

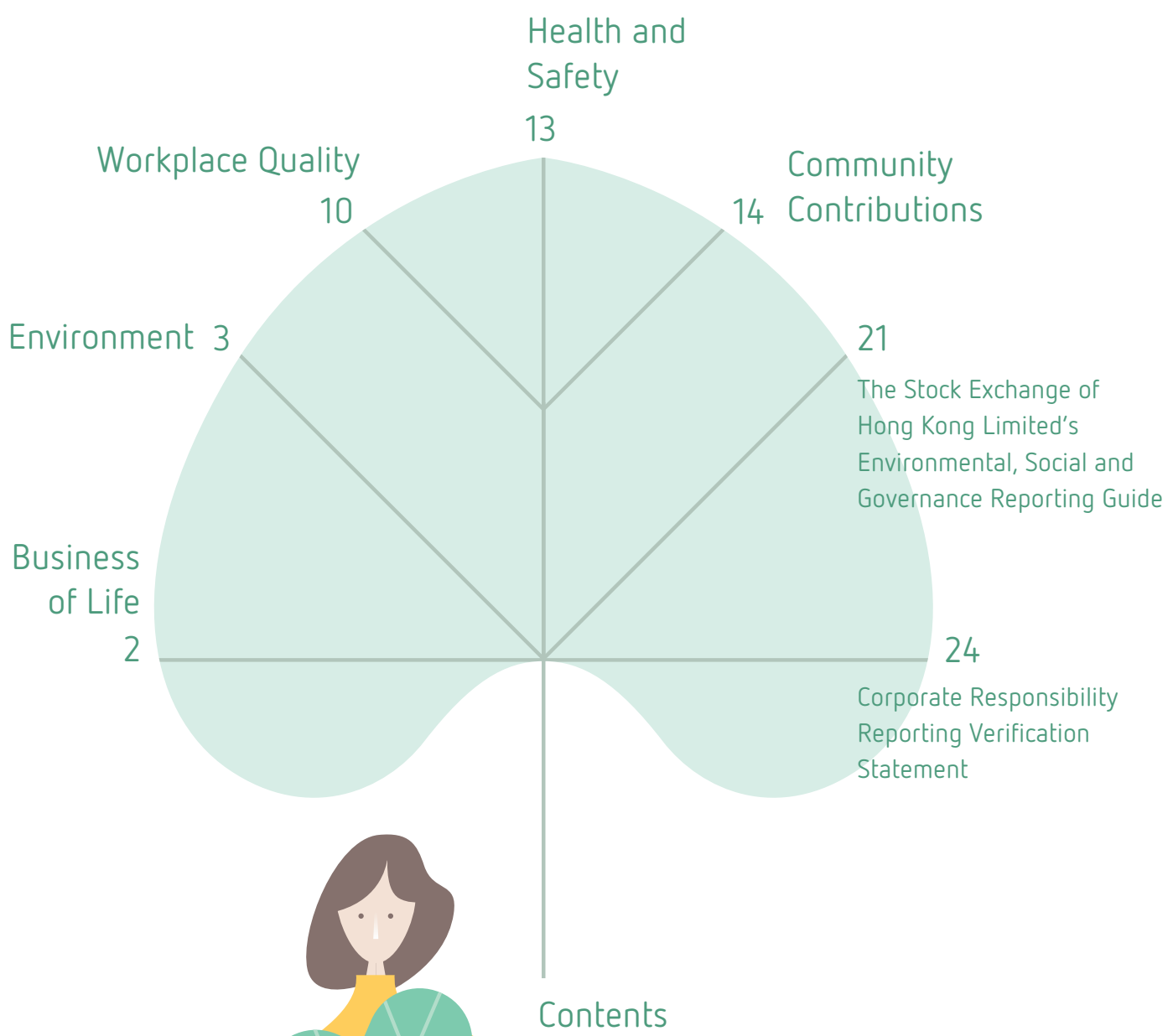
AN INTEGRAL PART OF
THE COMMUNITY
III

2017 CORPORATE RESPONSIBILITY REPORT



 **Hysan** 希慎

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2017 Highlights



ENVIRONMENT

“AA”

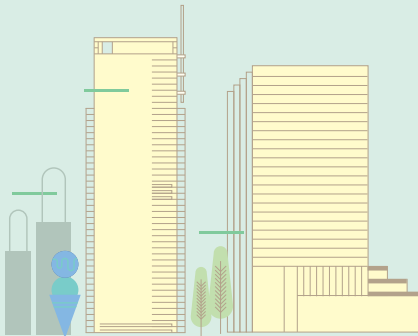
- MSCI Global Sustainability Indexes: “AA” Rating

“AA”

- Hang Seng Corporate Sustainability Index: “AA” Rating

- Lee Garden Three achieved United States Green Building Council’s LEED (Core and Shell) Gold pre-certification

- Lee Garden One Offices achieved Final Platinum rating under Hong Kong Green Building Council’s BEAM Plus Existing Buildings; Lee Garden Three and Hysan Place were given Provisional Platinum rating under BEAM Plus New Buildings and Existing Buildings respectively



SOCIAL

- Constituent member of FTSE4Good index
- MSCI Global Sustainability Indexes: “Top 5 Industry Leaders” in the sub-category of “human capital development”

- Silver Award for Volunteer Service (Organisation) (in 2017) under the Steering Committee on Promotion of Volunteer Service of Social Welfare Department



GOVERNANCE

- Gold Award (Non-Hang Seng Index Large Market Capitalisation Category) in the Hong Kong Institute of Certified Public Accountants’ Best Corporate Governance Awards 2017
- Winner (Category 2: Main Board Companies, Hang Seng Composite Index Constituent Companies) in The Chamber of

Hong Kong Listed Companies’ Hong Kong Corporate Governance Excellence Awards 2017

- Bronze Award (General Category) in The Hong Kong Management Association’s 2017 HKMA Best Annual Reports Awards



Business of Life

As a “Business of Life”, Hysan continues to provide sustainable and outstanding returns for our shareholders, while also engaging our stakeholders to create a sustainable community by using resources wisely and minimising negative social and ecological impacts.

Awards and Recognitions

Hysan is a constituent member of some of the leading international sustainability indices, including FTSE4Good Index and Hang Seng Corporate Sustainability Index (with an “AA” rating). Hysan’s efforts have also been recognised in MSCI’s Global Sustainability Index with an “AA” ESG rating. In regard to community initiatives, we were awarded the 15 Years Plus Caring Company logo by the Hong Kong Council of Social Service.

