

# Corporate Governance Report

## CORPORATE GOVERNANCE HIGHLIGHTS

Hysan embraces good corporate governance as one of our core values, and as the foundation of achieving consistent and sustainable performance. We are committed to achieving best practice in all aspects of corporate governance, going above and beyond regulatory compliance under the Rules Governing the Listing of Securities (the “Listing Rules”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

In 2020, Hysan continued to comply fully with the requirements of the provisions contained in the Corporate

Governance Code (the “Corporate Governance Code”) set out in Appendix 14 of the Listing Rules. Furthermore, Hysan remained committed to the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 of the Listing Rules.

This section outlines the highlights and major areas in which Hysan’s corporate governance practices have exceeded the Corporate Governance Code, both in 2020 and over the past five years.

### Hysan’s Corporate Governance Achievements (Beyond Compliance)

Sustainability Committee established on 1 January 2020

Terms of Reference for Audit and Risk Management Committee, Nomination Committee, Remuneration Committee, Sustainability Committee, and Executive Committee updated in 2021

Established green finance framework\* in 2018. Issuance of first Green Bond in 2019

New Anti-Fraud Policy\* adopted in 2021, with supporting fraud handling policy and procedures to control and aid in the detection and prevention of fraud

New Tax Governance Policy\* adopted in 2021, with supporting tax compliance policy and procedures in place

New Human Rights Policy\* adopted in 2020, as well as a Code of Ethics\* applicable to all staff and Directors, joint venture partners, contractors and suppliers

Board independence: four INEDs out of nine Directors, exceeding the Listing Rules requirement

Effective and detailed digital Board evaluation of its own performance and that of its committees. Directors’ feedback was analysed and discussed in meetings

Comprehensive Onboarding Guideline for Directors\*

Individual reports for each Board Committee

Appointment of directors through formal letters of appointment. Formal criteria and requirements\* established for Non-Executive Director appointments, including expected time commitment

A separate Whistleblowing Policy\* established in 2016. An independent third party is engaged as the whistleblowing channel, which directly reports to the Audit and Risk Management Committee

A formal Board of Directors Mandate\* and a detailed List of Matters Reserved for the Board Decision\* provide for a clear division of roles between the Board and management

Formal Corporate Governance Guidelines\* formulated in 2004 and further reviewed in 2021

Corporate Disclosure Policy\* formulated in 2013 and further enhanced in 2019. Hysan’s Disclosure Committee conducts regular assessments of inside information, and guides and promotes the timely and accurately disseminated disclosure of inside information and stakeholder communications

Formal Code for Securities Dealing by Directors and Employees, including clearance and approval procedures

More than 20 business days’ notice for AGMs

Early announcement of audited financial results within two months and publication of Annual Report within three months after the financial year-end

Adopted limits on the issuance of additional shares under general mandate from 2018 onwards: namely, such issuance shall not exceed 10 % of the total number of the Company’s issued shares, and the discount for any shares to be issued shall not exceed 10 %

Proactive invitation to major nominee companies by Hysan to forward communication materials to the ultimate beneficial shareholders at the Group’s expense

Auditor Services Policy\* for the engagement of auditors

Confirmation from senior management to the Audit and Risk Management Committee regarding verification compliance. Additional assurance from Internal Audit regarding the review of continuing connected transactions

\* Detailed policies and terms of reference are available on the Company’s website: [www.hysan.com.hk/governance](http://www.hysan.com.hk/governance).

# OUR LEADERSHIP TEAM

## Board of Directors

The Board is the governing body of our Group, and assumes the responsibility of overseeing the corporate governance of our Group.

## Executive Director



### Lee Irene Yun-Lien

Chairman of the Board

N

**Board Appointment** Ms. Lee was appointed as a Non-Executive Director in March 2011, Non-Executive Chairman in May 2011, and executive Chairman in March 2012. She also serves as a director of certain subsidiaries of the Group. She is aged 67.

**Competencies and Experience** Ms. Lee leads the Group in her executive Chairman role. Ms. Lee is an independent non-executive director of HSBC Holdings plc, The Hongkong and Shanghai Banking Corporation Limited and Hang Seng Bank Limited. She is a Member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority. She has held senior positions in investment banking and fund management in a number of renowned international financial institutions. Previously, Ms. Lee was an executive director of Citicorp Investment Bank Limited in New York, London and Sydney, and head of corporate finance at Commonwealth Bank of Australia and chief executive officer of Sealcorp Holdings Limited, both based in Sydney. She was also the non-executive

chairman of Keybridge Capital Limited (listed on the Australian Stock Exchange), a non-executive director of ING Bank (Australia) Limited, QBE Insurance Group Limited and The Myer Family Company Pty Limited, an independent non-executive director of Noble Group Limited (listed on Singapore Exchange Limited), CLP Holdings Limited and Cathay Pacific Airways Limited, and a member of the Advisory Council of JP Morgan Australia. Ms. Lee was formerly a member of the Australian Government Takeovers Panel.

She is a member of the founding Lee family, sister of Mr. Lee Anthony Hsien Pin (Non-Executive Director) and his alternate on the Board.

**Qualifications** Ms. Lee holds a Bachelor of Arts Degree from Smith College, United States of America, and is a Barrister-at-Law in England and Wales and a member of the Honourable Society of Gray's Inn, United Kingdom.

**Committees** Ms. Lee is the Chairman of the Nomination Committee.



Audit and Risk Management Committee



Remuneration Committee



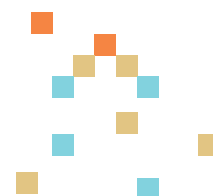
Nomination Committee



Sustainability Committee



Committee Chairman



## Non-Executive Directors



**Churchouse Frederick Peter**  
Independent Non-Executive Director

A N

**Board Appointment** Mr. Churchouse was appointed as an Independent Non-Executive Director in December 2012 and is aged 71.

### Competencies and Experience

Mr. Churchouse has been involved in Asian securities and property investment markets for more than 30 years. Currently, he is a private investor including having his own private family office company, Portwood Company Ltd. He is an independent non-executive director of Longfor Group Holdings Limited. He was the publisher and author of *The Churchouse Letter*. In 2004, Mr. Churchouse set up an Asian investment fund under LIM Advisors. He acted as a director of LIM Advisors and as Responsible Officer until the end of 2009. Prior to this,

Mr. Churchouse worked at Morgan Stanley as a managing director and advisory director from early 1988. He acted in a variety of roles including head of regional research, regional strategist and head of regional property research. He was also a board member of Macquarie Retail Management (Asia) Limited.

**Qualifications** Mr. Churchouse gained a Bachelor of Arts degree and a Master of Social Sciences degree from the University of Waikato in New Zealand.

**Committees** Mr. Churchouse is a member of the Audit and Risk Management Committee and the Nomination Committee.



**Fan Yan Hok Philip**  
Independent Non-Executive Director

A R N S

**Board Appointment** Mr. Fan was appointed as an Independent Non-Executive Director in January 2010. He is aged 71.

**Competencies and Experience** Mr. Fan is an independent non-executive director of China Everbright Environment Group Limited, First Pacific Company Limited, China Aircraft Leasing Group Holdings Limited and PFC Device Inc. He was previously an independent director of Goodman Group.

**Qualifications** Mr. Fan holds a Bachelor's Degree in Industrial Engineering and a Master's Degree in Operations Research from Stanford University, as well as a Master's Degree in Management Science from the Massachusetts Institute of Technology.

**Committees** Mr. Fan is the Chairman of the Remuneration Committee, and a member of the Audit and Risk Management Committee, the Nomination Committee and the Sustainability Committee.



Audit and Risk Management Committee



Remuneration Committee



Nomination Committee



Sustainability Committee



Committee Chairman



## Poon Chung Yin Joseph

### Independent Non-Executive Director



**Board Appointment** Mr. Poon was appointed as an Independent Non-Executive Director in January 2010. He is aged 66.

**Competencies and Experience** Mr. Poon is a non-executive director of Tai Chong Cheang Group, a member of Advising Committee of Asia Pacific Institute for Strategy and a board advisor of Clean Air Network. He was formerly an independent non-executive director of AAC Technologies Holdings Inc., the group managing director and deputy chief executive officer of Tai Chong Cheang Group, managing director and deputy chief executive of Hang Seng Bank Limited and held senior management posts in HSBC Group and a number of internationally renowned financial institutions. Mr. Poon was the former chairman of Hang Seng Index

Advisory Committee, Hang Seng Indexes Company Limited, a former member of the Board of Inland Revenue of Hong Kong Special Administrative Region and the Environment and Conservation Fund Investment Committee, and a former committee member of the Chinese General Chamber of Commerce.

**Qualifications** Mr. Poon holds a Bachelor of Commerce degree from the University of Western Australia, is a member of Chartered Accountants Australia and New Zealand, and the Hong Kong Institute of Certified Public Accountants. Mr. Poon is also a Fellow of the Hong Kong Institute of Directors.

**Committees** Mr. Poon is the Chairman of the Audit and Risk Management Committee, and a member of the Remuneration Committee and the Nomination Committee.



## Wong Ching Ying Belinda

### Independent Non-Executive Director



**Board Appointment** Ms. Wong was appointed as an Independent Non-Executive Director in December 2018 and is aged 49.

**Competencies and Experience** Ms. Wong is currently the chairman and chief executive officer of Starbucks China. Ms. Wong joined Starbucks Coffee Company in 2000 and held leadership positions across a variety of business units and geographies, including marketing director for the Asia Pacific region of Starbucks Coffee, managing director of Starbucks Singapore and general manager of Starbucks Hong Kong. Prior to joining Starbucks group in 2000, Ms. Wong was the marketing manager of McDonald's China Development Company. She is also an

independent non-executive director of Television Broadcasts Limited and has extensive experience in retail, food and beverage, people, brand development and growth strategy across the Greater China and Asia Pacific regions. She serves as a member on the Faculty Advisory Board for University of British Columbia's Sauder School of Business.

**Qualifications** Ms. Wong holds a Bachelor of Commerce degree with a major in finance from the University of British Columbia in Canada.

**Committees** Ms. Wong is a member of the Sustainability Committee.

## Non-Executive Directors (continued)



**Jebsen Hans Michael B.B.S.**  
Non-Executive Director



**Board Appointment** Mr. Jebsen was appointed as a Non-Executive Director in 1994 and is aged 64.

**Competencies and Experience** Mr. Jebsen is chairman of Jebsen and Company Limited as well as a director of other Jebsen Group companies worldwide. He is also an independent non-executive director of The Wharf (Holdings) Limited. Mr. Jebsen currently holds a number of public offices, namely, chairman of the Asian Cultural Council Hong Kong, chairman of the Advisory Council of the Business School of The Hong Kong University of Science and Technology, a trustee of World Wide Fund for Nature Hong Kong and a member of Board of Trustees of Asia Society Hong Kong Center, Hong Kong-Europe Business Council of the Hong Kong Trade Development Council as well as Advisory Board of the Hong Kong Red Cross. Since 2015, he has also been a

member of the Operations Review Committee of the Independent Commission Against Corruption. Mr. Jebsen was awarded the Bronze Bauhinia Star by the Government of the Hong Kong Special Administrative Region in 2001, made a Knight of the Dannebrog by receiving the Silver Cross of the Order of Dannebrog by H. M. The Queen of Denmark in 2006, was awarded the Merit Cross of the Order of the Merit of the Federal Republic of Germany in 2009, received the title “Hofjægermester” by H. M. The Queen of Denmark in January 2011 and was awarded the Knight of 1st Class of the Order of Dannebrog, Denmark in 2014.

**Qualifications** Mr. Jebsen was awarded Doctor of Business Administration honoris causa of The Hong Kong University of Science and Technology in 2015.

**Committees** Mr. Jebsen is the Chairman of the Sustainability Committee.



**Lee Anthony Hsien Pin**  
Non-Executive Director



**Board Appointment** Mr. Lee was appointed as a Non-Executive Director in 1994 and is aged 63.

**Competencies and Experience** Mr. Lee is a director and substantial shareholder of the Australian-listed Beyond International Limited, principally engaged in television programme production and international sales of television programmes and feature films. He is also a non-executive director of Television Broadcasts Limited and a member of the Board of Trustees of Princeton

University. Mr. Lee is a member of the founding Lee family and a director of Lee Hysan Company Limited, a substantial shareholder of the Company. He is the brother of Ms. Lee Irene Yun-Lien, Chairman.

**Qualifications** Mr. Lee received a Bachelor of Arts Degree from Princeton University and a Master of Business Administration Degree from The Chinese University of Hong Kong.

**Committees** Mr. Lee is a member of the Audit and Risk Management Committee.



Audit and Risk Management Committee



Remuneration Committee



Nomination Committee



Sustainability Committee



Committee Chairman



## Lee Chien

Non-Executive Director

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**Board Appointment** Mr. Lee was appointed as a Non-Executive Director in 1988 and is aged 67.

**Competencies and Experience** Mr. Lee is a non-executive director of Swire Pacific Limited and a number of private companies. He is a member of the founding Lee family and a director of Lee Hysan Company Limited, a substantial shareholder of the Company. Mr. Lee is a Council member of The Chinese University of Hong Kong and St. Paul's Co-educational College and a

Trustee Emeritus of Stanford University. He is also a director of Stanford Health Care and CUHK Medical Centre.

**Qualifications** Mr. Lee received a Bachelor of Science Degree in Mathematical Science, a Master of Science Degree in Operations Research and a Master of Business Administration Degree from Stanford University.

**Committees** Mr. Lee is a member of the Nomination Committee.



## Lee Tze Hau Michael

Non-Executive Director

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**Board Appointment** Mr. Lee joined the Board in January 2010, having previously served as a Director from 1990 to 2007. He is aged 59.

**Competencies and Experience** Mr. Lee is currently a director of Oxer Limited, a private investment company. He is also an independent non-executive director of Chen Hsong Holdings Limited and the deputy chairman of the Board of Stewards of The Hong Kong Jockey Club. He was previously an independent non-executive director of Hong Kong Exchanges and Clearing Limited and Trinity Limited, and an independent non-executive director and chairman of OTC Clearing Hong Kong

Limited. Mr. Lee was also a member of the Main Board and Growth Enterprise Market Listing Committees of The Stock Exchange of Hong Kong Limited. Mr. Lee is a member of the founding Lee family and a director of Lee Hysan Company Limited, a substantial shareholder of the Company.

**Qualifications** Mr. Lee received his Bachelor of Arts Degree from Bowdoin College and his Master of Business Administration Degree from Boston University.

**Committees** Mr. Lee is a member of the Remuneration Committee.



## Senior Management



**Lui Kon Wai Ricky**

MBA, MCIOB

**Chief Operating Officer**

Mr. Lui joined Hysan as the Group's Chief Operating Officer in December 2016. He assists the Chairman in translating and executing the Group's strategy and vision into operational and financial achievement. Mr. Lui also drives the Group's business growth, development and investment, and serves as a director of certain Hysan subsidiaries. Mr. Lui has over 25 years of experience as a senior executive in the global property industry, covering acquisitions, development and asset management for residential, office, retail and large-scale mixed use developments in Hong Kong, the Mainland and overseas. He is aged 55.



**Hao Shu Yan Roger**

BBA (Hons), CPA, ACA, ACCA

**Chief Financial Officer**

Mr. Hao is responsible for the Group's financial control and treasury functions, and serves as a director of certain Hysan subsidiaries. He joined the Group in 2008. Mr. Hao has accumulated extensive experience in auditing, financial management and control while holding senior positions in multinational corporations. He is aged 55.



**Choy Man Wai Kitty**

BEcon, MSc, MBA

**Director, Retail**

Ms. Choy is responsible for the Group's retail portfolio and asset management strategies, as well as serving as a director of certain Hysan subsidiaries. She joined the Group in 2000 and prior to joining Hysan, Ms. Choy held a supervisory position at a major property development company. She is aged 48.



**Lam Tze Pon Tiffany**

B.Soc.Sc. (Information Management)

**Director, Marketing and Customer Experience**

Ms. Lam is responsible for the formulation of the Group's marketing strategies, leads the Group's marketing and customer experience operations, and serves as a director of certain Hysan subsidiaries. She joined the Group in January 2018. Prior to joining the Group, Ms. Lam has accumulated extensive experience in retail and brand management in the premium luxury sector and the hospitality industry while holding senior positions in international retail corporations. She is aged 49.



