

Together we earn

We are dedicated to integrating a sustainability strategy in our business and applying our business philosophy to the way we plan, build and manage our world-class properties, engage with the community and stakeholders and invest in people development.











Sustainable Development

Hang Lung is dedicated to weaving sustainability into its business fabric. In 2018, we remained committed to the highest possible standard of integrity and continued to construct and operate our properties in a sustainable way, while nurturing our employees and strived to leverage our strength in community development. These strategies manifest how we apply our business philosophy *We Do It Right* – contributing to economic prosperity, enhancing the quality of life of people and conserving the planet, which are fundamental to our long-term growth.

Reporting Approach and Standards

The Sustainable Development section in this Report summarizes our performance in key sustainability topics in 2018. Comprehensive review of our sustainability policies and performance will be disclosed separately in our standalone Sustainability Report 2018, which shall be prepared in accordance with the Global Reporting Initiative (GRI) Standards as well as the “comply or explain” provisions of the Environmental, Social and Governance Reporting Guide (ESG Guide) contained in the Appendix 27 of the Rules of Listing of Securities on The Stock Exchange of Hong Kong Limited.

Formalizing New Sustainability Strategy

Our first three-year sustainability action plan was concluded in 2017 and we are glad that we have achieved or over-achieved most of the goals. Moving forward, we acknowledge the pressing need to develop a more holistic sustainability strategy, for which can guide us through the anticipated global changes in the forthcoming decade. As such, we launched an extensive stakeholder engagement exercise in 2018 that involved hundreds of stakeholders, including employees, tenants, customers, investors, business partners and other interest groups, to understand their concerns on sustainability topics relevant to our business. We also undertook a deep dive into the United Nations Sustainable Development Goals as well

as relevant sustainability policies in Hong Kong and the Mainland to ensure that we are well aware of the global trends. Building upon these efforts, we aim to launch our new sustainability strategy along with the new action plan by the second quarter of 2019.

Building the Team of Hang Lung Desirable Workplace

A desirable workplace is always the critical link to create shared values among employees. Therefore, we provide competitive remuneration and benefits packages, which are benchmarked against our industry peers on a regular basis, as well as fostering a fair and respectful work culture. Our commitment to provide equal opportunities to our employees and job candidates remains unwavering. By implementing our Equal Employment Opportunities Policy, we prohibit discrimination against our employees or job candidates on any grounds, including gender, age, marital status, family status, pregnancy, disability, race, ethnic origins or religion. To ensure compliance with the local employment laws, we include relevant policies in our Code of Conduct and make our employees aware of the Company’s employment practices through biannual reminders. In addition, we forbid the employment of child labor, forced labor and other unlawful forms of labor.

As of 31 December 2018, the Company employed 4,648 staff across Hong Kong and the Mainland. Total employee costs for the year were HK\$1,568 million.



MANAGEMENT CONFERENCE

The Company organized a company-wide management conference to facilitate idea exchange for executives from Hong Kong and the Mainland

Learning and Development

We believe in people investment. To equip employees with the latest knowledge and skills to keep up with the ever-shifting business environment, we provide ample training and development opportunities to our employees. In 2018, we organized the first company-wide management conference to facilitate idea exchange for executives from Hong Kong and the Mainland. We also made our online learning platform, eAcademy 66, available on WeChat that enable employees in mainland China to access training courses and material more conveniently. Over 100,000 training hours were delivered to employees in this year. Apart from internal training programs, we provide sponsorship for employees who pursue external training programs and apply for professional memberships.

Health, Safety and Wellbeing

We attach great importance to the health, safety and wellbeing of our employees. Through our Occupational Health and Safety Policy, we provide guidance on the roles and responsibilities of the Company and our employees in maintaining a safe workplace. To instill a safety culture, we regularly provide safety training to our staff and contractors. In 2018, we maintained zero fatalities for our staff. At our construction sites in mainland China, we commissioned independent safety consultants to monitor the safety performance of our contractors. High level of safety performance was maintained with a combined accident rate of 0.0074 accidents per 100,000 man-hours.



