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Business of Life

Sustainability Progress

2006 – 2016

Hysan Development's first Corporate Responsibility Report was published in 2006. This year's "Responsible Business" section is the 11th report we have produced focusing on our social and environmental efforts. We would like to take this opportunity to highlight how far we have come both in terms of achievements for our sustainability activities, and for reporting our initiatives and how we have implemented them.

As a "Business of Life", Hysan has steadfastly maintained our commitment to providing sustainable and outstanding returns for our shareholders, while also creating positive and visible changes for our stakeholders and the communities we serve. Above all, our sustainability progress would not have been possible without the contributions of our staff members, business partners and community neighbours. Thank you very much for all your help and we look forward to working with you all in the years to come.



Awards and Recognitions

Hysan's sustainability data collection began to take shape in 2005, but it was not until 2008 that we were recognised as one of the outstanding leaders in this increasingly important field with our inclusion in the internationally renowned FTSE4Good Index. We are proud to report that we are still a member of the Index in 2016. Since 2010, we have also been a constituent member of the Hang Seng Corporate Sustainability Index with an "AA" rating. Hysan's efforts have also been recognised by MSCI's Global Sustainability Index both with membership and an "AA" rating. Recently, the Group was also named one of the "Top 80 assessed stocks in the Hong Kong Quality Assurance Agency Sustainability Rating and Research".

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. In 2016, we took this one step further and supported the establishment of Lee Gardens Association, a group with the aim of promoting the Lee Gardens area through various activities and events. For details about the Association, please see Page 65.

Environment

Environmental Policy

Hysan adopted an Environment, Health and Safety Policy in 2003 and made it public in 2006 as part of our first Corporate Responsibility Report. However, by 2014, there was a clear need to update the policy and provide more detailed and separate policies for environmental issues, as well as health and safety matters.

In the 2006 Report's environmental section, we stated that we aim generally for improvements in energy efficiency, waste reduction, and good indoor air quality maintenance.

The present Environmental Policy focuses more specifically on four major areas, namely:

1. carbon reduction efforts
2. waste reduction at source promotions
3. green purchasing enhancement, and
4. stakeholder engagement improvement

Under the Policy, Hysan will:

- Ensure compliance with all applicable environmental and related legislation 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 2016

- Recognition: Lee Garden One Offices qualified as a finalist in the Hong Kong Green Building Award 2016
- Stakeholder Engagement: increased support for government-led environmental charters; shared experience at major local environmental events; organised more events and workshops for tenants and staff
- Energy Accounting System: installed systems at Lee Theatre Plaza and Lee Garden Six
- Waste Management: launched food waste recycling programme at Bamboo Grove

Energy Efficiency

ENERGY SAVINGS AND REDUCTION OF GREENHOUSE GAS EMISSIONS ACHIEVEMENTS: 2005 BASELINE AND FROM 2015 TO 2016

Issue		2005	2015	2016
GHG Emissions for Scope 1 & 2 ^{(a) (b)}	Total (tonnes CO ₂ e)	48,421	39,120	37,242
Purchased Electricity	Total (MWh)	52,598	49,502	47,724*

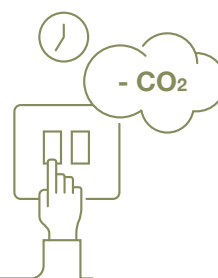
(a) According to Guidelines to account for Report on Greenhouse Gas Emissions and Removals for Buildings in Hong Kong (2010 Edition) issued by Electrical and Mechanical Services Department and Environmental Protection Department, Scope 1 (Direct emissions and removals e.g. diesel, refrigerant) and Scope 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 2016

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

“ **Hysan achieved its target reduction in overall energy use in 2006 as compared to the previous year, without compromising service levels.** ”

Page 9, Corporate Responsibility Report 2006



In our first year of reporting, we may not have been confident enough to provide data for public consumption. With the benefit of further environmental data collection (which we began in a comprehensive fashion in 2005), we realised we were heading in the right direction as far as energy savings were concerned.

Using 2005 as a baseline, it is clear that we reduced energy consumption by more than 9.2% by the end of 2016. Our 2016 GHG emissions and electricity purchased decreased by 4.8% and 3.6% respectively, as compared to 2015. These reductions were due partly to the successful implementation of our energy accounting system and other energy savings initiatives.

