

# Sustainability



We made significant strides in our sustainability journey during 2021. We remain committed to embedding sustainability in all aspects of our work, with a focus especially on our four priorities of Climate Resilience, Resource Management, Wellbeing, and Sustainable Transactions.

Alongside our **2030 Sustainability Goals and Targets** announced in December 2020, we have established 25 sustainability targets for the end of 2025, **25 x 25 Sustainability Targets**. Our combined targets for 2025 and 2030 provide a clear agenda for our ambition to become one of the world's most sustainable real estate companies.

## Key Highlights in 2021

### International Recognition

- GRESB**  
Upgraded to **4-star** performance rating
- Dow Jones Sustainability Indices**  
Member of  
Powered by the S&P Global CSA  
**82<sup>nd</sup> >> 88<sup>th</sup>** percentile
- MSCI ESG RATINGS**  
Upgraded to **"A"** rating
- SUSTAINALYTICS**  
a Morningstar company  
A low ESG risk rating since July 2020
- FTSE4Good**  
Inaugural inclusion in **FTSE4Good** Index Series
- Hang Seng Corporate Sustainability Index Series Member 2021-2022**  
Upgraded to **"AA"** rating



### Ambitious Targets Towards Sustainability Leadership

#### 25 x 25 Sustainability Targets



Set company-wide **strategic Environmental, Social and Governance Key Performance Indicators (ESG KPIs)**, tied to departmental and employee performance reviews

Committed to setting both **near-term** and **long-term targets** to reach **net-zero** value chain greenhouse gas (GHG) emissions by no later than 2050

### Major Milestones

Spring City 66, Kunming is **100%** powered by **renewable energy**



Conducted **comprehensive employee engagement survey**



**>1,800** volunteers



**133** volunteering activities



**>14,500** hour



**>14,800** people benefitted



Secured **30%** of debts and available facilities from **sustainable financing**

Launches initiatives worth **HK\$27 million** to encourage **COVID-19 vaccination** in Hong Kong



## Reporting Approach and Standards

The Report’s Sustainability section summarizes the Company’s sustainability performance in 2021, including key achievements and plans. The initiatives are aligned with our Sustainability Policy, which outlines our sustainability leadership approach over the next decade, including our Sustainability Framework, our 2030 Sustainability Goals and Targets, and the principles and processes ensuring effective implementation and governance. We will disclose our sustainability policies, metrics, and performance in greater detail in our standalone *Sustainability Report 2021*, prepared in accordance with the Global Reporting Initiative (GRI) Standards and the “mandatory disclosure requirements” and “comply and explain” provisions of the ESG Guide contained in Appendix 27 of the Listing Rules.

## Progress Towards Sustainability Leadership

In support of our long-term sustainability ambition, we introduced annual Strategic ESG KPIs tied to the performance reviews of departments and employees in 2021, including our top management. The Strategic ESG KPIs have fuelled our momentum across our four sustainability priorities.

## Climate Resilience

### Commitments to Science-Based Targets

Our GHG emissions reduction scenarios for 2025 and 2030 include a detailed analysis of sensitivities related to grid decarbonization, energy efficiency, and renewable energy procurement. In late December 2021, we became one of Asia’s first real estate companies to make commitments through The Science Based Targets initiative (SBTi) to setting near-term and long-term targets to reach net-zero value chain greenhouse gas emissions by no later than 2050.

### Scopes 1 and 2 (GHG) Emissions

We also implemented our 2021 GHG Mitigation Plan to reduce portfolio-wide Scope 1 and 2 GHG emissions and prepared our 2022 GHG Mitigation Plan. Within each plan, our properties must identify and include carbon reduction measures in the annual budgeting process. We also installed smart energy meters at most properties in Hong Kong and are on track to complete the installation work at our mainland China properties in the first quarter of 2022.





