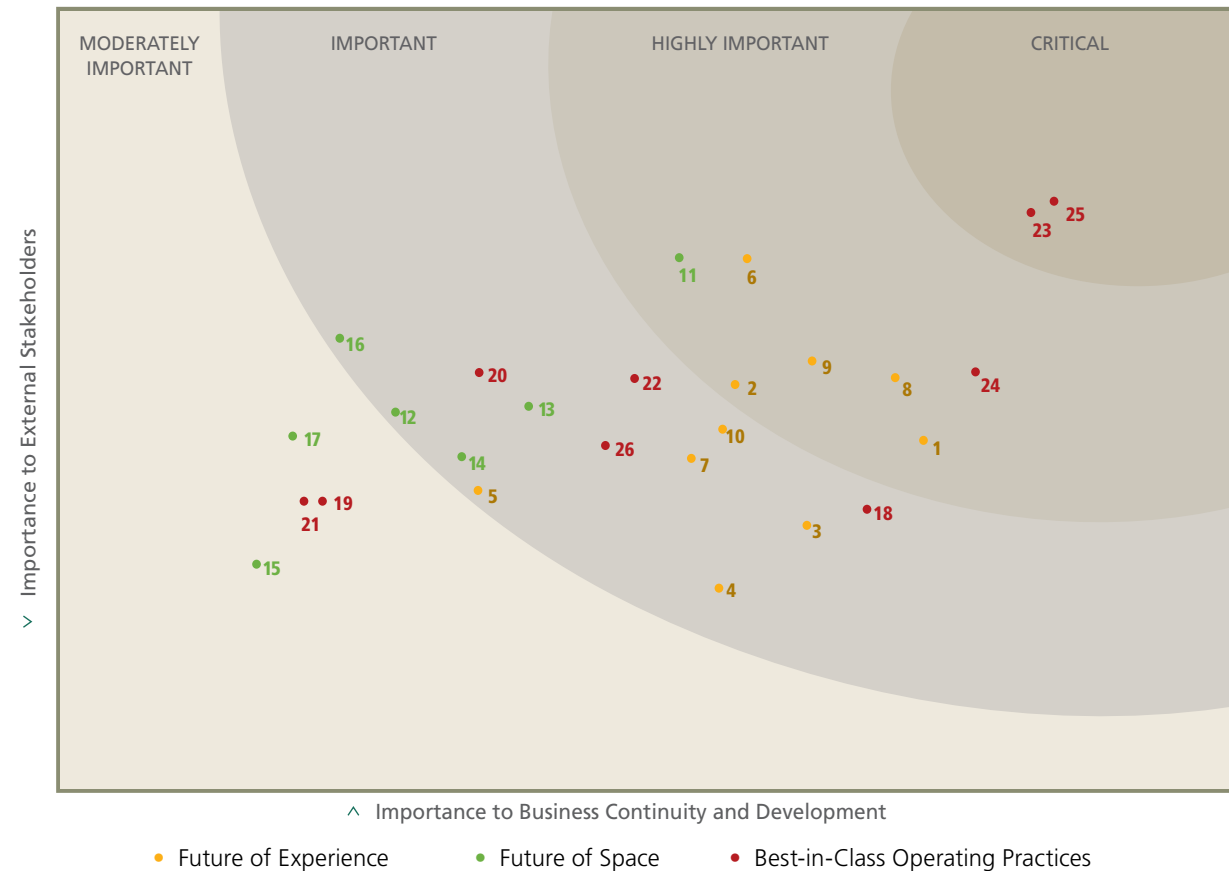
STAKEHOLDER GROUPS	WHY ENGAGE?	FORMS OF ENGAGEMENT
 > EMPLOYEES	It is essential to understand our employees' sustainability concerns, particularly on labor practices, to ensure a satisfied workforce.	<ul style="list-style-type: none"> <li>• Biannual two-way performance appraisal</li> <li>• Biannual town hall meetings</li> <li>• Staff focus group discussions</li> <li>• Team building activities</li> <li>• Staff intranet and monthly corporate newsletter</li> </ul>
 > INVESTORS AND SHAREHOLDERS	Addressing our investors and shareholders' concerns on sustainability demonstrates our determination to pursue long-term financial return.	<ul style="list-style-type: none"> <li>• Sustainability reporting, benchmarks and indices</li> <li>• Investor interviews and meetings</li> <li>• Investor site visits</li> <li>• Annual General Meeting</li> </ul>
 > TENANTS AND CUSTOMERS	To retain our tenants and customers, we need to understand our shared sustainability values, so that the services we deliver meet their expectations.	<ul style="list-style-type: none"> <li>• Daily customer engagement surveys</li> <li>• Routine tenant satisfaction surveys and interviews</li> <li>• Social media and monthly corporate newsletter</li> </ul>
 > SUPPLIERS AND CONTRACTORS	The sustainability performance of our suppliers and contractors directly impacts our performance as well. We must engage with them to ensure that our goals are aligned.	<ul style="list-style-type: none"> <li>• Regular project meetings</li> <li>• Regular screening and performance evaluation</li> <li>• Focus group discussions</li> <li>• Online surveys</li> </ul>
 > LOCAL COMMUNITIES	We must proactively engage with local communities to ensure that our business is creating societal benefits. We regard this as the social license to operate in the long run.	<ul style="list-style-type: none"> <li>• Flagship community programs</li> <li>• Community events</li> <li>• Community consultation</li> <li>• Monthly corporate newsletter</li> </ul>
 > NGO PARTNERS, ACADEMIA AND INDUSTRY ASSOCIATIONS	Engaging with NGO partners, academia and industry associations allows us to learn about specific sustainability trends and respond accordingly.	<ul style="list-style-type: none"> <li>• Online surveys</li> <li>• Sustainability Innovation Workshop</li> <li>• Conferences, seminars and networking events</li> </ul>
 > GOVERNMENTS AND REGULATORS	Policies and regulations directly impact our business. We need to maintain close communication with the relevant governments and regulators to ensure that policies and regulations are well understood.	<ul style="list-style-type: none"> <li>• Regular meetings</li> <li>• Site visits by government officials</li> <li>• Government consultations</li> </ul>
 > MEDIA	Media is the major channel from which the general public learns about us. We must ensure that our media partners are accurately informed of our sustainability performance.	<ul style="list-style-type: none"> <li>• Media interviews and meetings</li> <li>• Media announcements and press releases</li> </ul>

## Topics that Matter

The management of sustainability is a dynamic process, because what matters the most to our stakeholders varies over time as megatrends evolve. Through the regular updating of our materiality matrix, we have our finger on the pulse of the ever-changing external business environment, and can respond swiftly to address the foremost concerns of our stakeholders. This also ensures that what concerns our stakeholders the most remains aligned with our strategic sustainability framework.

Building on the findings of our comprehensive stakeholder engagement exercises in 2018, we further expanded our engagement efforts to learn about the expectations of our tenants on the Mainland – a stakeholder group that we had not previously systematically engaged on sustainability – and hence to gauge a more balanced view for our materiality

assessment. Based on the aggregated scores given by our internal and external stakeholders, we mapped out and prioritized 26 sustainability topics, reflecting their importance to the Group and our external stakeholders. The 9 topics that are classified as “Highly Important” or above are the material topics to be covered in the Report. The key topics and concerns raised by our stakeholders and how we responded to their concerns are detailed in the “Future of Experience”, “Future of Space” and “Best-in-Class Operating Practices” sections in this Report.



SUSTAINABILITY TOPICS	Topics Boundaries	
	Inside the Group	Outside the Group
1 Employee attraction and retention	*	
2 Employee wellbeing	*	
3 Employee development	*	
4 Internal communication	*	
5 Diversity and equal opportunities	*	
6 Occupational health and safety	*	*
7 Customer feedback	*	*
8 Information privacy	*	*
9 Customer health, safety and security	*	*
10 Tenant and customer engagement	*	*
11 Energy efficiency	*	*
12 Climate change	*	*
13 Green architecture and infrastructure	*	*
14 Pollution mitigation	*	*
15 Use of materials and biodiversity	*	*
16 Waste disposal and recycling	*	*
17 Water consumption	*	*
18 Financial performance and investor interests	*	*
19 Indirect economic impacts	*	*
20 Social integration	*	*
21 Community investment and engagement	*	*
22 Responsible supply chain management	*	*
23 Ethics and integrity	*	*
24 Risk and crisis management	*	*
25 Legal compliance	*	*
26 Grievance mechanism	*	*



## Key Statistics in 2018

### BREAKDOWN OF WORKFORCE BY GENDER AND BY REGION



### GREENHOUSE GAS EMISSIONS INTENSITY

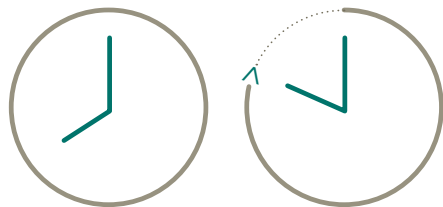


Hong Kong  
**0.0677** Tonnes CO<sub>2</sub>e/m<sup>2</sup>/year

Mainland China  
**0.0964** Tonnes CO<sub>2</sub>e/m<sup>2</sup>/year

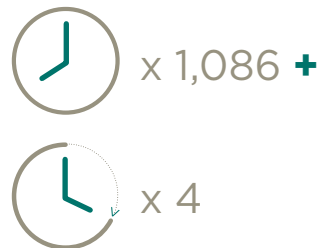


### AVERAGE TRAINING HOURS PER EMPLOYEE



**21.8** hours

### TOTAL VOLUNTEER HOURS



**13,036** hours

- HONG KONG
- MAINLAND CHINA



**FOOD WASTE RECYCLED IN HONG KONG**  
**89,145** kg

**64%** Total GFA Attained  
**GREEN BUILDING CERTIFICATIONS**



# FUTURE OF EXPERIENCE



2018



**CUSTOMER ENGAGEMENT**  
All properties shall regularly collaborate with their tenants and customers to drive sustainable changes

**EMPLOYEE WELLBEING**  
All offices and workplaces shall achieve international wellness standards

**CUSTOMER WELLNESS**  
All properties shall achieve international wellness standards

2030



## Customer Engagement

WHAT ARE THE KEY ISSUES THAT SHAPE OUR SUSTAINABLE FUTURE?

**As customers are becoming more vocal than ever, it is important to understand what matters to them.**

In today's world, there are more opportunities than ever for customers to voice their expectations. By understanding how to better listen to our customers, we can improve the overall customer experience and boost the level of satisfaction. Furthermore, it may open up new opportunities to build trust by understanding our customers' values, enabling us to drive a new wave of productivity and innovation that advances social and environmental progress in a profitable fashion.

**Brand experiences are commonly agreed to be what customers really want nowadays.**

An overwhelming majority of research shows that customers increasingly want to pay for consumer experiences, rather than simply the products or services. While good brand experiences will increasingly distinguish us in a competitive marketplace, we need to develop a more holistic experience strategy. This will ensure that we can give our customers a good experience even before or after we provide our services. It will also give us more opportunities to shape the consumer behavior of the future.

### CUSTOMER ENGAGEMENT



#### Our 2030 Ambition

All properties shall regularly collaborate with their tenants and customers to drive sustainable changes with measurable impact.

Relevant GRI Disclosures:  
416 (2016), 419 (2016)

**Customer data protection is becoming an overriding challenge as the digital revolution continues to evolve.**

With the world's growing dependence on the Internet of Things, personal data are collected and collated anytime and anywhere. With this comes the serious and increasing threat of a data breach, yet there is minimal regulation. While capturing an ever-widening spectrum of data has brought new business opportunities, we also bear greater responsibility to ensure that none of the data collected are abused or misused. Otherwise, this would turn into severe reputational risks that would be detrimental to our business operation.

**The foundation of customer loyalty builds upon shared values in the foreseeable future.**

Studies show that buying based on beliefs is an uptrend: the number of people doing so has tripled to 30% of consumers worldwide in the last three years, while 67% will buy a brand for the first time based solely on their perception of the brand's values. This indicates that shared values are gradually becoming a more significant driver for building better brand relationships with customers. This trend is expected to prevail as millennials become the major purchasing power. To avoid losing customer loyalty in the future, it is essential for us to work closely with our customers to create shared values on wider environmental and social topics as we deliver our services and products.



MAJOR DEVELOPMENTS IN 2018



### New Customer Relationship Management Program Launched

In an affirmation of our commitment to customer centricity and service excellence, the Group launched HOUSE 66, a brand new customer relationship management program in September 2018, at our flagship project Plaza 66 in Shanghai.

The Program allows us to capture and make use of big data to formulate more effective leasing and business campaigns. Together with various tailor-made and exclusive member services, we will be able to offer a truly unique experience to our loyal customers. The Program will continue to engage in more collaboration with international brands and tenants to provide unique offerings and exclusive experiences for our shoppers, with the ultimate goal of achieving a win-win situation for our shoppers and tenants. We have expanded the Program to our other projects on the Mainland since late 2018.

### Updated Customer Engagement Survey

To develop an official channel for customers to provide their feedback on our services, we rolled out a new Customer Engagement Survey in 2017, which was deployed to all our malls in operation on the Mainland by January 2018. We regarded 2018 as a full trial year for the survey, during which our Service Quality Team under the Service Delivery Department refined the survey from time to time upon receiving feedback from our site colleagues as well as our customers. The trial ensured that the survey is well-designed to effectively and accurately reflect the pain points of our mall operations without bias. We aim to disclose the overall customer satisfaction level at our malls on the Mainland in our next reporting year.

### Creating Shared Values with Customers and Tenants

The Group regularly organizes programs and campaigns at our properties to engage with our tenants and customers on environmental and social causes. For instance, we co-organized the Hong Kong Zombie Walk at our Fashion Walk in Hong Kong in 2018, in which participants had to complete eye care-related challenges to promote eye health and raise funds for Orbis, an international NGO devoted to saving people's sight. We also engaged with our tenants at this event so that participants could enjoy food at our Fashion Walk food & beverage outlets upon completing the challenges.

### Protecting Customer Data Privacy







We have implemented the Privacy Practices Guide: Use of Personal Data in Direct Marketing and Personal Data Privacy Guidelines for Building Management for our operations in Hong Kong to safeguard the personal data of our customers and ensure compliance with the Personal Data (Privacy) Ordinance in Hong Kong. We have also put in place similar policies and procedures for our operations in mainland China to conform to relevant, local personal data protection legislation. We did not receive any complaints regarding breaches of customer privacy or loss of customer data in 2018.

To effectively manage the risks of cyberattacks and data leakage, we included cybersecurity as a corporate risk under our Enterprise Risk Management framework in 2018 and implemented a number of measures, from the formalization of cybersecurity policy to an upgrade of IT infrastructure to strengthen our internal capacity to deal with the risks. We also rolled out mandatory cybersecurity training for our executive and administrative staff in 2018, delivering 4,661 hours of training on this topic.

## Be Prepared for Growing Cybersecurity Risks

Cybersecurity has been ranked one of the top global risks for two consecutive years by the World Economic Forum. As cybercrime in business rises fast, the management of this risk is also becoming increasingly vital in our business operations. The Group highly values the planning and execution of necessary measures to mitigate such risks. As such, we have put the risks under our Enterprise Risk Management framework, coupled with a thorough cybersecurity risk assessment with the support of a professional consultant along with the corresponding actions during the past two years.

### Cybersecurity Risks Mitigation Measures

-  Formalize Group-Level Policies
-  Upgrade IT Infrastructure & Network Security
-  Reinforce Building Facilities' IT Security
-  Develop Tools to Avoid Information and Data Leakage
-  Enhance Internal Awareness
-  Optimize Crisis Management & Business Continuity Plans

### FORMALIZING CYBERSECURITY POLICY

To demonstrate our determination to tackle this risk, the Group's latest Employee Cybersecurity Policy was released in January 2019. The IT department also regularly sends out cybersecurity reminders via email to all employees. The reminders highlight the risks of using email and phone systems, such as instant messaging application scams, phishing emails and telephone scams involving long-distance calls. We are committed to terminating all potential cybersecurity threats and creating a cyber-secure environment for all our employees.

### BUILDING INTERNAL AWARENESS

Awareness is key to mitigating low-level cybersecurity risks. We provided a series of regular and mandatory training sessions led by external speakers or the IT department for all newly joined executive and administrative employees in both Hong Kong and the Mainland. As well as introducing our cybersecurity policy, the training sessions also covered themes such as network vulnerabilities, social media usage, browsing protection and many more. On top of the trainings, eAcademy 66 also provided mandatory follow up online quiz for all participants. More than 4,600 training hours were recorded from both our Hong Kong and Mainland portfolios in 2018.