ENERGY ACCOUNTING SYSTEM AND OTHER ENERGY SAVINGS INITIATIVES

The second phase of our energy accounting system's implementation is in progress. In total, five of our commercial buildings now benefit from the system, which measures and analyses energy consumption within each building as well as our major buildings as a whole. The availability of electricity consumption data on a real-time basis has made it much easier for us to monitor and control system usage. Hysan Place's retail area air conditioning supply is a good example. With better monitoring and the enhancing of outdoor air supply control, we managed to fine-tune the operation schedule to optimise the supply, thus creating significant savings.

In addition, we continued our energy savings quest through the identification of locations where more energy efficient products, including energy efficient motors, T5 fluorescent tubes and LED lights, could be installed.

Environmental Quality

“ *Following recent concerns over airborne diseases and their potential for causing epidemics, we are redoubling our efforts to improve air quality.*”

Page 10, Corporate Responsibility Report 2006

Hysan’s focus on environmental quality was somewhat reactive, stemming mainly from the H5N1 Bird Flu cases in the early 2000s, and perhaps more acutely, the deadly SARS epidemic in 2003. A decade later, our building users’ demands, as well as the community’s expectations in regard to our buildings’ indoor environmental quality, and how these structures interact with their surroundings, have increased significantly.

GREEN BUILDING RECOGNITION AND CERTIFICATIONS

Lee Garden One’s office section is on course to obtain a BEAM Plus (Existing Buildings) Platinum Certification after its final assessment was submitted to the certifying body in November 2016. With Hysan Place also approaching its fifth anniversary, we looked at the feasibility of obtaining a BEAM Plus (Existing Buildings) certification for this renowned green commercial building. We then submitted a preliminary assessment towards the end of 2016, and we expect to receive the preliminary results in the first quarter of 2017.

We are also delighted that Lee Garden One’s office section was a finalist in the Hong Kong Green Building Council’s and the Professional Green Building Council’s Green Building Award 2016. We are proud of the fact that this 19-year-old building was honoured in the Existing Building Facilities Management category, and that our property management colleagues’ hard work was recognised.

Lee Garden Three, our new commercial building project to be completed in late 2017, is pursuing the highest level of the BEAM Plus (New Buildings) green standard, as well as U.S. Green Building Council’s LEED certification.

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.

We are redoubling our efforts to promote the use of electric vehicles to reduce urban pollution. For our forthcoming Lee Garden Three car park, all of the 200+ parking spaces will have electric sockets installed for such vehicles’ charging. This initiative further complements our existing electric sockets in Hysan Place, charging bays in Lee Garden One, Lee Garden Two and Leighton Centre, as well as the Tesla Motors Superchargers in Lee Garden One car park.

URBAN MICROCLIMATE AND BIODIVERSITY

Lee Garden Three will debut in late 2017 with a partial green roof, which will help to reduce the building’s heat island effect and improve the district’s microclimate. In regard to biodiversity, one part of the new building will see a “Butterfly Garden” with plant species that attract adult butterflies, other flora that are ideal to host larvae or protect against predators, as well as a good water source.

Meanwhile, Hysan Place’s rooftop Urban Farm and its Sky Wetland are also contributing to these causes, while carrying on their green education roles.

Waste Management, Recycling and Water Consumption

“We are committed to re-using and recycling waste, and are actively involving our commercial and residential tenants in eliminating wastage.”

Page 10, Corporate Responsibility Report 2006



By 2006, Hysan was already active in promoting recycling among its tenants. However the scale of our work then would be dwarfed by our recycling efforts in 2016. One of our highest profile activities in 2016 was the launching of our food waste recycling programme in Bamboo Grove, our residential project. Our new food recycling process aims to reduce the amount of waste to be disposed of at landfills. More than 30 families in the Mid-Levels complex joined the programme within the first two months of its unveiling. This initiative complements the well-run food waste collection service provided in Hysan Place’s food court and other restaurants in the mall.

In 2016, Hysan’s commercial and residential buildings were awarded another full set of “Class of Excellence” Wastewi\$e labels under the Government’s Hong Kong Green Organisation Certification Scheme. This compared well with our 2006 efforts, when we received only three top Wastewi\$e labels.

LEE GARDEN THREE PROJECT’S RECYCLING

The foundation works of the Lee Garden Three project was completed in early 2016, and its super-structure construction commenced in February 2016. In 2016, close to 66% of the construction waste made during the foundation and ongoing superstructure construction work, including around 2,900 tonnes of metal and 445 tonnes of timber, were recycled. This was significantly higher than the original 60% recycling target.