Our CEO Mr. Weber Lo joined the Carbon Neutrality Partnership Certification cum Pledging Ceremony organized by the Environment Bureau of the HKSAR Government



An advanced battery energy storage system has been introduced to replace traditional diesel generators at our new development projects for a cleaner environment in Hong Kong

### Spring City 66, Kunming is 100% Powered by Renewable Energy

In December 2021, we announced that Spring City 66 in Kunming is fully powered by renewable energy. A first for the Company, Spring City 66 is also the first commercial complex in Yunnan Province to achieve net-zero carbon emissions in terms of annual electricity consumption for both landlords' and tenants' operations. We aim to replicate this landmark achievement and have established a 2025 target to meet at least 25% of our mainland China portfolio's electricity demand with renewable energy.

### Scope 3 GHG Emissions

Following a comprehensive inventory of our Scope 3 emissions in 2021, we found that embodied carbon from our building materials (e.g. steel and concrete) and emissions from our tenants' energy consumption constitute the two most significant sources of such emissions.

We have adopted low carbon concrete at our new development projects, and we are applying battery storage technologies to replace diesel at our construction sites in Hong Kong.

We have also developed a 2025 embodied carbon target to achieve a minimum 10% reduction in embodied carbon intensity ( $\text{kg CO}_2\text{e}/\text{m}^2$ ) for new development projects that begin in 2022 or later, compared to standard practice for an equivalent project. Embodied carbon is a challenging but critical area, and we are one of the first developers in the region to commit to a 2025 target addressing it.

For Scope 3 downstream emissions, we are piloting amendments to our tenant handbook and fit-out guide for our Shanghai properties (please refer to "Tenant Collaboration" section). Our 2025 target is to reduce GHG intensity ( $\text{kg CO}_2\text{e}/\text{m}^2$ ) from tenants' electricity consumption at our properties in mainland China by at least 15% compared to 2018.

### Adaptation to Physical Climate Risks

To address physical risks from climate change, we worked with an expert consultancy to complete a detailed physical risk analysis for all properties. The risk analysis modelled the impact of potential changes to key climate indicators, including temperature, precipitation, and typhoons, under various scenarios from now until 2030 and 2050. Over the year, we conducted four workshops to review and discuss the findings, including a corporate level discussion of the results and implications with our top management. We are currently reviewing our existing risk controls and evaluating key areas and priority properties that may require enhanced adaptation measures.

### Resource Management

#### Energy Management

Our properties are embracing technologies to improve their energy management. For example, CLP in Hong Kong honored Amoy Plaza with a Smart Energy Award in recognition of significant energy savings achieved through collaboration between our central and local Service Delivery teams in embracing IoT and the latest HVAC control technologies.

We have also adopted brushless direct current (DC) motor fan coil unit designs for multiple projects, and are piloting artificial intelligence technologies starting with Arup's Neuron Energy system at the Standard Chartered Bank Building in Hong Kong. The Company will continue to innovate in energy and electricity management and aims by 2025 to reduce our electricity intensity by 18%, compared to 2018.

#### Water Management

We have completed a detailed review of water consumption and practices across our mainland China and Hong Kong portfolio. We also conducted on-site visits to Grand Gateway 66, Shanghai and our properties in Hong Kong East in Hong Kong (Kornhill Plaza, Kornhill Apartments, and



Amoy Plaza was awarded the Smart Technology Excellence Award in the Smart Energy Award 2021 for its outstanding achievements in energy saving

Kornhill Recreation Club) to gauge our properties' current water operations and conservation practices. We have identified key strategies to enhance water management, including water-efficient fixtures, water recycling, efficient use of cooling towers, rainwater harvesting, and irrigation methods. We have set a 2025 target to reduce our water intensity by 10% compared to 2018.

#### Recycling and Waste Management

A variety of initiatives improved our understanding of current waste management and recycling practices in 2021. To verify data accuracy and identify areas of improvement, we completed a waste data analysis for 29 properties across our mainland China and Hong Kong portfolios. We also conducted more detailed waste audits at Plaza 66, Shanghai and our properties in Hong Kong East in Hong Kong. Our overall landfill diversion rate exceeds 60%, mainly due to the incineration of municipal solid waste at our properties in mainland China. Our 2025 waste targets are to divert 70% of operational waste from landfill and divert 60% of construction waste from landfill and maximizing recycling for projects under development.