To measure the effectiveness of our training, we also conducted phishing drills before and after our IT security training in 2018. We observed that the data leakage rate has been significantly driven down by 20% since the security training has increased staff's general awareness on phishing attacks.





## Customer Wellness

WHAT ARE THE KEY ISSUES THAT SHAPE OUR SUSTAINABLE FUTURE?

### Emerging international standards place health and wellness at the center of building design and construction.

Studies show that the average American spends about 87% of their time in enclosed buildings, and the statistics are believed to be very similar for the rest of the developed world. This phenomenon has given rise to the concept of healthy building, in which occupants are anticipated to be physically and psychologically better off, ultimately resulting in better individual and organizational performance. International standards such as the WELL building standard are emerging to govern this brand new concept, which is fast growing into a trend among property developers around the world.

### Tenants are asking for better wellness provision when seeking leasing space.

Needs are ever-changing among our tenants. It remains our top priority to deliver basic building functions, and to ensure that our tenants are safe and secure. We are also seeing growing demand from our prospective tenants on wellness provision, such as monitoring and maintenance of indoor air quality, the support of green cleaning practices, and the addition of amenities such as bicycle racks, green spaces, and access to natural light. To remain competitive, we will proactively communicate with our tenants to cater for their needs in this respect.

## CUSTOMER WELLNESS



### Our 2030 Ambition

All properties shall achieve international wellness standards.

Relevant GRI Disclosures:  
416 (2016), 419 (2016)

### Our prospective customers are expected to show demand for a healthier lifestyle.

Driven by the burgeoning urban middle class that favors a healthy lifestyle, the health and wellness market has been booming around the world. In China, this trend, together with the Healthy China 2030 Plan adopted by the State Council of the Chinese Government, mean the healthcare services industry in mainland China is poised to reach RMB 16 trillion (US\$2.3 trillion) by the end of 2030, quadrupled in size from 2016. As our consumers and tenants demonstrate increasing demand for healthier space to support their pursuit of a healthy lifestyle and social inclusion, we need to implement measures to enhance the quality of the indoor environment and accessibility of our properties to meet their needs.

### The challenges posed by an aging population appear to be worsening in both Hong Kong and the Mainland.

By 2050, 330 million Chinese will be aged over 65: an estimated 27.4% of the total Chinese population, compared to about 11.9% by 2020. Businesses must plan accordingly so that their products and services can cater for the specific demands of this group of people. As a commercial property developer, areas of concern may include the overall accessibility of our properties, user-friendliness of our facilities, and our trade-mix. Excelling in these areas could bring us opportunities, while failing to respond could result in the loss of prospective customers.



MAJOR DEVELOPMENTS IN 2018

Indoor Air Quality Enhanced

In 2016, we launched the Clean Air Initiative to enhance air filtration systems at our properties in mainland China by phase. By the end of 2018, we had completed the upgrade of air filtration systems at all of our properties there. The Group also organized a series of activities throughout the year to promote our efforts while spreading the message regarding the importance of good indoor air quality.

STAFF

Provided health tips and organized talks on indoor air quality for our staff

CUSTOMERS

Rolled out a marketing campaign featuring our own cartoon character, O<sub>2</sub>, to introduce the significance of good indoor air quality to our customers in a fun fashion

PROFESSIONALS

Co-organized a technical seminar on topics related to indoor air quality with the International Facility Management Association and Tongji University

PUBLIC

Organized various volunteer activities to promote our Clean Air Initiative to the wider public; for example, our volunteers from Plaza 66 taught students how to make a simple air quality detector, test air quality and improve it during a school visit



Strengthening Security Management at Our Properties

It remains our top priority to make sure that our customers and tenants feel safe, in every sense of the word, while they are on our premises. We regularly conduct emergency preparedness and fire drills at our premises under our Crisis Management Protocol, preparing for different scenarios that could affect staff, tenants, customers and/or construction units. These drills help prepare those at risk to respond effectively during an evacuation or another emergency situation. In addition, we have developed plans by a dedicated team to strengthen the security management of our properties from 2017. In 2018, we commenced the first phase of upgrading the CCTV surveillance systems at our properties in mainland China. The new systems will also incorporate smart technologies such as facial recognition to enhance their functionality.

Improving Accessibility Provision at Our Properties

Since the formation of the Barrier-Free Access working group in late 2016, we have reviewed the existing provision of four properties in mainland China and arranged retrofits or upgrades to promote social inclusivity. To allow more disabled people to experience the barrier-free facilities at our malls, our Hang Lung As One volunteer teams held tours for disabled people to visit Olympia 66 and Riverside 66, respectively, in 2018. During the year, our efforts to promote accessibility and integration at Riverside 66 received recognition from the local authorities.



## Employee Wellbeing

WHAT ARE THE KEY ISSUES THAT SHAPE OUR SUSTAINABLE FUTURE?

### Talents today want to feel supported in terms of their career as well as personal growth.

Nothing works in an organization without properly skilled and engaged people. Matching business demands with the right people and helping to maximize employees' potential and career ambitions requires supportive management as well as future-focused learning and training programs. We value the growth of our talent as much as the growth of our business, and our learning and development programs continue to be a major tool for engaging with our colleagues. This ensures that they can continue to grow with us and are able to align themselves with our culture and mission.

### Work-life balance tops the list of millennials' consideration of job opportunities.

The 2016 Deloitte Millennial Survey found that millennials from 29 countries, including China, consider work-life balance the most important factor in choosing a job when salary and other financial benefits are equal. By 2025, millennials will constitute 75% of the global workforce, compared with one-third nowadays. Since we aim to maintain our edge as an employer of choice in an era of fierce competition for talent, we cannot afford to ignore millennials' increasing expectations for their wellbeing at work.

## EMPLOYEE WELLBEING



### Our 2030 Ambition

All offices and workplaces shall achieve international wellness standards.

Relevant GRI Disclosures:  
401 (2016), 403 (2018),  
404 (2016), 405 (2016),  
406 (2016)

### A positive culture breeds staff loyalty.

Positive corporate culture helps retain employees, as confirmed by various studies. In particular, millennials who stay longer with their organization are far more likely to report that their organization has a positive culture, according to the 2016 Deloitte Millennial Survey. Recognizing positive culture is crucial to retaining talent and supporting our future business development: we have to create a culture that encourages mutual respect among employees, recognizes staff efforts and contributions, and provides opportunities for employees to bond with each other.

### A poor work environment brings everyone down.

On average, employees spend one-third of their time at their workplace, where the physical environment influences their wellbeing and directly influences their work performance and productivity. Studies have shown that employees who are more satisfied with the physical work environment are more likely to do better work. This explains the recent emergence of the concept of the co-working space, which puts strong emphasis on enhancing the physical work environment. Accordingly, we also need to respond to this trend to increase our competitiveness among talented employees.





MAJOR DEVELOPMENTS IN 2018

### Providing Competitive Remuneration and Benefits Packages

The Group provides competitive remuneration and benefits packages, which are regularly benchmarked against our industry peers, to recruit and retain talent. The benefits provided to full-time employees include parental leave, life, medical and dental insurance, parking permits and various corporate staff discounts.

### Fostering a Respectful Culture

We are committed to providing equal opportunities to our employees and job candidates. As stipulated in our Equal Employment Opportunities Policy, we forbid discrimination against our employees or job candidates on any grounds, including gender, age, marital status, family status, pregnancy, disability, race, ethnic origin or religion. We also do not allow unlawful harassment of any form.

### Provide Training and Development

We provide employees with a wide range of internal and external training to equip them with the latest knowledge and skills needed to thrive in a fast-moving business environment. We deliver training face-to-face and through our online training platform eAcademy 66. To facilitate access to online training courses and materials for our employees in mainland China, we made eAcademy 66 available on WeChat in 2018. During the course of the year, we delivered 101,891 hours of training to employees.

In addition, we sponsor employees who are pursuing external training programs and applying for professional memberships that will enhance their job performance and implement their career aspirations.



### Inspiring Forward Thinking through a Management Conference

To equip our management staff with interdisciplinary skills and broaden their exposure, which is essential to the sustainable growth of the Group in the ever-evolving business environment, we organized the inaugural company-wide Management Conference in April 2018 with the theme Time to Shine.

About 200 executives from Hong Kong and the mainland took part in the one-day program. During the conference, three prominent speakers shared their views on management trends, including changes in management styles, sustainable buildings and ever-changing customer demands. Colleagues from different projects and departments were assigned into five groups to exchange ideas on five different management topics, including:

<p><b>WHAT IS A GOOD EXECUTIVE?</b></p>	<p><b>WHAT CAN YOUR TEAM DELIVER ON SUSTAINABILITY?</b></p>	<p><b>BUSINESS IN AN ERA OF DISRUPTION</b></p>	<p><b>HOW TO DELIGHT THE CUSTOMERS</b></p>	<p><b>HANG LUNG QUALITY STANDARDS</b></p>
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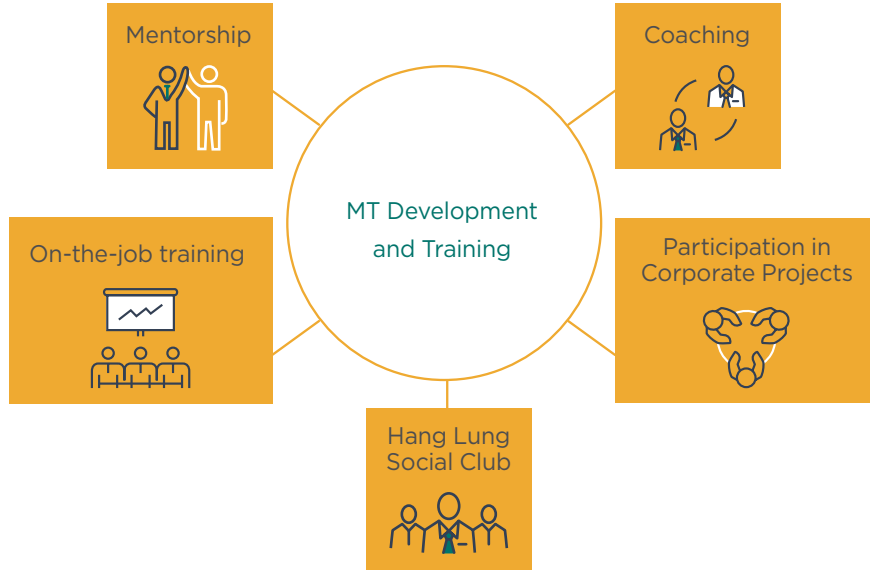
Participants presented solutions to a series of issues in breakout sessions led by Hang Lung's key executives. Colleagues were engaged in the discussions and actively voiced their ideas on how individuals and different departments could contribute to addressing management topics in the future.

## Preparing Future Leaders through the Hang Lung YES Program

In 2018, we launched the Hang Lung Young Elite Success (YES) Program, which encompasses the Hang Lung Management Trainee Program and Hang Lung Internship Program, to build a talent pipeline for the Group's ongoing business growth.

### Hang Lung Management Trainee Program

Our long-standing Management Trainee (MT) Program aims to nurture talented university graduates for future leadership roles within the Group. In 2018, we selected 11 candidates from nearly 1,900 applications to join the Group as MTs. During the 18-month program, MTs are attached to different departments in Hong Kong and the Mainland to gain a thorough understanding of the Group and the property industry. Throughout the program, we arrange various types of training programs to help MTs enhance their skills, including social etiquette, professional grooming, outreaching and presentation. They also receive mentoring and coaching from our senior management for practical advice on work and life.



### Hang Lung Internship Program

To help young people broaden their horizons and explore their career interests, we also partner with a number of organizations to provide internship opportunities for university students every year. For instance, we hired 10 university students as interns at our Plaza 66 and Grand Gateway 66 in Shanghai through the Pilot Scheme on Corporate Summer Internship on the Mainland and Overseas organized by the Hong Kong Government.

During the internship period, as well as receiving on-the-job training, the interns also participated in various workshops devoted to skills such as time management and goal-setting, in order to hone their professional skills. In addition, they participated in volunteer activities organized by our Hang Lung As One volunteer teams to help those in need, and learn more about our corporate culture. In 2018, we provided internship opportunities to a total of 24 university students.



## Create Better Workplace Environment

Guidance on the roles and responsibilities of the Group and our employees in maintaining a safe workplace are provided through our Occupational Health and Safety (OHS) Policy. As stipulated in the Policy, the Group conducts work-related safety hazard assessment regularly with necessary preventive or mitigation measures in place, such as the provision of personal protective equipment (PPE), to eliminate the hazards. To raise OHS awareness, we regularly provide general and process-specific OHS training to our employees. In 2018, we delivered 6,876 hours of OHS training to our staff in Hong Kong and the Mainland. We also started to review our safety management system for our office and frontline operations in Hong Kong in late 2017. We plan to complete the review and adopt an enhanced system by late 2019.

In addition, we conducted a feasibility study on the consolidation and renovation of our offices in Hong Kong, through which we aim to enhance our workplace environment, as well as staff productivity. The first phase of the office renovation is expected to start by the end of 2019.



## Promote Employee Wellness

We continued to promote healthy lifestyles for our employees by organizing an array of activities under the Employee Wellness Program in 2018. In particular, we organized a series of workshops on healthy eating in Hong Kong and on the Mainland, and arranged for registered Chinese medicine practitioners to offer professional consultations and ear acupressure point therapy for our employees. Our Hang Lung Social Club also hosted various activities on a regular basis, ranging from an Annual Dinner and Lifestyles of Health and Sustainability (LOHAS) Day to a latte art class and sports competitions, to enable employees to cultivate their interests and socialize with each other.

## Supporting Employees to Look After Their Families

To enable employees to fulfil their obligations both at home and at work, we have implemented a wide variety of family-friendly measures. For example, we provide lactation rooms in all of our offices in Hong Kong and the Mainland. In addition, our Chan Tseng-Hsi Foundation provides interest-free loans to the children of employees for them to pursue tertiary education in Hong Kong or overseas. In 2018, 11 loans were approved, amounting to HK\$208,100 of assistance. Professional counselling services are also provided to our employees and their family members through a hotline so that they can seek support and professional advice if needed.

## Motivating Employees with Recognition

We recognize excellent staff performance and loyalty by presenting awards. For instance, we bestow the Emerald Award to frontline staff who provide exceptional customer service. In 2018, eight employees were awarded Emerald Award pins and 18 employees received Merit Award certificates, out of around 350 nominations. In addition, employees who have worked with the Group for 10 years or longer receive Long-Service Awards. In 2018, the Group Chairman presented Long-Service Awards to 77 employees who had been with Hang Lung for 10 to 35 years.



### > WHAT'S NEXT?

To encourage continuous improvement and innovation among colleagues, we have launched the Hang Lung CEO Award in 2019 to recognize colleagues who demonstrate best practices in their work.

# FUTURE OF SPACE



2018



2030



## Green Building

WHAT ARE THE KEY ISSUES THAT SHAPE OUR SUSTAINABLE FUTURE?

### Green building certification is becoming a market norm among real estate companies.

The number of green building projects is on the rise globally, including in our operating regions – Hong Kong and the Mainland – according to the World Green Building Trends 2018 SmartMarket Report published by Dodge Data & Analytics. As green building certifications become more common, we need to incorporate green building features that bring value to our tenants, consumers and visitors, and not simply include them for the sake of pursuing green building certifications. In doing so, we can distinguish ourselves through the delivery of a quality experience to our tenants, consumers and visitors while conserving natural resources.

### We are observing increasing demand for green building from our tenants and customers.

Whether a building is green has become an important criterion when tenants, especially those in the market for top-end properties, decide to rent our property or not, as they increasingly recognize that the building design and facilities of the rented space will affect their environmental performance, such as energy consumption and waste management. In addition, more customers are taking into consideration whether a building is green and provides a healthy indoor environment when they choose which site, such as malls, to visit, as they become more health-conscious. To stay competitive, we must regularly communicate with our tenants and customers to understand their needs regarding green buildings and cater for their demand in our building design and operation.

**GREEN BUILDING**

**Our 2030 Ambition**  
All existing properties shall achieve low-impact operations that go beyond industry standards.

Relevant GRI Disclosures:  
302 (2016), 303 (2018),  
305 (2016), 306 (2016),  
307 (2016)

### Technological innovation is reshaping building design and construction in the real estate industry.

In an effort to design and construct buildings more efficiently, many new technologies have been developed, such as virtual reality, pre-fabrication, Building Information Modeling (BIM), 3D printing and mobile processes. These technologies help to bring architectural design ideas to life, speed up the construction process and reduce errors and wastage during construction. We expect that similar technologies will continue to emerge. We have to keep pace with the technological advancements in property development in order to maintain our competitive edge in the industry.

