

# HANG LUNG'S SUSTAINABILITY POLICY

Hang Lung Group Limited and Hang Lung Properties Limited, collectively, the “Group,” aspires to become one of the most sustainable real estate companies in the world. The Hang Lung Sustainability Policy (the “Policy”) outlines the principles, commitments and governance by which we aim to make positive impact on all our stakeholders and society.

## 1. SUSTAINABILITY FRAMEWORK

The Group enhanced the sustainability framework in 2020 to provide direction for our employees to create sustainable value for our stakeholders. The framework comprises three **Foundations** and four **Priorities**. The three **Foundations** describe the organizational context and indispensable principles underlying our sustainability efforts:

- **Company:** Strong team, governance, and community relations
- **Building:** Safe, green and healthy space
- **Customer:** Collaboration for impact.

The four **Priorities** identify the top four material sustainability issues where the Group aims to make significant progress and support its leadership ambitions in the next decade:

- **Climate Resilience:** Adapt to climate change and decarbonize our business
- **Resource Management:** Optimize use and management of natural resources (energy, water and materials)
- **Wellbeing:** Sustain a healthy, inclusive and safe environment and promote social wellbeing
- **Sustainable Transactions:** Promote sustainability practices in all types of business transactions.

Figure 1: Sustainability Framework



## 2. GOALS AND TARGETS

Under the four **Priorities** of the sustainability framework, the Group has formulated a set of ambitious sustainability **Goals and Targets** to be achieved by 2025 and 2030 to demonstrate sustainability leadership and contribute to our communities.

**Table 1: 2030 Sustainability Goals and Targets**

Priority	2030 Goals	2030 Targets
<b>Climate Resilience</b>	Reduce carbon footprint in line with climate science	<ul style="list-style-type: none"> <li>• Demonstrate best efforts to achieve a 70% reduction in scopes 1 and 2 greenhouse gas emissions intensity (per m<sup>2</sup>), compared to 2018 baseline</li> <li>• Build a nearly net zero carbon building</li> </ul>
<b>Resource Management</b>	Accelerate the transition to a circular economy by minimizing resource consumption and maximizing recycling	<ul style="list-style-type: none"> <li>• Incorporate circular building principles in new properties</li> <li>• Implement water management program in all properties</li> <li>• Divert 90% of waste from landfill</li> </ul>
<b>Wellbeing</b>	Ensure employees, customers and communities enjoy an unrivalled environment that promotes their health and wellbeing	<ul style="list-style-type: none"> <li>• Assess wellbeing for all employees and key customers</li> <li>• Meet or exceed wellbeing standards for new properties</li> <li>• Work with youth on sustainability solutions in all cities where we have assets</li> </ul>
<b>Sustainable Transactions</b>	Collaborate with all suppliers and customers to advance our sustainability priorities	<ul style="list-style-type: none"> <li>• Implement supplier evaluation and ranking system</li> <li>• Engage all tenants on emissions reduction, resource management, and wellbeing enhancement</li> </ul>