We have also improved and enhanced our recycling and reuse practices in collaboration with various stakeholders. For example, in mainland China, we collaborated with a recycling company to collect about 24 tons of used frontline staff uniforms which were either upcycled into gloves, yarn, and other materials or reused in other markets. Our project team at Heartland 66, Wuhan also partnered with national NGO Flying Ant and the Hang Lung As One Volunteer Team to collect, sort, and donate old clothes from customers to people in need. Tenants also sponsored shopping vouchers to incentivize customers to support the campaign. We are planning to replicate the project at other properties in mainland China, aiming to collect and donate up to 5,000 kilograms of clothing.

## Wellbeing

### COVID-19 Measures

In 2021, the Company supported Hong Kong's COVID-19 vaccination drive with initiatives worth HK\$27 million. The Company offered two additional days of paid vaccination leave and up to HK\$4,000 in e-shopping coupons for fully vaccinated and eligible staff.

### Employee Wellbeing and Engagement

We remain committed to fostering employee wellbeing and engagement through a range of measures and initiatives. The Company provides competitive remuneration and benefits regularly benchmarked against the market. In 2021, we achieved a key talent retention rate of 92.6% and approximately 53% of our key staff members were promoted or given opportunities to broaden their horizons in 2021.

Heartland 66 in Wuhan partnered with NGO Flying Ant and the Hang Lung As One Volunteer Team to collect, sort, and donate old clothes from customers to people in need



We collaborated with a recycling company to collect about 24 tons of frontline staff uniforms in mainland China for upcycling or reuse

## Sustainability

We respect each employee's personal needs and unique professional development and promote a healthy work-life balance with flexible working hours and work from home options. In 2021, *JobMarket* named us Employer of Choice and honored the Company with its Work-Life Balance and COVID-19 Caring Employer awards.

Our first employee engagement survey launched in 2021 with an impressive overall participation rate of 97.4%. Based on the findings, we formulated plans to improve employee engagement and keep management informed with regular updates. Our 2025 target sets out to achieve an employee engagement rating equal to or greater than the 75<sup>th</sup> percentile.

### Diversity and Inclusion

Our Equal Employment Opportunities Policy prohibits discriminatory practices to ensure that all job candidates and employees are treated fairly. We are also committed to further improving the current 4:6 female-to-male ratio of executive employees. Our 2025 target sets out to maintain a 1:1 female-to-male pay ratio.

The Company creates opportunities for people from diverse backgrounds in mainland China and Hong Kong. In 2021, we launched a national summer internship program and provided 72 students, including two students with special needs, with working opportunities across various functions and projects. We also recruited interns to participate in and organize social service initiatives, including soap recycling and battery disposal, to encourage community service among young people. We recognize that we can do more to support people with disabilities and aim to audit all our properties and corporate practices – in other words, both our hard and soft infrastructure – to enhance inclusive opportunities by 2025.



We organized a national summer internship program to provide young people with working opportunities across different functions

### Learning and Development

We remain committed to providing our employees with learning and development opportunities. Extensive training programs include professional skills training, leadership programs, and company knowledge training through our Academy 66. In 2021, we completed 94,649 hours of training, including 16 webinars on wide-ranging topics related to our business.

We also launched the first cohort of our Leadership Development Program Series to help key employees hone their leadership skills. Going forward, the initiative will expand to cover key employees at all levels in the Company.

Lastly, we are rolling out ESG-specific training across the Company. In 2021, we delivered webinars on important topics such as climate resilience and sustainability leadership and aim to provide priority ESG training across all departments and seniority levels by 2025, starting with practical ESG training in four major departments in 2022.

## Health and Safety

Endorsed by our Sustainability Steering Committee, we are launching a group-level Health and Safety Policy in 2022. The policy will encourage collaboration and the exchange of best practices between our projects, offices, and operations. In addition, a Service Delivery Safety Management Committee established in 2021 tracks relevant safety KPIs and monitors safety issues across our operations. Among our 2025 targets, we aim to maintain a Lost Time Injury Rate of 1.5 or below for employees and zero work-related fatalities for employees and contractors.