WASTE MANAGEMENT ACHIEVEMENTS (EXCEPT CONSTRUCTION WASTE) 2005 BASELINE AND FROM 2015 TO 2016

Issue	2005	2015	2016
Paper recycled (kg)	741,502	975,329	1,008,651
Aluminium cans recycled (kg)	1,098	2,708	2,909
Plastic bottles recycled (kg)	1,529	3,042	3,297
Old clothing donation (kg)	960	3,895	3,448
Toner/Cartridge recycled (pcs)	206	216	109
Computer and equipment recycled (pcs)	100	82	27
Food waste recycled (kg)	–	29,871	26,696
Glass bottles recycled (kg)	–	4,215	15,100

Hysan has been expanding the type of recyclables we collect. In addition to paper, aluminium cans, plastic bottles, old clothing, toner/cartridge, computer equipment, glass bottles and food waste, we added used fluorescent lamps and rechargeable batteries to the list late in 2016. We have also been registered as a chemical waste producer at Hysan Place and Lee Garden One due to our used fluorescent lamps collection and recycling.

WATER MANAGEMENT ACHIEVEMENTS 2005 BASELINE, AND FROM 2015 TO 2016

Issue	2005	2015	2016
Potable water used for properties and landscaping (m ³)	62,665	73,231	69,079
Potable water used for cooling (m ³)	–	181,572	179,155*
Wastewater reused for flushing (m ³)	–	18,157	17,916*
Wastewater discharged from properties and landscaping (m ³)	56,399	65,908	62,171

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

We have made significant effort in cutting down total potable water use in recent years, and in 2016, we used 2.6 % less, as compared to 2015. Our water saving devices, as well as our staff's mindset to conserve water, proved to be effective in our day-to-day operations. This was also aided by record-breaking rainfall in the autumn of 2016, which cut down on our water use for plant watering. Hong Kong also saw a heat wave during the summer of 2016, but that did not translate into more water usage for the portfolio's air-conditioning system, which saw a 1.3 % decline, as compared to 2015. The reduction of usage was due partly to our application of energy savings measures in Hysan Place, thus saving a significant amount of cooling water.

Green Procurement

“ *We are updating our cleaning contract specifications so that the appropriate items and practices can be used.* ”

Page 10, Corporate Responsibility Report 2006

Our green procurement ideas were in their infancy back in 2006, but by the time we completed Hysan Place in 2012, we had already developed a green mindset through using local materials for construction. Our new Lee Garden Three project is still on course to use materials extracted or manufactured locally for 10 % of the total materials by value. We also actively procure and use more green products and services throughout our operations, including at least 50 % of environmentally-friendly cleansing agents for our buildings.

We are also in discussion with a social enterprise to install one or more filtered water dispensers in our public and office areas with an aim to promote the reduction in disposable plastic water bottle use.

Green Partnerships with Stakeholders

“ On our stakeholders’ front, we have issued a guideline for tenants on fitting out their offices. Upon request, we perform indoor air quality measurements for them.”

Page 10, Corporate Responsibility Report 2006



Hysan has come a long way since 2006 in regard to green partnerships. Our efforts now focus on contacts with four main groups of stakeholders:

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

GOVERNMENT INITIATIVES

In addition to an existing number of energy saving and recycling initiatives that Hysan supports, the following new charters and schemes were added in 2016:

- Environment Bureau’s Post-COP 21 Green Building Engagement (4% energy savings target in three years)
- Environment Bureau’s Charter on External Lighting
- Environmental Protection Department’s Rechargeable Batteries Recycling Scheme
- Environmental Protection Department’s Food Waste Source Separation, Collection and Delivery to Organic Waste Treatment Facilities Phase One (our commitment to join the programme starting in Q1 2017)

TENANTS, VISITORS AND THE GENERAL PUBLIC

Four years after its unveiling, our Urban Farm on the rooftop of Hysan Place remains a major green attraction for visitors and tenants alike. The farming sessions were heavily oversubscribed throughout 2016. For more details, please refer to the “Environmental Issues and Healthy Living Promotions” section of “Community Contributions” in Page 66. We continued to support the Redress’ EcoChic Design Award to encourage less apparel production and reduce wastage through an exhibition at Hysan Place. We also continued to support Greeners Action’s Lai See Packets recycling programme to promote the reusing of these lucky packets during Chinese New Year.