Hysan joined the Charter on External Lighting in 2016. In 2017, Bamboo Grove successfully achieved the Charter’s Platinum award for our efforts to reduce light nuisance and energy wastage. Also in 2017, Hysan Place, Lee Garden One, Lee Garden Two, Lee Garden Five, Lee Garden Six, Leighton Centre and One Hysan Avenue achieved their respective Gold awards.

Corporate Responsibility Policy

MAINTAIN HIGHEST ETHICAL STANDARDS

- We aim to maintain the highest ethical standards in the conduct of our business. We are committed to maintaining the highest standards of corporate governance

FOCUS ON HEALTH AND SAFETY

- Health and safety issues are of fundamental importance to us

MINIMISE ENVIRONMENTAL IMPACT

- We aim to minimise the impact of our activities on the environment

CONTRIBUTE TO COMMUNITIES

- We make positive contributions to the communities in which we operate

RESPECT OUR STAFF

- We treat our staff with fairness and respect, and maintain a working environment to realise their full potential

ENCOURAGE PARTNERS TO SET HIGH STANDARDS

- We encourage our suppliers and contractors to embrace high standards similar to our own

Policy Implementation

We strive to integrate our contribution to society into our core business operations and partnerships, and to provide expertise, manpower, venues and financial support to community projects. We helped found the Lee Gardens Association, a thriving neighbourhood association, back in 2016. Together with other members who are neighbouring businesses, we continue to showcase the Lee Gardens area through various activities and events, as well as other means of promotion. For details about the Association’s initiatives, please see Page 14.

Environment

Environmental Policy

Hysan's Environmental Policy focuses on measuring and reporting our carbon reduction efforts, promoting waste reduction at source, enhancing green purchasing and improving stakeholder engagement. Hysan will:

- Ensure compliance with all applicable environmental and related legislations and encourage staff, business partners and other stakeholders to meet their environmental obligations
- Identify environmental impacts associated with our operations, and set targets to continually improve our environmental performance
- Improve energy efficiencies by adopting best practicable designs and technologies without compromising service
- Measure and report our GHG emissions, and actively encourage our stakeholders to reduce their carbon footprint
- Minimise waste generation whenever practical in daily operations through source reduction and recycling
- Embrace green purchasing practices and adopt best practicable technologies to conserve natural resources where applicable
- Provide good indoor environmental quality in our buildings to ensure that all the work/living environments are healthy
- Provide regular environmental training to employees and continue to raise their awareness on the issues

Highlights of 2017

- Benchmarking exercise: Lee Garden One achieved Final Platinum rating under BEAM Plus Existing Buildings for its offices; Lee Garden Three and Hysan Place were given Provisional Platinum rating under BEAM Plus New Buildings and Existing Buildings, respectively.
- Partnership synergy: We commenced a project to develop LEED and BEAM Plus Information Kits for future Lee Garden Three tenants. This measure should encourage potential tenants to aim for high sustainability standards for their interiors.
- Public awareness: We installed Well#, a smart water refill station at Hysan Place, pioneering a new urban water drinking experience to reduce the usage of disposable plastic bottles.
- Stakeholder engagement: We continued our support of government-led environmental charters and initiatives; we also provided experience sharing at major local environmental events; and we organised events and workshops for tenants.
- Energy Accounting System: Further expanded the system, now also in Lee Garden Five
- Energy saving initiatives: Replacement of three sets of air cooled chillers with higher efficiency models at Lee Garden One and Lee Garden Two.

Energy Efficiency

ENERGY SAVINGS AND REDUCTION OF GREENHOUSE GAS EMISSIONS ACHIEVEMENTS: 2005 BASELINE AND FROM 2016-2017

| Issue | | 2005 | 2016 | 2017 |
|--|----------------------------------|--------|---------|----------------|
| GHG Emissions for Scope 1 & 2 ^{a,b} | Total (tonnes CO ₂ e) | 48,421 | 37,242 | 37,069 |
| Purchased Electricity | Total (MWh) | 52,598 | 47,724* | 46,831* |

a According to Guidelines to account for Report on Greenhouse Gas Emissions and Removals for Buildings in Hong Kong (2010 Edition) issued by Electrical and Mechanical Services Department and Environmental Protection Department. Scope 1 (Direct emissions and removals e.g. diesel, refrigerant) and Scope 2 (energy indirect emissions e.g. electricity and Towngas) are included

b The emission associated with the electricity purchased based on emission factors provided by Hongkong Electric in 2017

* The data have been adjusted upwards (based on past consumption pattern) for periods with significant vacancy / during renovations

With our effort on energy saving, we reduced energy consumption progressively in the past years. Using 2005 as a baseline, we reduced our energy use by over 11 % by the end of 2017. Our 2017 GHG emissions and electricity purchased also decreased by 0.5 % and 1.9 % respectively, as compared to 2016. These reductions were due to successful implementation of numerous energy savings initiatives.

ENERGY SAVINGS INITIATIVES

The third phase of our energy accounting system's implementation is still in progress. At present, six of our commercial buildings benefit from the system, which measures and analyses energy consumption within each building, thereby providing a more comprehensive picture of energy usage.

In addition, we continued our energy savings quest through the identification of locations where more energy efficient products, including energy-efficient air cooled chillers, variable speed drives for air handling units (AHUs), T5 lighting panels for offices and LED lights, could be installed. Modernisation of existing lifts also commenced at One Hysan Avenue by the end of 2017. The energy-efficient variable voltage variable frequency (VVVF) type lift power system will be adopted for a total of seven lifts and the modernisation will be completed in 2018.

For our new development Lee Garden Three, full LED lights with photo sensors have been installed in office space which provides excellent low lighting power density to the space (around 40 % lower than the local Building Energy Code for office light power density). Retail shopping mall and façade lighting are also equipped with LED lights to achieve energy saving purpose.

Environmental Quality

GREEN BUILDING RECOGNITION AND CERTIFICATIONS

Hysan is committed to managing our impact on the environment and the community. A main focus in recent years has been the development and maintenance of green buildings. In 2017, our 20-year old Lee Garden One's office section successfully achieved Final Platinum rating under the BEAM Plus (Existing Buildings) certification scheme. Our renowned sustainability-minded building, Hysan Place, which celebrated its fifth anniversary in 2017, also achieved Provisional Platinum rating under the BEAM Plus (Existing Buildings) certification scheme.