### Construction professionals must be equipped with the necessary knowledge to ride the green building trend.

With the blossoming of green buildings across the world, innovative technologies and novel, sustainable construction materials have been developed rapidly. In order to select the best possible combination of construction materials and technologies to construct green buildings, property developers like us need to continually enhance the capacity of their construction professionals to keep abreast of the latest green building trends.



MAJOR DEVELOPMENTS IN 2018

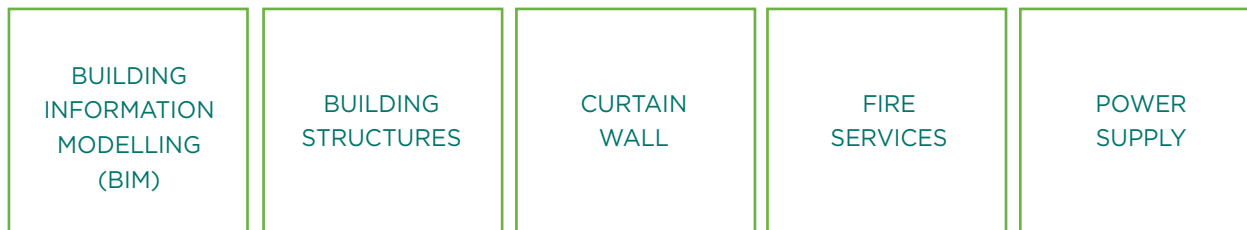
### Achieving Green Building Certifications to Benchmark Building Performance

In keeping with our sustainability principle **Build to Own, Build to Last**, we are dedicated to adopting best practices in designing and constructing buildings. Since 2007, we have been committed to achieving a Gold rating or above under the Leadership in Energy and Environmental Design (LEED) certification program for all of our new properties on the Mainland, and Building Environmental Assessment Method (BEAM) Plus certification for existing properties in Hong Kong.

In 2018, our Office Tower 1 at Plaza 66 in Shanghai attained LEED for Core and Shell Development – Gold Level certification, increasing our total number of LEED Gold certifications to 10, and the construction floor area that has attained green building certifications to 64%. Meanwhile, our Baskerville House, Grand Plaza and its Office Tower Two in Hong Kong achieved Excellent Grade in the Energy Use aspect of the BEAM Plus Existing Buildings V2.0 Selective Scheme. For details of the green building certifications and pre-certifications that we have attained, please refer to the “About the Group” section in this Report.

### Enhancing Internal Capacity in Project Management

The Group is committed to constructing buildings of the highest possible standards in terms of quality and efficiency, while minimizing the overall construction cost. In 2018, we established five thematic task forces as our key move to enhance internal capacity in project management.



The objectives of these task forces are to address key lessons learnt from the past, while gathering market analytics on the latest development of the subject area and facilitating knowledge transfer and retention among colleagues. These task forces are expected to drive continuous improvement in either the design or construction process of our future projects in a more systematic fashion.

### Encouraging Innovation in Building Design and Construction

The Group encourages innovation to optimize building design and construction processes. During major renovation work of Peak Galleria in Hong Kong, we encountered difficulties in the on-site welding and casting of the façade node of our curtain wall due to its complicated and irregular shape. To tackle the challenge, we introduced an innovative method to prefabricate the façade node using Computer Numeric Control (CNC) machining in 2018. This significantly reduced the production time, minimized distortion and maximized the quality of the façade node compared to traditional methods.

#### > WHAT'S NEXT?

We will continue to expand the application of BIM technology in our design and construction processes, such that our project in Hangzhou shall be our first project with full application of BIM throughout the entire project construction cycle.

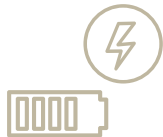
## Sustainable Building Design and the Construction of Spring City 66

Starting in the second half of 2019, our Spring City 66 will open in phases. Located in Kunming, an important tourist destination and business center in southwest China, Spring City 66 emanates the unique characteristics and culture of the city and houses a world-class shopping mall, a 64-story office tower and serviced apartments. Aiming to integrate the property into the mountains that surround Kunming, we adopted an interlocking roof form for Spring City 66. We also used materials with natural stone hues for the exterior wall to echo the natural landscape in Kunming.

To protect the environment, we adopted various green building features in the design of Spring City 66. Some examples are listed below.

### ENERGY CONSERVATION

- Installed intelligent energy-saving system in the chiller, water pump, cooling tower and air handling unit with a frequency inverter.
- Introduced natural light into the building through skylights and the extensive use of glass to reduce energy consumption for indoor lighting.



### INDOOR AIR QUALITY

- Installed PM2.5 sensors to monitor indoor air quality in real time.



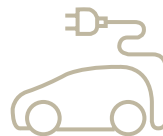
### SPONGE CITY DESIGN

- Used sponge city design features, in which green areas are used to absorb floodwater, to reduce flooding risks.



### SUSTAINABLE TRANSPORTATION

- Directly connected to a metro interchange station, facilitating access to the property via public transportation.
- Provide 200 electric vehicle chargers in the car park to promote green transportation.



In addition, we employed Building Information Modeling (BIM) to streamline the design and construction processes of Spring City 66. This improved the coordination of work by various teams, and reduced the time required for fabrication and construction, and the amount of construction materials needed. This has enhanced the overall cost-effectiveness of the project construction cycle of Spring City 66.



## Climate Change

WHAT ARE THE KEY ISSUES THAT SHAPE OUR SUSTAINABLE FUTURE?

### The world has to reduce greenhouse gas emissions to net zero by 2055 to avoid a devastating outcome.

Since the Paris Agreement on climate change was officially signed in 2016, further evidence has shown that the global average temperature needs to stay below 1.5°C above pre-industrial levels to avoid a devastating outcome. To achieve this, the world must reduce greenhouse gas (GHG) emissions to net zero by 2055. Considering that current global efforts are still very far from sufficient to achieve this goal, every stakeholder, including us, is expected to set more ambitious targets to decarbonize and contribute to this common goal.

### The frequency and magnitude of extreme weather events are expected to increase.

It is clear that the frequency and magnitude of extreme weather events are increasing, not least in Hong Kong, which was hit by a super typhoon for two consecutive years, resulting in substantial losses. The same phenomenon is happening in mainland China, where the precipitation pattern is much harder to predict than before. For a property developer and building operator, extreme weather events can potentially result in asset damages, business interruption and even loss of lives. We must, therefore, build up our climate resilience and adaptive capacity to cope with the changing climate.

## CLIMATE CHANGE

### Our 2030 Ambition

We aim to reduce at least

- 50% of our overall carbon intensity against our 2015 baseline
- 10% of our absolute carbon emission against our 2017 baseline

Relevant GRI Disclosures:  
302 (2016), 303 (2018),  
305 (2016), 307 (2016)

### Policies are evolving fast to facilitate the transition to a low-carbon economy.

While decarbonization is the ultimate goal, governments need to adopt a multi-pronged approach, such as changing the fuel mix for electricity generation, regulating building energy consumption and promoting green transportation, in order to realize this goal. It is anticipated that all policies relevant to the transition to a low-carbon economy will evolve fast. We must act swiftly and collaborate with governments and the business sector in order to stay ahead of the policies and remain agile to change.

### Water scarcity remains a neglected issue that is intensifying at an alarming speed.

Although water scarcity has been globally recognized, it is still woefully neglected by businesses, as the adverse impact of water scarcity is hardly felt due to the advanced water infrastructure in cities. With water availability expected to decrease further as a result of climate change, we need to act immediately before water scarcity becomes a critical and irreversible challenge that could interrupt our business operations in the future.





MAJOR DEVELOPMENTS IN 2018

### Enhancing Climate Governance and Management of Climate Risks

In 2018, the Group officially included climate risks as one of the corporate risks under our Enterprise Risk Management framework, which is reported to the Audit Committee and the Board on a quarterly basis. This ensures Board oversight of the climate risks relevant to our business.

By the end of 2018, we had commenced a preliminary climate risk mapping exercise at the Group level, in which we outlined the physical and transitional risks of climate change that are relevant to our business, as well as the potential consequences of those risks. In 2019, we shall proceed to conduct an in-depth climate impact assessment for a pilot site so that we can acquire sufficient information to facilitate risk prioritization and resilience planning at site level.

### Building Climate Resilience

The Group continued to build up the resilience of our business to growing climate risks. We reviewed and revamped the Business Continuity Plans of our projects across the Group in 2018, which cover scenarios of extreme weather events that may potentially halt our business operations and outline how our teams should react to minimize the adverse impacts. Conscious that flooding has caused significant interruption to our business in the past few years, notably the severe flood that hit Riverside 66 in Tianjin in 2016, we have taken various measures to build our resilience during the past two years. These include the installation of flood gates, increasing stocks of sand bags and water pumps, and capacity building for staff, so as to reinforce the flood prevention capability of our projects on the Mainland.



### Accounting for Our Greenhouse Gas Emissions

To keep track of and manage our impact on climate change, we regularly monitor and review our greenhouse gas emissions. In addition, we have appointed an independent consultant to verify our direct GHG emissions (Scope 1) and energy indirect GHG emissions (Scope 2) of our building operations, aiming to ensure that our carbon footprint data are accurate and reliable. Currently, our building energy consumption accounts for over 99% of our Scope 1 and Scope 2 emissions.

Selected indirect GHG emissions (Scope 3) incurred by our direct operations have also been calculated and reported to demonstrate our commitment to transparency. However, it remains beyond our capacity to estimate the GHG emissions of our supply chain.

> **WHAT'S NEXT?**

We will start to develop a climate impact assessment framework at site level in 2019 to facilitate regular assessments in the forthcoming years.

## Reinforcing Our Decarbonization Strategy

To reduce our buildings' energy consumption and decarbonize our business, we have adopted five major approaches as outlined below:

### DESIGN AND BUILD ENERGY EFFICIENT AND ENVIRONMENTALLY-FRIENDLY BUILDINGS

We design and build our buildings that achieve at least Gold rating under the LEED Certification Program. This ensures that our buildings are energy efficient with low environmental footprint based on international standard. Please refer to the "Green Building" section of this Report for more details.

### OPTIMIZE ENERGY PERFORMANCE OF EXISTING BUILDINGS

We optimize the energy performance of our existing buildings from time to time through our Asset Enhancement Initiative, under which we retrofit and replace aged and inefficient building facilities, as well as optimize building facilities through automation and retro-commissioning. For instance, we continued to implement various energy saving initiatives in our old properties in Hong Kong, such as the installation of LED lightings and variable speed drive for a cooling tower's fan motor. It is calculated that such efforts have resulted in a total annual energy saving of up to 58,300 kWh.

### LOWER RESOURCES CONSUMPTION THROUGH BETTER OPERATIONS MANAGEMENT

Through better operations management, e.g. switching off unnecessary external lightings, lifts and escalators at night, we strive to reduce electricity consumption of our properties. Besides, we have avoided business activities that generate extra carbon emissions. For instance, we reduced the frequency of group-level management meetings in 2018. It is estimated that around 400 round-trips of flight can be avoided annually as a result of this new arrangement.

### REDUCE RELIANCE ON FOSSIL-FUEL BASED ELECTRICITY

To reduce reliance on fossil-fuel based electricity, we strive to utilize renewable energy at our properties wherever feasible. We have installed solar panels at Palace 66, Parc 66, Center 66, Forum 66, Riverside 66 and Olympia 66 in mainland China to generate electricity. In 2018, 756,380 kWh of our electricity consumption was generated from solar panels.

### MANAGE GREENHOUSE GAS EMISSIONS IN THE SUPPLY CHAIN

While we find it challenging to proactively measure and manage the GHG emissions in our supply chain, we are committed to working with our suppliers to reduce the environmental footprint of our value chain through policies and communications. Please refer to the "Sustainable Procurement" section of this Report for more details.

In terms of a year-to-year comparison, despite our efforts at energy conservation, we recorded only a 4.6% reduction for absolute greenhouse gas (GHG) emissions (Scope 1 & 2) and a 3% reduction on the carbon intensity of our Hong Kong portfolio, due to the higher average temperature in 2018. On the other hand, we saw a similar situation with our Mainland portfolio, where the GHG emissions intensity (Scope 1 & 2) increased by 10.3%, while absolute GHG emissions (Scope 1 & 2) increased by 21.9%, due to the expansion of our reporting scope to cover Olympia 66 in Dalian in 2018.

For our electricity-incurred GHG emission intensity, we recorded a 9.4% reduction, compared to our 2015 baseline, 5.6% away from the 15% interim reduction target by 2021.

## Demonstrating Leadership in Combating Climate Change

To demonstrate our commitment to drive the transition toward a low-carbon economy, the Group has been one of the champions of facilitating the development of the first business-led carbon reduction initiative in Hong Kong: the Business Environment Council (BEC) Low Carbon Charter. In October 2018, our Board Executive Director, Mr. Adriel Chan, joined the BEC Low Carbon Hong Kong: Property & Construction Sector C-Suite Roundtable to discuss decarbonization strategies for businesses in Hong Kong. The Charter was ultimately launched in March 2019 with the Group as one of the signatories.

In addition, we continued to support government initiatives to combat climate change as a signatory of the 4Ts Charter under the Hong Kong Climate Action Plan 2030+.



## Promoting Green Transportation at Our Properties in the Mainland

To cater for demand for greener transportation in the future, in 2018, the Group commenced an engineering feasibility study on increasing the provision of charging facilities for electric vehicles to account for 20% of total parking space at our properties on the Mainland. Currently, we provide 117 charging facilities at our properties there.

## Conserving Water in Our Daily Operations

Recognizing water scarcity as a mounting challenge, we have adopted various measures to reduce water consumption across our operations, such as installing water-efficient fixtures, regular monitoring and control, and enhancing awareness of water conservation among our employees, customers and tenants.

As a result of our water conservation efforts, the water intensity of our Hong Kong portfolio decreased by 3.2%, compared to last year; while the water intensity of our mainland China portfolio reduced by 6%.



## Waste Management

WHAT ARE THE KEY ISSUES THAT SHAPE OUR SUSTAINABLE FUTURE?

### Waste is undoubtedly the top environmental issue in Hong Kong.

The amount of waste produced has been rising in Hong Kong, despite waste treatment facilities such as landfills reaching full capacity. According to figures released by the Environmental Protection Department, the daily amount of waste discarded per capita hit the highest rate in the last two decades in 2017, while the recycling rate reached its lowest since 1999. As land is a very scarce resource in Hong Kong, we cannot expand waste treatment facilities indefinitely. Knowing that our operations and tenants are major sources of waste generation, we shall strive to reduce waste generation together with our tenants to alleviate the burden of waste treatment facilities in Hong Kong.

### Governments are proactively tackling the growing waste challenge in both Hong Kong and the Mainland.

To address the growing waste management challenge, the Hong Kong government plans to launch the Municipal Solid Waste Charging Scheme by late 2020, while the Chinese government has mandated household waste sorting to encourage source separation and waste reduction. As the property development and management sector accounts for a significant share of waste generation, these legislations will not only increase our operating costs, but will also increase our operational risks. To prepare our staff and tenants for the upcoming waste-related legislation, we shall take steps to familiarize our staff and stakeholders with the legislation and work closely together to reduce waste generation.

## WASTE MANAGEMENT



### Our 2030 Ambition

We aim to reduce at least

- 75% of our construction waste to landfill
- 25% of our commercial waste to landfill

Relevant GRI Disclosures:  
306 (2016), 307 (2016)

### Behavioral changes are key to effective waste management in the long run.

Whether governments or companies want to increase the recycling rate or reduce waste generation, public participation is key to the success of waste management. Whatever measures are adopted to collect, recycle and handle waste, waste management will not be truly effective unless people's behavior is shifted toward creating less waste. As a responsible property developer, we shall provide incentives and adequate facilities to encourage our tenants and customers to reduce the volume of waste generated and recycle more waste.

### Our sustainable future will be built upon a circular economy.

"Take-make-waste" has been the mainstream modus operandi of the world's economy for many years, which has resulted in the generation of a significant quantity of non-recyclable waste and the decline of natural resources. To optimize the utilization of finite resources and minimize waste, governments and businesses around the world have used waste as raw materials for useful products to close the loop of product lifecycles. Since the circular economy is still in its infancy, every stakeholder, including us, must make more effort to recycle waste and use products made from recycled materials to reach this common goal.