As per shoppers’ request, we added three sets of recycling bins in Hysan Place and Leighton Centre in 2016. Leveraging on the Lee Gardens Office Plus platform, we hosted two green living workshops for Office Plus members, who are staff of our office tenants, and received positive feedback from those who took part.

Our Environmental Affairs Manager shared her experiences of green building management with the general public on several occasions during 2016. She was interviewed by Metro Radio after Hysan won the World Green Organisation’s Sustainable Business Award. She also spoke at the Jockey Club CarbonCare Open Innovation Lab’s “Zero Carbon Hong Kong Inno Day: Sustainable Living 2016”, as well as at Friends of the Earth’s “Achieving Zero Waste Practices through Urban Farming”.

STAFF ENGAGEMENT

Hysan's Go Green Committee again took the lead in bringing green issues to the attention of our own staff members. In addition to the second-hand clothing drive, which was in its second year of operation, the Committee took 25 colleagues and their family members to visit Hongkong Electric's Lamma Power Station to learn about the latest initiatives in power generation. It also organised an upcycling workshop for one of our "Lunch and Learn" sessions in 2016.

The Committee helped to launch a series of "Go Green" labels to remind colleagues and visitors to conserve resources, with the labels being adopted in our Head Office as well as in all of our buildings' common areas. Environmental news and tips are now disseminated to staff members through our intranet's "Do you know that?" section.

GREEN ORGANISATIONS

Hysan remains a strong partner of a number of green organisations through actual participation or sponsorships. Among the projects we supported in 2016 were:

- World Wide Fund for Nature's Earth Hour
- Business Environment Council's BEC EnviroSeries Conference
- Green Sense's No Air Con Night
- Greeners Action's Lai See Packets Recycling
- Jockey Club CarbonCare Open Innovation Lab's "Zero Carbon Hong Kong Inno Day: Sustainable Living 2016"
- Friends of the Earth's "Achieving Zero Waste Practices through Urban Farming"
- Hong Kong Environmental Protection Association's Wood Recycling and Tree Conservation Scheme
- Hong Kong Green Building Council and Professional Green Building Council's Green Building Award 2016

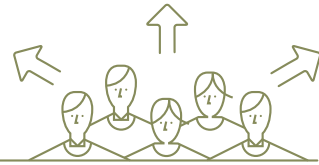


Workplace Quality

Staff Composition

“ As at 31 December 2006, Hysan had a total workforce of 492.”

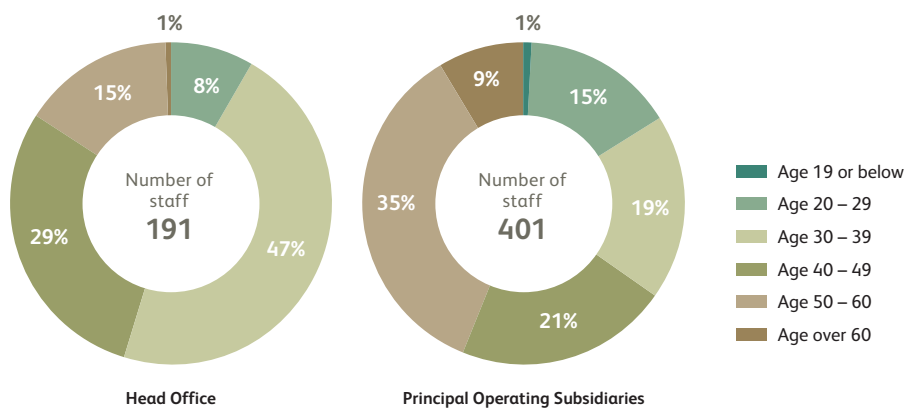
Page 13, Corporate Responsibility Report 2006



As at 31 December 2016, Hysan employed a total of 592 staff, including our Head Office team and principal operating subsidiaries' colleagues. All our staff members are located in Hong Kong.

185 of our staff members, including 44 out of 74 Head Office Managers or above, are women.

Age Group of Staff



In the past decade, we have built and grown a team of experts who have strong knowledge of the retail, office and residential fields. We have also created a working environment in which these employees can make use of their resourcefulness, professionalism, teamwork and swift action to deliver a unique and satisfying experience to our customers.