## Sustainable Community Investment (SCI) Initiatives

The Group is committed to enriching lives and promoting diversity and inclusion in our communities. Despite the pandemic, 1,800 volunteers completed 133 volunteering activities, collectively contributing more than 14,500 service hours and benefitting over 14,800 people in Hong Kong and mainland China during 2021. Examples include:

- **Nationwide Volunteer Day.** To commemorate the founding anniversary of the Group, our employees participate in a nationwide volunteer day across nine cities in mainland China and Hong Kong in September every year. In 2021, 980 corporate volunteers dedicated over 4,000 service hours to promote low-carbon living and deliver care to more than 5,000 people in need.
- **Hang Lung x HKYWCA in Hong Kong.** In 2021, the Group partnered with the Hong Kong Young Women's Christian Association (HKYWCA) to launch a three-year program, Hang Lung x HKYWCA Love-No-Limit, to build an inclusive, dementia-friendly environment in the community. Volunteers contributed over 400 service hour with more than 900 in attendance benefitting from the services offered in the first year.
- **Hang Lung x St James Settlement in Hong Kong.** We partnered with St. James Settlement in Hong Kong to introduce a volunteer program, Walking Through Arts with Kids, in which 26 volunteers contributed 200 service hours to help 28 children with special education needs experience various art forms, including dance therapy and arts and crafts workshops.



The Hang Lung x HKYWCA "Love · No · Limit" program aims to build an inclusive, dementia-friendly environment in the community.



980 corporate volunteers from mainland China and Hong Kong took part in the Nationwide Volunteer Day to promote low-carbon living



We donate HK\$2.5 million to each edition of Hang Lung Mathematics Awards, encouraging students to realize their creative potential in mathematics and sciences, and stimulating their passion for intellectual discovery

- **Parc 66, Jinan.** The shopping mall hosted an art exhibition, Lighting Up the Starry Sky with Arts, to raise awareness of autism and encourage social integration and understanding of people living with autism.
- **Grand Gateway 66, Shanghai.** In anticipation of the Tuen Ng Festival, volunteers made and gave away presents scented sachets, along with rice dumplings, to senior citizens in an elderly care center.
- **Hang Lung Mathematics Awards.** The prestigious biennial mathematics research competition is for secondary school students in Hong Kong. Over the past eight editions, over 2,400 students from 200 schools have participated. Hang Lung donates HK\$2.5 million to each edition of the competition, to cover academic consultancy, assessment, administration, promotion, and of which HK\$1 million will be used as prize money. In 2021, the event included over 60 teams from nearly 40 secondary schools across Hong Kong.



The Hang Lung As One Volunteer Team in Shanghai prepared handicrafts for the elderly as a celebration of Tuen Ng Festival

## Sustainable Transactions

### Sustainable Finance

The Company secured 30% of debts and available facilities from green bonds, green loan facilities, and sustainability-linked loan facilities. In March 2021, to educate employees on the topic, we conducted a webinar on sustainable finance for 316 colleagues in Hong Kong and mainland China. Our 2025 target is to obtain 50% of debts and available facilities from sustainable finance.

## Supplier Collaboration

In 2021, we made significant progress in advancing sustainability across our operations and project supply chains. On the operations side, we developed a sustainable procurement strategy and updated our Central Purchasing Department – Operating Manual and Procedures with enhanced ESG considerations. We also embedded ESG requirements into priority procurement categories, and we invited two experts to speak about ESG and supply chain issues at an internal conference attended by more than 100 colleagues from our finance, IT, and central procurement departments.

On the projects side, we defined an initial framework to improve sustainability and will engage more than ten key project suppliers on 16 improvement ideas, including low embodied carbon materials, energy efficiency, environmentally friendly design features, indoor environmental quality, and employee wellbeing. Additionally, we plan to host an ESG suppliers conference in late 2022 focused on embodied carbon and other priority areas to advance sustainability in partnership with our suppliers. Our 2025 target seeks to build a robust digital platform to assess suppliers' ESG performance.

## Tenant Collaboration

We recognize the vital importance of working with our tenants to reduce emissions and bolster sustainability objectives. Planned amendments to our tenant handbook and fit-out guide for office and retail tenants will include sustainability provisions and roll out in Shanghai before expanding to all our properties.

In Hong Kong, we are collaborating with the Hong Kong University of Science and Technology's Environmental Management and Technology Program so students can assess our tenants' understanding of and commitments to sustainability as part of their final year Capstone Project. The project not only benefits students but also identifies and prioritizes opportunities for landlord-tenant sustainability collaboration.