Lee Garden Three, our new commercial building project completed in December 2017, was built to high environmental and wellness specifications. It achieved Provisional Platinum rating under the BEAM Plus (New Buildings) certification scheme, as well as United States Green Building Council's LEED for Building Design and Construction: Core and Shell Development pre-certification at the Gold level.

AIR QUALITY

All our buildings have continued to be recognised by the Hong Kong Government's Indoor Air Quality Certification Scheme with "Excellent Class" or "Good Class" certifications.

In regard to our promotion of the use of electric vehicles in order to reduce urban pollution, Lee Garden Three's new car park provides 100% standard EV provision for all car parking spaces at the basement parking floors which encourages the use of such vehicles. These initiatives further complement our charging bays in Lee Garden One, Lee Garden Two and Leighton Centre, the Tesla Motors Superchargers in Lee Garden One car park, and the charging sockets in Hysan Place's parking lot.

URBAN MICROCLIMATE AND BIODIVERSITY

When Lee Garden Three's new tenants move into the building, they will enjoy the benefits of a green roof, which will help to reduce the building's heat island effect and improve the area's microclimate. They can also look forward to a brand new "Butterfly Garden" with flora to attract butterflies, which will enhance the building's biodiversity.

Our existing buildings' green features also contribute to enhancing the microclimate and improving biodiversity. Hysan Place's rooftop Urban Farm and its Sky Wetland are prime examples of this drive for sustainability, and they also double up as hands-on laboratories for green education. In addition, Lee Garden One's shopping mall structure benefits from a green roof.

Waste Management, Recycling and Water Consumption

In densely populated cities like Hong Kong, disposal of waste is a significant environmental challenge. Hysan is dedicated to managing our waste in a responsible way and we encourage our stakeholders to do the same. In 2017, all the commercial and residential buildings under Hysan’s portfolio were awarded another full set of “Class of Excellence” Wastewi\$e labels under the Government’s Hong Kong Green Organisation Certification Scheme. Moving forward, we will expand the type of recyclables we collect and we will strengthen our efforts to engage our tenants in regard to recycling.

As the Government may implement the Municipal Solid Waste Charging Scheme in the near future, Hysan is redoubling efforts to draw our tenants’ attention to the recycling message. One of the main areas of promotion in 2017 was glass bottle recycling. For Hysan’s “Yum Sing Bar Homecoming”, a pop-up bar installation at Lee Garden One’s office lobby from September to October 2017, we proactively collected most of the glass beverage bottles for recycling. Hysan also encouraged our food and beverage tenants to recycle their glass bottles by providing bins and arranging free collection services.

In 2017, Hysan donated over 40 boxes of staff uniforms with different sizes shirts, trousers and jackets to the Crossroads Foundation for reuse.

For our 2017 Christmas “All is Joyful, All is Bright: Christmas at Lee Gardens” celebration, Hysan partnered with the Business Environment Council to collect and upcycle more than 200 giant Christmas baubles. The baubles were turned into numerous innovative products by various NGOs and secondary schools.

LEE GARDEN THREE PROJECTS’S RECYCLING

The Lee Garden Three project was completed in December 2017. Regarding solid waste reduction, Lee Garden Three recycled or reused more than 60% of the construction waste made during construction. A recyclable waste storage room was provided for operational waste recycling.

WASTE MANAGEMENT ACHIEVEMENTS (EXCEPT CONSTRUCTION WASTE) 2005 BASELINE AND FROM 2016-2017

| Issue | 2005 | 2016 | 2017 |
|---------------------------------------|---------|-----------|-----------|
| Paper recycled (kg) | 741,502 | 1,008,651 | 1,163,161 |
| Aluminium cans recycled (kg) | 1,098 | 2,909 | 2,835 |
| Plastic bottles recycled (kg) | 1,529 | 3,297 | 3,307 |
| Old clothing donation (kg) | 960 | 3,448 | 2,654 |
| Toner/Cartridge recycled (pcs) | 206 | 109 | 151 |
| Computer and equipment recycled (pcs) | 100 | 27 | 168 |
| Food waste recycled (kg) | – | 26,696 | 20,250 |
| Glass bottles recycled (kg) | – | 15,100 | 8,489 |
| Fluorescent tubes recycled (kg) | – | – | 237* |
| Rechargeable batteries recycled (kg) | – | – | 60* |

* New items: collection of fluorescent tubes and rechargeable batteries has been started in late 2016.

As a member of the property development and management sector, Hysan is taking steps to better manage our waste production and has been expanding the type of recyclables we collect. We have also joined the Business Environment Council’s “Waste Advisory Group” for regular experience sharing on waste management with different stakeholders in the sector.

WATER MANAGEMENT ACHIEVEMENTS 2005 BASELINE, AND FROM 2016-2017

| Issue | 2005 | 2016 | 2017 |
|---|--------|----------|----------------|
| Potable water used for properties and landscaping (m ³) | 62,665 | 69,079 | 63,698 |
| Potable water used for cooling (m ³) | – | 179,155* | 178,216 |
| Wastewater reused for flushing (m ³) | – | 17,916 | 17,822 |
| Wastewater discharged from properties and landscaping (m ³) | 56,399 | 62,171 | 57,328 |

* The data have been adjusted upwards (based on the past consumption pattern) for periods with vacancy / during renovations

Over the years, we have made significant effort in reducing total potable water use, and in 2017, we used 2.5 % less, as compared to 2016. With more water saving devices installed, as well as more rainfall than normal in 2017, we reduced our potable water used for properties and landscaping by 7.79 % as compared to 2016. The decreased potable water usage for cooling was due to vacancy/renovations during the reporting period.

Green Procurement

Hysan has long nurtured a sustainable mindset, due mainly to our belief in long-term stewardship of both our portfolio and the surrounding community. In 2017, Hysan actively procured and used more green products and services than in previous years throughout our daily operations. When Sunning Court was redeveloped, a significant amount of wood was upcycled, with the help of the NGO Woodrite, and some of the wood was turned into smart benches at Lee Theatre Plaza. More upcycled “cube” benches were produced and placed on various floors at Hysan Place during 2017 to provide a variety of resting oases for busy shoppers.