MAJOR DEVELOPMENTS IN 2018

### Preparing Our Stakeholders for Forthcoming Legislation

In 2018, our Kornhill Plaza in Hong Kong joined the Municipal Solid Waste Charging Trial Project organized by the Environmental Protection Department (EPD) in Hong Kong to prepare our staff and tenants for the upcoming legislation. In the project, mock charge statements are distributed to participating tenants regularly based on the quantity of waste they produce to help them estimate the charge they will pay when the Municipal Solid Waste Charging Scheme becomes effective.

### Encouraging Waste Reduction and Recycling

The Group has implemented a wide range of measures to reduce waste at source and facilitate recycling. In Hong Kong, we have placed umbrella dryers at six commercial properties since 2018 to reduce the use of plastic umbrella bags. On the Mainland, we have adopted a paperless parking system across our entire portfolio. In addition, we provide collection services at our properties for recyclables, including paper, plastics, metal, and glass bottles. We also support festive waste recycling. For instance, we arrange a contractor to collect Christmas trees for recycling.

We have also adopted waste reduction measures at our offices, such as using online systems to reduce printing, encouraging duplex printing and the conservation of paper towels. Our efforts toward waste reduction and promoting other green workplace practices in our office at Gala Place in Hong Kong won us a Certificate of Recognition in the Green Office Award Labelling Scheme (GOALS) organized by the World Green Organisation in 2018.

### Expanding Our Efforts on Food Waste Reduction

To further reduce food waste, we have hired designated personnel to collect food waste from tenants at selected properties in Hong Kong and deliver it to the EPD's first organic resource recovery center, O•Park1, for recycling. In 2018, 89,145 kg of food waste was collected from tenants of the Amoy Plaza and Kornhill Plaza under this service. We have also installed a food waste composter in the staff canteen at Grand Gateway 66 in Shanghai to build internal awareness on food waste reduction.

### Spreading the Word on Waste Reduction

To promote environmental awareness, we organized various waste reduction campaigns at our properties in Hong Kong in 2018, for example, red packet reuse and book sharing. We also held five activities on the theme of Trash to Treasure in Offices for our employees in our annual Hang Lung Green Week in 2018. These activities included upcycling workshop for turning coffee grounds into coasters, idea competitions on how to create a greener workplace and how to reduce waste in daily life, and mooncake sharing. To support Hong Kong Green Building Week organized by Construction Industry Council and Hong Kong Green Building Council, our Fashion Walk in Hong Kong collaborated with our tenant Mono Mono to sponsor the shooting of a promotional video there to spread awareness on green shopping. Interactive games booths were also placed at Fashion Walk to further promote environmental protection.

### Disposing of Hazardous Waste Responsibly

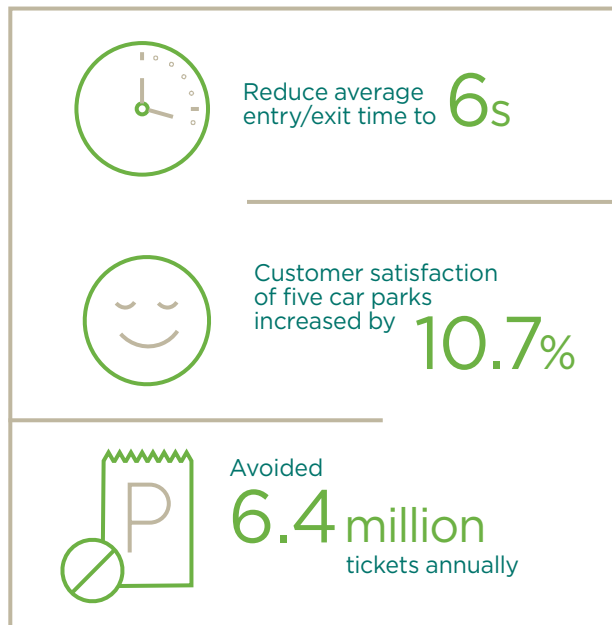
Three major categories of hazardous waste are generated at our properties: used fluorescent lights, rechargeable batteries and clinical waste from our medical services tenants. To reduce environmental pollution to a minimum, we appoint licensed service providers to collect and handle hazardous waste for proper disposal.

> **WHAT'S NEXT?**

We are planning to conduct a thorough review of our recycling provision in Hong Kong and the Mainland, so as to identify opportunities for further enhancement.

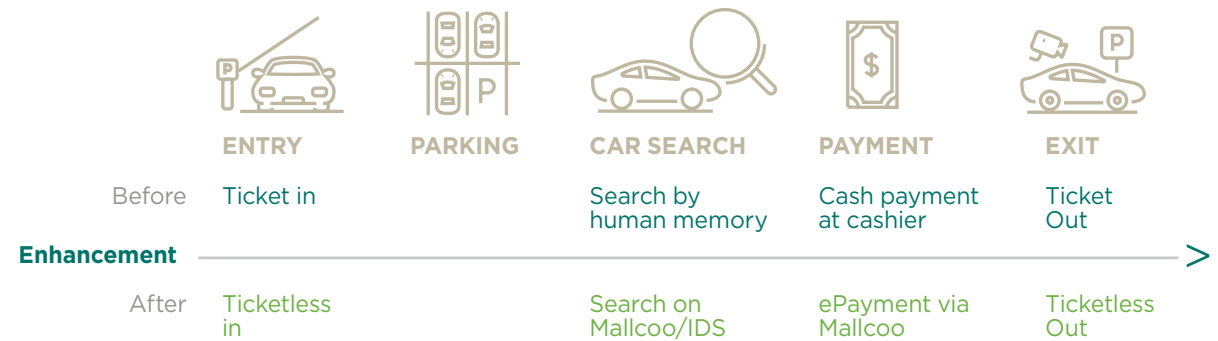
## Customizing Construction Waste Management Plans for Construction Sites

A significant amount of construction waste is generated at the construction sites of our large-scale property development projects on the Mainland. To handle construction waste in a safe and environmentally-friendly manner, we require our contractors to follow a site-specific Construction Waste Management Plan to recover, handle, transfer and dispose of construction waste. To minimize waste disposal, we require individual construction sites to achieve site-specific recycling targets, with at least 50% of construction waste diverted from landfills and incineration facilities.



## Ticketless Parking Saves Paper and Time, and Boosts Customer Satisfaction

Considering that millions of cars go in and out of our car parks every year, streamlining the parking process could substantially enhance customers' experience, as well as conserving resources. As such, spearheaded by our Service Delivery Department, we rolled out the Car Park Enhancement Project at our properties in mainland China in 2018.



By the end of 2018, the project was in place at all of our existing properties in mainland China. We replaced cash payment via a cashier with e-payment, eliminated printing and collecting tickets at the entrances and exits of our car parks, respectively, by adopting automatic car license plate recognition technology, and introduced a car search function on Mallcoo. By streamlining the parking processes, we shortened the average entry/exit time from 15 seconds to 6 seconds per vehicle. The new payment process partly contributed to a 10.7% year-on-year rise in the average customer satisfaction score at the car parks at five of our properties in December 2018. In addition, it is estimated that the ticketless parking process helps us avoid printing nearly 6,420,000 tickets annually, which is equivalent to 25 trees.

# BEST-IN-CLASS OPERATING PRACTICES



2018



## SUSTAINABLE PROCUREMENT

100% sustainable sourcing



## GROW WITH THE COMMUNITY

Regularly engage local communities and create shared values

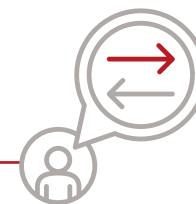


## GOVERNANCE

Robust structure to monitor and manage sustainability impacts



2030



## Governance

WHAT ARE THE KEY ISSUES THAT SHAPE OUR SUSTAINABLE FUTURE?

### Corporate sustainability starts from strategic planning that is driven from the top.

All sustainability leaders in the corporate world have one thing in common: there is strong Board oversight on sustainability topics in those companies to make sure that it is integral to their business operations. As we are committed to being a sustainability leader in the region, we must reinforce our Board's capacity and competency in sustainability management in a way that helps us better identify and understand different sustainability megatrends, to ensure that we remain sustainable in this ever-changing world.

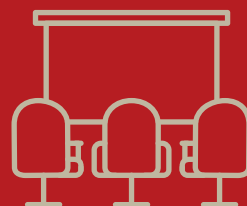
### The gap between sustainability strategy and execution needs to be narrowed down.

A lot of companies, including us, are facing the challenge of a potential disconnect between sustainability strategies and their actual execution. The worst outcome could be that we promise something, yet under-deliver in the end. To bridge the gap, organizational capacity is the key. We will build up the organizational capacity, both in terms of knowledge and resources, to know how to translate our strategies into executable plans.

### Sustainability challenges are turning into tangible business risks that actually impact us.

Sustainability is focused on the identification and prioritization of topics relevant to our business according to their probability and magnitude impact, which is principally similar to how companies manage enterprise risks. With better

## GOVERNANCE



### Our 2030 Ambition

All properties and functions shall have adequate capacity and robust system to monitor, manage and report sustainability impacts regularly.

Relevant GRI Disclosure:  
205 (2016)

understanding of various sustainability topics, stakeholders start to understand how these topics might turn into business risks. We need to strengthen our risk management framework so that we are equipped to account for emerging sustainability risks on top of conventional business risks.

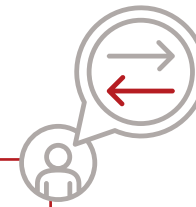
### Bribery and corruption remain notable risks in the jurisdictions in which we operate.

Both our internal and external stakeholders judge honesty and integrity to be some of the most important qualities in determining whether or not to trust our company, and it is clear that the sustainable growth of our business is built upon the trust of our stakeholders. Despite strong measures having been taken by the governments to fight corruption, it remains a notable risk in some of the jurisdictions in which we operate, particularly in some second-tier cities on the Mainland. We must proactively strengthen our culture of integrity to ensure that such risks can be minimized in every facet of our business.

### Global communities expect more capital flows toward development with sustainability priorities.

Following the paradigm shift from shareholders' value creation to the generation of stakeholders' value in running a business, an emerging trend is promoting the flow of financial instruments toward development with sustainability priorities. The Hong Kong and Chinese governments are also introducing measures to encourage green or sustainable finance. As a sizable company, it is our responsibility to help advance sustainable economic development, which underpins the sustainable growth of our business.





MAJOR DEVELOPMENTS IN 2018

### Maintaining Strong and Diversified Boards

The Boards of Hang Lung Group and Hang Lung Properties comprise Executive Directors, Non-Executive Directors and Independent Non-Executive Directors from various backgrounds. Our **Board Diversity Policy** sets out our approach to the selection of Board members, through which we make sure that our Boards are well equipped to make sound, independent decisions when dealing with the many emerging sustainability challenges. The overall responsibilities of the Boards are to ensure business continuity through the development of sound business strategies and the deployment of adequate resources. Three Board committees are designated to enhance the capabilities of each of the Boards in discharging their functions.

For more details on our corporate governance and the detailed composition of our Boards, please refer to the Corporate Governance Report and Profile of the Directors sections of the 2018 Annual Report published by Hang Lung Group and Hang Lung Properties, and visit the corporate governance sections of our websites: [www.hanglunggroup.com](http://www.hanglunggroup.com) and [www.hanglung.com](http://www.hanglung.com).

### New CEO Appointed with Seamless Transition

In May 2018, the Group appointed Mr. Weber Lo as our Chief Executive Officer (CEO) Designate, with a two-month handover period before he was appointed as our CEO upon the subsequent retirement of our last CEO, Mr. Philip Chen, in July 2018. This is considered an uncommon industry practice that ensured a smooth transition between the CEOs. The appointment further enhances the diversity and capacity of the Boards, and hence facilitates the injection of new ideas to the Group that help drive sustainable growth.

### Continual Enhancement of Our Risk Management Capacity

Risks are inherent in every sector of our business. We must take steps to understand, analyze and address risks if we are to achieve our business objectives. Our Boards have overall responsibility for risk management, and delegate to the Audit Committees the evaluation of our risk management system. The Group has adopted a Three Lines of Defense model for our Enterprise Risk Management (ERM) framework, under which different functions and levels of the Group are assigned clear responsibilities and can work collaboratively to provide enhanced safeguards against an ever-widening range of risks.

The Group's risk management structure and approach, along with the actions we took in 2018 to enhance our risk management capacity, are elucidated in detail in the Corporate Governance Report sections of our 2018 Annual Reports. For our principal risks and the respective mitigation measures, please refer to the Risk Management sections of our 2018 Annual Reports.

### Upholding Integrity as Our Core Value

The Group has established prudent policies and measures to promote and uphold integrity throughout the organization. All employees, including executive directors and full-time, part-time and temporary staff members of the Group, are required to fully comply with our Code of Conduct, which sets out the Group's philosophy in running its business and acts as a benchmark of ethical behavior for all staff to follow.

We maintain a zero-tolerance policy on misconduct, in particular on bribery and corruption. We empower our employees and related third parties, such as contractors and tenants, to raise concerns about misconduct, fraudulent activities, or malpractices in any matter related to the Group through our effective and confidential whistleblowing mechanism and grievance system. To ensure fair investigations, all reports are directly addressed to the Director of Corporate Audit and investigated by the Internal Audit Department, an independent structure that reports directly to the Audit Committees.

> **WHAT'S NEXT?**

We are setting up task forces to enhance the capacity in managing the pillars under the new strategic sustainability framework.

## Building Internal Awareness of Anti-Corruption and Bribery

We continued to invite external speakers in 2018 to introduce related ordinances in common workplace corruption scenarios for 132 new staff members, to enhance their overall awareness of corruption risks. All other employees are mandated to take a one-hour refresher e-learning course on integrity. Throughout these training courses, our staff are reminded on our anti-corruption policy and procedures. We also organized a campaign titled “Integrity Starts With Me” during the year to promote integrity through interactive games and competitions.

## Enhancing Senior Management’s Knowledge and Capacity on Sustainability

In April 2018, we organized the Sustainability Innovation Workshop to build the knowledge and capacity of our senior management on sustainability topics relevant to our business. Through a series of interactive activities, and with the support of external trainers, 31 colleagues from our senior management team prioritized the Group’s top sustainability issues and shared ideas on how to create sustainable values through our business operations.



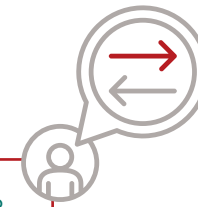
## Issuance of the Green Panda Bond

In February 2018, the National Association of Financial Market Institutional Investors (NAFMII) on the Mainland granted approval for Hang Lung Properties to establish an on-shore RMB10 billion green bond issuance platform. This made Hang Lung Properties the first Hong Kong property developer to gain such approval on the Mainland. The approval recognizes our long-standing and strong commitment to sustainability. The RMB green bond issuance platform also enables us to further diversify the source of debt financing on the Mainland.

We subsequently issued our first Green Panda Bond of RMB1 billion (US\$150 million) with a tenor of three years in July 2018. The fund will be used to finance some of our investment properties under development in mainland China. We aim to pursue a Gold rating under the Leadership in Energy and Environmental Design (LEED) certification program for the said properties upon completion.

### > WHAT’S NEXT?

We are now formalizing our Green Finance Framework and it is anticipated to be launched mid-2019.



## Sustainable Procurement

WHAT ARE THE KEY ISSUES THAT SHAPE OUR SUSTAINABLE FUTURE?

**We observed increasing concerns over the choice of materials and supplies throughout our operations.**

In our stakeholder engagement exercises conducted in recent years, we noted that many investors expected us to be transparent and responsible in our choice of construction materials and supplies for operations – for example, cement, wood and paper – as the world is consuming natural resources faster than they can be replenished. If we purchase products from unsustainable sources, we subject ourselves to the risk of rising costs, an insecure supply chain and harming the environment.

**There is a growing need for corporates to integrate sustainability into supply chain management.**

Companies, especially sizeable ones that have complex supply chains, very often suffer setbacks due to exposure to sustainability-related risks along their supply chain. Common examples include the emission of pollutants exceeding the legal limits, adopting poor labor practices, and price hikes for raw materials by suppliers. Without designing sustainability into the supply chain, we are vulnerable to the adverse impact of these risks, such as damage to reputation and loss of business. To manage such risks, our businesses must meet expectations and hold suppliers accountable to our sustainability principles, so that we can influence them to adopt sustainable operating practices.

### SUSTAINABLE PROCUREMENT



#### Our 2030 Ambition

All goods for operational consumption and construction materials shall be sourced with sustainability being taken into considerations.