We plan to incorporate sustainability provisions into 100% of our leases by 2025.



## 25 x 25 Sustainability Targets

The 25 x 25 Sustainability Targets address the four priorities outlined in the Company's Sustainability Framework, defining concrete and quantifiable measures to tackle sustainability challenges and provide employees with a clear blueprint for the next four years. Highlights include:

- **Climate Resilience.** Targets related to Scopes 1, 2, and 3 emissions, renewable electricity, and climate adaptation.
- **Resource Management.** Targets related to recycling, water use, and landfill diversion.
- **Wellbeing.** Targets related to employee engagement, gender pay ratio, people with disabilities, health and wellness, safety, and youth.
- **Sustainable Transactions.** Targets related to suppliers' ESG performance, marketing events, leases, sustainable finance, and asset acquisitions.

## 25 x 25 Sustainability Targets



### Climate Resilience

2030 Goal : Reduce carbon footprint in line with climate science

2030 Target	25 x 25 Sustainability Targets	
Nearly net zero carbon building		
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	<p><b>1</b> 40% cumulative reduction in GHG intensity (kg CO<sub>2</sub>e/m<sup>2</sup>) relative to 2018</p> <p><b>3</b> 25% of our mainland China portfolio electricity demand met by renewable energy</p>	<p><b>2</b> 18% cumulative reduction in electricity intensity (kWh/m<sup>2</sup>) relative to 2018</p> <p><b>4</b> Wherever feasible exceed local regulations for the provision of parking spaces installed with EV charging facilities across our portfolio</p>
	<p><b>5</b> 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</p>	<p><b>6</b> 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</p>
	<p><b>7</b> Complete technical analysis for climate adaptation measures for all properties</p>	



### Resource Management

2030 Goal : Promote circular economy by reducing resource consumption and maximizing recycling

2030 Target	25 x 25 Sustainability Targets	
Incorporate circular building principles in new properties	<p><b>8</b> 60% of construction waste diverted from landfill for new projects starting in 2022 with maximized recycling</p>	<p><b>9</b> Demonstrate best efforts to maximize the use of recycled, reused and bio-based materials on all new projects</p>
Implement water management program in all properties	<p><b>10</b> 10% reduction in water intensity (m<sup>3</sup>/m<sup>2</sup>/year) relative to 2018</p>	
Divert 90% of operational waste from landfill	<p><b>11</b> 70% of operational waste diverted from landfill</p>	



## Wellbeing

2030 Goal : Ensure employees, customers and communities enjoy an unrivalled environment that promotes their health and wellbeing

2030 Target	25 x 25 Sustainability Targets		
Assess wellbeing for all employees and key customers	12 Achieve an employee engagement rating greater than or equal to the 75 <sup>th</sup> percentile	13 Maintain Female-to-Male pay ratio of 1:1	14 Conduct an audit of all our properties and corporate practices on how to enhance wellbeing and opportunities for persons with disabilities
Meet or exceed wellbeing standards for new properties	15 Obtain local or international health and wellness certification for all our existing Mainland properties	16 Obtain WELL Gold certificate or equivalent for at least one new property in Hong Kong and mainland China	17 Deliver priority ESG training targeted to all departments and seniority levels
Work with youth on sustainability solutions in all cities where we have asset	18 Maintain a Lost Time Injury Rate of 1.5 or below for employees	19 Maintain zero work-related fatalities for employees and contractors	20 Work with youth on wellbeing community initiatives at all properties by 2025



## Sustainable Transactions

2030 Goal : Collaborate with all suppliers and customers to advance our sustainability priorities

2030 Target	25 x 25 Sustainability Targets	
Implement supplier evaluation and ranking system	21 Embrace technology to build a robust digital platform for assessing suppliers' ESG performance	22 100% of marketing events evaluated for their sustainability impacts
Engage all tenants on emissions reduction, resource management, and wellbeing enhancement	23 100% of leases incorporate sustainability provisions	
	24 50% of total debts and available facilities from sustainable finance	
	25 100% of potential asset acquisitions include ESG due diligence	