**Table 2: 25 x 25 Sustainability Targets (“25 x 25”)**

Priority	25 x 25
<b>Climate Resilience</b>	<ol style="list-style-type: none"> <li>1. 40% cumulative reduction in GHG intensity (kg CO<sub>2</sub>e/m<sup>2</sup>) relative to 2018</li> <li>2. 18% cumulative reduction in electricity intensity (kWh/m<sup>2</sup>) relative to 2018</li> <li>3. 25% of our mainland China portfolio electricity demand met by renewable energy</li> <li>4. Wherever feasible exceed local regulations for the provision of parking spaces installed with EV charging facilities across our portfolio</li> <li>5. Demonstrate best efforts to achieve at least 10% reduction in embodied carbon intensity (kg CO<sub>2</sub>e/m<sup>2</sup>) for new development project that begin in 2022 or later, compared to typical practice in an equivalent building</li> <li>6. 15% reduction in GHG intensity (kg CO<sub>2</sub>e/m<sup>2</sup>) from tenants’ electricity consumption for our properties in mainland China, relative to 2018</li> <li>7. Complete technical analysis for climate adaptation measures for all properties</li> </ol>
<b>Resource Management</b>	<ol style="list-style-type: none"> <li>8. 60% of construction waste diverted from landfill for new projects starting in 2022 with maximized recycling</li> <li>9. Demonstrate best efforts to maximize the use of recycled, reused and bio-based materials on all new projects</li> <li>10. 10% reduction in water intensity (m<sup>3</sup>/m<sup>2</sup>/year) relative to 2018</li> <li>11. 70% of operational waste diverted from landfill</li> </ol>
<b>Wellbeing</b>	<ol style="list-style-type: none"> <li>12. Achieve an employee engagement rating greater than or equal to the 75th percentile</li> <li>13. Maintain Female-to-Male pay ratio of 1:1</li> <li>14. Conduct an audit of all our properties and corporate practices on how to enhance wellbeing and opportunities for persons with disabilities</li> <li>15. Obtain local or international health and wellness certification for all our existing Mainland properties</li> <li>16. Obtain WELL Gold certificate or equivalent for at least one new property in Hong Kong and mainland China</li> </ol>

	<p>17. Deliver priority ESG training targeted to all departments and seniority levels</p> <p>18. Maintain a Lost Time Injury Rate of 1.5 or below for employees</p> <p>19. Maintain zero work-related fatalities for employees and contractors</p> <p>20. Work with youth on wellbeing community initiatives at all properties by 2025</p>
<p><b>Sustainable Transactions</b></p>	<p>21. Embrace technology to build a robust digital platform for assessing suppliers' ESG performance</p> <p>22. 100% of marketing events evaluated for their sustainability impacts</p> <p>23. 100% of leases incorporate sustainability provisions</p> <p>24. 50% of total debts and available facilities from sustainable finance</p> <p>25. 100% of potential asset acquisitions include ESG due diligence</p>

### 3. PRINCIPLES AND COMMITMENTS

We are committed to abiding by all relevant laws and regulations in the jurisdictions where we operate. In addition, in support of accelerating sustainability progress and our aspiration to make a positive impact on all our stakeholders and society, we are committed, wherever reasonably practicable, to:

#### Climate Resilience

**Mitigating** impacts on climate change by taking the following actions:

- Calculate, monitor, verify and disclose our greenhouse gas (GHG) emissions on an annual basis
- Reduce our GHG emissions in accordance with our 2025 and 2030 greenhouse gas emission targets for Scope 1 and 2 and for Scope 3 emissions towards achieving net zero value chain greenhouse gas emissions by 2050;<sup>1</sup>
- Increase renewable energy generation in our properties in accordance with or exceeding our 2025 renewable energy target;
- Collaborate with our stakeholders, including employees, tenants, suppliers and customers, to reduce our value chain emissions;
- Support other important decarbonization initiatives including electric vehicle charging, university research projects, and exchange of best practices with other stakeholders; and
- Develop and update annually a Group GHG mitigation plan.

**Adapting** to the changing climate through the approaches below:

- Identify and understand climate-change related risks and opportunities relevant to our business;
- Establish and monitor risk control measures for climate-related risks under the Group's enterprise risk management (ERM) processes;
- Evaluate and pursue climate-related opportunities;
- Complete a technical analysis of potential adaptation measures for all properties by the end of 2025; and
- Develop and update annually a Group adaptation plan.

As a supporter of the Task Force on Climate-Related Financial Disclosures (TCFD), we report annually on our climate-related risks and opportunities in alignment with

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<sup>1</sup> Consistent with our commitments to the Science Based Targets initiative's Net Zero Standard and the Urban Land Institute Greenprint's net zero carbon operations goal.

TCFD's recommendations. We are committed to making continual improvement of our climate-related governance, strategy, risk management, and metrics and targets.