WORK-LIFE BALANCE

The Company organized a wide range of leisure activities such as LOHAS Day and baking classes to promote the importance of healthy lifestyle among employees

Work-life balance is regularly emphasized in Hang Lung. In 2018, we delivered a series of workshops on healthy diet across Hong Kong and the Mainland to promote the importance of healthy lifestyle among employees. We also organized a wide range of leisure activities such as LOHAS Day, baking classes and movie night in Hong Kong and held badminton and football competitions in the Mainland. As a family-friendly employer, we implement measures to enable our employees to discharge their parental duty without hassle, such as providing lactation rooms in all of our offices in Hong Kong and the Mainland.

Making Better Places Sustainable Buildings

Being one of the leading commercial property developers in Hong Kong and the Mainland, we aspire to enhance the industry standards on sustainable buildings in the region. Upholding our business model Build to Own, Build to Last, we incorporate environmental and social considerations throughout the lifecycle of our buildings. Our Environmental Policy ensures our environmental performance by

providing guidance to our staff, contractors and suppliers to construct and manage our buildings in an environmentally responsible manner. We also adopt international best practices to design and construct buildings wherever possible. In 2018, our Plaza 66 Office Tower 1 achieved the Leadership in Energy and Environmental Design (LEED) for Core and Shell Development – Gold Level certification, increasing our total number of LEED Gold Level certifications to 10.

Climate Change and Energy Conservation

Recognizing the devastating consequences that climate change potentially poses to our business, we incorporated climate risk as one of our corporate risks under our Enterprise Risk Management framework in 2018 and initiated a preliminary climate risk mapping exercise at Group and site level. Besides, we monitor our impact on climate change by reviewing our carbon footprint regularly. To ensure the accuracy and reliability of our carbon footprint data, we appointed an independent consultant to verify our Scope 1 and Scope 2 greenhouse gas emissions annually.

As over 90% of our carbon footprint is attributable to our energy consumption, we strive to mitigate our impact on climate change through energy conservation. Therefore, we gave priority to energy saving measures, such as replacement of more energy-efficient equipment and facilities optimization, under our Asset Enhancement Initiative. Large-scale renovation projects including The Peak Galleria in Hong Kong and Grand Gateway 66 in Shanghai are expected to be completed in 2019.

Water Conservation

Water scarcity is a global challenge and many of our operating cities face water shortage. We have adopted a wide variety of measures to reduce water consumption at our properties, such as installing water-efficient fixtures and raising awareness on water conservation among our employees, customers and tenants.

Waste Management

Coping with the mounting waste management issue, the Hong Kong SAR Government plans to introduce the Municipal Solid Waste (MSW) Charging Scheme by the end of 2020 and the Chinese Government has also made household waste sorting mandatory to encourage source separation and waste reduction. To prepare for the legislations, our Kornhill Plaza has participated in the Municipal Solid Waste Charging Trial Project organized by the Environmental Protection Department (EPD) in Hong Kong in 2018 to enhance our staff's and tenants' understanding of the forthcoming MSW Charging Scheme.

In addition, we have adopted a wide range of measures to reduce waste at source and facilitate recycling. In 2018, we installed umbrella dryers at selected properties in Hong Kong to reduce usage of plastic umbrella bags and implemented a paperless parking system at all of our properties in mainland China. We also provide collection services at our

properties for recyclables including paper, plastics, metal, food waste and glass bottles. In order to step up our efforts on food waste reduction, we collect food waste from tenants of Amoy Plaza and Kornhill Plaza and send it to the EPD's first organic resource recovery center, O•Park1, for recycling.

Regarding hazardous waste, we appoint licensed service providers to collect and handle used fluorescent lights, rechargeable batteries and clinical waste from our medical services tenants.

As for construction waste, we require our contractors to follow site-specific Construction Waste Management Plan to recover, handle, transfer and discard waste to achieve project-specific recycling targets.