In mid-2017, Hysan installed Well#, a smart water refill station at Hysan Place to provide clean, quality drinking water to the public and to encourage them to use less single-use plastic bottles. It was the first ever Well# installed inside a shopping mall in Hong Kong. Well# engages with users through an interactive LCD display, which shows the number of disposable plastic water bottles saved in real time. By the end of 2017, over 65,000 disposable plastic bottles had been saved since the launching of Well# in the middle of the year. The installation received very positive reviews both from traditional and social media. Riding on the success of the Well# installed at Hysan Place, we are holding further discussions to install more of these drinking machines in our public and office areas in 2018.

In 2017, Hysan also joined the “Fostering Sustainable Consumption for Hong Kong Business and the Community” Programme. Launched by the Business Environment Council, this recognition scheme aims to encourage enterprises to consider the environmental and social impacts of the products and services they purchase, and to recognise companies that show commitment to sustainable consumption.

Green Partnerships with Stakeholders

Hysan's green partnership initiatives focus on developing relationships with four major groups of stakeholders:

- Government Bureaus and Departments
- Tenants, Visitors and the General Public
- Staff Members
- Green Organisations

GOVERNMENT INITIATIVES

Hysan participated in the following government environmental initiatives to promote green causes in 2017:

- Environment Bureau's Charter on External Lighting
- Environmental Protection Department's Rechargeable Batteries Recycling Scheme
- Environmental Protection Department's "Clink, Drink then Recycle" Glass Bottle Recycling Programme
- Electrical and Mechanical Services Department's (EMSD) "Energy Saving Charter 2017" and the "4Ts Charter"
- Environmental Protection Department's Food Waste Source Separation, Collection and Delivery to Organic Waste Treatment Facilities Phase One (our commitment is to join the programme when Phase One is in operation)

TENANTS, VISITORS AND THE GENERAL PUBLIC

Entering its fifth year of operation, our Hysan Place rooftop Urban Farm and the 16th floor Sky Wetland remained major green attractions for visitors and tenants alike. The Urban Farming Workshops were heavily oversubscribed throughout 2017, as in earlier years. Our Green Wonders programme for youngsters also attracted considerable attention from green-minded families.

Among the local and international professional groups and academic institutions that visited the Urban Farm in 2017 was a French TV crew. The green features of Hysan Place were showcased in the French TV gardening programme "Silence ça pousse!", which introduced Hong Kong's urban green initiatives to a worldwide audience.

During the year, our Corporate Sustainability Manager also shared Hysan's green building management knowledge with the general public at a seminar organised by the Hong Kong Green Building Council and the BEAM Society.

STAFF ENGAGEMENT

Hysan's Go Green Committee continued to take the lead in bringing green lifestyles to the attention of our staff members. As in previous years, the Committee spearheaded a second-hand clothing collection programme "Get Redressed x Miele Clothing Drive 2017" at Hysan's offices, together with the Corporate Communications Department.

In addition, the Committee conducted a green living workshop on making natural mosquito repellents, which was well attended by our colleagues. Towards the end of the year, the Committee arranged for 25 colleagues and their family members to visit Green Atrium, another sustainable green building in the city and one that also incorporates an organic farm.

GREEN ORGANISATIONS

Hysan is committed to partnering a broad spectrum of environmental organisations to help promote the message of sustainability. Among the projects supported in 2017 were:

- Business Environment Council's "Fostering Sustainable Consumption for Hong Kong Business and the Community" Programme as Sustainable Consumption Enterprise (New)
- Hong Kong Green Building Council's "Green Shop Alliance" (Hysan Place) (New)
- Hong Kong Green Building Council's "Green Shop Alliance Task Force" (New)
- Business Environment Council's "Waste Advisory Group"
- World Wide Fund for Nature's Earth Hour
- Green Sense's No Air Con Night
- Greeners Action Lai See Packets Recycling
- Hong Kong Environmental Protection Association's Wood Recycling and Tree Conservation Scheme
- Redress's "Get Redressed x Miele Clothing Drive 2017"



Workplace Quality

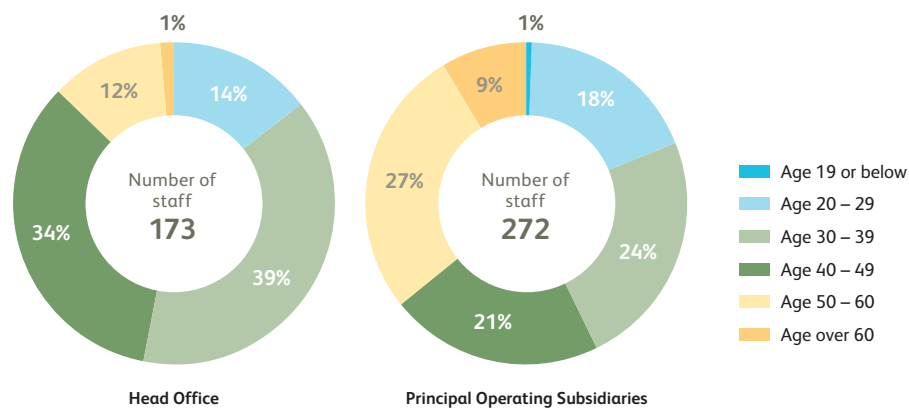
Staff Composition

Our colleagues are experts in the retail, office and residential property fields. As stated in our Mission, we take pride in being passionate, responsible and forward-looking professionals who provide our stakeholders with sustainable and outstanding returns from our quality property portfolio.

Hysan employed a total of 445 staff members as at 31 December 2017. This figure included our Head Office team staff, as well as colleagues from our principal operating subsidiaries. All our staff members are located in Hong Kong.

165 of our staff members, including 36 out of 68 Head Office Managers or above, are women.

Age Group of Staff



Code of Ethics

Hysan's corporate principles are highlighted in our Code of Ethics:

- Respect for people
- Ethics and business integrity
- Meeting our responsibilities

Our Code of Ethics applies to Directors, officers and employees of Hysan, and is clearly communicated to all members of staff. Orientation meetings for new staff members also provide highlights of the Code. Data privacy, protection of copyright, anti-bribery and anti-fraud initiatives are among the topics covered in the Code. A "whistle-blowing" mechanism is incorporated in the Code. This is monitored by a third-party service provider who reports directly to the Audit Committee Chairman.

Human Resources Policies

Our Employment and Staff Policy deals with recruitment, employee mobility, salary adjustments and promotions, separation of employment, and equal opportunities (non-discrimination against gender, marital status, disability, age, race, family status, sexual orientation, nationality and religion). Our Code of Ethics, as stated in the previous section, complements this Policy. In 2017, we did not identify any material non-compliance or breach of legislation related to equal opportunities.