**Yip Mo Ching Jessica**

BSc (Surveying), MBA, MRICS,

MHKIS, RPS

**Director, Office and Residential**

Ms. Yip is responsible for managing the office and residential portfolio of the Group, and serves as a director of certain Hysan subsidiaries. Prior to joining the Group in 2012, Ms. Yip fulfilled various roles in international consultancies, occupiers and developers. She has extensive experience in the real estate industry. She is aged 44.

## OUR GOVERNANCE STRUCTURE

The Board is responsible for the stewardship of the Group and ensuring the effectiveness and adequacy of the Group's corporate governance system. A strong corporate governance system allows the Group to enhance business efficacy with precision, in order to successfully achieve its intended results while also supporting Hysan's strategic objective of optimizing consistent long-term financial returns for its shareholders.

The Board is the governing body of our Group, and assumes the responsibility of shaping business goals and strategies in the best interests of the Group. In carrying out its duties, the Board may, within defined limits and authority, delegate tasks to its Board Committees.

Our Board has four Board Committees, namely:

- Audit and Risk Management Committee
- Remuneration Committee
- Nomination Committee
- Sustainability Committee

The Executive Committee and different Management Committees at group level are empowered to implement and execute the Group's business goals and strategies as determined and led by the Board.

Details are set out under the "Leadership" section on page 36.

## OUR GOVERNANCE SYSTEM

Hysan operates within a clear and effective corporate governance system.

The Corporate Governance Guidelines (last updated in January 2021) is the main code governing the Board's commitment to high standards of corporate governance and its roles and responsibilities in supervising the management of the business and affairs of the Group.

Our corporate governance system comprises, inter alia:

- Corporate Governance Framework
- Risk Management and Internal Control Framework

At Hysan, we recognize the importance of achieving good corporate governance from top to bottom: not only at the Board level, but also throughout the whole Hysan Group. Our corporate governance procedures and practices are embedded in a wide range of corporate policies and

guidelines, including, but not limited to, the following key policies and guidelines. All Directors and employees are expected to follow our corporate governance policies and guidelines.

- Corporate Governance Guidelines
- Onboarding Guideline for Directors
- Board of Directors Mandate
- Roles and Requirements of Non-Executive Directors
- List of Matters Reserved for the Board Decision
- Terms of Reference of each Board Committee
- Diversity Policy
- Nomination Policy
- Auditor Services Policy
- Code of Ethics for Directors and Employees
- Corporate Disclosure Policy
- Anti-Fraud Policy
- Whistleblowing Policy
- Procedures for Shareholders to Convene General Meetings/Put Forward Proposals
- Shareholders Communication Policy
- Tax Governance Policy
- Human Rights Policy

Detailed policies and terms of reference are available on the Company's website: [www.hysan.com.hk/governance](http://www.hysan.com.hk/governance).

## OUR CORPORATE GOVERNANCE FRAMEWORK

Our Corporate Governance Framework is carefully and regularly assessed and tailored in accordance with developments in regulatory regimes, international best practices, and the Company's needs.

This framework is the centrepiece of our Corporate Governance System. It aims to ensure that both Directors and employees act within a robust chain of delegated authority and powers, in accordance with our corporate governance principles.

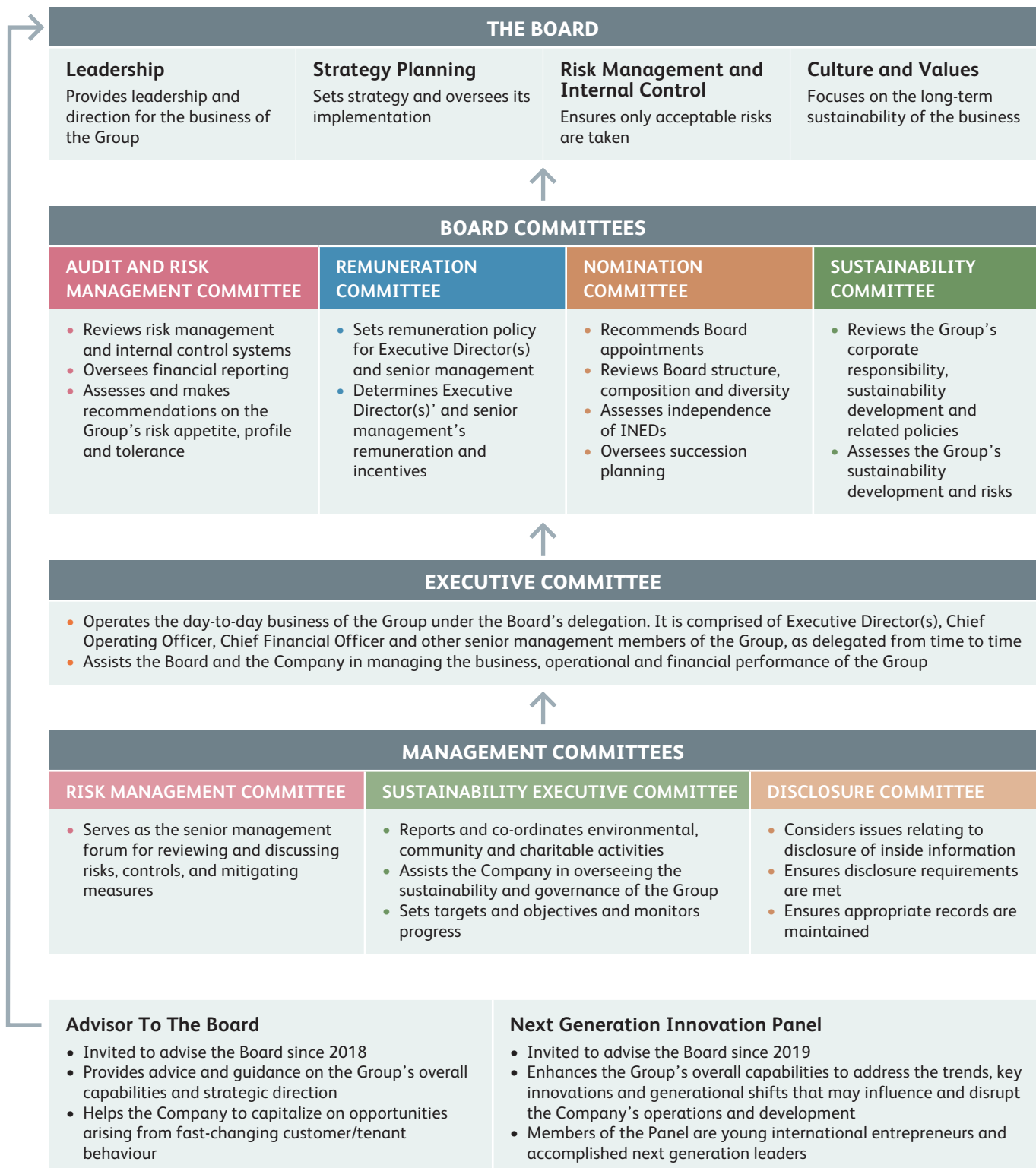
- |                        |                         |
|------------------------|-------------------------|
| <b>1 Leadership</b>    | <b>3 Accountability</b> |
| <b>2 Effectiveness</b> | <b>4 Engagement</b>     |



# 1 Leadership

Our Group's business operation and affairs are effectively managed and carried out through a chain of delegation within defined limits.

## Leadership at a glance



## Board

All Directors are recruited through formal letters of appointment which set out clearly the terms and conditions of their appointments. Directors serve for a term of three years and are subject to rotation.

Main roles and responsibilities of the Board:

- Setting business goals and strategies in the best interests of the Group and overseeing their implementation;
- Providing insights on the Group's culture and values;
- Determining the risk appetite and evaluating the risks that the Group is willing to take;
- Overseeing and ensuring the adequacy and effectiveness of the Group's internal controls and risk management system; and
- Responsible for the corporate governance and financial performance of the Group.

The Board is governed by a formal **Board of Directors Mandate**.

To retain control of key decisions and ensure that there is a clear division of responsibilities between the Board and the management for the daily operation of the Group, the Board has identified certain reserved matters that only the Board can approve. Other matters, responsibilities and authorities have been effectively delegated as described. Details set out in the **List of Matters Reserved for the Board Decision**.

## Board Committees

The Board has four Board Committees, namely the Audit and Risk Management Committee, Remuneration Committee, Nomination Committee and Sustainability Committee.

All Committee meetings are conducted prior to the full Board meetings to ensure that all vital matters are reported to the Board, and considered thoroughly and decided by the full Board in timely manner.

Each Committee has access to independent professional advice and counsel as and when required, and each is supported by the Company Secretary. All of the Board Committees report to the Board.

Full details of the Committees' activities during the year are set out in their respective reports:

- "Audit and Risk Management Committee Report" on pages 61 to 64
- "Remuneration Committee Report" on pages 65 to 70

- "Nomination Committee Report" on pages 71 to 72
- "Sustainability Committee Report" on pages 73 to 74

The Terms of Reference for each Committee have been updated in 2021.

## Executive Committee and Management Committees

The Executive Committee is entrusted with the task of implementing and executing business goals and strategies as determined by the Board. The Board retains control of key decisions and certain reserved matters specified in the **List of Matters Reserved for the Board Decision**, which is reviewed annually.

The Executive Committee members include the Executive Director(s), the Chief Operating Officer, the Chief Financial Officer, and other members as may be appointed by the Board from time to time. The Terms of Reference for the Executive Committee was updated in 2021.

Hysan's strong governance framework requires a number of executive and advisory groups. These include, among others, three governance-related management level committees:

- the Risk Management Committee;
- the Sustainability Executive Committee; and
- the Disclosure Committee.

To enhance the Group's strategy and overall capabilities in addressing new business trends and emerging generational shifts, the Board has appointed Li Xinzhe Jennifer as an Advisor to the Board, as well as establishing a Next Generation Innovation Panel to advise the Board accordingly.

“Monthly financial updates are good, timely, concise, and easily intelligible.”

Directors' comments received in Board Evaluation 2020.

## 2 Effectiveness

Board effectiveness stems from achieving the right composition, size, diversity, commitment, and independence. This can be attained through a proper nomination process, ongoing reviews, and a board evaluation process.

### Board Size

As at 31 December 2020, there were nine Directors on the Board: the Chairman and eight Non-Executive Directors (including four Independent Non-Executive Directors).

Lee Irene Yun-Lien is currently the Board Chairman. She leads the Board, particularly regarding the long-term strategic development of the Group and matters that drive shareholder value.

Lau Lawrence Juen-Yee retired at the conclusion of the AGM held on 13 May 2020.

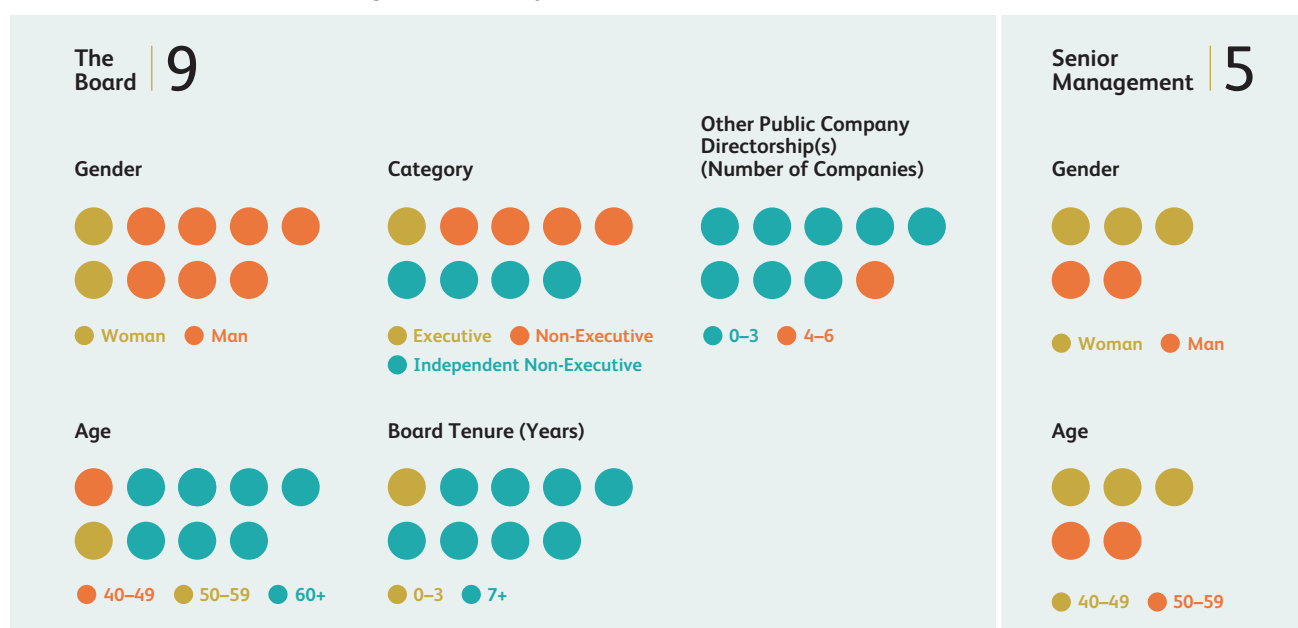
Fan Yan Hok Philip and Poon Chung Yin Joseph have served as Independent Non-Executive Directors for more than nine years. Fan Yan Hok Philip has been re-elected at the 2020 AGM, while Poon Chung Yin Joseph will retire by rotation at the forthcoming AGM to be held on 21 May 2021. The Board highly values Fan Yan Hok Philip's and Poon Chung Yin Joseph's experience and wisdom. They continue to provide positive and significant contributions and guidance

to the Company's strategies and business development, offering independent judgment from their areas of expertise and experience in governance, risk management, finance, people and culture, and technology, all of which are relevant to the Group's business. The Board and the Nomination Committee are of the view that both Fan Yan Hok Philip and Poon Chung Yin Joseph have consistently demonstrated a healthy level of professional scepticism whenever appropriate, and have not held back from asking probing questions and challenging executive management's views and recommendations. There is no evidence to suggest that their tenure has had any impact on their independence.

Churchouse Frederick Peter, Poon Chung Yin Joseph and Lee Chien will retire at the forthcoming AGM to be held on 21 May 2021. Churchouse Frederick Peter, Poon Chung Yin Joseph and Lee Chien will offer themselves for re-election. Details with respect to the candidates standing for re-election as Directors are set out in the AGM circular to shareholders. None of these Directors has a service contract with the Company or any of its subsidiaries that is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The Board, through the Nomination Committee, has determined that the Board size of nine Directors is adequate and effective in terms of carrying out its duties and responsibilities, and recommends the re-election of the retiring Directors.

### The Board and Senior Management Composition



(Directors' full biographies, including relationships among members of the Board and Senior Management's full biographies, are set out in pages 29 to 34, and are also available on the Company's website: [www.hysan.com.hk/about/leadership](http://www.hysan.com.hk/about/leadership))

## Board Diversity










Hysan recognizes the importance of diversity among its Board members, and has adopted the Diversity Policy (last updated in January 2021), which requires the Nomination Committee to annually review the following and report to the Board:

- the structure, size and composition of the Board; and
- the diversity of background, skills, and experience (including, but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board.

Our Board currently has two women Directors out of nine Directors, and is committed to improving gender diversity as and when suitable candidates are identified.

Similar considerations are used when recruiting and selecting key management and other personnel across the Group's operations. For details on our hiring practices, please refer to our Sustainability Report.

Our eight Non-Executive Directors are from diverse and complementary backgrounds. The valuable experience and expertise they bring to our business are critical for the long-term growth of the Group.