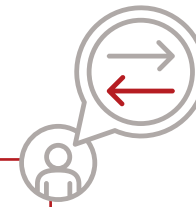
Relevant GRI Disclosures:  
204 (2016), 403 (2018)

**Ethical consumption is forecast to prevail among our target customers.**

According to the Ethical Consumer Markets Report 2018 published by the Ethical Consumer Research Association, the total spending on ethical purchases in the United Kingdom more than tripled between 2000 and 2017. As consumer awareness and demand for ethical products and services continue to grow, especially among the more affluent and educated sections of the population that are our target customers, we recognize that we must make decisions regarding operations and procurement that are aligned with consumers' values. Otherwise, we risk harm to our reputation and losing the support of our consumers.

**Construction safety is always a major risk factor for a property developer.**

The construction and renovation of properties involve many dangerous processes. Meanwhile, the safety culture of second tier cities in mainland China, where most of our property development projects are located, is relatively weak. These two factors make construction safety a major issue for a regional property developer like us. At worst, serious injuries or even fatalities could occur, diminishing our stakeholders' trust in us. It is our responsibility as a corporate citizen to raise industry standards and enhance the construction safety awareness of our employees and construction site workers in mainland China.



MAJOR DEVELOPMENTS IN 2018

### Purchasing Green Products to Reduce Environmental Impact

The Group has a Central Environmental Purchasing Policy in place to encourage our employees, suppliers and contractors to source environmentally responsible materials, adopt simple packaging and recycle waste. By implementing this policy, we aim to balance quality, price and environmental impact in our procurement process.

In 2018, 227 green products were included in our procurement catalogue for use by our departments and operations: an increase of 3.7% compared to 2017. During the year, our spending on green items rose by 4.7%, but the percentage of green items dropped by 1%, as the growth of spending of green items is less than the growth of total spending in 2018 compared to 2017.

### Sourcing Goods and Services Locally to Reduce the Environmental Footprint from Transportation

We purchase products and services locally as much as possible to minimize the environmental footprint arising from transportation, and to benefit the local economy. In 2018, we spent HK\$146,828,737 on purchasing goods and services, including building services like cleaning, hygiene, sanitation, electrical and mechanical, security, IT services and consumables for our operations in Hong Kong, all of which were spent on 287 local suppliers.

### Embedding Sustainability Principles in the Supply Chain

We require all of our suppliers and contractors to abide by our Supplier Code of Conduct, which stipulates our sustainability principles and minimum requirements, covering compliance with local laws and regulations, labor practices, health and safety standards, environmental protection and prevention of corruption and bribery.

In order to facilitate fair competition and optimize value for the Group, we implement a set of stringent procurement and tendering policies. Before the start of any tendering process, we access records of work quality, product/service knowledge, partnerships, customer service, timeliness and safety of new suppliers through a pre-qualification questionnaire. We also conduct regular assessments of all suppliers and annual performance reviews of major suppliers to monitor and assess their work and sustainability performance. Suppliers and service providers who fail to meet our requirements may be excluded from future tendering. In serious situations, we may even terminate their contract early.

We are aware of our stakeholders' expectations for purchasing construction materials from sustainable sources. Although construction materials are not covered in our green procurement catalogue, as we contract out the procurement of construction materials to our construction contractors, we encourage our contractors to purchase construction materials from sustainable sources by including our Central Environmental Purchasing Policy in our contracts with contractors.

> **WHAT'S NEXT?**

We are reviewing our assessment methods for major suppliers regarding their sustainability performance.

## Championing Construction Site Safety Management

Overseen by the Cost and Controls Department, the Group continues to implement our construction site safety management system at our active construction sites on the Mainland. We have gone beyond the industry norm and appointed designated safety consultants as an independent party to monitor the performance of our contractors at key projects in mainland China.

In 2018, the overall accident rate at our seven construction sites in mainland China remained low at 0.0074 accidents per 100,000 man-hours. While we consider this a remarkable achievement given the relatively weak safety culture on the Mainland, we will continue to optimize work processes and promote safety awareness among construction site workers to ensure that this standard can be upheld.

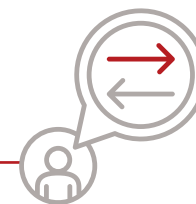
### Key Construction Safety Performance Indicators

	2016	2017	2018
Number of active construction sites	6	6	7
Total man-hours	3,122,399	8,502,304	13,592,560
Number of fatalities	0	1	0
Number of accidents	1	5	1
Number of near-misses	2	0	11
Number of accidents per 100,000 man-hours	0.032	0.059	0.0074
Total construction safety training hours for contractors	820.75	1,077.25	1,051.10
Total construction safety training hours for Hang Lung staff	621.15	544.25	322.25

Note: On the disclosure of construction site safety performance data, it is the common practice to report accident rate instead of injury rate.

## Promoting Safety Best Practices by Contractors

Our main contractor for Heartland 66 in Wuhan – the China State Construction Engineering Corporation (CSCEC) Third Bureau – organized the opening ceremony of Safety Construction Month 2018 in June 2018 at our construction site. Representatives from CSCEC demonstrated various construction safety best practices adopted at our construction site, such as cloud-based site management and innovative operational management, to over 500 construction management practitioners, government representatives and the media. A mobile Safety Experience Center was also set up at our site for participants to experience different safety scenarios, in order to emphasize the importance of providing safety measures and equipment.



WHAT ARE THE KEY ISSUES THAT SHAPE OUR SUSTAINABLE FUTURE?

## Growing with the Community

The best sustainable investment is to invest in our future generation.

Donations help people to solve problems in the short term, while investing in youth development benefits young people during their lifetime. In particular, providing quality education helps people to break out of the cycle of poverty, and prepares a highly skilled workforce that contributes to society. It is our corporate responsibility to equip future leaders with the necessary knowledge, skills and mindset to tackle challenges by providing training and development opportunities to young people, as our future employees and community members.

Millennials are calling for purpose-driven companies.

Millennials are known for having different values to previous generations, for example, placing more emphasis on values than material wealth when they make decisions regarding employment, purchases and investment. With millennials comprising over one-third of our workforce and customers nowadays, and as their purchasing and investment power continues to rise in the coming decades, we must address their expectations of putting social responsibility front and center when we conduct business. Otherwise, we risk losing our appeal to millennials as a prospective employer, landlord or investee.

**GROW WITH THE COMMUNITY**

**Our 2030 Ambition**  
All properties shall strategically engage local communities and create shared values.

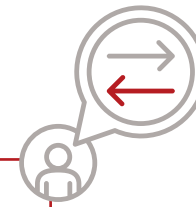
Relevant GRI Disclosure:  
413 (2016)

Sustainable businesses build upon social stability.

In the Global Risks Report 2019, the World Economic Forum listed social instability as a global risk and trend within the next decade. We are observing the same trend in our operating regions, with increasingly frequent demonstrations and strikes in Hong Kong and the Mainland in recent years. As society becomes unstable, consumers will reduce their spending, thus blunting our business performance. We therefore strive to enhance the livelihoods of the communities that we serve so as to create a social environment that is mutually beneficial to the communities and the Group.

Aging population escalates social isolation.

The populations of Hong Kong and the Mainland are aging rapidly, with the number of senior citizens aged 65 or older projected to more than double in the coming two decades in Hong Kong, while the number of senior citizens aged 60 or older is set to nearly double on the Mainland by 2035 compared to 2018, according to government estimates. As population ages, the rise in demand for social care services often outpaces the increase in supply. In particular, the social isolation of the elderly is a frequently overlooked issue. We need to strengthen the connection between the elderly and the rest of society to enhance the quality of life of the communities in which we operate.



MAJOR DEVELOPMENTS IN 2018

### Providing Financial Assistance to Support Community Development

In 2018, the Group donated HK\$15 million to various charities. We also provided non-monetary support to the community through various means, such as offering our properties in Hong Kong as free venues to 13 communities and non-profit organizations.

### Giving Back to Society through Volunteer Services

Our Hang Lung As One volunteer teams in Hong Kong and the Mainland regularly organize volunteer activities that focus on three areas: youth development, elderly services and environmental protection. Our volunteer teams also support volunteer activities held by organizations. In 2018, our staff volunteers organized 119 activities, contributing a total of 13,036 volunteer hours.

> **WHAT'S NEXT?**

We will continue to expand our volunteering effort and expect more diversified activities in 2019.



#### Passing on Cultural Heritage to Younger Generations

Our volunteers at Spring City 66 in Kunming arranged a class on shadow play and paper-cutting for a group of primary school students to encourage them to learn about traditional Chinese arts and culture, and inherit this invaluable, intangible legacy.



#### Knit with Love X Share with Love

Our dedicated volunteers in Hong Kong organized Knit with Love X Share with Love in 2018 together with the Lok Kwan Social Service to knit 50 warm and colorful scarves for the elderly. Our volunteers also paid visits to senior citizens living in Tsz Wan Shan and organized an outing for the senior citizens to visit the Hong Kong Maritime Museum, ride the Ferris wheel and enjoy lunch at Central.



#### Building a Green Home Starts with Families

To promote green living, our volunteers at Grand Gateway 66 in Shanghai partnered with the Xujiahui Street Volunteer Center to hold a DIY Little Green Talents event for 25 families with children residing in the neighborhood. During the event, participants learned more about recycling through a Q&A game and designed unique recycling bins to build a green home.

## Partnering with Like-Minded Organizations to Scale up Efforts on Youth Development

We cooperate with different organizations and communities that share the same goals and values to bring about a more profound social impact. We co-organized two flagship community partnership programs in 2018: the Hang Lung Mathematics Awards and the Hang Lung Young Architects Program.

### Hang Lung Mathematics Awards

Echoing the Hong Kong SAR Government's policy for promoting STEM education, we co-organized the 8<sup>th</sup> Hang Lung Mathematics Awards (HLMA) in 2018 with the Institute of Mathematical Sciences and the Department of Mathematics of the Chinese University of Hong Kong (CUHK) to stimulate students' interest in mathematics. This year, 260 students in over 90 teams from over 60 schools joined the competition. Scholarships worth a total of HK\$1 million were awarded to three awards winners and five students who received honorable mentions, to support their further study.

To facilitate students in further exploring mathematics, in 2018 we published a collection of past winning papers with CUHK and distributed the collection for free to secondary schools, libraries and related educational institutions in Hong Kong. Leveraging the expertise of past participants of HLMA, our Hang Lung As One volunteer team continued to partner with them and the students from CUHK to provide free mathematics classes to underprivileged primary school students, with 580 tuition hours delivered this year.

### Hang Lung Young Architects Program

We launched the Hang Lung Young Architects Program together with the leading cultural enterprise Walk in Hong Kong in October 2017, with the aim of inspiring students to recognize the relationship between architecture and the community, and gain a better understanding of the cultural characteristics and historical significance of local buildings. Over 320 students from 29 secondary schools participated in the nine-month Program. Throughout 2018, the participants spent a total of 620 hours learning about and exploring architecture through a series of interactive lectures, workshops, a photo contest and guided tours. To give appropriate guidance and support to the participants throughout the Program, we engaged 14 Program Advisors from our project management team, prominent architects and academics, and 54 university students and graduates in architecture or related disciplines as Program Mentors.

The Program garnered several external awards in China and in the international arena, attesting to our determination and efforts to foster appreciation of architecture among young people. For details, please refer to the Memberships, Charters and Awards section in this Report.



## Conserving Heritage through Restoration and Integration

We protect the valuable cultural heritage of our property development projects. At the project design stage, we plan carefully to ensure historical buildings are restored, preserved and integrated into our projects. In particular, we spent months restoring the architectural features of the Zhejiang Xingye Bank, which is located on the southeast corner of our Riverside 66 in Tianjin. We also accommodated the ancient Chenghuang Temple, including an opera house built during the Ming Dynasty, in the design and construction of our Center 66 in Wuxi.

### > WHAT'S NEXT?

We are revitalizing the Zhejiang Xingye Bank in Tianjin, for which shall be integrated with business elements by 2019.



## Put Knowledge and Skills into Practice through Architectural Tour Design Competition

To provide an opportunity for participants to apply their freshly acquired knowledge and skills from the Hang Lung Architects Program, we organized the Architectural Tour Design Competition in the last phase of the Program. 54 teams of students gave their best performance in designing architectural guided tours, guiding the judges along routes of their own design in the Competition. The judges evaluated the tours based on a wide range of factors, such as architectural knowledge, creativity and presentation skills, and selected three winning teams.

The Champion went to a team from Ying Wa Girls' School, which curated a guided tour themed "Building for the People." By visiting a number of historic buildings, streets and shops located along Hollywood Road in Hong Kong, the team hoped to show an understanding of how architecture reflected the daily lives and aspirations of people in the old days, and to recognize the strong connection between architecture and the community. The judges were impressed by the highly interactive and inspiring tour, as the students adopted various interactive elements such as quizzes, story-telling and photo presentations to engage participants in the topic.

The winning teams were awarded scholarships worth up to HK\$18,000 and overseas architectural tours to Japan, Singapore and Shanghai, respectively. In August 2018, the Champion team saw 20 modern architectural landmarks in Tokyo, including SunnyHills at Minami-Aoyama, St. Mary's Cathedral and The National Art Center, and visited local architecture firms under the professional guidance of our Senior Manager – Cost & Controls, Mr. Eugene Chang, who is an architect at Hang Lung.



*St. Mary's Cathedral was completed more than half a century ago. The eight walls that hold up the structure of the building slant at different angles, which impressed the students.*

*The large façade made from 6,300 glass panels, coupled with the column-less display rooms, give visitors a feeling of openness and transparency inside The National Art Center.*



Extending the reach and merits of the Program, we sponsored Walk in Hong Kong to organize architectural tours for the public in January 2019 based on the routes designed by the winning teams.

## Memberships, Charters and Awards

### Memberships and Charters

The Group actively supports government bodies, environmental organizations and industry associations that have positive impacts on society.

The following table summarizes the memberships, charters and initiatives we participated in during 2018.

PARTNER	AREA	NATURE OF MEMBERSHIP/INITIATIVE ENDORSED	
<b>Hong Kong Special Administrative Region Government</b>	Environmental	Carbon Reduction Charter and Carbon Audit Green Partner (Environmental Protection Department)	
		Charter on External Lighting (Environment Bureau)	
		Energy Saving Charter and 4Ts Charter (Environment Bureau and Electrical and Mechanical Services Department)	
		Food Wise Charter (Environment Bureau)	
	Social	Joyful@Healthy Workplace Charter (Department of Health and Occupational Safety & Health Council)	
		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)	
<b>Business Environment Council</b>	Environmental	Council Member	
<b>Civic Exchange and Walk 21</b>		International Charter of Walking	
<b>Green Earth</b>		Green Earth Companion (Soil)	
<b>Hong Kong Green Building Council</b>		Gold Patron Member	
<b>World Business Council for Sustainable Development</b>		Manifesto for Energy Efficiency in Buildings	
<b>WWF Hong Kong</b>		'No Shark Fin' Pledge	
<b>Global Real Estate Sustainability Benchmark</b>		Real Estate Manager Member	
<b>Asia Society</b>		Social	Asia Corporate Member
<b>Hong Kong Management Association</b>			Chartered Member
<b>Hong Kong Public Relations Professionals' Association Limited</b>			Corporate Member

## Awards and Recognitions

Our achievements in sustainability, human resources management, corporate governance, green buildings, marketing and public relations have received external recognitions. The following list details the major awards and recognition we attained in 2018.