Code of Ethics

Our Code of Ethics highlights the main Hysan principles:

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

The Code applies to Directors, officers and employees of the Group, and is clearly communicated to all, including new staff members. It covers a range of topics, including data privacy, protection of copyright, anti-bribery and anti-fraud. The Code also has in place a “whistle-blowing system”, as monitored by an independent third-party service provider directly reporting to the Audit Committee Chairman.

Human Resources Policies

“ *In general, we have built transparent procedures and appropriate checks-and-balances into our hiring, disciplinary, grievance, and other key human resources processes, thereby reinforcing our aim to be a fair employer.*”

Page 13, Corporate Responsibility Report 2006

Since 2006, we have further refined our Employment and Staff Policy, which deals with recruitment, employee movement, 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). The Policy is complemented by the Code of Ethics as stated in the section above. In 2016, we did not identify any material non-compliance or breach of legislation related to equal opportunities.

Hong Kong is our home base, and 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 2016.

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 2016.

Our management strongly emphasises the need to maintain a clear and constructive 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 maintain comprehensive written policies on compensation, work hours, staff benefits, staff training, health and safety, as well as grievance mechanisms. For details on our other channels of communication, please refer to the “Employee Engagement” section on Page 62.

Training and Development

The major 2016 training programmes for Head Office and Principal Operating Subsidiaries colleagues included:

- Project management workshops
- Language training for retail and office staff
- Customer service training for finance staff
- Seminars on latest ordinance changes (e.g. fraud risk management, competition law)
- Enhancement of training curriculum for Principal Operating Subsidiaries colleagues (including customer service, grooming, and language workshops for frontline staff, coaching workshops for supervisors)

For 2016, Hysan provided an average of 12.2 hours of training per Head Office staff, and 15.8 hours of training per Principal Operating Subsidiaries’ employee.

Our training efforts paid off in 2016, when Hysan Property Management Limited was awarded a Customer Service Certificate of Merit by the Hong Kong Retail Management Association’s Hong Kong Awards for Industries.

Attracting and Retaining Talent

“ *The recruitment and staffing process ensures that talents are exhaustingly identified from both internal and external sources, with the ultimate goal of giving staff maximum opportunities to grow and develop at Hysan.*”

Page 13, Corporate Responsibility Report 2006

We have continued to develop a comprehensive system of attracting and retaining talent. Our employee turnover figures were 25.4% for our Head Office staff, and 17.1% for our Principal Operating Subsidiaries' employees. These figures were higher than the Hong Kong property sector turnover rate of 16.8% (sourced from a Towers Watson survey), and we are looking into ways to make improvements in this respect.

We started a Summer Internship Programme in 2016, with an aim to provide a pipeline of talents for our forthcoming Management Trainee Programme in 2017. It is also to help gain fresh insights and different business perspectives from students who may suggest innovative solutions to energise our business. Our two summer interns worked jointly on a business project during the six-week programme.

The Management Trainee Programme will focus on developing talented university graduates with high potential to become the future business leaders of Hysan. A familiarisation programme will be followed by extensive on-the-job experience at designated business functions.

Employee Engagement

Our U.S.E. idea awards continued to recognise the provision of unique and satisfying experiences by our staff members to our stakeholders. A total of 14 U.S.E. idea awards and 3 Best U.S.E. idea awards were granted during the year. Project leads were assigned to execute the winning ideas, and the progress of the projects were shared with all staff on the intranet. Among the best ideas were ones to upgrade dining experience at Hysan Place's Kitchen 11, and to provide future events and activities ideas in outdoor areas.

Separately, the U.S.E. Ambassador programme recognises top U.S.E. behaviours among frontline staff. A total of 9 U.S.E. Ambassadors and 11 Merit Awards were presented, and their stories also shared on the intranet.

The Company Day provided another opportunity for senior management members to exchange views with staff members both on the previous year's work and the coming year's expectations. Around 200 staff members took part in the latest edition of this annual event.

Health and Safety

Health and Safety Policy

Hysan's first Environment, Health and Safety Policy was established in 2003 and was made public in 2006 as part of the first Corporate Responsibility Report. The 2014 revision separated the health and safety section from the environment section.

The 2006 Report's health and safety section highlighted our determination to take these issues very seriously for the sake of our employees, customers and the communities in which we operate. We also explained our need to consistently review and refine the health and safety management system, as well as our employees' safety training. Finally, we acknowledged the importance of a response plan to deal with possible outbreaks of contagious diseases.