Skills / Experience	Summary	Combined
<b>Strategy</b>	Experience in defining strategic objectives, assessing business plans and driving execution in large and complex organizations.	
<b>Risk Management</b>	Experience in anticipating and identifying key risks to an organization and monitoring the effectiveness of risk management frameworks and controls.	
<b>Environmental, Social and Governance</b>	Experience in and commitment to adhere to exceptional corporate governance standards, environmental management and social responsibility initiatives.	
<b>Financial Services and Investment</b>	Experience in the financial services industry or experience in overseeing financial transactions and investment management.	
<b>Financial Acumen</b>	Understanding the financial drivers of the business, and experience in implementing or overseeing financial accounting, reporting and internal controls.	
<b>Customer and Retail</b>	Experience as a senior executive in a major retail, customer products, services or distribution company.	
<b>People and Culture</b>	Experience in monitoring a company's culture, overseeing people management and succession planning, and setting remuneration frameworks.	
<b>International and China</b>	Experience in international and mainland China economics and relations.	
<b>Property Investment</b>	Experience as a senior executive in a major company in the field of property investment, development or facilities management, or related industry experience or insights into real estate investment opportunities.	
<b>Technology</b>	Experience in the digital and technology business or in monitoring technology related projects.	

● Extensive    ● Moderate

## Board Commitment

Board effectiveness is attained through significant commitment and contribution from each Director.

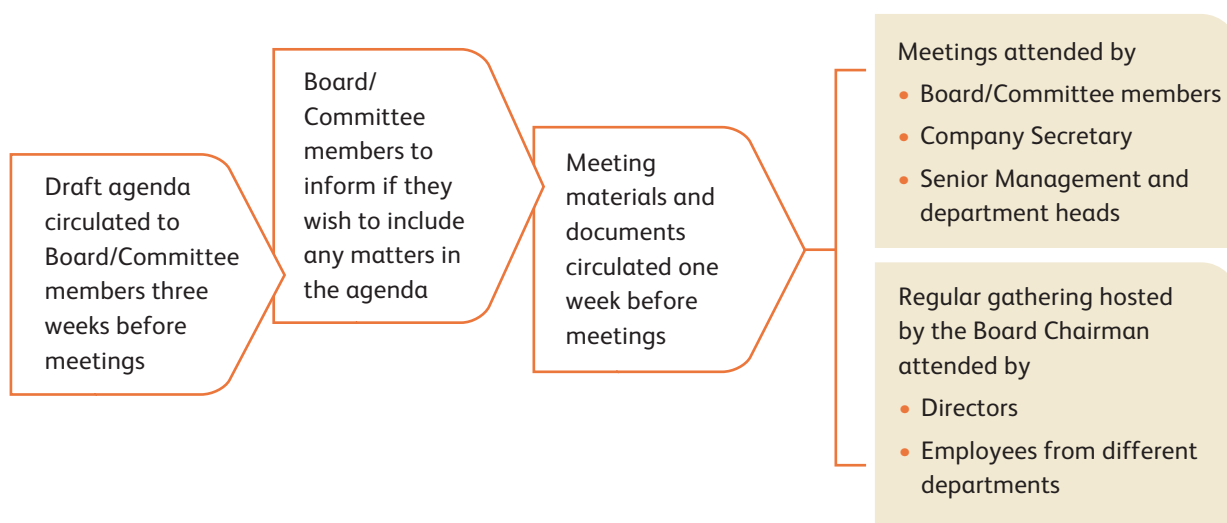
To ensure that our Directors have spent sufficient time engaged in the affairs of the Company, the Directors disclose to the Company once a year the details of their other offices held in Hong Kong or overseas listed public companies and other significant commitments, as well as an indication of the time involved in those positions. In addition, the Directors usually inform the Company promptly whenever there are changes regarding their other positions.

The Board and the Board Committees meet regularly each year. Board and Board Committee members are given full and timely access to meeting agendas and materials before the meetings to allow them to read materials thoroughly. During the meetings, the Senior Management and other department heads are invited to present to the Board on operational topics during the year and to engage in open discussions with the Board.

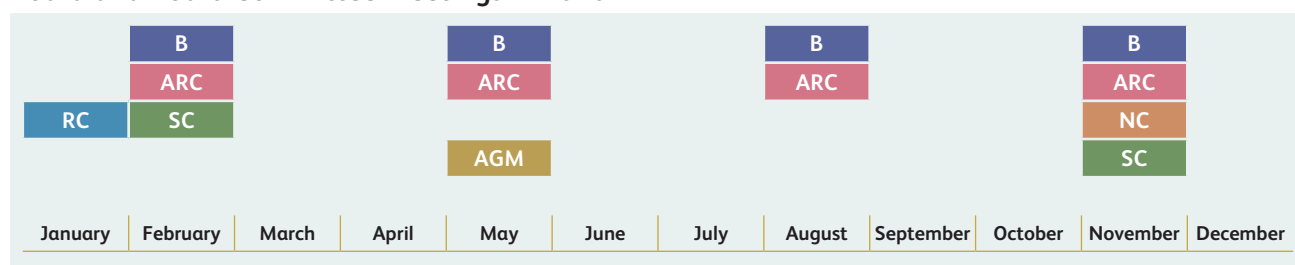
During the year, efficient hybrid (physical and virtual) Board and Board Committee meetings took place using effective technology and a digital board portal, after giving due weight and consideration to the health and safety of Board members and employees within the context of the COVID-19 pandemic situation. Such effective technology connections continue to promote a high level of involvement and engagement with employees at different levels of the business.

## Meeting Process

In 2020, the Directors participated extensively in the Company's affairs and the Board's discussions and decisions, as reflected in their high attendance record in Board and Board Committee meetings during the year. The Independent Non-Executive Directors held a separate board session with the Board Chairman to discuss Board and relevant matters.



## Board and Board Committee meetings in 2020



<b>B</b>	Board Meeting	<b>RC</b>	Remuneration Committee Meeting	<b>SC</b>	Sustainability Committee Meeting
<b>ARC</b>	Audit and Risk Management Committee Meeting	<b>NC</b>	Nomination Committee Meeting	<b>AGM</b>	Annual General Meeting

## Directors' Attendance at Meetings and Training in 2020

The following table shows Directors' attendance at meetings and training:

Directors	B (Total: 5)	ARC (Total: 4)	RC (Total: 1)	NC (Total: 1)	SC (Total: 2)	AGM (Annually)	Training (Note 5)
Lee Irene Yun-Lien	●●●●●	●●●●● (Note 1)	● (Note 1)	●	●● (Note 1)	●	✓
Churchouse Frederick Peter	●●●●●	●●●●●	—	●	—	●	✓
Fan Yan Hok Philip	☎●●●●	☎☎●●●	●	●	☎●	☎	✓
Poon Chung Yin Joseph	☎☎●☎☎	☎☎●☎	●	☎	—	☎	✓
Wong Ching Ying Belinda	☎☎☎☎☎	—	—	—	☎☎	☎	✓
Jebsen Hans Michael	●●●●● (Note 2)	—	—	—	●●	●	✓
Lee Anthony Hsien Pin	☎☎☎☎☎	☎☎☎☎	—	—	—	☎	✓
Lee Chien	☎●●●●●	—	—	●	—	●	✓
Lee Tze Hau Michael	◆●●☎☎ (Note 3)	—	●	—	—	●	✓
Lau Lawrence Juen-Yee	☎●—— (Note 4)	—	—	—	—	◆	✓

● Attended    ● Attended by alternate    ☎ Attended by tele/video conference    ◆ Apologies

### Notes:

- Lee Irene Yun-Lien was invited to present updates and/or answer relevant questions in order to facilitate the decision-making process. She was expressly excused from the session in Remuneration Committee when the Executive Director's own compensation package was discussed.
- Jebsen Hans Michael attended the May Board Meeting and 2020 AGM through his alternate. He was unable to attend the August Board Meeting due to other commitments.
- Lee Tze Hau Michael was unable to attend the February Board Meeting due to other commitments.
- Lau Lawrence Juen-Yee retired at the conclusion of 2020 AGM.
- This includes (i) trainings organized by Hysan; (ii) expert briefings / seminars / conferences / site visits relevant to the Company's business; and (iii) reading legal, regulatory, industry and directors' duties related updates prepared by Hysan on a quarterly basis.

## Continuous Professional Development

In addition to regular Board and Board Committee meetings, the Directors attended various knowledge development sessions during the year to keep abreast of industry trends, knowledge and skills.

In 2020, the knowledge development sessions included a deep-dive presentation by our Next Generation Innovation Panel titled "What Will the Future of Luxury Look Like?", a co-project with the Group's retail and marketing teams that profiled the future of retail; a directors' forum on the topic of "Challenges and Opportunities for China" by guest speaker Professor Lau Lawrence Juen-Yee, who holds the titles of Ralph and Claire Landau Professor of Economics at The Chinese University of Hong Kong and Kwoh-Ting Li Professor in Economic Development, Emeritus, at Stanford University; and a portfolio visit to our prestigious loyalty

programme Club Avenue's new lounge and customer experience. All Directors also received various legal and regulatory updates and have access to a comprehensive online board portal containing memoranda on Directors' Duties and Responsibilities and anti-corruption training materials. Directors have expressed the view that the training sessions have been stimulating and highly relevant, and that there were adequate training opportunities during the year. Directors are required to provide details of training undertaken to the Company once a year.

In 2020, members of the senior management and the Company Secretary have had access to a variety of training activities, including attending seminars, workshops and conferences and receiving regulatory updates relevant to their business and duties. They have received sufficient internal and external training to equip them to fulfil their roles in supporting the Company.



## Board Independence

Hysan's Board has always maintained its independence. As at 31 December 2020, four out of our nine Directors were

Independent Non-Executive Directors (exceeding the Listing Rules requirement).

### Criteria of independence

- Clearly set out in our Corporate Governance Guidelines
- Must be free from any business or other relationship that may interfere with the exercise of their independent judgment

### Regularly Reviewed and Maintained Independence

- Separate discussions amongst Non-Executive Directors, without the presence of Executive Director(s) or Board members related to the founding Lee family
- Full disclosure of cross-directorships or other business relationships that may interfere with Directors' independence, which are disclosed in Annual Reports
- Full Board approval of connected transactions (as described clearly in the List of Matters Reserved for the Board Decision), with exempted transactions required to be reported to the full Board after obtaining management approval
- Review by the Nomination Committee of potential conflicts of interest, and recommendation on appropriate actions to take

During the reporting year, the Nomination Committee carried out a detailed review of the Directors' independence

and was satisfied that each of the four Independent Non-Executive Directors was independent at the time of review.

## Independence Status

Name	Management	Independent	Not Independent	November 2020 Review – Reason for Independence Status
Churchouse Frederick Peter		✓		No business or other relationships with the Group or management that will affect independence
Fan Yan Hok Philip		✓		
Poon Chung Yin Joseph		✓		
Wong Ching Ying Belinda		✓		
Jebsen Hans Michael			✓	
Lee Anthony Hsien Pin			✓	
Lee Chien			✓	
Lee Irene Yun-Lien	✓			
Lee Tze Hau Michael			✓	

#### Notes:

- Wong Ching Ying Belinda is also a director of certain entities of Starbucks Coffee Company. Shanghai Starbucks Coffee Enterprise Co., Ltd., a wholly-owned subsidiary of Starbucks Corporation (listed on NASDAQ), is one of the tenants of a commercial complex located in Shanghai, People's Republic of China, which is owned by an associate of the Company. The revenue or profit derived from those leases indirectly as the share of results of an associate is immaterial (less than 1% of the Company's turnover or equity attributable to owners of the Company or total assets of the Company for the year ended 31 December 2020) to the Group. During her term as Independent Non-Executive Director of the Company, Wong Ching Ying Belinda will abstain from voting on any Board resolution in relation to any business dealings with the Starbucks group. Wong Ching Ying Belinda has agreed not to participate in any resolutions involving the Starbucks group. Since operational matters (office / retail leasing) are unlikely to be considered at Board level, any conflict of interest is regarded as unlikely to occur in practice.
- Wong Ching Ying Belinda holds a cross-directorship with Lee Anthony Hsien Pin since they both serve on the boards of the Company and Television Broadcasts Limited. However, given that Wong Ching Ying Belinda plays a non-executive role and does not hold any shares in the two companies, the Company considers that such a cross-directorship would not undermine the independence of Wong Ching Ying Belinda with respect to her directorship at the Company.
- The Board and the Nomination Committee have assessed the independence of Wong Ching Ying Belinda in light of the circumstances, including (i) her background, experiences, achievements and character, and (ii) the nature of the Company's relationship with the Starbucks group and Wong Ching Ying Belinda's roles, as well as the mitigating actions as described above, and concluded that her independence would not be affected. It was decided that potential conflicts, which are minimal, could be managed and that the benefits of her appointment outweighed any risk of conflict. In addition, the mitigation principles and actions are adequate and appropriate to deal with any such issues.

## Nomination Process

A proper and detailed nomination process ensures the appointment of talented Directors suitable for the best interests of the Group.

Hysan has a unique Nomination Policy governing nomination practices and procedures. The Nomination Committee considers a variety of factors in assessing the suitability of a proposed candidate, including:

- Reputation for integrity;
- Accomplishment, experience and reputation in the real estate industry and other relevant sectors;
- Commitment in respect of sufficient time, interest and attention to the Company's business, including devoting adequate time for preparation and participation in meetings, trainings and other Board or Company associated activities;
- Diversity in all aspects, including, but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- Ability to assist and support management and make significant contributions to the Company's success;
- Compliance with the criteria of independence as prescribed under Rule 3.13 of the Listing Rules for the appointment of an independent non-executive director; and
- Any other relevant factors as may be determined by the Committee or the Board from time to time.

In considering the appointment of any proposed candidate to the Board, the Committee shall undertake adequate due diligence in respect of the individual, evaluate the candidate using the same criteria regardless of the source of the candidacy, and make recommendations for the Board's consideration and approval.

In considering the re-appointment of any existing member(s) of the Board, the Committee shall review the overall contribution to the Company of the retiring director as well as the selection criteria set out in this policy. The Committee will then make recommendations to the Board for its consideration, with the Board determining whether to recommend the proposed candidates for re-election at a general meeting.

### The priorities of our induction programme

#### Providing an overview of:

- the Group's business and challenges
- the Group's strategies and key risks faced
- the Group's corporate and organizational structure
- the Board's culture, governance and dynamics
- the legal and regulatory obligations of a Director

#### Getting to know the Board and Senior Management

- meeting with the Board Chairman, Committee Chairmen and Senior Management
- introduction session with the Company Secretary and training with external advisers

“Considering 2020 being an abnormal year, the Board has managed good communication with effective technology.”

Directors' comments received in Board Evaluation 2020.



In order to ensure that the Directors are committed to allocating sufficient time and attention to the affairs of the Group, Directors are engaged by formal letters of appointment with a specific term of three years and are subject to rotation under the Company's Articles of Association.

The Directors are subject to re-election at the first AGM following their appointment. Every Director will be subject to retirement by rotation at least once every three years under the Company's Articles of Association. Retiring Directors are eligible for re-election at the AGM at which they retire. There is no cumulative voting in Directors' elections. The election of each Director is executed through a separate resolution.

The Board has adopted a comprehensive Onboarding Guideline for Directors, which sets out a properly tailored induction programme that gives new Directors an understanding of the Group, its businesses and operations (including the major risks it faces), with due regard to the Director's unique background, experience and skills.

The induction programme includes an introduction session with the Company Secretary, individual meetings with the Board Chairman, Committee Chairmen and Senior Management, portfolio visits and meetings with the Company's external advisers. Individual briefings are arranged on topics such as Directors' responsibilities and an overview of the Group's business.

### Ongoing review by Nomination Committee

The Nomination Committee reviews the Board's structure, size, composition, commitment, independence and diversity from time to time. The last review was conducted in November 2020.