AWARDS	RECOGNITIONS	ORGANIZER
<b>Asian Excellence Award</b>	<ul style="list-style-type: none"> <li>Best Investor Relations Company (Hong Kong)</li> </ul>	Corporate Governance Asia
<b>Asian Legal Business Hong Kong Law Awards 2018</b>	<ul style="list-style-type: none"> <li>Construction and Real Estate In-House Team of the Year – Hang Lung Group</li> </ul>	Asian Legal Business
<b>Astrid Awards 2018</b>	<ul style="list-style-type: none"> <li>Silver Award in Employee Publications: Magazines – Employees, Internal Only – Academy 66+ campaign</li> </ul>	MerComm Inc.
<b>Best Annual Reports Awards 2018</b>	<ul style="list-style-type: none"> <li>Citation for Environmental, Social and Governance Disclosure</li> </ul>	Hong Kong Management Association
<b>ERB Manpower Developer Award Scheme</b>	<ul style="list-style-type: none"> <li>Manpower Developer 2014-20</li> </ul>	Employees Retraining Board
<b>Employer of Choice Award 2018</b>	<ul style="list-style-type: none"> <li>Employer of Choice Award</li> <li>Appreciation Culture Award</li> </ul>	JobMarket
<b>Global RLI Awards 2018</b>	<ul style="list-style-type: none"> <li>Highly Commended RLI International Shopping Centre 2018 – Olympia 66</li> </ul>	Retail and Leisure International
<b>Hong Kong Corporate Governance Excellence Awards 2018</b>	<ul style="list-style-type: none"> <li>Hong Kong Corporate Governance Excellence Awards 2018</li> </ul>	Chamber of Hong Kong Listed Companies and Centre of Corporate Governance and Financial Policy of Hong Kong Baptist University
<b>HR Asia Best Companies to Work for in Asia 2018 Awards</b>	<ul style="list-style-type: none"> <li>Best Companies to Work for in Asia 2018</li> </ul>	HR Asia
<b>ICSC China Shopping Centre &amp; Retailer Awards 2018</b>	<ul style="list-style-type: none"> <li>Gold Award in the category of Design &amp; Development Excellence, New Developments – Olympia 66</li> </ul>	International Council of Shopping Centers
<b>International Business Awards 2018</b>	<p>Communications or PR Campaign of the Year (Presented to The Hang Lung Young Architects Program):</p> <ul style="list-style-type: none"> <li>Silver Stevie in the sub-category Reputation/Brand Management</li> <li>Silver Stevie in the sub-category Sponsorship</li> <li>Bronze Stevie in the sub-category Community Relations</li> </ul>	The Stevie Awards



AWARDS	RECOGNITIONS	ORGANIZER
<p><b>International Customer Relationship Excellence Awards</b></p>	<ul style="list-style-type: none"> <li>• Corporate Employer of the Year</li> <li>• Best Social Media Program of the Year</li> <li>• Best Use of Knowledge Management of the Year</li> <li>• Best Use of Technology of the Year</li> <li>• Corporate Social Responsibility Leadership of the Year</li> <li>• Customer Satisfaction Quality System of the Year</li> <li>• Employee Engagement Program of the Year</li> <li>• People Development Program of the Year</li> <li>• Level III Strategic Business Unit – Customer Service Quality Standard certification – Academy 66</li> </ul>	<p>Asia Pacific Customer Service Consortium</p>
<p><b>Internal Property Awards</b></p>	<ul style="list-style-type: none"> <li>• Asia Pacific 2018 – Best Retail Architecture Hong Kong – Peak Galleria</li> </ul>	<p>International Property Media</p>
<p><b>Mercury Awards 2017/18</b></p>	<ul style="list-style-type: none"> <li>• Silver Award – Annual Reports – Overall Presentation: Property Development – Hang Lung Properties’ 2016 Annual Report</li> </ul>	<p>MerComm Inc.</p>
<p><b>PR Awards 2018</b></p>	<ul style="list-style-type: none"> <li>• Silver Award – Best PR Campaign – Lifestyle – Fashion Walk – Kingston the New Kingdom</li> <li>• Bronze Award – Best Use of Content – Fashion Walk – Kingston the New Kingdom</li> <li>• Bronze Award – Best PR Campaign – Public Awareness – Fashion Walk – Kingston the New Kingdom</li> <li>• Bronze Award – Global PR Campaign – Plaza 66 – Home to Luxury</li> </ul>	<p>Marketing Magazine</p>
<p><b>The American Architecture Award 2018</b></p>	<ul style="list-style-type: none"> <li>• Presented to 23-39 Blue Pool Road</li> </ul>	<p>The Chicago Athenaeum Museum of Architecture and Design The European Centre for Architecture Art Design and Urban Studies</p>
<p><b>The Asset Corporate Awards 2018</b></p>	<ul style="list-style-type: none"> <li>• Platinum Award – Excellence in Environmental, Social and Corporate Governance (ESG)</li> </ul>	<p>The Asset</p>
<p><b>4<sup>th</sup> Investor Relations Awards</b></p>	<ul style="list-style-type: none"> <li>• 3 years IR Awards Winning Company</li> </ul>	<p>Hong Kong Investor Relations Association</p>
<p><b>14<sup>th</sup> China Golden Awards for Excellence in Public Relations</b></p>	<ul style="list-style-type: none"> <li>• Gold Award – CSR Communications – Hang Lung Young Architects Program</li> </ul>	<p>China International Public Relations Association</p>
<p><b>32<sup>nd</sup> Annual International ARC Awards in the Property Development: Various &amp; Multi-Use category</b></p>	<p>2017 Annual Reports of Hang Lung Group and Hang Lung Properties were awarded:</p> <ul style="list-style-type: none"> <li>• Gold Winner – Chairman’s/President’s Letter section</li> <li>• Bronze Winner – Traditional Annual Report section</li> <li>• Honours Award in the Interior Design section</li> </ul>	<p>MerComm Inc.</p>

## Performance Tables

### Economic

INDICATOR	UNIT	2016			2017			2018		
		HK	MC	Total	HK	MC	Total	HK	MC	Total
<b>ECONOMIC VALUE GENERATED</b>										
Revenue (including property sales revenue)	HK\$ million	9,064	3,995	13,059	7,241	3,958	11,199	<b>5,164</b>	<b>4,244</b>	<b>9,408</b>
<b>ECONOMIC VALUE DISTRIBUTED</b>										
Operating cost	HK\$ million	2,659	1,481	4,140	1,785	1,504	3,289	<b>1,081</b>	<b>1,505</b>	<b>2,586</b>
Employee wages and benefits		906	468	1,374	820	607	1,427	<b>873</b>	<b>695</b>	<b>1,568</b>
Borrowing cost capitalization		N/A	N/A	223	N/A	N/A	56	<b>N/A</b>	<b>N/A</b>	<b>251</b>
Interest and other borrowing costs paid		N/A	N/A	1,287	N/A	N/A	1,157	<b>N/A</b>	<b>N/A</b>	<b>1,245</b>
Dividends paid		N/A	N/A	3,373	N/A	N/A	3,373	<b>N/A</b>	<b>N/A</b>	<b>3,374</b>
Payments to government (all taxes and related penalties)		850	602	1,452	716	588	1,304	<b>489</b>	<b>635</b>	<b>1,124</b>
Community investments		N/A	N/A	19	N/A	N/A	16	<b>N/A</b>	<b>N/A</b>	<b>15</b>
Number of cities of operation	Number	1	8	9	1	8	9	<b>1</b>	<b>9</b>	<b>10</b>
<b>ECONOMIC VALUE RETAINED</b>										
Economic value retained	HK\$ million	N/A	N/A	2,741	N/A	N/A	1,959	<b>N/A</b>	<b>N/A</b>	<b>989</b>

HK: Hong Kong  
MC: Mainland China

## Environmental

INDICATOR	UNIT	2016			2017			2018		
		HK	MC	Total	HK	MC	Total	HK	MC	Total
<b>ENERGY CONSUMPTION AND GENERATION</b> <sup>(1),(2),(3),(4),(5),(6)</sup>										
<b>Direct energy consumed by type</b>										
Petrol by vehicles	GJ	N/A	N/A	N/A	402	N/A	N/A	<b>402</b>	<b>N/A</b>	<b>N/A</b>
Diesel by vehicles and vessels		N/A	N/A	N/A	440	N/A	N/A	<b>168</b>	<b>N/A</b>	<b>N/A</b>
Diesel by emergency generators		88	249	336	56	195	251	<b>87</b>	<b>141</b>	<b>228</b>
Natural gas		0	4,448	4,448	0	4,278	4,278	<b>0</b>	<b>4,075</b>	<b>4,075</b>
<b>Indirect energy consumed (all non-renewable by type)</b>										
Electricity	kWh	78,256,239	151,801,871	230,058,110	73,113,501	167,733,995	240,847,495	<b>74,101,311</b>	<b>194,448,350</b>	<b>268,549,661</b>
Electricity	GJ	281,722	546,487	828,209	263,209	603,842	867,051	<b>266,765</b>	<b>700,014</b>	<b>966,779</b>
Electricity intensity of buildings in use	kWh/m <sup>2</sup> /year (CFA)	106.08	82.52	N/A	99.11	79.37	N/A	<b>101.97</b>	<b>79.09</b>	<b>N/A</b>
Hot water	GJ	N/A	N/A	N/A	0	143,510	143,510	<b>0</b>	<b>245,606</b>	<b>245,606</b>
Steam		N/A	N/A	N/A	0	39,274	39,274	<b>0</b>	<b>37,566</b>	<b>37,566</b>
<b>Energy generated and consumed</b>										
Renewable energy	kWh	156	501,916	502,072	26	521,405	521,431	<b>0</b>	<b>756,380</b>	<b>756,380</b>
<b>GREENHOUSE GAS (GHG) EMISSIONS</b> <sup>(1),(2),(3),(7),(8)</sup>										
<b>Direct emissions (Scope 1)</b>										
Building operation	Tonnes CO <sub>2</sub> e	1,210.48	1,074.83	2,285.31	2,628.84	2,339.07	4,967.91	<b>1,204.37</b>	<b>1,858.28</b>	<b>3,062.65</b>
Company vehicles and vessels <sup>(9)</sup>		N/A	N/A	N/A	61.81 <sup>(10)</sup>	N/A	N/A	<b>41.45</b>	<b>N/A</b>	<b>N/A</b>
<b>Energy indirect emissions (Scope 2)</b>										
Building operation	Tonnes CO <sub>2</sub> e	49,985.31	159,049.12	209,034.43	48,897.65	182,466.17	231,363.82	<b>47,996.88</b>	<b>223,242.65</b>	<b>271,239.53</b>
<b>Other indirect emissions (Scope 3)</b>										
Business air travel	Tonnes CO <sub>2</sub> e	343.17	106.83	449.99	490.29	249.54	739.83	<b>586.63</b>	<b>251.51</b>	<b>838.22</b>
<b>Emission Intensity</b>										
Building operation <sup>(11)</sup>	Tonnes CO <sub>2</sub> e/m <sup>2</sup> /year (CFA)	0.0694	0.0870	N/A	0.0698	0.0874	N/A	<b>0.0677</b>	<b>0.0964</b>	<b>N/A</b>



INDICATOR	UNIT	2016			2017			2018		
		HK	MC	Total	HK	MC	Total	HK	MC	Total
<b>MATERIAL CONSUMPTION</b> <sup>(1),(2),(3)</sup>										
Office paper	kg	N/A	N/A	N/A	N/A	N/A	N/A	<b>27,472</b>	<b>N/A</b>	<b>N/A</b>
<b>WASTE MANAGEMENT</b> <sup>(1),(2),(3)</sup>										
<b>Waste disposal</b>										
Municipal solid waste	Tonnes	5,608	16,476	22,084	7,864 <sup>(12)</sup>	20,258	28,122	<b>7,735</b>	<b>22,063</b>	<b>29,798</b>
Construction waste by tenants <sup>(13)</sup>		N/A	50,354	N/A	N/A	157,970	N/A	<b>N/A</b>	<b>109,982</b>	<b>N/A</b>
Hazardous waste (Fluorescent light bulbs/tubes)	kg	10,628	1,181	11,809	5,176	1,776	6,952	<b>1,355<sup>(14)</sup></b>	<b>1,511</b>	<b>2,866</b>
<b>Recycled waste</b>										
Paper	kg	110,837	509,400	619,980	102,028	389,957	491,985	<b>84,277</b>	<b>392,047</b>	<b>476,324</b>
Metal		1,387	55,440	56,792	1,810	17,945	19,755	<b>88</b>	<b>32,919</b>	<b>33,007</b>
Food waste		55,211	N/A	55,211	15,907	N/A	15,907	<b>89,145</b>	<b>N/A</b>	<b>89,145</b>
Plastics		2,239	50,417	52,626	1,724	50,316	52,040	<b>1,259</b>	<b>51,637</b>	<b>52,896</b>
Glass		4,727	57,968	61,722	5,242	37,596	42,838	<b>4,123</b>	<b>30,226</b>	<b>34,349</b>
<b>WATER MANAGEMENT</b> <sup>(1),(2),(3),(15)</sup>										
Fresh water consumption	ML	508.609	1,367.790	1,876.399	554.898	1,207.754	1,762.652	<b>526.784</b>	<b>1,379.484</b>	<b>1,906.268</b>
Water intensity of buildings in use	m <sup>3</sup> /m <sup>2</sup> /year	1.42	1.19	N/A	1.55	0.99	N/A	<b>1.50</b>	<b>0.94</b>	<b>N/A</b>



## Social

INDICATOR	UNIT	2016			2017			2018		
		HK	MC	Total	HK	MC	Total	HK	MC	Total
<b>PROFILE OF WORKFORCE<sup>(16)</sup></b>										
Total workforce (employees and supervised workers)	Number	1,257	3,504	4,761	1,279	3,415	4,694	<b>1,225</b>	<b>3,474</b>	<b>4,699</b>
Male		722	2,210	2,932	731	2,095	2,826	<b>704</b>	<b>2,144</b>	<b>2,848</b>
Female		535	1,273	1,808	548	1,295	1,843	<b>521</b>	<b>1,305</b>	<b>1,826</b>
Supervised workers <sup>(17), (18)</sup>		0	21	21	0	25	25	<b>0</b>	<b>25</b>	<b>25</b>
<b>EMPLOYEES BY EMPLOYMENT CONTRACT<sup>(19),(20)</sup></b>										
Permanent	Number	1,241	3,482	4,723	1,240	3,390	4,630	<b>1,187</b>	<b>3,449</b>	<b>4,636</b>
Full time		1,226	3,482	4,708	1,234	3,390	4,624	<b>1,180</b>	<b>3,449</b>	<b>4,629</b>
Part time		15	0	15	6	0	6	<b>7</b>	<b>0</b>	<b>7</b>
Temporary		16	1	17	39	0	39	<b>38</b>	<b>0</b>	<b>38</b>
<b>Employees by employee category</b>										
Executive staff	Number	159	190	349	161	218	379	<b>165</b>	<b>226</b>	<b>391</b>
Administrative staff		496	1,163	1,659	520	1,158	1,678	<b>511</b>	<b>1,256</b>	<b>1,767</b>
Operational staff		602	2,130	2,732	598	2,014	2,612	<b>549</b>	<b>1,967</b>	<b>2,516</b>
<b>Employees by age group</b>										
Under 30	Number	184	736	920	182	762	944	<b>152</b>	<b>692</b>	<b>844</b>
30 – 50		705	2,547	3,252	689	2,410	3,099	<b>647</b>	<b>2,510</b>	<b>3,157</b>
Over 50		368	200	568	408	218	626	<b>426</b>	<b>247</b>	<b>673</b>
<b>NEW HIRES</b>										
Total new hires	Number	279	594	873	268	705	973	<b>222</b>	<b>846</b>	<b>1,068</b>
New hire rate	%	22.20	17.05	18.42	20.95	20.80	20.84	<b>18.12</b>	<b>24.53</b>	<b>22.85</b>





INDICATOR	UNIT	2016			2017			2018		
		HK	MC	Total	HK	MC	Total	HK	MC	Total
<b>NEW HIRES</b>										
<b>By age</b>										
Under 30	Number	93	239	332	85	310	395	<b>62</b>	<b>343</b>	<b>405</b>
30 – 50		140	344	484	142	379	521	<b>120</b>	<b>489</b>	<b>609</b>
Over 50		46	11	57	41	16	57	<b>40</b>	<b>14</b>	<b>54</b>
<b>By gender</b>										
Male	Number	133	352	485	129	389	518	<b>111</b>	<b>481</b>	<b>592</b>
Female		146	242	388	139	316	455	<b>111</b>	<b>365</b>	<b>476</b>
<b>TURNOVER</b>										
Total turnover	Number	235	704	939	252	798	1,050	<b>271</b>	<b>791</b>	<b>1,062</b>
Turnover rate <sup>(21)</sup>	%	18.70	20.00	19.81	19.70	23.54	22.49	<b>22.12</b>	<b>22.93</b>	<b>22.72</b>
<b>By age</b>										
Under 30	Number	52	251	303	62	283	345	<b>60</b>	<b>246</b>	<b>306</b>
30 – 50		130	422	552	147	491	638	<b>150</b>	<b>520</b>	<b>670</b>
Over 50		53	31	84	43	24	67	<b>61</b>	<b>25</b>	<b>86</b>
<b>By gender</b>										
Male	Number	119	420	539	121	501	622	<b>136</b>	<b>435</b>	<b>571</b>
Female		116	284	400	131	297	428	<b>135</b>	<b>356</b>	<b>491</b>
<b>COMPENSATION</b>										
<b>Ratio of basic salary and remuneration of women to men by employee category</b>										
Executive staff	N/A	1:1.946	1:1.516	N/A	1:1.841	1:1.376	N/A	<b>1:1.807</b>	<b>1:1.268</b>	<b>N/A</b>
Administrative staff		1:1.211	1:1.470	N/A	1:1.226	1:1.353	N/A	<b>1:1.192</b>	<b>1:1.286</b>	<b>N/A</b>
Operational staff		1:1.148	1:1.077	N/A	1:1.163	1:1.079	N/A	<b>1:1.129</b>	<b>1:1.066</b>	<b>N/A</b>
<b>PARENTAL LEAVE <sup>(22)</sup></b>										
Total number of employees entitled to parental leave	Number	N/A	N/A	N/A	N/A	N/A	N/A	<b>1,210</b>	<b>3,449</b>	<b>4,659</b>
<b>By gender</b>										
Male	Number	N/A	N/A	N/A	N/A	N/A	N/A	<b>701</b>	<b>2,144</b>	<b>2,845</b>
Female		N/A	N/A	N/A	N/A	N/A	N/A	<b>509</b>	<b>1,305</b>	<b>1,814</b>