Indoor Air Quality

Responding to rising expectations for healthier indoor environments from our staff, tenants and customers, we launched the Clean Air Initiative in 2016 to enhance air filtration systems in phases at our properties in mainland China. By the end of 2018, we had fully upgraded the air filtration provisions at our properties in mainland China. We also helped create awareness on the importance of good indoor air quality and introduced related health tips to our staff and customers. For instance, we collaborated with the International Facility Management Association and Tongji University in September 2018 to organize a technical seminar on topics related to indoor air quality. Besides, we launched a marketing campaign themed with the cartoon characters O₂ at our properties in mainland China to introduce the importance of good indoor air quality to our customers in a fun fashion.



Green Financing

Green financing has bloomed in recent years as investors increasingly recognize environmental factors as a source of long-term value creation. Governments around the world have also implemented policies to incentivize the allocation of capital to promote sustainable development. Demonstrating our commitment to green investing while diversifying our source of capital, we issued a green panda bond of RMB1 billion with a tenor of three years in mainland China in July 2018. The proceeds of the bond are used to fund our green building development projects in mainland China.

Community and Partnership

Hang Lung As One Volunteer Team

Our Hang Lung As One Volunteer Team plays a pivotal role in building sustainable communities where we operate. In 2018, our volunteer activities continued to focus on three areas: youth development, environmental conservation and elderly services. During the year, we organized over 110 volunteer activities, contributing over 13,000 volunteer hours in Hong Kong and the Mainland.

In Hong Kong, we co-organized Knit with Love x Share with Love with Elderly with Lok Kwan Social Service to knit scarves for the elderly, visited the senior citizens living in Tsz Wan Shan and accompanied them for an outing event. We also organized a geology exploration tour to the northeastern area of the UNESCO Geopark for underprivileged primary school students to arouse their interest in exploring the nature. In the tour, the students learnt about rock formations and mangroves, and gained a better understanding of the culture on the islands.

In mainland China, our volunteer teams organized a wide range of activities to support youth development, such as sports day in Wuhan and shadow play experience class in Kunming. Volunteers from Center 66 in Wuxi cleaned up a park to echo Earth Day. Besides, we paid visits to the homes for the

elderly during festivals to express our care for them. Volunteers from Grand Gateway 66 in Shanghai partnered with a group of primary schools students to distribute herbal sachets to the elderly during a visit to celebrate Tuen Ng Festival. Volunteers from Olympia 66 in Dalian brought gifts to senior citizens and made dumplings for them during a visit at Chung Yeung Festival.

Hang Lung Mathematics Awards

In 2018, we co-organized the Eighth Hang Lung Mathematics Awards (HLMA), a biennial flagship program, with the Institute of Mathematical Sciences and the Department of Mathematics at The Chinese University of Hong Kong (CUHK). The objective of the competition is to raise interest in mathematics among young people. 260 students in over 90 teams from more than 60 schools participated in the competition this year. To further students' exploration in mathematics, we published a collection of past winning papers with CUHK and distributed the collection for free to secondary schools, libraries and related education institutions in Hong Kong in 2018. Our Hang Lung As One volunteer team also continued to partner with the past participants of HLMA and students from CUHK to provide mathematics tutorial classes to underprivileged students for free for the fourth consecutive year to stimulate their interest in the subject through fun games. A total of 580 hours of tutorial classes were delivered this year.

Hang Lung Young Architects Program

Leveraging our expertise and network, we launched the largest architectural education youth program in Hong Kong, namely Hang Lung Young Architects Program in October 2017 jointly with a leading cultural enterprise Walk in Hong Kong to foster an appreciation of architecture and its connection with the community among the youth. During the nine-month program, over 320 students from 29 secondary schools spent a total of 620 hours to learn and explore architecture through a series of activities, including interactive lectures, workshops, a photo contest and guided tours.