## Resource Management

**Accelerating** the transition to a circular economy by taking steps towards eliminating waste and pollution, circulating products and materials, and regenerating nature. As concrete steps in support of this transition, we strive to:

- Incorporate circular building principles in the design and operation of properties;
- Implement an energy management program in all properties, including adoption of innovative technologies, equipment replacement and upgrades, testing and commissioning, and behavioral measures;
- Implement a water management program in all properties, including water efficiency measures such as rainwater and greywater recycling, efficient fixtures, efficient use of cooling towers, and sustainable landscaping practices;
- Implement a waste management program in all properties, including optimal use and consumption of materials and diversion of operational, construction and demolition waste from landfill through reduction, reuse and recycling;
- Prevent or minimize pollution such as emissions to air, noise, contamination of soil discharge of wastewater, with due attention to the communities where we operate;
- Avoid development of projects and operational activities in ecologically sensitive and nationally protected sites deemed critical for biodiversity;
- Make best efforts to avoid or minimize biodiversity loss through land use, invasive species, and air and water pollution during the design and operation of our properties; and
- Develop practices to promote, conserve and restore biodiversity.

## Wellbeing

**Offering** and **cultivating** unrivalled environment cultivating the health and wellbeing of employees, customers, and communities. Our approach is to:

- Comply with all applicable laws and regulations in relevant jurisdictions relevant to wellbeing, including those related to human rights, labor, health and safety;
- Respect internationally recognized human rights principles as set out in the International Labour Organization (ILO)'s Declaration on Fundamental Principles and Rights at Work and United Nations Guiding Principles on Business and Human Rights;
- Recognize and respect the right of our employees to form and join labor unions and to bargain collectively in accordance with local statutory requirements;

- Foster and maintain a work environment that upholds the wellbeing and integrity of employees through principles enumerated in our Employee Handbook and Code of Conduct, including those related to working hours, rest days, flexible work arrangements, maternity and paternity leave and ethical conduct;
- Prohibit the use of child labor, forced labor and any forms of human trafficking across our operations and supply chain;
- Maintain a working environment free from discrimination, bullying and harassment based on race, color, ethnicity, sex, age, disability, marital status, gender identity, religion or other status;
- Foster a culture of inclusivity, diversity, and openness, recognizing that a workforce that is home to people from varied backgrounds can generate a more creative, productive and engaged working culture;
- Promote gender equity and equal remuneration in accordance with our 2025 Female-to-Male pay ratio target;
- Promote accessibility for people with disabilities and special needs in terms of both our physical infrastructure and our corporate practices, and conduct audits to identify opportunities for improvement;
- Build a learning and development culture that offers integrated and holistic learning opportunities encompassing such areas as leadership and management, personal effectiveness, functional skills, and company and market knowledge;
- Implement employee engagement measures including annual surveys to strengthen manager-employee connections, a caring and growth-oriented culture, and work-life balance;
- Create and maintain spaces that enhance the physical and mental wellbeing of our occupants and visitors, and
- Invest in community initiatives and collaborate with community partners to generate positive social impacts, especially in programs related to youth development, women’s empowerment and support for the elderly.

### **Sustainable Transactions**

**Broadening** and **deepening** our sustainability agenda by working with our stakeholders along our value chain to advance our sustainability priorities. Our approach is to:

- Enumerate sustainable procurement practices, standards and expectations for the Group through our Sustainable Procurement Policy, including environmental, social and governance (ESG) principles for supply chain risk management and for collaboration with our contractors and suppliers in support of sustainability progress;
- Set a minimum standard for the sustainability performance of our suppliers by incorporating our Code of Conduct for Contractors in all contracts;

- Conduct ESG due diligence as prescribed in our Project Management Manual on potential asset acquisitions;
- Collaborate with tenants on our sustainability priorities including GHG emissions reduction, resource management and wellbeing enhancement; and
- Collaborate with financial institutions through sustainable financial instruments to advance common sustainability priorities.

The Group elaborates further on relevant sustainability commitments and principles through other specific policies and guidelines enacted by the Group from time to time including the following:

- Joint Statement on Oversight and Management of Environmental, Social and Governance Issues
- Board Diversity Policy
- Whistleblowing Policy
- Competition Law Policy
- Code of Conduct
- Staff Handbook
- Employee Cybersecurity Policy
- Policy on Offering Advantages and Entertainment
- Code of Conduct for Contractors
- Sustainable Procurement Policy
- Hang Lung Properties Green Finance Framework
- Sustainable Event Guideline
- Project Management Manual
- Operating Manual and Procedures

For the most updated list of sustainability-related policies, please see our latest Sustainability Report.