The present 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 a responsible employer, we take full account of our health and safety obligations towards our stakeholders. “*

Page 11, Corporate Responsibility Report 2006



Within the Group's structure, the Property Services division takes the lead in the coordination of health and safety matters, as their members account for around 70% of our total staff headcount and most have frontline roles. The General Manager of Property Services chairs our Safety Committee, which oversees the implementation of the Health and Safety Policy on a day-to-day basis, and regularly reports back to senior management. Safety procedures are recorded on a Safety Management Plan. One round of third-party safety audit took place in 2016 for all Hysan buildings. No significant irregularities were found.

Health and Safety

Our staff members clocked more than 3,360 hours of safety training in 2016.

The nature of our business, mainly in property management, means that our health and safety risk profile is comparatively low. However, our frontline staff, inevitably, still experience minor accidents, and there were 26 work injury cases at Hysan in 2016, the majority of which did not incur more than five sick leave days. There were 1,070.5 lost days due to work injury, including 790 days brought forward to 2016 from 2013, 2014 and 2015, as well as 280.5 days from a 2016 case.

Our care for health and safety extends beyond our staff's physical well-being. Our Employee Assistance Programme provides counseling services, which are operated by a non-governmental organisation on our behalf. There was an unfortunate case of a customer's death within one of our shopping malls during 2016. Counselors from the Programme gave invaluable psychological help to ease the concerns of several staff members immediately after the incident and for a period of time afterwards.

Health and Safety: Our Partners

“ *We also request that our contractors, especially those in the construction industry dealing with our Hennessy Centre (later renamed Hysan Place) redevelopment project, provide us with method statements on how they are to complete their work, including the precautionary means to protect themselves and others from work-related harm.*”

Page 11, Corporate Responsibility Report 2006

In 2016, we demanded even more from our contractors to ensure they observe very high standards of health and safety requirements similar to our own. During the year, safety consultants conducted one round of safety audits for the Lee Garden Three development project. The audit looked into the contractor's safety management system, with a focus on plant and equipment, subcontractors' control, and safety work procedures implementation. The consultants also made recommendations for further safety enhancements. The audit's result was satisfactory. There were three minor work-related injuries at the Lee Garden Three site in 2016.



Community Contributions

Supporting the setup of Lee Gardens Association

“ In Hysan’s first Corporate Responsibility Report, we proudly showcase “Music in the Green City”, a concert-cum-street carnival presented and sponsored by Hysan”

Page 14, Corporate Responsibility Report 2006



Back in 2006, Hysan already understood the need to place community work high on the corporate responsibility agenda. “Music in the Green City” was one of our earliest attempts to cooperate with Wanchai District Council, as well as with Hong Kong artistic groups to bring both green and arts/culture messages to the streets of Lee Gardens.

In an effort to encourage the Lee Gardens area stakeholders to join forces and further enliven the community, Hysan took the lead in establishing an area association by the name of “Lee Gardens Association” (LGA). LGA’s aim is to create a unified community of businesses with the purpose of promoting Lee Gardens Area to local Hong Kong consumers and overseas visitors through events, activities, and generally improving the local environment. It also provides a platform for its retail/food and beverage services, enabling members to share views and engage government departments and the local District Council. LGA’s ultimate wish is to ensure the sustainable growth of the Lee Gardens area.

In the second half of 2016, LGA successfully hosted a number of events and attracted tens of thousands of visitors to the streets of Hysan Avenue, Pak Sha Road and Lan Fong Road.

Sep

Wellness 360 Fair played host to more than 30 vendors and performing units, which served thousands of participants with wellness products, food and drinks, as well as fitness performances and dances.

Oct

Hong Kong Tennis Open’s Fanzone was held on Pak Sha Road, in cooperation with Wanchai District Council’s Cultural & Leisure Services Committee and Hong Kong Tennis Association. Visitors enjoyed two afternoons of live TV transmission of top quality tennis matches, as well as a host of tennis-themed fun and games.

Nov

Art Fun in Causeway Bay’s Night Parade again mesmerised tens of thousands of people lined up on the Lee Gardens streets. One of Hong Kong’s most creative giant puppet parades, and a part of Standard Chartered Arts in the Park Mardi Gras, the Night Parade used William Shakespeare’s A Midsummer Night’s Dream as its theme in 2016. Even the pre-event short plays and media promotion attracted considerable public attention.