INDICATOR	UNIT	2016			2017			2018		
		HK	MC	Total	HK	MC	Total	HK	MC	Total
Total number of employees took parental leave	Number	N/A	N/A	N/A	34	153	187	30	148	178
<b>By gender</b>										
Male	Number	N/A	N/A	N/A	17	68	85	11	74	85
Female		N/A	N/A	N/A	17	85	102	19	74	93
<b>Return to work rate by gender</b>										
Male	%	N/A	N/A	N/A	100	100	100	100	100	100
Female		N/A	N/A	N/A	94	99	98	100	96	97
<b>EMPLOYEE TRAINING <sup>(23)</sup></b>										
Total hours of employee training	Hours	16,561.5	80,450.7	97,012.2	16,774.8	69,694.3	86,469.0	22,890.3	79,000.3	101,890.5
Average hours of employee training		13.18	23.10	20.47	13.12	20.56	18.52	18.69	22.91	21.80
<b>Average training hours by employee category</b>										
Executive staff	Hours	27.66	21.28	24.19	14.53	23.35	19.61	25.61	29.27	27.73
Administrative staff		17.19	20.29	19.36	15.39	24.98	22.00	20.08	25.44	23.89
Operational staff		6.04	24.79	20.66	10.76	17.72	16.12	15.31	20.55	19.41
<b>Average training hours by gender</b>										
Male	Hours	13.66	22.93	20.65	13.50	20.56	18.73	19.08	22.85	21.92
Female		12.52	23.38	20.17	12.60	20.56	18.19	18.15	23.00	21.62
<b>EMPLOYEES RECEIVING REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEWS</b>										
Percentage of total employees	%	98.65	100	N/A	96.87	100	N/A	96.33	100	N/A
<b>By employee category</b>										
Executive staff	%	99.06	100	N/A	98.11	100	N/A	91.72	100	N/A
Administrative staff		97.90	100	N/A	97.26	100	N/A	94.82	100	N/A
Operational Staff		99.00	100	N/A	96.08	100	N/A	98.86	100	N/A
<b>By gender</b>										
Male	%	99.24	100	N/A	97.44	100	N/A	97.18	100	N/A
Female		97.61	100	N/A	97.63	100	N/A	94.95	100	N/A

INDICATOR	UNIT	2016			2017			2018		
		HK	MC	Total	HK	MC	Total	HK	MC	Total
<b>EMPLOYEES COVERED BY COLLECTIVE BARGAINING</b>										
Percentage of total employees	%	0	47.92	N/A	0	46.58	N/A	0	37.90	N/A
<b>ANTI-CORRUPTION TRAINING</b>										
<b>Number of employees received anti-corruption training</b>										
Executive staff	Number	23	10	33	20	15	35	161	223	384
Administrative staff		107	0	107	78	4	82	655	1,446	2,101
Operational staff		49	0	49	85	0	85	614	1,272	1,886
<b>Percentage of employees received anti-corruption training <sup>(24)</sup></b>										
Executive staff	%	14.5	5.3	N/A	12.4	6.9	N/A	97.6	98.7	N/A
Administrative staff		21.6	0	N/A	15.0	0.3	N/A	128.2	115.1	N/A
Operational staff		8.1	0	N/A	14.2	0.0	N/A	111.8	64.7	N/A
<b>OCCUPATIONAL HEALTH AND SAFETY <sup>(25, (26)</sup></b>										
Work-related injuries <sup>(27)</sup>	Number	30	36	66	27	25	52	23	31	54
High-consequence work-related injuries <sup>(28)</sup>		N/A	N/A	N/A	1	2	3	2	4	6
Recordable work-related injuries		N/A	N/A	N/A	25	27	52	22	29	51
Number of hours worked	Hours	N/A	N/A	N/A	2,609,922	6,780,000	9,389,922	2,479,485	6,898,000	9,377,485
Injury rate (per 100 employees)	N/A	2.33	1.03	1.38	2.07	0.74	1.11	1.86	0.90	1.15
Rate of high-consequence work-related injuries (per 100 employees)		0.08	0.06	0.06	0.16	0.12	0.13			
Rate of recordable work-related injuries		1.92	0.80	1.11	1.77	0.84	1.09			
Lost days due to work-related injuries	Days	905.5	949.6	1,855.1	550.0	1,211.0	1,761.0	868.0	997.9	1,865.9
Lost day rate (per 100 employees)	N/A	70.20	27.27	38.88	42.15	35.72	37.51	70.01	28.93	39.80
Lost-time injury frequency rate (LTIFR)	Number of injuries/ million hours worked	N/A	N/A	N/A	9.58	3.98	5.54	8.87	4.20	5.44
Absentee rate <sup>(29)</sup>	%	1.72	2.34	2.17	1.98	2.25	2.17	2.46	2.31	2.35
Fatalities	Number	0	0	0	0	0	0	0	0	0
Fatalities rate	%	0	0	0	0	0	0	0	0	0



INDICATOR	UNIT	2016			2017			2018		
		HK	MC	Total	HK	MC	Total	HK	MC	Total
<b>OCCUPATIONAL HEALTH AND SAFETY (OHS) TRAINING</b>										
Number of employees received OHS training	Number	N/A	N/A	N/A	694	1,549	2,243	396	2,694	3,090
Percentage of employees received OHS training	%	N/A	N/A	N/A	54.3	45.7	N/A	32.3	78.1	N/A

Notes:

- (1) The coverage of energy, greenhouse gas emissions, material, water and waste data in 2016 includes all 28 properties in Hong Kong and seven properties in mainland China (Plaza 66, Grand Gateway 66, Palace 66, Parc 66 and Forum 66 (Mall), Center 66 (Mall) and Riverside 66; it excludes 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.
- (2) The coverage of energy, greenhouse gas emissions, material, water and waste data in 2017 includes all 28 properties in Hong Kong and seven properties in mainland China (Plaza 66, Grand Gateway 66, Palace 66, Parc 66 and Forum 66 (Mall and Office Tower), Center 66 (Mall and Office Tower) and Riverside 66); it excludes Olympia 66 due to recent renovation and ongoing construction to improve the operational optimization of the buildings during renovation and the defect liability period.
- (3) The coverage of energy, greenhouse gas emissions, material, water and waste data in 2018 includes all 26 properties in Hong Kong and eight properties in mainland China (Plaza 66, Grand Gateway 66, Palace 66, Parc 66 and Forum 66 (Mall and Office Tower), Center 66 (Mall and Office Tower), Riverside 66 and Olympia 66).
- (4) The conversion factors from volumetric units of petrol, diesel and natural gas consumption to energy units are referenced from Technical Note: Conversion of fuel data to MWh published by CDP in 2019.
- (5) As our direct energy consumption has a weak relationship with our key business metrics, we do not report the intensity data for our direct energy consumption.
- (6) We do not report on petrol or diesel consumption by vehicles in mainland China from 2016 to 2018 as it is currently beyond our capacity to collect fuel consumption data of our company vehicles in mainland China.
- (7) Our greenhouse gases emission data for building operations are verified by a third-party consultant, ISPL Consulting Limited. The greenhouse gases included in the emission calculation are CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O as a result of direct energy consumption, indirect energy consumption and business air travel. Fugitive emissions in CFCs and HFCs from consumption of refrigerants are also included in the calculation. We did not have any biogenic CO<sub>2</sub> emissions during the reporting year.
- (8) We made reference to the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong (2010 edition), Greenhouse Gas Accounting Tool for Chinese Cities published by World Resources Institute in 2013, and the Greenhouse gas reporting: conversion factors published by the Department for Business, Energy & Industrial Strategy of UK in 2018 for the calculation of our Scope 1, Scope 2 and Scope 3 emissions.
- (9) This only covers vehicles and vessels that are entirely owned and operated by the Group, excluding any vehicles and vessels operated by our service providers.
- (10) The greenhouse gas emissions of company vehicles and vessels in Hong Kong in 2017 is updated to 61.81 tonnes CO<sub>2</sub>e as the greenhouse gas emissions from company vehicles was excluded from the Sustainability Report 2017.
- (11) Our greenhouse gas emission intensity is the sum of Scope 1 emissions from building operations and Scope 2 emissions, divided by the total construction floor area of the properties included.
- (12) The weight of municipal solid waste generated from our properties in Hong Kong significantly increased in 2017 due to changes of conversion factors from volume to weight of waste. In 2016, a 660-liter bin of waste weighed 70kg. In 2017, a 660-liter bin of waste weighed 90kg and a 240-liter bin of waste weighed 33kg. In 2018, we updated the conversion factor of municipal solid waste to 136kg/m<sup>3</sup>.
- (13) We do not report the quantity of construction waste discarded by tenants for our operations in Hong Kong as our tenants in Hong Kong are responsible for arranging disposal of construction waste on their own.
- (14) The weight of hazardous waste generated from our properties in Hong Kong drastically dropped in 2018 due to the change of calculation methodology. In 2016 and 2017, the weight of containers used to collect the hazardous waste was used for estimation. In 2018, the weight of hazardous waste collected was used for calculation.
- (15) Municipal water supplies are the sole fresh water source of our operations. Our water intensity is the fresh water consumption per unit of common floor area.
- (16) The profile of workforce data was compiled based on the number of employees and number of workers as of the end of each reporting year provided by the Human Resources Department. We do not report data on the employment of people from minority and vulnerable groups because the vast majority of our employees are local people.
- (17) The Group does not report data on supervised workers by gender.
- (18) There were no significant variations in the number of employees or number of supervised workers in the reporting period. Supervised workers do not cause significant variation to the Group's workforce and activities.
- (19) Given that the proportion of part-time and temporary staff is insignificant, no further breakdown on the gender of our workforce by employment category is reported.
- (20) There are minor restatements of the number of employees breakdown by employment contract in Hong Kong and the sub-totals in 2017 as we reclassified some employees by employment contracts after review.
- (21) Turnover rates cover voluntary resignations, retirements and involuntary leave during the corresponding reporting periods.
- (22) We do not report the total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work.
- (23) Training categories include: onboarding program, language skills, customer service, professional development, leadership development, occupation health and safety, and regulatory compliance.
- (24) The percentages of administrative employees and operational employees in Hong Kong and administrative employees in mainland China who received anti-corruption training exceed 100% mainly due to the turnover of employees.
- (25) Our occupational health and safety data reported in the performance table only covers our office and frontline operations. We do not report data on the occupational disease rate as we encounter difficulties in data collection. We do not further break down our occupational health and safety data by gender because we consider such data insignificant. For the occupational health and safety data of our contractors at our construction sites, please refer to the "Sustainable Procurement" section of this report.
- (26) The injury rates, rates of high-consequence work-related injuries, rates of recordable work-related injuries and lost day rates were calculated on 200,000 hours worked. The factor 200,000 is the annual hours worked by 100 employees, based on 40 hours per week for 50 weeks a year.
- (27) Major work-related hazards that may cause high-consequence work-related injuries include fall from height, slip and fall, use of machines with moving parts, hot & electrical work, and manual handling. Major types of injury include scratches, being struck by objects, fractures and cuts.
- (28) High-consequence work-related injuries (excluding fatalities) refer to work-related injuries that result in an injury that a worker cannot, does not or is not expected to recover fully from (to pre-injury health status) within six months.
- (29) Absentee Days are defined as the sum of non-work-related sick leave (i.e. sick leave not caused by a work-related accident/injury/illness).



## Independent Opinion Assurance Statement

### Hang Lung Group Limited And Hang Lung Properties Limited Sustainability Report 2018

The British Standards Institution is independent to Hang Lung Group Limited, and its subsidiaries including Hang Lung Properties Limited (hereafter referred to as “HLP” collectively in this statement), and has no financial interest in the operation of HLP other than for the assessment and assurance of HLP Sustainability Report 2018 (“Report”).

This independent assurance opinion statement has been prepared for HLP only for the purposes of assuring its statements relating to the Report, more particularly described in the Scope, below. It was not prepared for any other purpose. The British Standards Institution will not, in providing this independent assurance opinion statement, accept or assume responsibility (legal or otherwise) or accept liability for or in connection with any other purpose for which it may be used, or to any person by whom the independent assurance opinion statement may be read. This statement is intended to be used by stakeholders & management of HLP.

This independent assurance opinion statement is prepared on the basis of review by the British Standards Institution of information presented to it by HLP. The review does not extend beyond such information and is solely based on it. In performing such review, the British Standards Institution has assumed that all such information is complete and accurate.

Any queries that may arise by virtue of this independent assurance opinion statement or matters relating to it should be addressed to HLP only.

### Scope

The scope of engagement agreed upon with HLP includes the followings:

1. The assurance covers the whole Report, and focuses on systems and activities of HLP and its subsidiaries (the Group), including Hang Lung Properties Limited (Hang Lung Properties) in Hong Kong and mainland China, which include commercial property development, leasing, management and construction during the period from 1st January 2018 to 31st December 2018. The Report is prepared in accordance with the Core Option of GRI Sustainability Reporting Standards (“GRI Standards”) and in accordance with the Hong Kong Stock Exchange’s (“HKEx”) Environmental, Social and Governance Reporting Guide (“ESG Guide”).



Statement No.: SRA-HK 710906

2. Type 1 Moderate Level of Assurance evaluates of the nature and extent of HLP’s adherence to three reporting principles, which include Inclusivity, Materiality and Responsiveness. The specified sustainability performance information/data disclosed in the Report has been evaluated.

This statement was prepared in English and translated into Chinese for reference only.

### Opinion Statement

We conclude that the Report provides a fair view of the HLP’s sustainability programmes and performances in the reporting year. We believe that the economic, social and environmental performance indicators are fairly represented in the Report, in which HLP’s efforts being made to pursue sustainable development are widely recognized by its stakeholders.

Our work was carried out by a team of sustainability report assurers. We planned and performed this part of our work to obtain the necessary information and explanations. We considered HLP has provided sufficient evidence that HLP’s self-declaration of compliance with the Core Option of GRI Standards and the HKEx ESG Guide were fairly stated.

### Methodology

Our work was designed to gather evidence on which to base our conclusion. We undertook the following activities:

- A top level review of issues raised by external parties that could be relevant to HLP’s policies to provide a check on the appropriateness of statements made in the Report
- Discussion with senior executives on HLP’s approach to stakeholder engagement. We had no direct contact with external stakeholders
- Interview with staff involved in sustainability management, report preparation and provision of report information were carried out
- Review of key organizational developments
- Review of supporting evidence for claims made in the Report
- An assessment of the company’s reporting and management processes concerning this reporting against the principles of Inclusivity, Materiality and Responsiveness.

## Conclusions

A detailed review against the principles of Inclusivity, Materiality and Responsiveness and HKEx ESG Guide, and in accordance with GRI Standards is set out below:

### Inclusivity

The Report has reflected a fact that HLP is seeking the engagement of its stakeholders through numerous channels such as biannual two-way performance appraisal, biannual town hall meetings, staff focus group discussions, team building activities, staff intranet, monthly corporate newsletter, sustainability reporting, benchmarks and indices, investors interviews and meetings, investors site visits, annual general meeting, daily customer engagement surveys, routine tenant satisfaction surveys and interviews, social media, monthly corporate newsletter, regular project meetings, regular screening and performance evaluation, focus group discussion, online survey, flagship community programs, community events, community consultation, Sustainability Innovation Workshop, conferences, seminars and networking events, regular meetings, site visits by government officials, government consultations, media interviews and meetings, media announcement and press release, in-depth interview, and more.