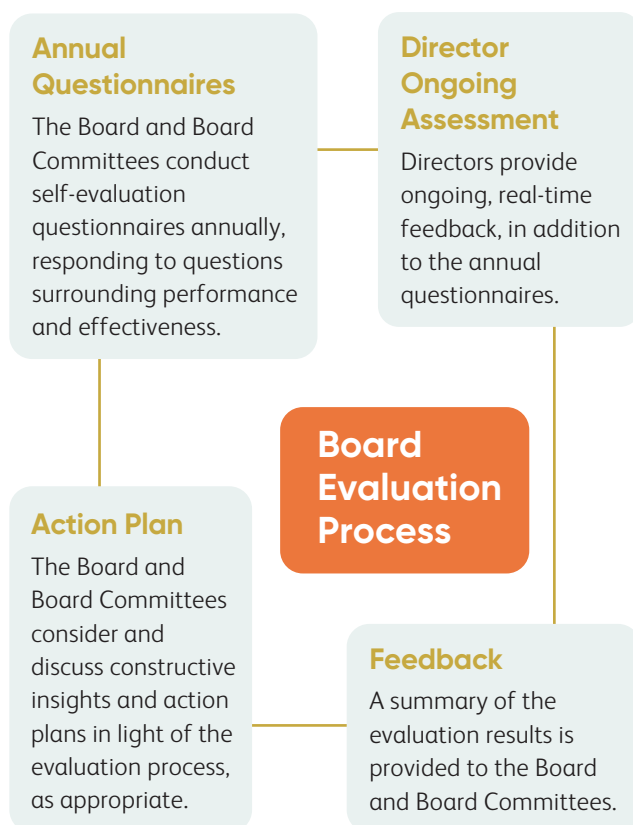
The Nomination Committee undertook a comprehensive review, considering the gender, age, tenure, cultural/ educational and professional background, skills, knowledge and experience of each Director, as well as the structure, composition, size, commitment and independence of the Board.

The Nomination Committee was of the view that the existing Board was satisfactory and effective in terms of its size, structure, composition, commitment, independence and diversity. The Committee concluded that, in order to support board succession planning and long-term growth, the boardroom of the future will require expertise in technology and digital media, finance and accounting, risk management and environmental, social and governance (ESG). Gender diversity should also be taken into account in succession planning.

## Board Evaluation

In addition to the ongoing review by the Nomination Committee, each Director plays a role in evaluating the Board's performance in order to ensure the effectiveness of the Board.

Board evaluation is an ongoing and continuing process. Each Director reviews the Board's performance, as well as the performance of the Board Committees, through various means.



Each Board and Board Committee member is required to annually submit an anonymous online questionnaire on relevant matters such as the Board's performance, its dynamics and processes, its composition and diversity, monitoring and risk management as well as the logistics of Board meetings. The questionnaire, being anonymous, encourages Directors to share suggestions, provide comments and raise any concerns.

“Open, inclusive, confident to debate and share views.”

Directors' comments received in Board Evaluation 2020.

## 2020 Questionnaire Report

The Chairman, supported by the Company Secretary, collated the e-Questionnaire responses into a detailed Questionnaire Report. The Questionnaire Report was prepared based on the collective comments from all Directors and Board Committee members. The questionnaires received a 100% response rate. The 2020 Questionnaire Report was submitted to, considered, and discussed by the Board, and constructive feedback was received.

### Parameters

We have structured our 2020 questionnaire based on the Directors' views regarding five parameters, given below, which relate to the effectiveness and performance of the Board. The evaluation consisted of a quantitative element based on ratings and a qualitative element based on Directors' written responses.

The questionnaire examines five different aspects of the Board: leadership, composition, meetings and processes, "the Board in action", and training.

### Framework of the Questionnaire

- 1 Leadership** investigates the role of Directors and the function of roles
- 2 Composition** discusses Board size and structure, and the balance of knowledge, experience and skills of the Directors
- 3 Meetings and Processes** seeks feedback on the respective meeting schedules of the Board and its Committees; the quality of agendas, meeting papers and minutes; satisfaction with the integrity of financial statements and accounts, policies, operation and compliance controls, internal controls, ESG and risk management processes
- 4 Decision Making and Accountability – The Board in Action** looks into performance effectiveness, supply of and access to information, strategy appropriateness, and levels of remuneration
- 5 Training** investigates the quality of training and seeks input on areas of interest for future training events

## Conclusions from this year's questionnaire

This year's questionnaire concluded that the Board and its Committees continued to operate to a high standard and worked effectively. The overall results ranged from positive to very positive, and there were no material issues to report. All Board members were keen to use this evaluation process as a timely opportunity to identify ways to improve performance.

Directors favourably perceived their board leadership as highly effective. All Board members actively and constructively contributed to discharging the roles and responsibilities of the Board. Open and constructive dialogue and debate were widely cited as one of the positive achievements of the Board. The Directors were pleased with the establishment of the Sustainability Committee at Board level, as it is expected that a focus on ESG matters will continue to increase globally.

Directors were also satisfied in terms of the diversity of skills and experience. Directors with different skills and experience may need to be recruited to help the Company progress its diversity agenda with confidence. The Directors agreed that the major concerns facing the Board in the coming years will include the ongoing impact of COVID-19 and related necessary public health measures; the innovation of retail/ office models required to meet the disruption caused by COVID-19, social issues in Hong Kong, macro challenges and business or market downturns; geographical and business diversification, and a focus on ESG efforts.

Presentations, materials and papers were well organized, comprehensive, focused and delivered by management in a timely manner. Board and Committee meetings were productive, participative and efficiently utilized to discuss relevant issues and set strategic directions for the Group. The Directors were given direct access to senior management, the Company Secretary, and professional advice (when necessary) to facilitate full understanding of the Group's business affairs. Monthly reports and updates provided balanced and easily comprehensible assessments between Board meetings.

### Effectiveness Conclusion

Through a proper nomination process, coupled with ongoing reviews by the Nomination Committee and the board evaluation process, Board effectiveness has been ensured and maintained at all times.

### 3 Accountability

Our corporate governance framework provides clear lines of accountability. Decisions can only be made by the Board, together with the **Terms of References** of our Board Committees, under the **List of Matters Reserved for the Board Decision**. The management of the daily operation of the Group and other decisions are delegated to the Executive Committee with clear authority, supported by various Management Committees. Each management of the Group is responsible for ensuring a similar process of delegation is in place with his or her department or area of responsibilities. The Board is regularly kept up-to-date on key events and business outlook of the Group, as well as the Group's financial and transactions entered through monthly financial reports. The reports give adequate transparency of the Company's operation to the Board. Our Board and Committees meetings have regularly invited the senior management to make presentation and to answer questions that the Board and the Committee members may have to facilitate the decision making process.

#### Board Accountability

The Board and the Board Committees are held accountable and responsible to the shareholders and the stakeholders by various means:

- All Directors are appointed by formal letters of appointment which set out clearly the terms and conditions of their appointments
- All Directors are subject to rotation, and the appointments of retiring Directors are approved by the shareholders at AGMs
- All Directors are required to make full and frank disclosure of their cross-directorships and other commitments, which are stated in Annual Reports
- All Directors are required to make full and frank disclosure of their connected persons and transactions. Significant connected transactions are approved by the shareholders in accordance with the Listing Rules
- All Directors are required to act within the defined and clear authority and powers set out by the Group's corporate policies and guidelines, including, but not limited to, the Code of Ethics, Board of Directors Mandate, List of Matters Reserved for the Board Decision, and the Terms of Reference of each Board Committee
- Non-Executive Directors are additionally subject to the "Roles and Requirements of Non-Executive Directors" policy
- All Directors are subject to ongoing review by the Nomination Committee as well as evaluation by other Board members
- All Directors are subject to the Anti-Fraud Policy and Whistleblowing Policy, which allows an individual to report any irregularity directly to an independent third party
- All Directors are required to review Annual Reports, Interim Reports, announcements and circulars for publication in a timely manner, and in accordance with the Companies Ordinance and the Listing Rules
- Our financial statements are verified and audited by an independent third party auditor

#### Executive Member Accountability

The Executive Committee, Management Committees, and Senior Management members (collectively the "**Executive Members**") are held accountable and responsible to the Board by various means:

- Executive Members are required to make full and frank disclosure of their other commitments
- Executive Members are required to make full and frank disclosure of their connected persons and transactions, which may require full Board approval
- Executive Members are required to report and send timely updates to the Board on the key events and business outlook of the Group, and submit monthly financial reports to the Board that give adequate transparency of the Company's operation to the Board
- Executive Members are required to attend Board and Board Committee meetings to answer questions for their relevant session(s) that the Board and Board Committee members may have
- Executive Members are subject to the Code for Securities Dealing by Restricted Employees, which governs dealings in securities, as Executive Members are deemed to potentially have access to inside information. Each Executive Member is required to annually declare that throughout the relevant year they have complied with the Code. Following a specific enquiry by the Company, each Executive Member has made such declaration for the year ended 31 December 2020

## Board Activities during 2020

An outline of the key areas of Board activities in carrying out its roles and responsibilities during the year is provided below.

<b>Strategy</b> <ul style="list-style-type: none"> <li>Discussed the Group's strategic objectives and focused on how to respond and build the resilience of the businesses under the new normal</li> <li>Discussed business strategy and opportunities for the diversification and sustainable growth of the Group</li> <li>Reviewed the challenges the Group will be facing, the impact of technology, changes in consumer behaviour and the resources and skills the business may require in future</li> <li>Considered and approved the Group's investment strategy</li> </ul>	<b>Leadership</b> <ul style="list-style-type: none"> <li>Reviewed the Board structure, size, composition, diversity, commitment, as well as the independence of Directors</li> <li>Reviewed and evaluated the fees of Directors</li> <li>Reviewed compensation for the senior management</li> <li>Considered people development and plans to retain and motivate high performance individuals</li> <li>Considered the composition of the Next Generation Innovation Panel and advisor to amplify capabilities from time to time</li> </ul>	<b>Environmental, Social and Governance</b> <ul style="list-style-type: none"> <li>Reviewed, enhanced and approved key corporate related reports and policies, including: <ul style="list-style-type: none"> <li>Anti-Fraud Policy</li> <li>Tax Governance Policy</li> <li>Diversity Policy</li> <li>Nomination Policy</li> </ul> </li> <li>Reviewed Terms of References of Committees</li> <li>Establishment of Sustainability Committee at Board level to emphasize the Board's commitment to drive the Group's sustainability development</li> </ul>
<b>Financial, Operational and Business Performance</b> <ul style="list-style-type: none"> <li>Considered the financial performance of the business and approved the annual budget and treasury policy</li> <li>Reviewed the interim and annual results, approved the interim and annual reports</li> <li>Reviewed and discussed financial forecasts and capital structure management</li> <li>Reviewed operating results and regular updates for the Group's core business (Office, Retail, Residential and Property Development segments)</li> </ul>	<b>Risk Management and Internal Controls</b> <ul style="list-style-type: none"> <li>Reviewed the Group's risk appetite and assessed external and internal risk level movements and mitigating actions</li> <li>Reviewed the effectiveness of Hysan's risk management and internal control systems</li> <li>Met with the Company's valuers regularly during the year to discuss the portfolio valuation</li> <li>Reviewed the major risks the Group is facing relating to COVID-19 pandemic</li> </ul>	<b>Commitment and Accountability</b> <ul style="list-style-type: none"> <li>Discussed the outcome of the Board evaluation and effectiveness review, and agreed improvement opportunities</li> <li>The Chairmen of all Committees updated the Board on the proceedings of their meetings, including the key discussion points and any areas of concern</li> <li>Reviewed key corporate governance related reports</li> </ul>



## Directors' Interests in Shares

As at 31 December 2020, the interests and short positions of the Directors in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and

Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), are set out below:

### Aggregate long positions in shares and underlying shares of the Company

Name	Number of ordinary shares held				Total	% of the total no. of issued shares (Note a)
	Personal interests	Family interests	Corporate interests	Other interests		
Jebsen Hans Michael	60,984	–	2,473,316 (Note b)	–	2,534,300	0.244
Lee Chien	970,000	–	–	–	970,000	0.093
Lee Irene Yun-Lien	444,000	–	–	–	444,000	0.043

Notes:

(a) The percentages were compiled based on the total number of issued shares of the Company (i.e. 1,039,700,891 ordinary shares) as at 31 December 2020.

(b) Such shares were held through a corporation in which Jebsen Hans Michael was a member entitled to exercise no less than one-third of the voting power at general meeting.

Executive Directors of the Company have been granted share options under the Company's share option schemes adopted on 10 May 2005 (the "2005 Scheme") and 15 May 2015 (the "New Scheme") (details are set out in the section

"Long-term incentives: Share Option Schemes" below). These constitute interests in underlying shares of equity derivatives of the Company under the SFO.

### Aggregate long positions in shares of associated corporations

Listed below is a Director's interest in the shares of Barrowgate Limited ("Barrowgate"), a 65.36 % owned subsidiary of the Company:

Name	Number of ordinary shares held			% of the total no. of issued shares
	Corporate interests	Other interests	Total	
Jebsen Hans Michael	1,000	–	1,000	10 (Note)

Note:

Jebsen and Company Limited ("Jebsen and Company") held a 10 % interest in the total number of issued shares in Barrowgate through a wholly-owned subsidiary. Jebsen Hans Michael was deemed to be interested in the shares of Barrowgate by virtue of being a controlling shareholder of Jebsen and Company.

Apart from the above, no other interest or short position in the shares, underlying shares or debentures of the Company or any associated corporations as at 31 December 2020 were recorded in the register required to be kept under

Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Director's securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code throughout the year.

For the reasons stated above, coupled with the diligence of the Group's Independent Non-Executive Directors and the Audit and Risk Management Committee, the Group is capable of carrying on its business independent of and at arm's length from the Deemed Competing Business.

The Board also has a process in place to regularly review and resolve situations where a Director may have a conflict of interest.

## Directors' Interests in Contracts

During the year, certain Directors had interests, directly or indirectly, in contracts with the Group. These contracts constituted Related Party Transactions, Connected Transactions or Contracts of Significance under applicable accounting or regulatory rules (details are disclosed in the "Directors' Report").

## Directors' Interests in Competing Business

The Group is engaged principally in the property investment, development and management of high quality investment properties in Hong Kong. The following Directors (excluding Independent Non-Executive Directors, in accordance with Listing Rules' disclosure requirements) are considered to have interests in other activities (the "Deemed Competing Business") that compete or are likely to compete with the said core business of the Group, all within the meaning of the Listing Rules:

- (i) Jebesen Hans Michael and his alternate, Yang Chi Hsin Trevor, hold directorships in Jebesen and Company. Business activities of some of its subsidiaries include, inter alia, investment holding and property investment in both the Mainland and Hong Kong. Jebesen Hans Michael is also a substantial shareholder of the companies.  
  
Jebesen Hans Michael is an independent non-executive director of The Wharf (Holdings) Limited whose business includes, inter alia, property investment, development and management in both the Mainland and Hong Kong.
- (ii) Lee Chien is an independent non-executive director of Swire Pacific Limited whose business includes, inter alia, property investment and trading in Hong Kong, the Mainland and the United States of America.

The Company's management team is separate and independent from that of the companies identified above. In addition, the relevant Directors have non-executive roles and are not involved in the Company's day-to-day operations and management.

“At a time when we were feeling the most vulnerable and isolated from the world, disCONNECT served almost as an antidote, giving us an opportunity to reach out and reconnect to the world again through the arts. We are grateful for Hysan's and the Lee Gardens Association's support, providing us with two unique venues in Causeway Bay, the beating heart of Hong Kong. The Pak Sha Road's heritage building and Urban Sky on 9/F Hysan Place served as two very different backdrops for exhibiting the artwork, providing visitors two distinctly different ways of experiencing the work, which further amplified the exhibition and hopefully helped to re-ignite people's passion for art.”



**Maria Wong and Jason Dembski**

*Managing Director and Co-founder  
HK Walls*

## 4 Engagement

Hysan is committed to carefully evaluating the impact of our operations on our stakeholders, including our shareholders, employees and investors, as well as our wider community.

Hysan has adopted the Corporate Disclosure Policy, which provides guidance on the disclosure of material information to investors, analysts and media. This policy identifies spokespersons and clearly outlines the responsibilities for communication with each stakeholder group. Details are available on the Company's website: [www.hysan.com.hk/governance](http://www.hysan.com.hk/governance).

### Shareholders' Engagement

Hysan aims to maintain open and constructive dialogue with our shareholders and to provide them with the information they require to make sound investment decisions.

We have adopted the Shareholders Communication Policy, which governs our framework for providing shareholders with ready, equal and timely access to balanced and easily comprehensible information about the Company.