Dec

Wellness 360 Xmas Fair and Charitable Choice’s Colour for Charity Carnival brought much Christmas cheer to Hysan Avenue and Pak Sha Road. LGA co-presented both of these family-friendly activities, which were very well-received.



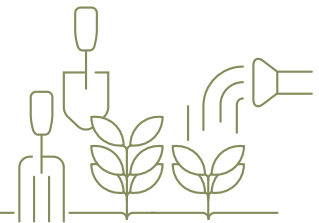
Community Contributions

LGA also played host to a number of history tours of the area, which were co-organised by Wanchai District Council's Cultural and Leisure Services Committee, Hong Kong Architecture Centre, and the Conservancy Association Centre for Heritage. It is hoped that the tours will help share more information about Causeway Bay and Lee Gardens area's treasured past with the public.

Environmental Issues and Healthy Living Promotions

“While each party contributed its unique skills to the successful partnership (for “Music in the Green City”), Hysan provided the leafy venue, as well as the professional and financial support to make it all happen.”

Page 14, Corporate Responsibility Report 2006



Surrounded by several leafy venues, Hysan Place remained one of Hong Kong's best known green commercial buildings, and 10 organisations visited its Urban Farm in 2016. The rooftop farming programme continued to be oversubscribed. 311 urban farmers representing 50 companies grew organic vegetables successfully on this most improbable farm in the heart of Hong Kong's busiest commercial district.

450 children and their parents took part in our educational Green Wonders programme, which we operated in coordination with green enterprise, Smiley Planet. We also trialed Green Birthday Parties for youngsters to celebrate their special day, and we ensured the parties had an educational twist.

Throughout October, Hysan's portfolio showcased its connection with one of Causeway Bay's most popular sporting events: the Prudential Hong Kong Tennis Open. A top women's tennis tournament attracting some of the world's best known players, it inspired a very popular VR game in Hysan Place's atrium. Tennis-themed activities, including the sale of



personalised tennis balls for charity, as well as visits by Caroline Wozniacki and Jelena Jankovic, put Lee Gardens in the sporting and healthy living spotlight. We are planning to follow up the sports theme with the sponsorship of another major local sporting event in 2017.

Our annual “Hysan Healthy Hike and Run” remained a top trail event on the competition calendar for runners. The 2016 event was well-supported by 1,400 participants, including dozens of our own colleagues. Their determination to push themselves to the limit was further highlighted by two teams taking part in Oxfam’s 100km Trailwalker event, including several colleagues new to the sport.

Arts and Culture Development Promotions

“ *We have offered the free use of venues in our portfolio, and we will facilitate the posting of publicity materials for non-profit organisations within our retail malls.*”

Page 14, Corporate Responsibility Report 2006

Hysan’s support for community groups through the use of venues for arts and culture development has expanded significantly since 2006. Several of the arts and culture events supported by Hysan adopted an environmental theme in 2016. Food Angel’s Canstruction 2016 attracted plenty of attention from mall-goers in the summer, when it promoted the reduction of food waste through an amazing display of canned food statues. Green Power’s Butterfly exhibition and the Nature Conservancy public engagement programmes both twinned green issues with artistic presentations. UNICEF’s 30th Anniversary exhibition used art pieces to highlight the plight of young refugees and underprivileged children throughout the world. Finally, Art with the Disabled Hong Kong and Premiere Performances of Hong Kong graced Hysan Place’s stage with popular musical events.



Community Contributions

Other Venue Support

Below is a list of other community activities that took place at Hysan's venues in 2016:

<p>Jan</p> <p>Hong Kong Science and Technology Parks "Let's Shape a Brighter Future Together" Roadshow</p>	<p>Feb</p> <p>St. James' Settlement "Valentines Flower Charity Sale"</p> <p>Helping Hand "Cookie Campaign Launching Ceremony"</p>	<p>March</p> <p>Helping Hand "Cookie Campaign Charity Sale"</p> <p>Lok Sin Tong "Charity Candy Sale"</p> <p>Redress "The Ecochic Design Award 2015/2016 Exhibition"</p>
<p>May</p> <p>Hong Chi Association "Charity Cookie Sale"</p> <p>Oxfam Hong Kong "Rice Charity Sale"</p>	<p>June</p> <p>Hong Kong Association of Banks "Youth Financial Education Programme 2016 Launch Ceremony"</p>	<p>August</p> <p>Habitat for Humanity "Education and Membership Recruitment Event"</p>
<p>September</p> <p>Senpha "Annual Award 2016" Painting Exhibition</p> <p>WWF Hong Kong "Public Engagement Programme"</p> <p>Leisure and Cultural Services Department "The Hong Kong Women's Choir Performance"</p>	<p>October</p> <p>Walk 21 Conference "Welcome Reception"</p> <p>Hong Kong Tennis Association/TVB Press Conference "Hong Kong Tennis Open"</p>	<p>November</p> <p>Haven of Hope Christian Service "Charity Cookie Sale"</p> <p>Hong Kong Red Cross "Charity Sale"</p> <p>Hong Kong PHAB Association "Raffle Ticket Sale"</p> <p>Hong Kong Institute of Architects "Public Lectures"</p>