HLP's operation involves various methods of engaging its stakeholders on daily basis. The Report covers economic, social and environmental aspects concerned by its stakeholder with a fair level of disclosures. In our professional opinion, HLP adheres to the principle of Inclusivity. Our view in area for enhancement to the Report was adopted by HLP before issue of this opinion statement.

### Materiality

HLP publishes sustainability information that enables its stakeholders to make informed judgments about the company's management and performance. In our professional opinion, the Report adheres to the principle of Materiality and identifies HLP's material aspects by using appropriate method of materiality analysis and demonstrating material issues in a matrix form. Area for enhancement to the Report was adopted by HLP before issue of this opinion statement.

### Responsiveness

HLP has implemented practices to respond to the expectations and perceptions of its stakeholders. It includes various surveys and feedback mechanisms to both internal and external stakeholders. In our professional opinion, HLP adheres to the principle of Responsiveness. Area for enhancement to the Report was adopted by HLP before issue of this opinion statement.

## GRI Standards Reporting

HLP provided us with their self-declaration of compliance with GRI Standards "In Accordance" - Core option. Based on our verification review, we are able to confirm that social responsibility and sustainable development disclosures in all three categories (Environmental, Social and Economic) are reported with reference to "In accordance" with the GRI Standards – Core option. In our professional opinion the report covers HLP's social responsibility and sustainability issues.

### HKEx ESG Guide Reporting

Based on our verification review, we are able to confirm that social responsibility and sustainable development key performance indicators and disclosures in two ESG subject areas (Environmental and Social) being reported are based on HKEx ESG Guide.

In our professional opinion, the Report covers the HLP's social responsibility and sustainability issues. Area for enhancement to the report was adopted by HLP before issue of this opinion statement.

### Assurance Level

The Type 1 Moderate Level of Assurance provided in our review is defined by the scope and methodology described in this statement.

### Responsibility

It is the responsibility of HLP's senior management to ensure the information being presented in the Report is accurate. Our responsibility is to provide an independent assurance opinion statement to stakeholders giving our professional opinion based on the scope and methodology described.

### Competency and Independence

The assurance team was composed of Lead Auditors, who are experienced in industrial sector, and trained in a range of sustainability, environmental and social standards including GRI G3, GRI G3.1, GRI G4, GRI Standards, AA1000, HKEx ESG Guide, UNGC's Ten Principles, ISO20121, ISO14064, ISO 14001, OHSAS 18001, ISO45001, ISO 9001, and ISO 10002, etc. British Standards Institution is a leading global standards and assessment body founded in 1901. The assurance is carried out in line with the BSI Fair Trading Code of Practice.

For and on behalf of BSI:



**Mr. Wilfred Chan**  
Head of Operations, BSI Asia Pacific  
Hong Kong, 18<sup>th</sup> Jun 2019

## Content Index for Reporting Guidelines

GRI Standards Disclosure	HKEx ESG Guide General Disclosure (GD) and KPIs	Description	Section/Explanation	Page		
<b>GENERAL DISCLOSURE (2016)</b>						
<b>Organizational Profile</b>	102-1	Name of the organization	About this Report	2		
	102-2	Activities, brands, products, and services	About the Group	3-4		
	102-3	Location of headquarters				
	102-4	Location of operations				
	102-5	Nature of ownership and legal form				
	102-6	Markets served	About this Report	2		
	<b>Strategy</b>	KPI B1.1	102-7	Scale of the organization	About the Group	3-4
			102-8	Number of employees and other workers	Future of Experience	17-26
			102-9	Supply chain description	Performance Tables – Social	55-59
			102-10	Significant changes to the organization and its supply chain	2018 Annual Report (P.39, 146-213)	N/A
			102-11	Precautionary approach	Performance Tables – Social	55-59
			102-12	External initiatives	Best-in-Class Operating Practices	38-48
			102-13	Memberships of external associations	There was no significant change in the reporting period.	N/A
			102-14	Statement from the most senior decision-maker of the organization	Sustainability in Action	6-15
102-15			Key impacts, risks and opportunities	Memberships, Charters and Awards	49-51	
102-16			Values, principles, standards, and norms of behavior	Letter from the Chief Executive Officer	5	
<b>Ethics and Integrity</b>	102-17		Sustainability in Action	6-15		
<b>Governance</b>	102-18	Governance structure	2018 Annual Report (P.100-103)	N/A		
<b>Stakeholder Engagement</b>	102-40	List of stakeholder groups engaged	About the Group	3-4		
	102-41	Percentage of total employees covered by collective bargaining agreements	2018 Annual Report (P.104-133)	N/A		
	102-42	Identification and selection of stakeholders	Sustainability in Action	6-15		
	102-43	Stakeholder engagement approach	Future of Experience	17-26		
	102-44	Key topics and concerns raised, and the organization's response	Future of Space	27-37		
<b>Reporting Practice</b>	-	102-45	Entities included in the consolidated financial statements	Best-in-Class Operating Practices	38-48	
		102-46	Process for defining report content and topic boundaries	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 2018 Annual Report (P.210-212). All the reported principal subsidiaries are covered by this Report.	N/A	
		102-47	List of material topics	Sustainability in Action	6-15	
		102-48	Restatements of information	Performance Tables	52-59	
		102-49	Significant changes in material topics and topic boundaries	There was no significant change during the reporting period.	N/A	
		102-50	Reporting period	About this Report	2	
		102-51	Date of most recent report	Our Sustainability Report 2017 was published on 20 June 2018.	N/A	
		102-52	Reporting cycle	Annual	N/A	
		102-53	Contact point for enquiries	About this Report	2	
		102-54	Claims of reporting in accordance with the GRI Standards	About this Report	2	
102-55	GRI content index	Content Index for Reporting Guidelines	62-66			
102-56	External assurance	About this Report	2			
			Independent Assurance Opinion Statement	60-61		

GRI Standards Disclosure		HKEx ESG Guide General Disclosure (GD) and KPIs	Description	Section/ Explanation	Page
<b>TOPIC-SPECIFIC DISCLOSURES</b>					
<b>Economic</b>					
<b>Economic Performance (2016)</b>	103-1 103-2 103-3		Management approach disclosure	About the Group Sustainability in Action	3-4 6-15
	201-1		Direct economic value generated and distributed	Performance Tables - Economic	52
	201-2		Financial implications and other risks and opportunities due to climate change	Future of Space	27-37
	201-3		Defined benefit plan obligations and other retirement plans	We report on our benefit plan obligations and retirement benefits for employees in the 2018 Annual Report (P.196-200).	N/A
<b>Market Presence* (2016)</b>	103-1 103-2 103-3	-	Management approach disclosure	About the Group	3-4
	202-2		Proportion of senior management hired from the local community at significant locations of operation	93% of our senior management (Director grade and above) was hired from the local community, i.e. Hong Kong and the Mainland. The profiles of the directors and key executives are outlined in the 2018 Annual Report (P.125-133).	N/A
<b>Indirect Economic Impacts* (2016)</b>	103-1 103-2 103-3		Management approach disclosure	Sustainability in Action	6-15
	203-1		Infrastructure investments and services supported	Future of Space	27-37
	203-2		Significant indirect economic impact		
<b>Procurement Practices* (2016)</b>	103-1 103-2 103-3	Aspect B5 GD KPI B5.2	Management approach disclosure	Best-in-Class Operating Practices	38-48
	204-1	-	Proportion of spending on local suppliers	We only disclose the aggregate procurement spending in Hong Kong. Our total procurement spending for Hong Kong operations was HK\$146,828,737, all of which was spent on local suppliers.	N/A
	-	KPI B5.1	Number of suppliers by geographical region	We purchased goods and services from 287 suppliers for our Hong Kong operations in the reporting period. It is currently beyond our capacity to estimate the number of suppliers for mainland China.	N/A
<b>Anti-corruption (2016)</b>	103-1 103-2 103-3	Aspect B7 GD KPI B7.2	Management approach disclosure	Sustainability in Action Best-in-Class Operating Practices 2018 Annual Report (P.120-121)	6-15 38-48 N/A
	205-2	-	Communication and training about anti-corruption policies and procedures	Best-in-Class Operating Practices Performance Tables – Social	38-48 55-59
	205-3	KPI B7.1	Confirmed incidents of corruption and actions taken	There were no confirmed incidents of corruption during the reporting period.	N/A



GRI Standards Disclosure	HKEx ESG Guide General Disclosure (GD) and KPIs	Description	Section/ Explanation	Page	
<b>Environmental</b>					
<b>Material*</b>	-	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	
<b>Energy (2016)</b>	103-1 103-2 103-3	Aspect A2 GD Aspect A3 GD KPI A2.3 KPI A3.1	Management approach disclosure	Sustainability in Action Future of Space <a href="#">Environmental Policy</a>	6-15 27-37 N/A
	302-1	KPI A2.1	Energy consumption within the organization	Performance Tables – Environmental	53-54
	302-3	KPI A2.1	Energy intensity		
	302-4	KPI A2.3	Reduction of energy consumption		
<b>Water* (2018)</b>	103-1 103-2 103-3	Aspect A2 GD Aspect A3 GD KPI A2.4 KPI A3.1	Management approach disclosure	Future of Space During the reporting period, we did not encounter any problems in sourcing water for our operations. <a href="#">Environmental Policy</a>	27-37 N/A N/A
	303-5	KPI A2.2	Water consumption	Performance Tables – Environmental	53-54
	-	KPI A2.2	Water intensity		
<b>Emissions* (2016)</b>	103-1 103-2 103-3	Aspect A1 GD Aspect A3 GD KPI A1.5 KPI A3.1	Management approach disclosure	Future of Space <a href="#">Environmental Policy</a>	27-37 N/A
	305-1	KPI A1.1 KPI A1.2	Direct (Scope 1) GHG emissions	Performance Tables – Environmental	53-54
	305-2	KPI A1.1 KPI A1.2	Energy indirect (Scope 2) GHG emissions		
	305-3	KPI A1.1 KPI A1.2	Other indirect (Scope 3) GHG emissions		
	305-4	KPI A1.2	GHG emissions intensity		
<b>Effluents and Waste* (2016)</b>	103-1 103-2 103-3	Aspect A1 GD KPI A1.5 KPI A1.6 KPI A3.1	Management approach disclosure	Future of Space	27-37
	306-2	KPI A1.3 KPI A1.4 KPI A1.6	Weight of waste by type and disposal method	Performance Tables – Environmental	53-54
<b>Environmental Compliance (2016)</b>	103-1 103-2 103-3	Aspect A1 GD	Management approach disclosure	Sustainability in Action Future of Space 2018 Annual Report (P.116-120)	6-15 27-37 N/A
	307-1		Non-compliance with environmental laws and regulations	We were not issued with any significant fine or sanctions for any non-compliance with environmental laws and regulations.	N/A

GRI Standards Disclosure	HKEx ESG Guide General Disclosure (GD) and KPIs	Description	Section/ Explanation	Page	
<b>Social</b>					
<b>Employment (2016)</b>	103-1 103-2 103-3	Aspect B1 GD	Management approach disclosure	Sustainability in Action Future of Experience	6-15 17-26
	401-1	KPI B1.2	New employees hiring and employee turnover	Performance Tables – Social	55-59
	401-2	Aspect B1 GD	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Future of Experience 2018 Annual Report (P.196-200)	17-26 N/A
	401-3	-	Parental leave	Performance Tables – Social	55-59
<b>Occupational Health and Safety (2018)</b>	103-1 103-2 103-3	Aspect B2 GD KPI B2.3	Management approach disclosure	Sustainability in Action Future of Experience Best-in-Class Operating Practices	6-15 17-26 38-48
	403-9	KPI B2.1 KPI B2.2	Number, rates and types of work-related injuries, lost days due to work-related injuries and, number and rate of work-related fatalities	Construction site workers: Best-in-Class Operating Practices Employees: Future of Experience Performance Tables – Social Other supervised workers: No injury or accident has been reported by our contractors	38-48 17-26 55-59 N/A
<b>Training and Education (2016)</b>	103-1 103-2 103-3	Aspect B3 GD	Management approach disclosure	Sustainability in Action Future of Experience	6-15 17-26
	404-1	KPI B3.2	Average hours of training per year per employee	Performance Tables – Social	55-59
	-	Aspect B3 GD	Programs for upgrading employee skills and transition assistance programs	Future of Experience Performance Tables – Social	17-26 55-59
	404-3	-	Percentage of employees receiving regular performance and career development reviews	Performance Tables – Social	55-59
	-	KPI B3.1	The percentage of employees trained by gender and employee category	All employees received training in the reporting period.	N/A
<b>Diversity and Equal Opportunity* (2016)</b>	103-1 103-2 103-3	Aspect B1 GD	Management approach disclosure	Future of Experience	17-26
	405-1	-	Diversity of governance bodies and employees	Performance Tables – Social 2018 Annual Report (P.108)	55-59 N/A
<b>Non-discrimination* (2016)</b>	103-1 103-2 103-3	Aspect B1 GD	Management approach disclosure	Future of Experience	17-26
	406-1	-	Incidents of discrimination and corrective actions taken	There were no confirmed incidents of discrimination in the reporting period.	N/A
<b>Local Communities* (2016)</b>	103-1 103-2 103-3	Aspect B8 GD	Management approach disclosure	Sustainability in Action Best-in-Class Operating Practices	6-15 38-48
	413-2	-	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
	-	KPI B8.1 KPI B8.2	Focus areas of contribution Resources contributed to the focus area	Best-in-Class Operating Practices	38-48

GRI Standards Disclosure	HKEx ESG Guide General Disclosure (GD) and KPIs	Description	Section/ Explanation	Page	
<b>Social</b>					
<b>Customer Health and Safety (2016)</b>	103-1 103-2 103-3	Aspect B6 GD	Management approach disclosure	Sustainability in Action Future of Experience	6-15 17-26
	416-2	-	Incidents of non-compliance concerning the health and safety impacts of products and services	There were no confirmed incidents of non-compliance in the reporting period.	N/A
	-	KPI B6.1	Percentage of total products sold or shipped subject to recalls for health and safety reasons	This KPI is not applicable to our business.	N/A
	-	KPI B6.4	Description of quality assurance process and recall procedures		
<b>Customer Privacy (2016)</b>	103-1 103-2 103-3	Aspect B6 GD KPI B6.5	Management approach disclosure	Sustainability in Action Future of Experience	6-15 17-26
	418-1	KPI B6.2	Substantiated complaints concerning breaches of customer privacy and losses of customer data		
<b>Socioeconomic Compliance (2016)</b>	103-1 103-2 103-3	-	Management approach disclosure	Sustainability in Action Future of Experience 2018 Annual Report (P.116-120)	6-15 17-26 N/A
	419-1	-	Non-compliance with laws and regulations in the social and economic sphere	We were not issued with any significant fine or sanctions for any non-compliance with laws and regulations in the social and economic sphere.	N/A
	-	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	We have relevant policy in place to observe and protect intellectual property rights.	N/A
<b>Child Labor and Forced Labor*</b>	-	Aspect B4 GD	Policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor	To ensure compliance with the local employment laws, we include relevant policies in our Code of Conduct, for example, forbidding child and forced labor, and make our employees aware of the Group's employment practices through biannual reminders.	N/A
	-	KPI B4.1	Description of measures to review employment practices to avoid child and forced labor	Although child and forced labor is not a material aspect for the Group, we specify in our Supplier Code of Conduct that we forbid our suppliers or contractors to use child labor and/or forced labor. There were no confirmed cases of non-compliance with laws and regulations on child and forced labor in the reporting period.	N/A
	-	KPI B4.2	Description of steps taken to eliminate such practices when discovered	Child and forced labor is not a material aspect for the Group.	N/A

\* Topics marked with an asterisk are defined by stakeholders as not significant enough to be material based on the GRI reporting principle. However, since we consider these topics important to our business, these topics are covered in the Report on a voluntary basis and are reported not in accordance with the GRI Standard.

\*\* The 9 material sustainability topics covered in this report are mapped against the corresponding GRI topics as follows:

- (1) Legal compliance – Environmental Compliance (307) and Socioeconomic Compliance (419);
- (2) Ethics and Integrity – Anti-corruption (205)
- (3) Risk and Crisis Management – Economic Performance (201), Employment and Anti-corruption (205) and Employment (401)
- (4) Information Privacy – Customer Privacy (418)
- (5) Employee Attraction and Retention – Employment (401), and Training and Education (404)
- (6) Customer Health, Safety and Security – Customer Health and Safety (416)
- (7) Occupational Health and Safety – Occupational Health and Safety (403)
- (8) Employee Wellbeing – Occupational Health and Safety (403)
- (9) Energy Efficiency – Energy (302)



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