A vast majority of our business operations are based and conducted in Hong Kong. The city is the site of our core operations. We believe we do not operate in an environment that carries high risks for child labour or forced labour. We did not identify any breach in the said areas in 2017.

We respect the right of association, and ensure our employees enjoy the freedom to join trade unions. We did not identify any material breach of any right to exercise freedom of association and freedom to join trade unions in our core operations in 2017.

Our management believes in the need for dialogue with staff members on company issues, even though we do not have an official collective bargaining policy, nor are we a party to a collective bargaining agreement. We have clear written policies on compensation, work hours, staff benefits, staff training, health and safety, as well as grievance mechanisms.

Enhanced Processes

Efficiency was the main consideration when we decided to implement a range of technology-based changes in the human resources area in 2017. The electronic systems unveiled include e-leave filing, e-pay slip, e-tax return, and e-performance management. All these measures aim to reduce the time and resources that were formerly expended on our manual systems.

Training and Development

In 2017, Hysan provided an average of 9.6 hours of training per Head Office staff, and 14.7 hours of training per Principal Operating Subsidiaries' employee. The training areas included human resources related learning sessions, as well as other topics provided in our training sponsorship and educational sponsorship programmes. For Principal Operating Subsidiaries' colleagues, a number of sessions related to safety and health training, as well as operational procedures training, were held.

As part of our goal to increase efficiency, we developed a mobile learning system to provide a more flexible solution for training and communications. The system can be accessed via smartphones, computers or other mobile devices, allowing employees to access various training programmes and learn the necessary job knowledge and skills anytime, anywhere. Employees are also encouraged to repeat and retake the programme as many times as they need. We aim to make the learning more fun and engaging by using new media, and the results are tracked easily through quizzes and periodic reports that are entered into a centralised system.

Management Trainee Programme and General Recruitment

Hysan kick-started our management trainee programme in 2017 in a bid to meet our long-term business needs. The programme is designed to develop talented university graduates with high potential to supply our leadership pipeline.

The 24-month programme aims to provide high-calibre individuals with well-rounded business acumen through structured on-the-job-rotation assignments, as well as a series of personal effectiveness programmes. Among the business core functions covered are office and retail leasing, investment and development, projects, marketing, and many more. Our management trainees are provided with different learning events like workshops and site visits to help develop crucial skills for their accelerated career development. Members of the Senior Management Committee become mentors of the programme in order to share expertise and give career and personal guidance.

For 2017, our employee turnover figures were 37.7% for our Head Office Staff, and 32.9% for our Principal Operating Subsidiaries. These high figures were recorded due to changes in our skillset mix requirements to satisfy our strategic and operational needs, as well as to enhance our productivity and efficiency for 2017 and beyond.

Employee Engagement

Hysan's senior management clearly values the opportunity to engage with staff members and we retain a number of more formal communication channels to facilitate this engagement. For example, monthly management meetings are held where colleagues of different seniority are invited to take part and exchange views.

On a less formal level, various staff engagement events are held throughout the year to promote teamwork and celebrate success. Annual and other festive dinners, as well as Recreation Club activities are among the most popular events. Many staff members at both senior and junior levels also enjoy major company-related events, such as the Yum Sing Bar celebrations (see the "Community Contributions" section for more details), as well as Hysan's Island Hike and Run, during which they enjoy and share experiences outside the normal office environment.



Health and Safety

Health and Safety Policy

Hysan's Health and Safety Policy focuses on the provision and maintenance of a safe and healthy environment within Hysan's portfolio for all staff, tenants, and members of the general public. The Group will:

- Ensure health and safety standards are given prime consideration in the operation and management of our properties, for which a Safety Management Plan to ensure regulatory compliance has been developed
- Ensure employees at every level are committed to, and accountable for the delivery of the safety initiatives contained in this Plan, with a view to maintaining a vigorous and injury-free culture
- Provide employees with appropriate induction and external/internal training, as well as protective equipment in accordance with established procedures
- Encourage staff to engage actively in the Plan and to exceed and improve upon the safety measures that have been set
- Mandate our contractors, who are equally responsible for establishing their own organisational structure, work processes, supervision and training, to avoid or minimise risks to health and safety, particularly in the services which they provide to us
- Conduct regular reviews on the Health and Safety Policy so that it reflects changes in the products, services and activities of the Company
- Raise further awareness through the use of third-party health and safety experts to conduct regular safety audits

Health and Safety in Action

As Property Services staff members account for around 60% of our total staff headcount and have frontline roles, this division takes a leading role in the implementation of the Health and Safety Policy. The Head of the division chairs our Safety Committee, which oversees how the Policy is delivered in daily operations, and reports back to senior management. A Safety Management Plan is in place, and one round of third-party safety audits was conducted for all buildings in Hysan's portfolio in 2017. No significant irregularities were reported.

More than 1,560 hours of safety and health training were recorded by our staff members in 2017. Although the nature of our business means that our overall staff injury risks are comparatively low, our frontline staff can incur injuries through minor work-related accidents. There were 26 work injury cases at Hysan in 2017, including 15 cases that incurred more than five sick leave days. There were 1,472 days lost due to work injury, including 597 days brought forward from previous years.

Our Employee Assistance Programme continues to provide counselling services to support our staff's mental well-being. The Programme is operated by a non-governmental organisation on our behalf.

Health and Safety: Our Partners

We continue to demand high levels of health and safety from our partners and contractors, whether the measures involved relate to their employees' or third-party safety. In 2017, safety consultants conducted two rounds of safety audits for the Lee Garden Three development project. Items reviewed included the contractor's safety management system, which focused on plant and equipment; subcontractors' method statement and safety work procedures' implementation. The review's result was satisfactory. There were 18 minor work-related injuries at the Lee Garden Three site in 2017.

Community Contributions

Partnerships with Lee Gardens Association

In 2016, Hysan was the driving force behind the establishment of Lee Gardens Association (LGA), an area association whose aim is to create a unified community of businesses to promote the Lee Gardens area to locals and overseas visitors. LGA's membership grew to include 16 members by the end of 2017, with a variety of retailers, mainly food and beverage outlets, forming the membership base. Not only has LGA hosted a number of popular and exciting events and activities in the area, it also became a platform for area businesses to share views and engage with government departments and the local District Council. Issues concerning local area traffic and hygiene were among those discussed, which in turn led to successful resolution by the relevant government departments.