Our Volunteer Team

“ *Hysan encourages its volunteers team to contribute to the community whenever possible.* ”

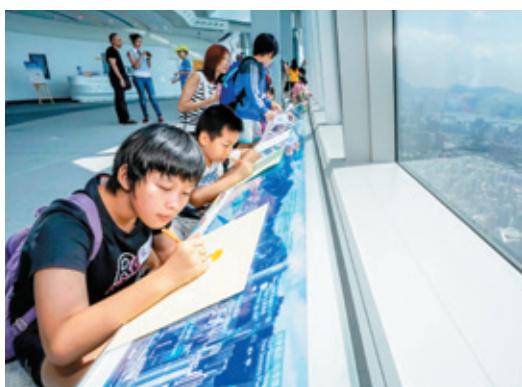
Page 14, Corporate Responsibility Report 2006

Hysan's volunteer team is now very well-organised, and our colleagues contributed 780 hours of their time for volunteer service in 2016. Another 241 hours were also recorded as contributions by their friends and families taking part in Hysan activities. 11 events took place during the year.

The organisations Hysan partnered included:

- Fair Trade Hong Kong Foundation
- Hong Kong Movie Star Sports Association Charities Limited
- Hong Kong Society for the Protection of Children
- Music Children Foundation
- Oxfam Hong Kong
- SAHK
- St. James' Settlement
- Young Artists Development Foundation

Hysan was a Gold 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 “Responsible Business” Section

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”

B. SOCIAL

Reference in “Responsible Business” Section

Overview

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 – Staff Composition” |

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 2016, the training ranged from customer service for non-frontline colleagues to project management workshops |
| <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 2016” (covered stakeholder engagement) |
|---|--|

Financial Performance

Responsible Business

Corporate Governance

Financial Statements and Valuation

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

B. SOCIAL

Reference in “Responsible Business” Section

<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 plan to use materials extracted and manufactured locally for around 10 % of total materials value.)
<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") conducted an independent verification of the Responsible Business Section of the Annual Report of Hysan Development Company Limited ("Hysan"). The contents of the Responsible Business Section articulate Hysan's commitments and progress on sustainability for the period of 1st January 2016 to 31st December 2016.

The aim of this verification is to provide a reasonable assurance on the completeness and accuracy of the information stated in the Responsible Business Section, which is the 11th report that Hysan produced focusing on social and environmental efforts and prepared in accordance with the Environmental, Social and Governance Reporting Guide ("ESG Reporting Guide") issued by the Hong Kong Stock Exchange.

Methodology

The process applied in this verification was based on the International Standard on Assurance Engagement 3000 (Revised) – "Assurance Engagement Other Than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board.

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

Independence

HKQAA was not involved in collecting and calculating data, or in the development of the reporting contents. HKQAA's activities are independent from Hysan.

Conclusion

HKQAA confirms that the contents stated within the Responsible Business Section of Hysan's Report are accurate and reliable. The key performance indicators specified in the ESG Reporting Guide has been clearly addressed with substantial evidence supported. The information and data outlines in the Responsible Business Section are structured, balanced, consistent and credible in all material respects.

Hysan maintains a thorough and effective mechanism to engage with its stakeholders. Also, material aspects are systematically identified and suitably highlighted in the Report. Besides, the Report confidently channels Hysan's continuing commitments and ceaseless efforts towards conserving the environment, upholding decent workplace quality and contributing to the community.

In conclusion, it is HKQAA opinion that the Responsible Business Section provides a transparent disclosure of Hysan's sustainability performance of 2016 in a responsive, fair and truthful manner that gives stakeholders with a glance of valuable and understandable information.

Signed on behalf of Hong Kong Quality Assurance Agency

Connie Sham
Head of Audit
February 2017