YOUTH DEVELOPMENT & EDUCATION

The Hang Lung Young Architects Program received honors in China and the international arena



ELDERLY SERVICE

Volunteers accompanied the elderly for an outing activity



YOUTH DEVELOPMENT & EDUCATION

The Hon. Mrs. Carrie Lam Cheng Yuet-ngor (left), The Chief Executive of the Hong Kong Special Administrative Region, presented the Gold Award of the 2018 HLMA to Zhiyuan Bai (center) from La Salle College



In the Architectural Tour Design Competition of the Program, 54 teams of students designed architectural guided tour routes with their freshly-acquired knowledge and skills, and assumed docents to lead the judges along the routes of their own design. Overseas architectural tours and scholarships were awarded to the winning teams this year. Under the professional guidance of Hang Lung architects, the winning teams visited architectural landmarks and renowned local architectural firms in Japan, Singapore and Shanghai respectively to broaden their horizons.

The program received honors in China and the international arena, affirming our determination in launching the program. The program won a Gold Award in the CSR Communications category of the 14th China Golden Awards for Excellence in Public Relations, which is the only gold title clinched by a Hong Kong corporation this year. In addition, the program garnered three accolades in the category Communications or PR Campaign of the Year at the International Business Awards 2018, including a Silver Stevie in the sub-category Reputation/Brand Management, a Silver Stevie in the sub-category Sponsorship and a Bronze Stevie in the sub-category Community Relations.

Supply Chain Management

Incorporating sustainability throughout our value chain is a collaborative journey. All of our suppliers and contractors are required to comply with our Supplier Code of Conduct, which covers our sustainability principles and the minimum requirements, for example, compliance with local laws and regulations, labor practices, health and safety standards, and environmental protection. To monitor their compliance with the code, we conduct regular assessments of all suppliers and carry out annual performance review with major suppliers. We have also put in place the Central Environmental Purchasing Policy to encourage our staff, suppliers and contractors to purchase local and environmentally-friendly products and services.

Enhancing Customer Experience

Feedback from customers and tenants is crucial to drive continual improvement of our service quality. Since the launch of the standardized customer engagement survey at our properties in mainland China in 2017, we have identified customer concerns more systematically and undertaken enhancements accordingly. For instance, drivers reflected that traffic jams near the carpark entrance of Riverside 66 in Tianjin was an issue. To enhance customer experience and shorten waiting time, we adopted a multi-pronged approach, such as extending the duration of green light at the adjacent junction, opening up surrounding lanes and deploying staff to redirect traffic at the carpark entrance and exits. As a result, the customer satisfaction score of Riverside 66 increased for six consecutive months in 2018.



CUSTOMER EXPERIENCE

The Company launched the standardized customer engagement survey at our Mainland properties to drive continual improvement of service quality



HOUSE 66

The Company launched a new Customer Relationship Management Program, HOUSE 66, to build a more personal and lasting relationship with customers

In order to provide customers with unique and more personalized services, we rolled out a new Customer Relationship Management Program, HOUSE 66, at Plaza 66 in Shanghai and Parc 66 in Jinan in 2018. Through the program, we aim to build a more personal and lasting relationship with our customers.

We place great emphasis on the health and safety of our customers. By providing relevant guidelines and conducting training and regular drills, we aim to adequately equip our staff to ensure the security of our properties and handle emergency situations appropriately.

To safeguard the personal data of our customers, 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 ensure conformity with the Personal Data (Privacy) Ordinance in Hong Kong. Similar policies and procedures are in place to protect the privacy of our customers in mainland China so as to abide by the relevant personal data protection legislations.

Recognitions on Sustainability

Our efforts in promoting sustainability and being transparent on our sustainability performance has been recognized locally and internationally. We were listed as a constituent of the Hang Seng Corporate Sustainability Index in Hong Kong and Hang Seng (Mainland and HK) Corporate Sustainability Index with an “AA” rating for the 9th consecutive year. Reaching global standards, we were included as a member of the Dow Jones Sustainability Indices Asia Pacific Index for two consecutive years, and received a 3-Star performance rating and an A grade disclosure rating under the Global Real Estate Sustainability Benchmark (GRESB). These recognitions attest companies with exceptional performance in sustainable development based on objective assessment of public disclosure, policies adopted and performance in selected areas.