Among the events held by LGA in 2017 were:

Mar

“EGGssentially Art!” Egglette Festival

– attracted around 20,000 visitors who enjoyed this traditional Hong Kong street snack in different flavours, as crafted by egglette experts as well as top restaurants.

July

Lee Gardens Suet Go Chic Ice-Cream Festival

– delighted thousands of ice-cream fans on one of the hottest July days in 2017 by offering different types of dairy dessert, and the event was complemented by musical performances and handicraft workshops.



Oct

Hong Kong Tennis Open with Lee Gardens Street Tennis

– turned Lee Garden One driveway into a mini tennis court and entertained crowds who watched top live matches on a big screen. One of the tournament’s stars, Elina Svitolina, graced the event and attracted a huge crowd of fans.

Fabulous Pak Sha Autumn Fiesta

– Hosted by performing arts organisation AFTEC and supported by LGA, the event entertained thousands of children and their parents at Pak Sha Road and Hysan Place with art and games workshops.

Nov

Art Fun in Causeway Bay Night Parade

– captured the imagination of tens of thousands who lined Lee Gardens side streets to see their favourite Roald Dahl characters. The most successful version of this acclaimed event to date saw not only massive crowds on the event night, but strong media attention was given to the pre-event activities.



LGA also supported the CX/HSBC Rugby Sevens Fan Walk (see section on “Environmental and Healthy Living Promotions”), in partnership with Hysan.

Environmental and Healthy Living Promotions

Hysan Place’s Urban Farm remained one of Hong Kong’s best-loved environmental attractions, with 16 local and international organisations visiting the rooftop facility in 2017. Our visitors ranged from Hong Kong-based hospitality professionals to students from Mainland China, United States, Switzerland and Taiwan. Other visitors included corporate governance experts from Brazil and the presenters of a French TV gardening programme. Over 300 urban farmers enjoyed sessions growing organic produce at Hysan Place, and around 400 children and parents participated in our Green Wonders programme to learn more about green building and urban farming.

Hysan became one of the sponsors for Hong Kong’s best known international sporting events, Cathay Pacific/HSBC Rugby Sevens, in 2017. We hosted the events’ Fan Walk, which was a major street carnival that lasted three days. In addition to live transmission of all the principal matches, dozens of street performers roamed Yun Ping Road and Hysan Avenue to carry Sevens fervor well beyond Hong Kong Stadium. Games and food stalls also enlivened Lee Garden One’s driveway while tens of thousands of revelers celebrated top quality rugby in the Lee Gardens area. Having learned much from the 2017 event, Hysan plans to work with Hong Kong Rugby Union and the other sponsors to deliver an even more original and exciting edition of the Rugby Sevens carnival at Hysan Avenue and beyond in 2018.

There were two episodes of “Hysan Hike and Run” in 2017, since we added an “Island” run to the calendar. Although the March race in Tai Lam was nearly washed out by a storm, the November race literally ran from the seashore (Deep Water Bay) to one of Hong Kong’s higher peaks (Violet Hill) in gorgeous weather. Among the hundreds of runners were around three dozen Hysan colleagues who enjoyed great camaraderie whilst racing up and down perhaps Hong Kong island’s most scenic route.



Arts and Culture Promotions

The visit by Rachel Barton Pine, a top international violinist, was one of the highest profile performing art events ever held at Hysan Place. Not only did Ms. Barton Pine captivate a full-house audience at the mall, she also invited a number of Hysan's VIPs to a personal lunch, as well as a violin clinic whilst she was in Hong Kong. City Chamber Orchestra of Hong Kong was Hysan's partner for the event.

Other major performances at Hysan's venues in 2017 included Po Leung Kuk's celebration of Hong Kong SAR's 20th anniversary and the Kuk's Education Services' 70th anniversary; the Lee Hysan Foundation-sponsored Sing Out musical preview; and two popular after-work concerts organised by Premiere Performances.

The Hong Kong Institute of Architects Biennale Foundation's 2017 Bi-City Biennale of Urbanism/Architecture turned Hysan Place's long escalators, as well as other parts of the building, into a striking artistic exhibition venue in December. Earlier in the year, Food Angel's Construction again had visitors thinking deeply about the issue of food wastage by presenting original artwork comprised of cans.



Other Venue Support

Below is the list of community activities that took place at Hysan's venues in 2017:

Jan

WWF Hong Kong "Public Engagement Programme"

Feb

St. James' Settlement "Valentines Flower Charity Sale"

Young Artists Development Foundation "HK Territory-wide Youth Painting Day 2016 Award-winning Painting Exhibition"

Helping Hand "Cookie Campaign Launching Ceremony"

World Vision "Child Sponsorship Programme"

March

Helping Hand "Cookie Campaign Charity Sale"

Lok Sin Tong "Charity Candy Sale"

The Hong Kong Institute of Architects "Innovative Youth Housing Design Competition Exhibition"

June

Global Institute for Tomorrow "The Other Hundred Educators' Exhibition and Launch Event"

Construction Industry Council and the Hong Kong Green Building Council "Hong Kong Green Building Week Exhibition"

City Chamber Orchestra of Hong Kong "Rachel Barton Pine Mini Concert"

Po Leung Kuk "Celebration Performances: The 20th Anniversary of the Establishment of the HKSAR and the 70th Anniversary of Po Leung Kuk Education Service"

Dialogue in the Dark "'Concert in the Dark' Press Conference"



September

Dialogue in the Dark "Mooncake Sale"



May

Hong Chi Association
“Charity Cookie Sale”

Make-A-Wish Hong Kong
“Hong Kong Wish Month
2017 Celebration
Ceremony”

Premiere Performances “A
Mediterranean Music Fest
by Akoustic Odyssey”

July

Lee Hysan Foundation
“‘Sing Out’ Musical Preview”

Save the Children “Public
Engagement Programme”

August

Hong Kong Tennis Association
“Prudential Hong Kong Tennis Open
2017 Press Conference”

WWF Hong Kong “Public
Engagement Programme”

October

Redress “The Ecochic Design
Award 2016/2017 Exhibition”

Plan International “Donate a
Pencil Campaign”

Food Angel “Canstruction”

Buddhist Li Ka Shing Care and
Attention Home for the Elderly
“Raffle Ticket Sale”

November

Premiere Performances “Jazz
Concert by The Sousaphonics”

The Nature Conservancy
“Public Engagement Programme”

The Hong Kong Institute of
Architects “Furniture Design
Competition Exhibition”

December

Heep Hong Society “Be a Santa •
Sharing your Christmas Love’
Campaign”

Oxfam Hong Kong “Partners
Recruitment Campaign”

The Hong Kong Institute of
Architects Biennale Foundation
“2017 Bi-City Biennale of Urbanism\ Architecture (Hong Kong)”

Community Contributions

Our Volunteer Team

Hysan's volunteer team contributed 424 hours of their time to services for the community in 2017. Another 288 hours were recorded as contributions by team members' friends and families who also took part in Hysan activities. The team took part in 12 events last year.