In accordance with the Shareholders Communication Policy and our Company's Articles of Association:

- We have published key corporate governance policies, the terms of reference of Board Committees, and the Group's financial reports, press releases and announcements on the Company's website;
- We have published annual reports, interim reports and announcements in a timely manner on the Stock Exchange of Hong Kong and on the Company's website;
- The senior management has presented the annual and interim results through press conferences, webcasts, the Company's website, and face-to-face meetings in order to communicate with shareholders, investors and analysts;
- Since December 2015, shareholders can choose to receive corporate communications via electronic means, with hard copies also available free of charge upon request to the Company Secretary;
- We have arranged annual shareholders' visits since 2016, receiving an overwhelming response each year. The shareholders' visits include a briefing on the Company's history, sustainable activities and other business areas, followed by a walking tour of the Lee Gardens area arranged by the Group. The shareholders' visits are

constructive opportunities for the management to communicate with shareholders. Due to the COVID-19 pandemic, our shareholders' visits were postponed in 2020 until further notice, after giving due weight and consideration to the health and safety of shareholders;

- Since 2005, we have invited major nominee companies to forward communication materials to shareholders at our expense;
- Shareholders are given opportunities to meet the Directors and Senior Management and to raise questions at our AGMs every May. Details are set out in AGM section below;
- Shareholders may put forward proposals for consideration at a general meeting. A general meeting of shareholders can also be convened by the Board or with a written request signed by shareholders holding at least 5 % of the total voting rights of all the shareholders ("5 % Shareholder"). The Group's Procedures for Shareholders to Convene General Meetings / Put Forward Proposals are available on the Company's website;
- All shareholders are welcome at all times to give feedback to and communicate with the Directors through the Company Secretary;
- There are no limitations imposed on the right of non-residents or foreign persons to hold or vote on the Company's shares, other than those that would generally apply to all shareholders;
- All shareholders are entitled to receive dividends according to our Dividend Policy. The dividend payment shall be based on the Group's financial performance, future capital requirements, and general economic and business conditions, etc; and
- No changes have been made to our Articles of Association during the year.

### AGM

Our AGMs are held around the month of May each year. They act as a means of communication with our shareholders and an opportunity for shareholders to understand the business performance of the Company.

Our AGMs are an important annual event for the Group and are attended by our Directors, Senior Management, and our independent auditor.

In order to ensure that our shareholders have sufficient time to consider the AGM notices, annual reports and financial statements, the said documents are dispatched to the shareholders more than 30 days prior to the AGMs, exceeding the statutory requirement of 21 days. Comprehensive information is also given on each resolution to be proposed.

Since 2004, we have conducted all voting at AGMs by poll. The poll is conducted by the Company's Registrar and scrutinized by the Group's auditors. Procedures for conducting the poll are explained at the AGMs prior to the taking of the poll. Poll results are announced and posted on the websites of both the Stock Exchange and the Company at [www.hysan.com.hk](http://www.hysan.com.hk).

We held our 2020 AGM at Hong Kong Convention and Exhibition Centre on 13 May 2020. Key matters resolved at the 2020 AGM include:

- Receipt of the Statement of Accounts for the year ended 31 December 2019 and the Reports of the Directors and Auditor thereon
- Re-election of Lee Irene Yun-Lien as Director
- Re-election of Fan Yan Hok Philip as Director
- Re-election of Lee Tze Hau Michael as Director
- Re-appointment of Deloitte Touche Tohmatsu as Auditor
- Granting of a general mandate to allot, issue and deal with additional shares in the Company (not exceeding 10% of the number of its issued shares, and the discount for any shares to be issued shall not exceed 10%)
- Granting of a general mandate to repurchase shares in the Company (not exceeding 10% of the number of its issued shares)

We successfully held our 2020 AGM despite the COVID-19 pandemic in Hong Kong. In order to ensure the health and safety of all attendees, as well as to comply with government regulatory requirements, we took stringent and sufficient precautionary measures, including, but not limited to:

- Splitting attendees into separate small groups to sit in the main room or in separate rooms with video and audio link facilities;
- Special seating arrangements to allow for appropriate social distancing;
- No distribution of beverages and souvenirs, to control human traffic;
- Body temperature screening and submission of health declarations by attendees prior to entry; and

- Compulsory wearing of face masks by attendees.

Prior to the 2020 AGM, we made an announcement on the Stock Exchange regarding the aforementioned precautionary measures. In addition, shareholders were reminded in the announcement to appoint the Chairman of the AGM as their proxy to vote on the resolutions.

In light of the uncertain development of the current COVID-19 situation, shareholders are encouraged to appoint the Chairman of the 2021 AGM as their proxy to vote on the resolutions, instead of attending the meeting in person. To ensure the safety of the shareholders attending the meeting, we will implement additional precautionary measures at the 2021 AGM in accordance with prevailing guidelines published by the Government and/or regulatory authorities. Details of the measures will be announced as appropriate.

## Investor Relations

Hysan is committed to maintaining open and constructive dialogue via effective two-way communication with our stakeholders, including equity and fixed-income investors, analysts and credit rating agencies.

In light of the rapidly changing environment, we aim to provide regular updates on Hysan's operating and financial performance. Amid the COVID-19 pandemic, we arranged virtual meetings and conference calls on regular basis with institutional investors and held live webcasts for our post-results briefings, hosted by our senior management.

### Calendar of our main investor relations events

#### 2020 1st Half

- Property Tour
- Annual results announcement
  - Press conference
  - Analysts briefing (live webcasts are also available)
- Post-results roadshows in Hong Kong
- Annual General Meeting
- Investor conferences in Hong Kong

#### 2020 2nd Half

- Interim results announcement
  - Press conference
  - Analysts briefing (live webcasts are also available)
- Post-results roadshows in Hong Kong

### Employee Engagement

At Hysan, talent engagement and development are part of our core values.

Hysan nurtures a work environment that encourages open dialogue and supports employees to unleash their potential and fulfil their career aspirations. Each year, employees and their supervisors discuss and agree goals and expectations. Employees are provided with ongoing feedback throughout the year to ensure that they are on track, with a final review being conducted at the end of the performance year.

Hysan has proactively developed our talent pipeline through our management trainee programme, launched in 2017, as well as our Apprenticeship Scheme, in order to meet our long-term business needs.

In 2020, Hysan leveraged its e-learning platform to provide diverse and rich learning content to employees, covering topics such as leadership skills, team collaboration, data protection, connected transactions, anti-competition law, tenancy laws, etc. To engage employees, we have also deployed various communication strategies to keep staff abreast of the Company's news and development.

Full details are included in the Sustainability Report.

## OUR RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board has the overall responsibility of determining the Group's risk appetite and reviewing and maintaining an effective risk management system.

The Audit and Risk Management Committee supported the Board to review the process by which risks are identified, prioritized, managed and mitigated in accordance with the Group's risk appetite. Each business or deal entails risks of a different nature, but the Group aims to only undertake and mitigate reasonable risks that are in line with our long-term and strategic goals and targets. Our risk management system is designed and tailored carefully to manage and mitigate the risks, and to afford reasonable assurance against material misstatement or loss. Everyone within the Group has a role to play in the risk management system, which is underpinned by the "Three Lines of Defence" model.

Full details of risk management and internal control activities during the year are set out in the "Risk Management and Internal Control Report" on pages 54 to 60.

The Board has the overall responsibility of maintaining an effective and robust internal control and compliance system.

### Operation Control

The Group has numerous and comprehensive corporate policies and guidelines that detail our practices and procedures in carrying out our business affairs.

Our business affairs are operated through a chain of delegation, from the Board to the Executive Committee through the List of Matters Reserved for the Board Decision, and from the Executive Committee to the responsible business units.

Each department head takes charge of ensuring that their business unit has fully complied with the corporate policies and guidelines in its day-to-day operations.

For any matter involving potentially sensitive or inside information, the business units are required to escalate the matter to the Disclosure Committee. The Disclosure Committee promotes consistent disclosure practices aiming at timely, accurate, complete, and widely disseminated disclosure of inside information about the Group to the market in accordance with applicable laws and regulatory requirements, and the Corporate Disclosure Policy.

The Disclosure Committee conducts meeting(s) in order to assess the materiality and nature of the information, and advises the Board promptly whether such information constitutes inside information. All discussions are recorded in the formal meeting minutes of the Disclosure Committee.

### Compliance Framework

Each business unit is required to report any irregularity or non-compliance immediately to the compliance team. Our Group's compliance policy sets out the control process for the early identification and recording of non-compliance in order to prevent and/or mitigate the risks of liability and material loss.

In addition, each business unit must submit a full compliance report twice a year, which is reported to the Audit and Risk Management Committee.

These means effectively monitor the compliance of each business unit of the Group, prioritize each case identified, and ensure comprehensive reporting and follow up.

All matters relating to the Group's internal controls are collectively reviewed by the Board, through the support of the Audit and Risk Management Committee and the Internal Audit function.

Internal Audit reviews the Group's practices and procedures for conducting business affairs, including leasing business, accounting and financial reporting, corporate communication processes, etc., from time to time, in order to ensure that our business affairs are conducted in full compliance with our corporate policies and guidelines. Internal Audit also examines and suggests areas of improvement for our corporate policies and guidelines.

Our compliance team issues quarterly legal and regulatory updates to the Board, and reviews our corporate policies and guidelines from time to time to ensure compliance with the latest legal and regulatory developments as well as suggestions from Internal Audit.

The Group's reporting process and financial management is part of our internal controls. The Board, supported by the Audit and Risk Management Committee, monitors the integrity of the Group's reporting process and financial management. It scrutinizes the full and half-yearly financial statements, and reviews in detail the work of the external auditor and external valuer, as well as any financial judgements and estimates made by the management.

Full details of the risk management and internal control activities during the year are set out in the "Risk Management and Internal Control Report" on pages 54 to 60.

## Sustainability Framework

The Board established the Sustainability Committee with effect from 1 January 2020, with the aim of enhancing our corporate responsibility, sustainable development and environmental management regarding climate change.

The Sustainability Committee, supported by the Sustainability Executive Committee at the management level, provides long-term direction and supervises sustainability-related matters.

Full details of Hysan's sustainability development and activities during the year are set out in:

- The "Sustainability Report 2020" on Hysan's website: [www.hysan.com.hk](http://www.hysan.com.hk).

- "Sustainability Committee Report" on pages 73 to 74.
- A summary of the Sustainability Report on pages 75 to 77.

During its first year, the Sustainability Committee made a significant impact on Hysan's sustainability journey. The Committee stimulated stronger commitment and greater collaboration from business units to work towards shared sustainable development goals, ESG-related risk management and climate change matters, in line with our "LIFE" strategy. Hysan gained further recognition from major ESG benchmarks and indices. Our sustainability-linked derivative hedging solution launched in October 2020, featuring Asia's longest ESG KPI commitment duration, was awarded "Most Innovative Deal" in the "Deal of the Year – Real Estate" category of the Triple A Sustainable Capital Markets Regional Awards 2020, organized by *The Asset*.

The Sustainability Report has been prepared for electronic distribution in an effort to reduce consumption of resources due to printing and distributing hard copies, and is available for public viewing on Hysan's website ([www.hysan.com.hk](http://www.hysan.com.hk)). Limited copies are printed and distributed primarily to our shareholders.

By Order of the Board

**Lee Irene Yun-Lien**

*Chairman*

Hong Kong, 25 February 2021





# Risk Management and Internal Control Report

## Responsibility

Responsibility for risk management is shared among the Board of Directors and the management of the Group. The Board has the overall responsibility of reviewing and maintaining sound and effective risk management and internal control systems. The management's role is to design and implement these systems, and report to the Board and the Audit and Risk Management Committee on the risks identified and how they are managed. This process is essential for the Group to achieve its business objectives.

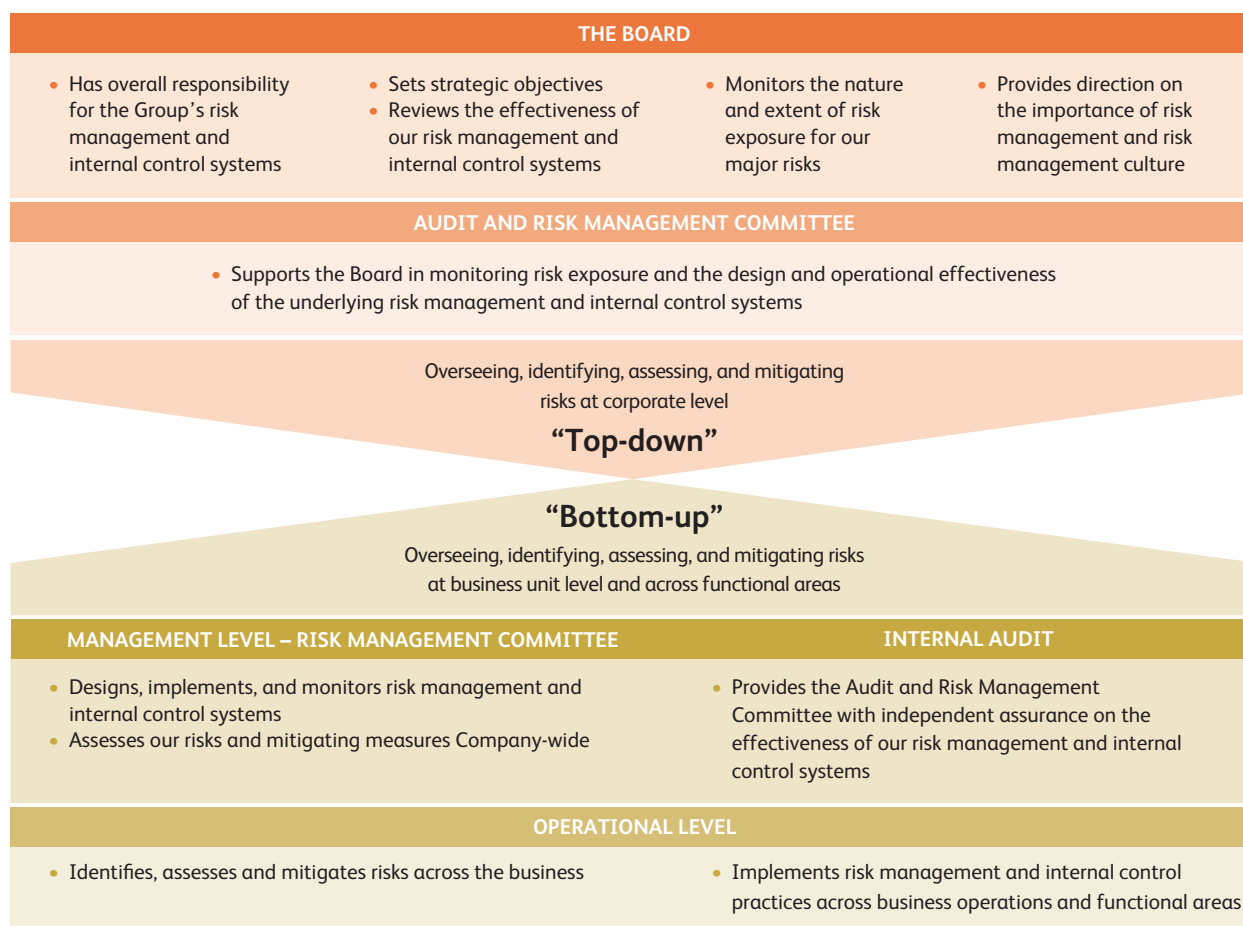
## Our Risk Management and Internal Control Framework

The Audit and Risk Management Committee supports the Board in monitoring our risk exposures, as well as the design and operating effectiveness of the underlying risk management and internal control systems. Acting on behalf of the Board, the Committee oversees the following process on a consistent basis:

- i. Reviewing the principal business risks as well as the control measures used to mitigate, transfer or avoid such risks; the strengths and weaknesses of the overall risk management and internal control systems; and action plans to address such weaknesses or improve the assessment process;
- ii. Reviewing the business process and operations reported by Internal Audit, including action plans to address the identified control weaknesses, as well as receiving status updates and monitoring the implementation of audit recommendations; and
- iii. Reviewing reports by the external and internal auditors of any control issues identified in the course of their work, and discussing with the external and internal auditors the scope of their respective review and findings.