#### 4. GOVERNANCE

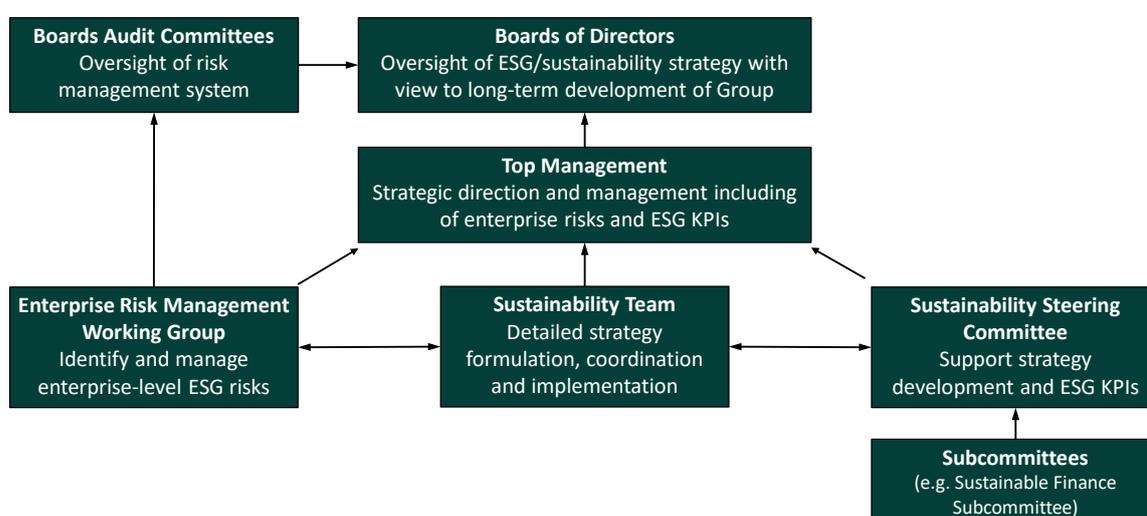
The Group has developed principles, processes and structures and allocated resources to ensure effective implementation of the Policy, including the following:

- The **Boards** and **Top Management** of the Group provide oversight of Group's sustainability performance and progress towards achieving its Goals and Targets, principally through regular reporting of the Group's **Sustainability Team**.
- The **Sustainability Steering Committee** ("SSC") of the Group reviews the Group's sustainability vision, and performance, and monitors and ensures the Group's

progress in implementing action plans. The SSC may also establish subcommittees, e.g., the **Sustainable Finance Subcommittee**.

- The Sustainability Team of the Group together with the Chair of the SSC will develop annual Environmental, Social and Governance Key Performance Indicators (“**Strategic ESG KPIs**”) in support of the Group’s sustainability leadership goals, targets and major initiatives.
- **To strengthen accountability**, progress against all ESG KPIs is reviewed by the SSC and Boards at least two times a year. We also disclose in our Sustainability Report our plans and progress on Strategic ESG KPIs from year to year.

**Figure 2: Sustainability Governance Structure**



- **To build capacity**, we deliver corporate-wide ESG training as well as targeted ESG training to specific departments and seniority levels, and we are strengthening our competence in providing Board and top management oversight of ESG issues.
- **To strengthen impact**, we are making various and ongoing efforts to communicate principles under this Policy with our stakeholders including our suppliers/contractors, tenants, investors, customers and local communities with the aim of finding ways to deepen and broaden sustainability collaboration with such stakeholders.

## 5. REVIEW

The Policy shall be reviewed from time to time with consideration of taking into account changes in the business context and the development of best practices of sustainability. Any changes or updates to the Policy shall be endorsed by the Sustainability Steering Committee of the Group.

## 6. ENQUIRIES

We welcome your feedback on our Policy. Please share your views with us at [Sustainability@HangLung.com](mailto:Sustainability@HangLung.com).

**This policy was adopted by the Sustainability Steering Committee in July, 2022.**