The organisations Hysan partnered with included:

- Hong Kong Movie Stars Sports Association Charities Ltd
- Hong Kong Society for the Protection of Children
- Music Children Foundation
- Sports for Hope Foundation
- St. James' Settlement

Hysan was a Silver Award for Volunteer Service winner. The programme was organised by the Steering Committee on Promotion of Volunteer Service of the Social Welfare Department.



The Stock Exchange of Hong Kong Limited’s Environmental, Social and Governance Reporting Guide

| A. ENVIRONMENTAL | Reference in this report |
|--|--|
| A1 Emissions | |
| <ul style="list-style-type: none"> Information on policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous wastes | <ul style="list-style-type: none"> “Environment – Environmental Policy” “Environment – Energy Efficiency” “Environment – Waste Management, Recycling and Water Consumption” Not aware of any material non-compliance |
| <ul style="list-style-type: none"> KPI A1.1 Types of emissions and respective emissions data | <ul style="list-style-type: none"> “Environment – Energy Efficiency” “Environment – Waste Management, Recycling and Water Consumption” |
| <ul style="list-style-type: none"> KPI A1.2 Greenhouse gas emissions in total and intensity | <ul style="list-style-type: none"> “Environment – Energy Efficiency” |
| <ul style="list-style-type: none"> KPI A1.3 Total hazardous waste produced and intensity | <ul style="list-style-type: none"> We do not generate a material amount of hazardous waste. |
| <ul style="list-style-type: none"> KPI A1.4 Total non-hazardous waste produced and intensity | |
| <ul style="list-style-type: none"> KPI A1.5 Description of measures to mitigate emissions and results achieved | <ul style="list-style-type: none"> “Environment – Energy Efficiency” “Environment – Waste Management, Recycling and Water Consumption” |
| <ul style="list-style-type: none"> KPI A1.6 Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved | <ul style="list-style-type: none"> “Environment – Waste Management, Recycling and Water Consumption” |
| A2 Use of resources | |
| <ul style="list-style-type: none"> Policies on efficient use of resources like energy, water and other raw materials | <ul style="list-style-type: none"> “Environment – Environmental Policy” |
| <ul style="list-style-type: none"> KPI A2.1 Direct and/or indirect energy consumption by type in total and intensity | <ul style="list-style-type: none"> “Environment – Energy Efficiency” |
| <ul style="list-style-type: none"> KPI A2.2 Water consumption in total and intensity | <ul style="list-style-type: none"> “Environment – Waste Management, Recycling and Water Consumption” |
| <ul style="list-style-type: none"> KPI A2.3 Description of energy use efficiency initiatives and results achieved | <ul style="list-style-type: none"> “Environment – Energy Efficiency” |
| <ul style="list-style-type: none"> KPI A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved | <ul style="list-style-type: none"> “Environment – Waste Management, Recycling and Water Consumption” |
| <ul style="list-style-type: none"> KPI A2.5 Total packaging material used for finished products | <ul style="list-style-type: none"> Not applicable |
| A3 The environment and natural resources | |
| <ul style="list-style-type: none"> Policies on minimising the issuer’s significant impact on the environment and natural resources | <ul style="list-style-type: none"> “Environment – Environmental Policy” |
| <ul style="list-style-type: none"> KPI A3.1 Description of the significant impacts of activities on the environment and natural resources and actions taken to manage them | <ul style="list-style-type: none"> “Environment – Energy Efficiency” “Environment – Waste Management, Recycling and Water Consumption” |

The Stock Exchange of Hong Kong Limited’s
Environmental, Social and Governance Reporting Guide

| B. SOCIAL | Reference in this Report |
|---|---|
| Employment and Labour Practices | |
| B1 Employment | |
| <ul style="list-style-type: none"> Information on policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare | <ul style="list-style-type: none"> “Workplace Quality – Human Resources Policies” Not aware of any material non-compliance |
| <ul style="list-style-type: none"> KPI B1.1 Total workforce by gender, employment type, age group and geographical region | <ul style="list-style-type: none"> “Workplace Quality – Staff Composition” |
| <ul style="list-style-type: none"> KPI B1.2 Employee turnover rate by gender, age group and geographical region | <ul style="list-style-type: none"> “Workplace Quality – Management Trainee Programme and General Recruitment” |
| B2 Health and safety | |
| <ul style="list-style-type: none"> Information on policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards | <ul style="list-style-type: none"> “Health and Safety – Health and Safety Policy” Not aware of any material non-compliance |
| <ul style="list-style-type: none"> KPI B2.1 Number and rate of work-related fatalities | <ul style="list-style-type: none"> No fatality |
| <ul style="list-style-type: none"> KPI B2.2 Lost days due to work injury | <ul style="list-style-type: none"> “Health and Safety – Health and Safety in Action” |
| <ul style="list-style-type: none"> KPI B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored | <ul style="list-style-type: none"> “Health and Safety – Health and Safety in Action” |
| B3 Development and training | |
| <ul style="list-style-type: none"> Policies on improving employees’ knowledge and skills for discharging duties at work. Description of training activities | <ul style="list-style-type: none"> “Workplace Quality – Training and Development” For 2017, the training ranged from safety and health training to human resources related learning sessions |
| <ul style="list-style-type: none"> KPI B3.1 The percentage of employees trained by gender and employee category | <ul style="list-style-type: none"> “Workplace Quality – Training and Development” |
| <ul style="list-style-type: none"> KPI B3.2 Average training hours completed per employee by gender and employee category | <ul style="list-style-type: none"> “Workplace Quality – Training and Development” |
| B4 Labour standards | |
| <ul style="list-style-type: none"> Information on policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child or forced labour | <ul style="list-style-type: none"> “Workplace Quality – Human Resources Policies” We believe our property investment and management business (primarily in Hong Kong) has a very low risk profile on use of forced or child labour. We are not aware of any material non-compliance with applicable provisions. We are against the use of forced or child labour. |
| <ul style="list-style-type: none"> KPI B4.1 Description of measures to review employment practices to avoid child and forced labour | <ul style="list-style-type: none"> Not applicable |
| <ul style="list-style-type: none"> KPI B4.2 Description of steps taken to eliminate such practices when discovered | <ul style="list-style-type: none"> Not applicable |
| Operating Practices | |
| B5 Supply chain management | |
| <ul style="list-style-type: none"> Policies on managing environmental and social risks of the supply chain | <ul style="list-style-type: none"> “Health and Safety – Health and Safety Policy”; “Health and Safety – Health and Safety: Our Partners” “Environment – Environmental Policy”; “Environment – Highlights of 2017” (covered stakeholder engagement) |