The Audit and Risk Management Committee reports its findings to the Board, which then considers these findings in order to form its own view of the effectiveness of the Group's risk management and internal control systems.

## Hysan's Top-Down/Bottom-Up Risk Management Framework



## 2020 Review of Risk Management and Internal Control Effectiveness

In respect of the year ended 31 December 2020, the Board, with confirmation from the Chief Operating Officer, Chief Financial Officer and Head of Internal Audit, as well as the General Counsel and Company Secretary, considered the Group's risk management and internal control systems to be effective and adequate. No significant areas of concern that may affect the financial, operational and compliance controls, ESG compliance, internal audit, risk management and internal control functions of the Group were identified. The risk management and internal control systems are designed to manage rather than to eliminate the risks of failure to achieve business objectives, and can only provide reasonable, not absolute, assurance against material misstatement or loss.

During the review, the Board also considered the resources, qualifications/experience of staff of the Group's internal audit, accounting, financial reporting and business support functions and found their training and budgets to be adequate.

## Our Risk Management and Internal Control Model

Our risk management and internal control model is based on that of the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in the U.S. for internal control, but with due consideration given to our organizational structure and business nature.

Our model has five components. The following section describes how the model fits into our operational and control environment:

- **Control Environment** – We have a strong tradition of good corporate governance and are committed to maintaining a high standard of integrity, openness, probity and accountability. A formal Code of Ethics is communicated to all staff, including new recruits. We have maintained a separate Whistleblowing Policy since 2016, under which whistle blowers can raise concerns, in confidence, through an independent third party who then reports to the Audit and Risk Management Committee. In January 2021, we also adopted a separate Anti-Fraud Policy to further promote an ethical culture and emphasize our "zero tolerance" attitude to fraud. During the year, no material related issues were raised.

In September 2020, a Risk Management Guideline was developed. This was shared with all risk owners of the

Group in order to refresh our corporate risk management approach and communicate the new enhancements made to our risk management process.

We are committed to building risk awareness and control responsibility into our corporate culture, which thereby forms the foundation of our risk management and internal control systems.

- **Risk Assessment** – we continue to improve our risk management process and the quality of information generated, while maintaining a simple and practical approach. We seek to embed risk management into all our operations (retail, office, residential, property management & technical services, projects, marketing and investment & development) and functional areas (including finance, human resources & administration, business technology, legal & secretarial and corporate communications).

Department heads review and update their risk registers on an annual basis, providing assurances that controls are appropriately embedded and operating effectively.

At management level, the Risk Management Committee, comprising Executive Director(s), Chief Operating Officer, Chief Financial Officer, Financial Controller, General Counsel and Company Secretary, as well as the Head of Internal Audit, sets relevant policies and regularly monitors potential weaknesses and action items. This Committee is also responsible for identifying and assessing risks of a more macro and strategic nature, including emerging risks.

This bottom-up approach, in which operating unit heads identify operational risks, combines with top-down stewardship to ensure a comprehensive assessment of the Group's major risks. Discussion sessions with all department heads further enhance the participatory and interactive aspects of the overall risk assessment and risk challenge process.

- **Control Activities** – our operation and business involves well-established business processes. Control activities have traditionally been built on supervisor reviews, segregation of duties, and well-defined physical and digital control points. These control policies have been formalized as written policies and procedures, with defined limits of delegated authority and segregated duties and controls.

The annual budgeting and planning process, one of our key control activities, takes into consideration all risk factors as well as the latest economic and social trends. All operating units, in preparing their respective plans, are required to identify material risks that may have an impact on the achievement of their business objectives.

## RISK MANAGEMENT AND INTERNAL CONTROL REPORT

Action items to mitigate identified risks are required to be developed for implementation. Variance analyses are regularly performed and reported to management and the Board, which helps to identify deficiencies for which timely remedial actions can be taken.

Another significant control activity is the monitoring of major project expenditures, as these are a particularly capital-intensive aspect of our property business. For each project, a detailed analysis of expected risks and returns is submitted to the operating unit heads, Chief Operating Officer, Chief Financial Officer, Executive Director(s) and the Board for approval as appropriate. Criteria used to assess business and financial feasibility are generally based on net present value, the payback period and the internal rate of return from projected cash flow, as well as sensitivity analysis.

Management also conducts an annual internal control self-assessment. All department/unit heads must complete a relevant control self-assessment questionnaire and confirm with management that appropriate internal control policies and procedures have been established and properly complied with.

- **Monitoring Activities** – the Board and the Audit and Risk Management Committee oversee the control process with assistance from our Internal Audit team. Management provides update reports to the Audit and Risk Management Committee on major risks and appropriate mitigating measures. In 2020, the Audit and Risk Management Committee held four meetings (2019: four meetings) to address dynamic risks and enhance the risk management oversight function. Each meeting includes a dedicated discussion of risk management, internal control systems and recent developments.

### Risk Management Process

The Group has a robust process to review and communicate risks across its risk governance levels. This consists of (i) an ongoing process integrated into day-to-day operations, in which risk owners dynamically evaluate and report emerging risks they encounter to the Risk Management Committee; and (ii) a periodic risk assessment process through which key risks identified by management are assessed systematically on a regular basis.

#### Ongoing Risk Monitoring Process

Risk owners and the Risk Management Committee promptly assess and take action in response to new or emerging risks. This is a continuous and interactive process that includes communication and consultation with stakeholders.

- New risk confronted/ anticipated
- Immediate risk review
- Assess Risk
- Assess mitigation actions
- Notify parties
- Brainstorm and communicate
- Enforcing actions

#### Regular Risk Assessment Process

##### Risk Assessment

- Review and highlight key risks across dimensions in business units
- Analyze risks through detailed consideration of likelihood, impact and velocity (by using the established risk criteria)

##### Risk Treatment

- Decide how to treat risks, based on the approaches of Terminate, Transfer, Treat and Take (or a combination of them where applicable)

##### Residual Risk and Risk Tolerance Level

- Collate the residual risk status (after risk treatment) with the risk tolerance level for each key risk
- Determine any further actions needed to close any risk gap

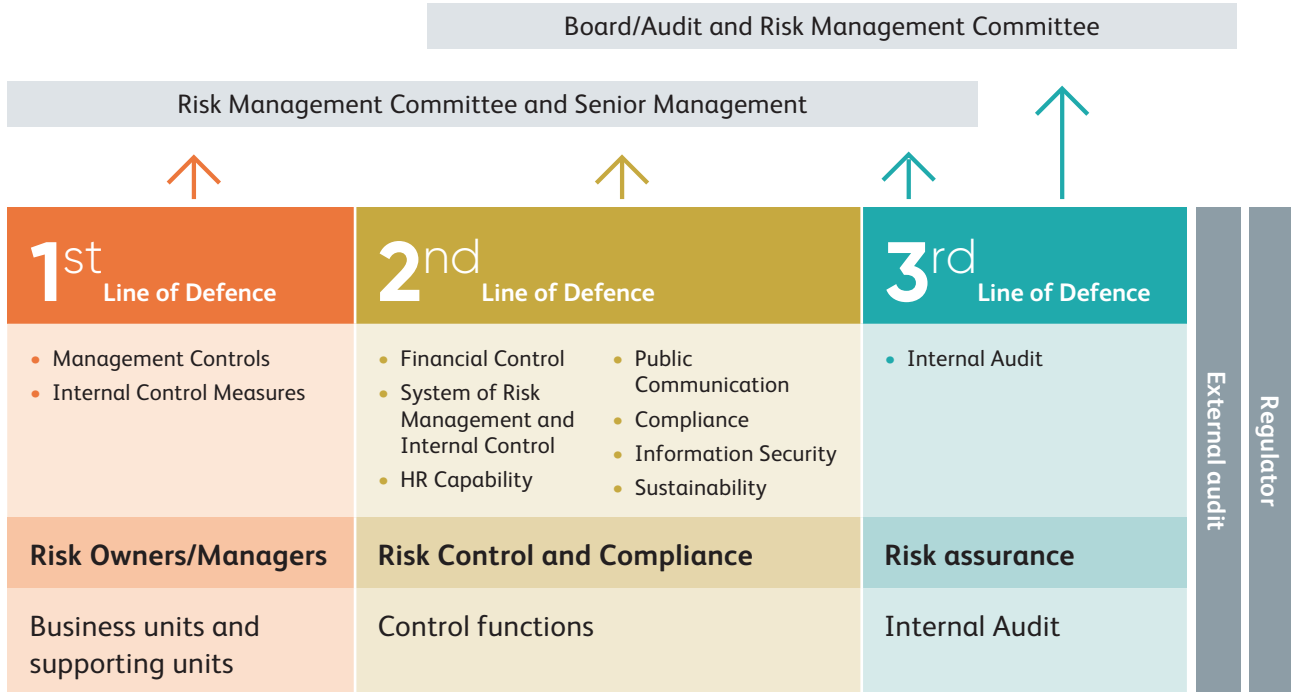
##### Risk Reporting

- Translate risk registers into a risk radar
- Effectively summarize and reflect the prioritized key risks of the Group

## Hysan's "Three Lines of Defence" Model

Clear responsibilities and robust controls are vital to help managing risks. Since 2017, we have reinforced our risk

governance structure by adopting a "Three Lines of Defence" model to address how specific duties related to risk and control should be assigned and coordinated within the Group. This has reinforced the Group's risk management capabilities and compliance culture across all divisions and functions.



The model aims to reinforce the Group's risk management capabilities and compliance culture throughout the Group. The responsibilities of each of the defence lines are as follows:

Business units and Supporting units	Corporate monitoring and control functions	Group internal audit
<ul style="list-style-type: none"> <li>Ultimately accountable for all risks and controls in all business processes</li> </ul>	<ul style="list-style-type: none"> <li>Responsible for the Group's policy framework and independent risk assessment</li> </ul>	<ul style="list-style-type: none"> <li>Responsible for providing independent and objective assurance on the effectiveness of risk management, internal controls and governance processes</li> </ul>

“ Good diversity, high engagement in meetings and well prepared meeting materials. ”

Directors' comments received in Board Evaluation 2020.

## Our Risk Profile

Our approach for managing risk is underpinned by our understanding of our current risk exposures, and how our

risks are changing over time. The following illustrates the nature of our major risks. Further analysis of our strategies is set out in other sections of the Annual Report as indicated below:

Risk area	Risk level changes during 2020	Description of risk change	Our mitigating measures
Continuing epidemic of COVID-19	↑	<ul style="list-style-type: none"> <li>The proliferation and continuance of the COVID-19 pandemic in Hong Kong since early 2020 has affected the local retail and property leasing markets.</li> </ul>	<ul style="list-style-type: none"> <li>Hygiene standards and disinfection procedures reinforced in our properties.</li> <li>Close dialogue maintained with tenants.</li> <li>A communication protocol developed with tenants for notifying infection cases.</li> </ul>
Overall business environment	↑	<ul style="list-style-type: none"> <li>The continuing COVID-19 pandemic is slowing down the development of global and local economies.</li> <li>Uncertainties remain from China-U.S. trade tensions.</li> </ul>	<ul style="list-style-type: none"> <li>Proactive measures taken to ease tenants' business pressures.</li> <li>Focus on portfolio curation as well as prudent and sound financial management to ensure Hysan's business resilience.</li> </ul>
Office sector	↑	<ul style="list-style-type: none"> <li>Slowdown in demand due to unclear economic recovery prospects.</li> <li>Net take-up of Grade A office space in Hong Kong dropped in 2020.</li> <li>Co-working and work-from-home models continued to disrupt the traditional office leasing business.</li> </ul>	<ul style="list-style-type: none"> <li>Diverse and flexible leasing efforts as well as maintaining a diversified tenant mix to ensure a more resilient tenant portfolio.</li> <li>Offer tailored solutions to increase marketability of office units.</li> <li>Embrace the co-working trend by collaborating with leading and strong co-working brands.</li> <li>Aim for mutual empowerment with our Retail portfolio.</li> </ul>
Retail sector	↑	<ul style="list-style-type: none"> <li>Retail spending in Hong Kong declined sharply amid the continuing COVID-19 pandemic and reduced tourist arrivals.</li> <li>Brands consolidated their outlets to save costs.</li> <li>Peer competition intensified.</li> </ul>	<ul style="list-style-type: none"> <li>Diverse and flexible leasing effort as well as active curation of tenant mix to ensure a more resilient and sustainable tenant portfolio.</li> <li>Short-term support to ease tenant's business pressure and reinforce long-term business partnership.</li> <li>Use mobile and business technology to drive loyalty programme as well as shopping experiences to distinguish our offerings.</li> <li>Focus on marketing efforts to target relevant existing and potential new shoppers.</li> </ul>
Residential sector	↑	<ul style="list-style-type: none"> <li>Uncertainties in the economy affected demand for luxury residential units as well as affordable rent levels due to customers' tighter budget.</li> </ul>	<ul style="list-style-type: none"> <li>Flexible leasing efforts to meet customer needs.</li> <li>Continue to invest in the renovation of residential units and common areas to attract new tenants and improve rents.</li> </ul>
Tai Po Residential Development Project	↔	<ul style="list-style-type: none"> <li>Recent signs of stability in the residential property market.</li> </ul>	<ul style="list-style-type: none"> <li>Ensure the sites are carefully and professionally developed to capture the target market.</li> <li>Approach the market at the right moment.</li> <li>Sensible tender price mitigates pressure on profit.</li> </ul>
Human Resources	↔	<ul style="list-style-type: none"> <li>The service industry continues to face labour shortages.</li> <li>We are facing competition for skilled personnel for our frontline operations as well as for management positions to support our growth strategy.</li> </ul>	<ul style="list-style-type: none"> <li>Improve working environment and benefits with an emphasis on wellbeing, to help recruit new employees and retain talented people more effectively.</li> <li>Enhance staff productivity with technology and process automation.</li> <li>Grow and develop talent via Mobile Learning, Hysan Forum and our Leadership Programme.</li> <li>Strengthen our employer brand.</li> </ul>

Risk area	Risk level changes during 2020	Description of risk change	Our mitigating measures
Cyber security	↔	<ul style="list-style-type: none"> <li>Given rapid developments in business technology, Hysan continues to leverage technology to improve our offering to shoppers and tenants, as well as to enhance our operations and management.</li> <li>Disturbances to business due to cyber security risks can be significant and costly to rectify.</li> </ul>	<ul style="list-style-type: none"> <li>Regular cyber security reviews and upgrades to mitigate risks.</li> <li>Engage external professional(s) to conduct a cyber security and data protection audit.</li> <li>Put in place cyber security policies and procedures, as well as insurance for cyber risk.</li> <li>Information about security risk and protection guidelines are available to all staff.</li> <li>No material cyber security breach has occurred in the last three years. Ongoing monitoring of key risk indicators.</li> </ul>
ESG Compliance	↔	<ul style="list-style-type: none"> <li>Increasing attention from investors and the general public in assessing public companies on ESG performance.</li> <li>New requirements on compliance.</li> </ul>	<ul style="list-style-type: none"> <li>Engage professional independent consultant(s) to conduct an overall review of the Group's sustainability and climate change performance.</li> <li>Execute the Group's sustainable development principles and attain the targets set.</li> <li>Established a Sustainability Committee at Board Level in 2020.</li> <li>Apply new technologies to reduce carbon footprint.</li> </ul>
Environmental Management regarding Climate Change	↔	<ul style="list-style-type: none"> <li>Climate change impacts the operations and management of buildings in our portfolio</li> </ul>	<ul style="list-style-type: none"> <li>Regularly update contingency plan.</li> <li>Monitor emissions from existing buildings and new development projects.</li> <li>Put in place ISO 14001 Environmental Management System, ISO 50001 Energy Management System and building analytics systems for daily operational risk management.</li> <li>Invest in renewable energy.</li> <li>Apply new technologies to mitigate operational risk.</li> <li>Assess and enhance indoor air quality for pandemic situation.</li> </ul>
Customer Data Protection and Privacy Protection	↔	<ul style="list-style-type: none"> <li>Given rapid developments in business technology, personal data might be collected inappropriately through digital platforms and other channels.</li> </ul>	<ul style="list-style-type: none"> <li>Continuously build a holistic approach to managing and protecting data and privacy through the implementation of a variety of processes, roles and controls.</li> <li>Conduct comprehensive privacy compliance review.</li> <li>Adopt stringent privacy policies and procedures, with strict compliance by all employees and service providers.</li> <li>No material customer data loss cases and customer privacy breaches reported in the last three years.</li> </ul>
Anti-Fraud and Anti-corruption	↔	<ul style="list-style-type: none"> <li>External service providers and third parties are often engaged to provide business and technological solutions.</li> <li>Hysan continues to plan for business diversification across the Group.</li> </ul>	<ul style="list-style-type: none"> <li>Adopted an Anti-Fraud Policy as a framework, supported by comprehensive anti-fraud procedures and guidelines.</li> <li>Put in place and regularly review our Code of Ethics and Whistleblowing Policy.</li> <li>Established an independent whistleblowing channel.</li> <li>Potential fraud risks identified across the Group and no material related cases reported in the last three years.</li> </ul>

Notes:

↑ where "inherent risks" (i.e. before taking into consideration mitigating activities) have increased

↓ where "inherent risks" have decreased

↔ where "inherent risks" have remained broadly the same



## Our Efforts to Enhance the Internal Control Environment and Activities in 2020

In addition to the actions described above, the following section outlines examples of improvements we have made to strengthen our risk management and internal control systems:

### Control Environment – policy of compliance

- Introduced a Tax Governance Policy, Anti-Fraud Policy and Human Rights Policy in 2020 and 2021. Updated corporate governance policies including Diversity Policy, Nomination Policy, Corporate Governance Guidelines and the Terms of Reference of various Board Committees, as well as the management Executive Committee, in 2021.