B. SOCIAL

Reference in this report

| | |
|--|--|
| <ul style="list-style-type: none"> • KPI B5.1 Number of suppliers by geographical region | <ul style="list-style-type: none"> • “Environment – Green Procurement” (With regards to the development of Lee Garden Three, we are still on target using materials extracted and manufactured locally for around 10% of total materials value. Up to late 2017, over 20% materials for Lee Garden Three building structure are from regional sources, which is more than our original target.) |
| <ul style="list-style-type: none"> • KPI B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored | <ul style="list-style-type: none"> • “Health and Safety – Health and Safety: Our Partners” • “Environment – Green Procurement” |
| B6 Product responsibility | |
| <ul style="list-style-type: none"> • Information on policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress | <ul style="list-style-type: none"> • “Health and Safety – Health and Safety Policy” • “Workplace Quality – Code of Ethics”, which covers data privacy • Not aware of any material non-compliance |
| <ul style="list-style-type: none"> • KPI B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons | <ul style="list-style-type: none"> • Not applicable |
| <ul style="list-style-type: none"> • KPI B6.2 Number of products and service related complaints received and how they are dealt with | <ul style="list-style-type: none"> • Our “Service Scan” highlights customer complaint and request handling. For each service, the service levels are stated, each with an accompanying KPI and monitoring methodology. |
| <ul style="list-style-type: none"> • KPI B6.3 Description of practices relating to observing and protecting intellectual property rights | <ul style="list-style-type: none"> • “Workplace Quality – Code of Ethics”, which covers protection of copyrights |
| <ul style="list-style-type: none"> • KPI B6.4 Description of quality assurance process and recall procedures | <ul style="list-style-type: none"> • “Service Scan” details standard service levels and their related KPIs and methods of measurement. It is used regularly to measure tenants’ satisfaction levels for service improvements. |
| <ul style="list-style-type: none"> • KPI B6.5 Description of consumer data protection and privacy policies, how they are implemented and monitored | <ul style="list-style-type: none"> • “Workplace Quality – Code of Ethics” |
| B7 Anti-corruption | |
| <ul style="list-style-type: none"> • Information on policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering | <ul style="list-style-type: none"> • “Workplace Quality – Code of Ethics”, which covers anti-bribery • Not aware of any material non-compliance |
| <ul style="list-style-type: none"> • KPI B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases | <ul style="list-style-type: none"> • No such cases |
| <ul style="list-style-type: none"> • KPI B7.2 Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored | <ul style="list-style-type: none"> • “Workplace Quality – Code of Ethics”, which covers our whistle-blowing |
| Community | |
| B8 Community Investment | |
| <ul style="list-style-type: none"> • Policies on community engagement to understand the community’s needs where the issuer operates and to ensure its activities takes into consideration of communities’ interests | <ul style="list-style-type: none"> • “Corporate Responsibility Policy” |
| <ul style="list-style-type: none"> • KPI B8.1 Focus areas of contribution | <ul style="list-style-type: none"> • “Corporate Responsibility Policy” • “Community Contributions” |
| <ul style="list-style-type: none"> • KPI B8.2 Resources contributed | <ul style="list-style-type: none"> • “Community Contributions” |

“Comply or explain” provisions

Recommended disclosures

Corporate Responsibility Reporting Verification Statement

Third-party Independent Verification



VERIFICATION STATEMENT

Scope and Objective

Hong Kong Quality Assurance Agency ("HKQAA") has been engaged by Hysan Development Company Limited ("Hysan") to conduct an independent verification of its 2017 Corporate Responsibility Report ("Report"). The Report articulates Hysan's commitments and progress towards sustainability including Environment, Workplace Quality, Health and Safety as well as Community Contributions for the period of 1st January 2017 to 31st December 2017.

The aim of this verification is to provide a reasonable assurance on the completeness and accuracy of the information stated in the Report which has been prepared in accordance with the Environmental, Social and Governance Reporting Guide ("ESG Reporting Guide") of The Stock Exchange of Hong Kong Limited.

Level of Assurance and Methodology

Our verification process was designed to obtain a reasonable level of assurance for devising opinions and conclusions. The extent of this verification process undertaken was provided for the criteria set in the ESG Reporting Guide.

The verification process included verifying the system and process for collecting, collating and reporting sustainability performance data, reviewing relevant documentation, interviewing responsible personnel with accountability for preparing the reporting contents and verifying selected representative sample of data and information. Raw data and supporting evidence of the selected samples were also thoroughly examined during the verification process.

Independence

Hysan is responsible for the collection and presentation of the information. HKQAA did not involve in the collection and calculation of data or the compilation of the reporting contents where HKQAA's verification activities are independent from Hysan. There is no relationship between HKQAA and Hysan that will affect the independence of HKQAA for providing the verification service.

Conclusion

On the basis of our verification results and in accordance with the verification procedures undertaken, it is the opinion of the HKQAA's verification team that:

- The key performance indicators specified in the ESG Reporting Guide are clearly addressed with substantial evidence supported;
- The information stated in the Report illustrates Hysan's sustainability performance in a structured, balanced and consistent manner; and
- The data and information disclosed in the Report are factual, accurate and reliable.

In conclusion, the contents in the Report provide a transparent disclosure of Hysan's sustainability performance of 2017 in a responsive, consistent, fair and truthful manner.

Signed on behalf of Hong Kong Quality Assurance Agency

Connie Sham
Head of Audit
February 2018

Hysan Development Company Limited
49/F Lee Garden One, 33 Hysan Avenue, Hong Kong
T 852 2895 5777 F 852 2577 5153
www.hysan.com.hk