— Ongoing review and refinement of processes and structures to enhance compliance.

### Control Environment – risk management guideline

- Developed a Risk Management Guideline to state the risk management process, new elements introduced for risk identification, risk evaluation and risk reporting. The new elements include new dimensions of risk categories and risk sources, revised definitions for assessing risk impacts, risk radar reporting, revised risk registers and the ongoing risk monitoring process, etc.

— Providing a consistent and systematic approach of risk management across the Group at all levels.

### Risk Assessment – enhanced monitoring of emerging risks

- Strengthened the monitoring of material risks and emerging risks, i.e. new or evolving risks with potential significant impact, such as socio-political, economic, epidemic, cyber security and privacy or social media risks.
- The Risk Management Committee plays a key role in identifying and tracking such risks, with top management leading discussions with all department heads.

— In the context of a fast-changing global and local environment, the monitoring of emerging risks will be a focus.

### Risk Assessment – enhanced risk analysis

- Refined the risk register with new definitions of risk velocity, risk treatment and risk tolerance.
- Considered the new dimensions of ‘Regulatory/Legal/Compliance’, ‘Human Resources’ and ‘Physical Environment’ in assessing risk impact.

— Continual review and refinement of the risk management process to ensure that all major risks are properly identified, evaluated, reported and monitored.

### Control Activities – internal controls and policies

- The Group carried out a Corporate Disclosure Drill with an external professional in October 2020. Staff from the Finance Department (Financial Reporting Team and Treasury Team), Investment & Development Department, Corporate Communications Department and Legal & Secretarial Department all attended an interactive drill with case studies. Regular training and education provided across the Group during the year.

— Continual review and refinement of policies and procedures to support the essential task of keeping risk management and internal controls aligned with fast-changing external and internal business environments.

### Monitoring Activities – enhanced “management assurance” to the Audit and Risk Management Committee and the Board

- Enhanced management update reports to the Audit and Risk Management Committee and the Board on major risks, including reports on topics such as the Group’s enterprise risk management framework, digital technology projects, data privacy review and business operations, and “deep-dive” report on impact of COVID-19.
- To strengthen management’s “assurance” to the Audit and Risk Management Committee and the Board, self-assessment questionnaires were distributed to all departments. Department heads were required to review and certify the effectiveness of their departmental controls, including the identification of any control issues. This initiative backs up management’s certification to the Audit and Risk Management Committee and the Board.

— Facilitating and enhancing the work of the Audit and Risk Management Committee and the Board in monitoring our risk exposure.

### Monitoring Activities – risk radar

- Introduced the use of a risk radar to effectively visualize and contextualize all of the key risks of the Group.

— Use of a risk radar to enhance effectiveness and efficiency in risk reporting.

### Monitoring Activities – enhanced ESG governance

- Established the Sustainability Committee at the Board level in 2020, to oversee the Group’s corporate responsibility, sustainability development and related policies, supported by the management-level Sustainability Executive Committee and the Sustainability Task Force with regular updates.
- Put in place a sustainability policy, which applies to all properties and business units.

— Facilitating and enhancing the work of the Sustainability Committee and the Board in sustainability development.

The Risk Management Committee  
Hong Kong, 25 February 2021

# Audit and Risk Management Committee Report

## Dear Shareholders,

We are pleased to present the Audit and Risk Management Committee's report for 2020, which provides an overview of the work undertaken by the Committee during the year. In 2020, the Committee continued to focus on reviewing the Group's risk management and internal control systems, monitoring internal and external auditors and overseeing the financial reporting process. The most significant topics considered by the Committee during the year included rigorous assessment of the Group's enhanced risk management and internal control systems, major risks relating to digital technology projects and the impact of COVID-19.

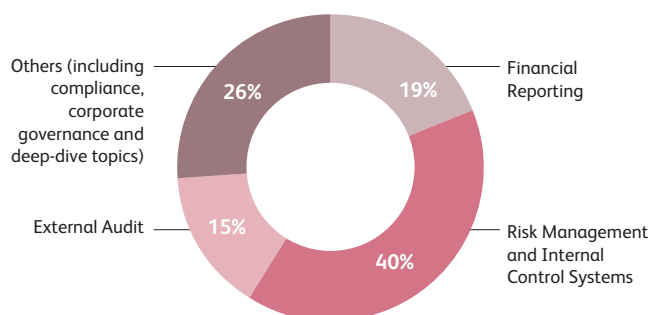
## Highlights in 2020 and 2021

- Assessed the Group's risk management and internal control (including its new enhanced three-dimensional risk management framework) and refined the risk management model in order to identify, assess and monitor emerging risks
- Reviewed major risks relating to digital technology projects and the business impact of COVID-19
- Reviewed the Tax Governance Policy
- Reviewed a separate Anti-Fraud Policy
- Updated the Terms of Reference

## Key responsibilities

- Oversee the integrity of the Group's financial management and reporting processes and the preparation of financial statements
- Review the risk management and internal control framework
- Review the effectiveness and adequacy of the risk management and internal control systems
- Review the major identified risks
- Assess and determine the risk appetite of the Group
- Oversee the Internal Audit
- Oversee the relationship with the external auditor and the provision of non-audit services

## Audit and Risk Management Committee activities and agenda time during the year



## Composition

The majority of the Committee is comprised of Independent Non-Executive Directors

## Committee Members

Poon Chung Yin Joseph\* (Chairman)

Churchouse Frederick Peter\*

Fan Yan Hok Philip\*

Lee Anthony Hsien Pin

\* Independent Non-Executive Director

## Meeting Schedule

The Audit and Risk Management Committee held four meetings during the year, with one of those meetings specifically focused on addressing dynamic risks and enhancing the risk management oversight function. The Board Chairman and management members (including the Chief Operating Officer and Chief Financial Officer), internal auditor, external auditor and external valuer (as appropriate) attend the meetings by invitation to present updates and answer relevant questions, and thus facilitate the Committee's decision-making process. Pre-meeting sessions with external and internal auditors are held without the management's presence at least twice a year.

## Roles and Authorities

- Oversee the Group's financial management and reporting processes and monitor the work carried out by the external auditor. Within this process, the management is responsible for the preparation of the Group's financial statements, including the selection of suitable accounting policies, while the external auditor is responsible for auditing and attesting to the Group's financial statements and evaluating the Group's system of internal controls in this regard. Formal statements of Directors' Responsibility for the Financial Statements are contained in "Financial Statements, Valuation and Other Information" section of this Annual Report.
- Review the Company's risk management and internal control systems.
- Review reports on major risks faced by the Group.
- Review adequacy of resources and staff qualifications and experience in the Group's internal audit, accounting and financial reporting functions, as well as their training programmes and budget.
- Review the Group's Whistleblowing Policy. Under this policy, employees and related third parties who deal with the Group (e.g. consultants, contractors, suppliers, agents and customers) can raise concerns, in confidence or anonymously, about misconduct, malpractice or irregularities in any matters related to the Group. The Audit and Risk Management Committee ensures that the concerns raised are investigated and followed up as appropriate.
- Review the Anti-Fraud Policy. This is a separate policy to further promote an ethical culture and emphasize our "zero tolerance" attitude to fraud.
- Review the effectiveness of the Company's internal audit function.
- Oversee the Company's relationship with the external auditor.
- Report to the Board on its findings after each Audit and Risk Management Committee meeting.

## Activities

Details of the meeting held in February 2020 were set out in the 2019 Annual Report.

From March 2020 to February 2021, the Audit and Risk Management Committee held four meetings to:

### The Audit and Risk Management Committee Over the Past 12 Months

<b>May 2020 meeting</b>	Report from Internal Audit 3-year Internal Audit Plan "Deep-dive" topic Legal and regulatory update
<b>August 2020 meeting</b>	Interim results Property valuations External auditor report Risk management review Report from Internal Audit Legal and regulatory update
<b>November 2020 meeting</b>	External audit progress report Report from Internal Audit Risk management review Annual review of adequacy of resources Corporate governance policies and Committee terms of reference Legal and regulatory update
<b>February 2021 meeting</b>	Annual results Property valuations Annual review of risk management and internal control effectiveness Effectiveness and independence of external auditor External audit completion report External audit plan for 2021 Annual review of continuing connected transactions Legal and regulatory update



## Financial Reporting

- Review and discuss with management and the external auditor, and recommend for approval to the Board, the unaudited financial statements for the first six months ended 30 June 2020; the audited financial statements for the year ended 31 December 2020; and the Independent Auditor's Report for the year ended 31 December 2020, prior to their publication. The Committee's review and recommendations were based on the external auditor's review work, as well as the following:
  - Discussions with the external auditor and internal auditor regarding the scope of their respective reviews and findings.
  - Discussions with management regarding significant parameters and judgments affecting the Group's financial statements, including the valuation of investment properties as at 30 June 2020 and 31 December 2020 by the independent professional valuer, Knight Frank Petty Limited.
  - A joint review with both management and the external auditor of the Key Audit Matters included in the Independent Auditor's Report for the year ended 31 December 2020.
- Consider the Group's key corporate risks, including the overall business environment, operational risks, ESG risks and compliance, etc., with the overall approach being set by senior management.
- Consider the key imminent risks and risk registers presented by the management.
- Review the methodology used by the Group's independent professional valuer, Knight Frank Petty Limited, in the valuation of its investment properties, and discuss the capitalization rate and property market outlook.
- Review adequacy of resources and staff qualifications and experience in the Group's internal audit, accounting and financial reporting functions, as well as their training programmes and budget.
- Review all legal and regulatory updates and trends that may affect the Group, and their implications.
- Review the Tax Governance Policy, which sets out the approach to tax strategy and policies across the Group.
- Review the Group's separate Anti-Fraud Policy to further promote an ethical culture and enhance the detection and prevention of fraud.
- Review the annual risk management and internal control systems performance for 2020, based on:
  - Reports from Internal Audit on the review of the Company's continuing connected transactions for the year ended 31 December 2020, as well as the adequacy and effectiveness of the related internal control procedures.
  - Regular reports by management regarding major risks, movements in risk levels and mitigating actions, as well as special reports on select major risk items (as detailed above).
  - Regular reports from Internal Audit, including the implementation status of its recommendations.
  - Certification and confirmation of controls' effectiveness by management, covering financial, operational and compliance controls, ESG compliance, internal audit, risk management and internal control, as well as the adoption of a control self-assessment questionnaire across the operating departments.
  - Confirmation from the external auditor that it had not identified any control weaknesses in respect of the Group's financial reporting cycle during the course of its audit.

## Review of Risk Management and Internal Control Systems

- Review Internal Audit findings on the following areas, with no significant issues raised during the reviews:
    - Enterprise risk management framework: the introduction of a refined risk management model and an enhanced three-dimensional risk management framework that takes into account "risk velocity" for future risk prioritization and proposes new key risk indicators
    - Digital technology projects: pre-implementation review on various initiatives, including digital marketing activities and operational systems development to enhance IT governance
    - Data privacy review
    - Leasing business
  - Consider a "deep-dive" exploration into the risks relating to COVID-19 on our business and mitigating actions.
  - Evaluate the financial aspects of the Group's strategy implementation.
  - Consider and evaluate an in-depth assessment on enhancing indoor air quality for pandemic situation in February 2021.
- The Audit and Risk Management Committee was satisfied as to the adequacy and effectiveness of the Company's risk management and internal control systems (including adequacy of resources and staff qualifications and

## AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

experience in the Group's accounting, financial reporting and internal audit functions, as well as their training programmes and budget). No significant areas of concern that might affect financial, operational and compliance controls, ESG compliance, internal audit, risk management or internal control were identified.

### External Auditor

- Review and consider the terms of engagement of the external auditor in respect of the Group's 2020 final results (including the 2020 annual audit, the related results announcement, and the annual review of continuing connected transactions) and the annual update regarding its MTN Programme.
- Review the audit progress report of the external auditor.
- Carry out the annual assessment of the auditor's qualifications, expertise, services and independence, and declared its satisfaction with the same. The assessment was performed by reviewing the management's detailed assessment of the external auditor's independence, service quality and remuneration level, as well as the annual confirmation of auditor's independence issued by the external auditor.

In particular, the assessment was satisfied that the auditor's independence and objectivity have not been impaired by the provision of non-audit services. All services were pre-approved by the Audit and Risk Management Committee. Appropriate policies and procedures have been established to identify audit and non-audit services, as well as prohibited non-audit services that might impair the independence of the auditor. Deloitte Touche Tohmatsu confirmed its independence with regard to the non-audit services provided. A rotation arrangement for the lead audit partner was also established and implemented by the auditor. The lead audit partner is required to comply with professional ethics and independence policies and requirements applicable to the work performed.

### External Auditor's Services and Fees

	2020 HK\$ million	2019 HK\$ million
Audit Services	2.6	2.9
Non-audit Services (Note)	3.8	2.5
Total	6.4	5.4

Note:

"Non-audit services" include review and consultancy services, agreed-upon-procedures reports, statutory compliance, regulatory or government procedures required to comply with financial, accounting or regulatory report matters.

- Review and consider the 2021 audit service plan of the external auditor, and the terms of its engagement in respect of the 2021 interim results review.
- Recommend to the Board that the shareholders be asked to re-appoint Deloitte Touche Tohmatsu as the Group's external auditor for 2021.

### Internal Audit

- Review the internal audit plan regarding the key risks and business strategy of the Group; all matters identified as the result of internal audits; management responses to audit reports issued during the year, and the progress made in implementing improvement actions.
- Consider and approve the three-year audit plan undertaken by the Internal Audit function. During 2021, it is expected that the internal audit plan will include reviews of the Group's leasing business, marketing, investment and development, etc.

Members' attendance records are disclosed in the table on page 41.

### Evaluation

The Board and Committee evaluation process, which took place during the year, concluded that the Audit and Risk Management Committee was effective in fulfilling its roles in 2020. For details, please refer to Corporate Governance Report – "Board Evaluation" (page 44).

Members of the Audit and Risk Management Committee

**Poon Chung Yin Joseph** (Chairman)  
**Churchouse Frederick Peter**  
**Fan Yan Hok Philip**  
**Lee Anthony Hsien Pin**

Hong Kong, 25 February 2021

# Remuneration Committee Report

## Dear Shareholders,

We are pleased to present the Remuneration Committee Report for 2020. The primary roles of the Remuneration Committee are to advise the Board on formulating the remuneration policy for Directors and senior management, to determine remuneration and incentives packages for Directors and senior management, and to ensure that the remuneration packages are commensurate with the qualifications and competencies of the Directors and senior management and are appropriate to the best interests of the Company and its shareholders.

## Key responsibilities

- Review the Company's framework and general policies for the remuneration of Executive Director(s) and senior management
- Review the remuneration packages of Executive Director(s), Non-Executive Directors and senior management
- Review share incentive plans

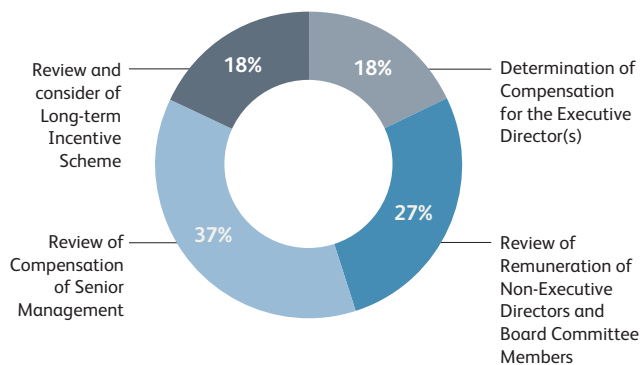
## Meeting Schedule

The Remuneration Committee generally meets at least once a year. The Executive Director(s) and management may be invited to Remuneration Committee meetings to present updates and/or answer relevant questions in order to facilitate the decision-making process. No Director is involved in deciding his own remuneration.

## Roles and Authorities

- Review the Company's framework and general policies for the remuneration of Executive Director(s) and members of senior management, as recommended by management, and make recommendations to the Board.
- Review and determine the remuneration of Executive Director(s) and senior management.
- Review the fees payable to Non-Executive Directors and Board Committee members prior to shareholders' approval at the AGM.
- Review new share incentive plans, changes to the key terms of pension plans, and the key terms of any new compensation and benefits plans that have a material financial, reputational and strategic impact.

## Remuneration Committee activities and agenda time during the year



## Composition

The majority of the Committee is comprised of Independent Non-Executive Directors

## Committee members

Fan Yan Hok Philip\* (Chairman)

Lee Tze Hau Michael

Poon Chung Yin Joseph\*

\* Independent Non-Executive Director

## Highlights in 2020 and 2021

- Considered remuneration for Directors and senior management
- Considered the compensation structure and long-term incentive scheme
- Reviewed the Terms of Reference

## Activities

In 2020, the Remuneration Committee held one meeting to:

- Approve the Executive Director's 2020 compensation package and 2019 performance-based bonus.
- Review the fees for Non-Executive Directors and Board Committee members.
- Review and determine the compensation of senior management.
- Review and consider the long-term incentive scheme.

In January 2021, the Remuneration Committee also held a meeting to:

- Approve the Executive Director's 2021 compensation package and 2020 performance-based bonus.



## REMUNERATION COMMITTEE REPORT

- Review the fees for Non-Executive Directors and Board Committee members.
- Review and determine the compensation of senior management.
- Review and consider the long-term incentive scheme.
- Review the terms of reference of the Remuneration Committee.

Members' attendance records are disclosed in the table on page 41.

### Executive Director and Senior Management Remuneration Policy

The Group's remuneration policy aims to provide a fair market level of remuneration to attract, retain and motivate high quality Executive Director(s), senior management and employees. At the same time, awards must be aligned with shareholders' interests.

The following principles have been established:

- Remuneration packages and structure shall reflect a fair reward system for all participants with an emphasis on performance, comprising the following components:

Components	Determining Factors
<b>Fixed compensation</b>	
Base salary and allowances	<ul style="list-style-type: none"> <li>• Market trends: pay increments in line with general and real estate industry norms</li> <li>• Market benchmarks relevant to role and job scope</li> <li>• Company performance</li> <li>• Individual performance and contribution, measured against annual financial and operational targets (turnover, expense ratio, earnings per share ("EPS"), portfolio year-end occupancy, achievement of key strategic initiatives, etc.)</li> </ul>
<b>Variable compensation</b>	
Performance bonus	<ul style="list-style-type: none"> <li>• Company performance</li> <li>• Individual performance and contribution, measured against annual financial and operational targets (turnover, expense ratio, EPS, portfolio year-end occupancy, achievement of key strategic initiatives, etc.)</li> <li>• Actual bonus payout ranges from 0–200 % of target bonus, which is set as a percentage of annual base salary</li> </ul>
Share options	<ul style="list-style-type: none"> <li>• Company performance</li> <li>• Individual performance and potential, as well as long-term contribution to the Company</li> <li>• Level of share options granted is based on a prescribed grant multiple of annual base salary</li> </ul>

- Remuneration packages shall be set at levels that ensure comparability and competitiveness with Hong Kong-based companies competing for a similar talent pool, with special emphasis on the real estate industry. Independent professional advice is to be sought where appropriate.
- The Remuneration Committee shall determine the overall amount of each component of remuneration, taking into account both quantitative and qualitative assessments of performance, as well as the achievement of financial and operational key performance targets that align with the Group's long-term strategy.
- Remuneration policy and practice shall be as transparent as possible.
- Share option grantees shall develop significant personal shareholdings through executive share option schemes in order to align their interests with those of shareholders.
- Pay and employment conditions elsewhere in the Group shall be taken into account.
- The remuneration policy for Executive Director(s) and senior management shall be reviewed regularly, independent of executive management.

In January 2021, the Remuneration Committee held a meeting to consider the annual base salary of Lee Irene Yun-Lien and concluded that her 2021 annual fixed base salary shall be HK\$8,000,000.

Details of Directors' (including individual Executive Director(s)) and senior management's emoluments for 2020, as well as changes in share options for Executive Director(s) during the year, are set out in notes 11, 12 and 37, respectively, to the consolidated financial statements.

### Non-Executive Director Remuneration Policy

Key elements of our Non-Executive Directors' remuneration policy include the following:

- Remuneration shall be set at an appropriate level to attract and retain first-class non-executive talent.
- Remuneration of Non-Executive Directors (subject to shareholders' approval) shall be set by the Board and should be proportional to their commitment and contribution to the Company.
- Remuneration practice shall be consistent with recognized best practice standards for Non-Executive Directors' remuneration.

- Remuneration shall be in the form of cash fees, payable semi-annually.
- Non-Executive Directors shall not receive share options from the Company.

In 2020, Non-Executive Directors received no other compensation from the Group except for the fees disclosed below. None of the Non-Executive Directors received any pension benefits from the Company, nor did they participate in any bonus or incentive schemes.

Non-Executive Directors (including Independent Non-Executive Directors) received fees totalling HK\$3,241,000 during 2020.

## Director Fee Levels

Director fees are subject to shareholders' approval at general meetings. In January 2021, the Remuneration Committee duly considered a number of factors, including the level of responsibility, experience and abilities required of the Directors, the level of care and amount of time required, as well as the fees offered for similar positions in companies requiring the same talents, and agreed that the fees of the Non-Executive Directors shall remain at the same level.

The current fees for Non-Executive Directors and Board Committee members are set out below. Executive Director(s) do not receive any director fee(s).

	Per annum HK\$	
<b>Board of Directors</b>		
Non-Executive Director	280,000	(Note 1)
<b>Audit and Risk Management Committee</b>		
Chairman	180,000	(Note 1)
Member	108,000	(Note 1)
<b>Remuneration Committee</b>		
Chairman	75,000	(Note 1)
Member	45,000	(Note 1)
<b>Nomination Committee</b>		
Chairman	50,000	(Note 1)
Member	30,000	(Note 1)
<b>Sustainability Committee</b>		
Chairman	50,000	(Note 2)
Member	30,000	(Note 2)

Notes:

1. Approved by shareholders in the 2019 AGM and took effect on 1 June 2019.
2. Approved by the Board and took effect on 1 January 2020.

## Human Resources Practices

The Group aims to attract, retain and develop high-calibre individuals who are committed to attaining our objectives. The total number of employees as at 31 December 2020 was 489 (2019: 514). The Group's human resources practices are aligned with our corporate objectives in order to maximize shareholder value and achieve growth. Details of our human resources programmes, training and development are set out in the "Sustainability Report 2020".

## Long-term incentives: Share Option Schemes

The Company may grant options under executive share option schemes as adopted from time to time. The purpose of the schemes is to strengthen the connection between individual staff and shareholders' interests. The power to grant options to Executive Director(s) is vested in the Remuneration Committee and endorsement by all Independent Non-Executive Directors is required under the Listing Rules. The Chairman or the Chief Executive Officer may make grants to management staff below the Executive Director level.

## The 2005 Share Option Scheme (the "2005 Scheme")

The Company adopted the 2005 Scheme at its AGM held on 10 May 2005 (the "2005 AGM"), which had a term of 10 years and expired on 9 May 2015. All outstanding options granted under the 2005 Scheme will continue to be valid and exercisable in accordance with the provisions of the 2005 Scheme. No further option will be granted under the 2005 Scheme.

Under the 2005 Scheme, options to subscribe to ordinary shares of the Company may be granted to employees of the Company or any wholly-owned subsidiaries (including Executive Director(s)) and such other persons as the Board may consider appropriate from time to time, on the basis of their contribution to the development and growth of the Company and its subsidiaries.

The maximum number of shares in respect of which options may be granted under the 2005 Scheme and any other share option scheme of the Company shall not exceed the maximum number of shares permissible under the Listing Rules, being 10% of the total number of shares in issue as at the date of the 2005 AGM (being 104,996,365 shares).

## REMUNERATION COMMITTEE REPORT

The maximum entitlement of each participant under the 2005 Scheme must not, during any 12-month period, exceed the maximum number of shares permissible under the Listing Rules (which is 1 % of the total number of shares in issue as at the date of the 2005 AGM, being 10,499,636 shares). The exercise price shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; and (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant. Consideration for each grant of option is HK\$1 and is required to be paid within 30 days from the date of grant of options, with full payment for the exercise price to be made on exercise of the relevant options.

### The 2015 Share Option Scheme (the "New Scheme")

The Company adopted the New Scheme (together with the 2005 Scheme, both are referred to as the "Schemes") at its AGM held on 15 May 2015 (the "2015 AGM"), which has a term of 10 years and will expire on 14 May 2025. Terms of the New Scheme are substantially the same as those under the 2005 Scheme.

Under the New Scheme, options to subscribe to ordinary shares of the Company may be granted to employees of the Company or any subsidiaries (including Executive Director(s)) and such other persons as the Board may consider appropriate from time to time, on the basis of their contribution to the development and growth of the Company and its subsidiaries.

The maximum number of shares in respect of which options may be granted under the New Scheme and any other share option schemes of the Company shall not in aggregate exceed the maximum number of shares permissible under the Listing Rules, currently being 10% of the total number of shares in issue as at the date of the 2015 AGM (being 106,389,669 shares). Under the Listing Rules, a listed issuer may seek approval by its shareholders in a general meeting for "refreshing" the 10 % limit under the New Scheme. The limit on the total number of shares that may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes of the Company must not exceed 30 % of the shares in issue from time to time (or the maximum number of shares permissible under the Listing Rules). No options may be granted if such a grant would result in such 30 % limit or maximum permissible limit being exceeded.

The maximum entitlement of each participant under the New Scheme must not, during any 12-month period, exceed the maximum number of shares permissible under the Listing Rules (which is 1 % of the total number of shares in issue as at the date of the 2015 AGM, being 10,638,966 shares). The exercise price shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; and (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant. Consideration for each grant of option is HK\$1 and is required to be paid within 30 days from the date of grant of options, with full payment for the exercise price to be made on exercise of the relevant options.

### Grant and vesting structures

Under the Company's current policy, grants are to be made on a periodic basis. The exercise period is 10 years. The vesting period is three years in equal proportions starting from the 1st anniversary and shares will become fully vested on the 3rd anniversary of the grant. The size of the grant will be determined with reference to a base salary multiple and job performance grades. The Board reviews the grant and vesting structures from time to time.

### Movement of share options

During the year, a total of 1,602,000 shares options were granted under the New Scheme. The 2005 Scheme had expired on 9 May 2015 and no further option has been granted under the 2005 Scheme.

As at the date of this Annual Report:

- share options exercisable into a total of 1,272,667 ordinary shares of the Company granted and fully-vested under the 2005 Scheme remained outstanding, representing approximately 0.12 % of the total number of issued shares of the Company;
- share options exercisable into a total of 4,744,067 ordinary shares of the Company granted (including fully-vested share options exercisable into 2,036,853 ordinary shares of the Company) under the New Scheme remained outstanding, representing approximately 0.46 % of the total number of issued shares of the Company; and
- 101,279,005 shares are issuable under the New Scheme, representing approximately 9.74 % of the total number of issued shares of the Company.

Details of options granted, exercised, cancelled/lapsed and outstanding under the Schemes during the year are as follows:

Name	Date of Grant	Exercise price HK\$	Exercise period (Note a)	Balance as at 1.1.2020	Changes during the year			Balance as at 31.12.2020
					Granted	Exercised	Cancelled/ lapsed (Note b)	
2005 Scheme								
Executive Director								
Lee Irene Yun-Lien	14.5.2012	33.50	14.5.2013 – 13.5.2022	87,000	–	–	–	87,000
	7.3.2013	39.92	7.3.2014 – 6.3.2023	265,000	–	–	–	265,000
	10.3.2014	32.84	10.3.2015 – 9.3.2024	325,000	–	–	–	325,000
	12.3.2015	36.27	12.3.2016 – 11.3.2025	300,000	–	–	–	300,000
Eligible employees (Note c)	31.3.2010	22.45	31.3.2011 – 30.3.2020	50,000	–	(50,000) (Note d)	–	–
	31.3.2011	32.00	31.3.2012 – 30.3.2021	32,000	–	–	–	32,000
	30.3.2012	31.61	30.3.2013 – 29.3.2022	70,000	–	–	–	70,000
	28.3.2013	39.20	28.3.2014 – 27.3.2023	85,000	–	–	–	85,000
	31.3.2014	33.75	31.3.2015 – 30.3.2024	46,000	–	–	–	46,000
	31.3.2015	34.00	31.3.2016 – 30.3.2025	62,667	–	–	–	62,667
				1,322,667	–	(50,000)	–	1,272,667
Name	Date of Grant	Exercise price HK\$	Exercise period (Note a)	Balance as at 1.1.2020	Changes during the year			Balance as at 31.12.2020
					Granted	Exercised	Cancelled/ lapsed (Note b)	
New Scheme								
Executive Director								
Lee Irene Yun-Lien	9.3.2016	33.15	9.3.2017 – 8.3.2026	375,000	–	–	–	375,000
	23.2.2017	36.25	23.2.2018 – 22.2.2027	300,000	–	–	–	300,000
	1.3.2018	44.60	1.3.2019 – 29.2.2028	373,200	–	–	–	373,200
	22.2.2019	42.40	22.2.2020 – 21.2.2029	494,200	–	–	–	494,200
	21.2.2020	29.73 (Note e)	21.2.2021 – 20.2.2030	–	650,000	–	–	650,000
Eligible employees (Note c)	31.3.2016	33.05	31.3.2017 – 30.3.2026	125,000	–	–	–	125,000
	31.3.2017	35.33	31.3.2018 – 30.3.2027	244,667	–	–	–	244,667
	29.3.2018	41.50	29.3.2019 – 28.3.2028	496,000	–	–	(2,000)	494,000
	29.3.2019	42.05	29.3.2020 – 28.3.2029	762,000	–	–	(4,000)	758,000
	31.3.2020	25.20 (Note f)	31.3.2021 – 30.3.2030	–	952,000	–	–	952,000
				3,170,067	1,602,000	–	(6,000)	4,766,067

Notes:

- (a) All options granted have a vesting period of three years in equal proportions starting from the 1st anniversary and become fully vested on the 3rd anniversary of the grant. In this table, "exercise period" begins with the 1st anniversary of the grant date.
- (b) The options lapsed during the year upon the resignations of certain eligible employees.
- (c) Eligible employees are those working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance.
- (d) The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$28.40.
- (e) The closing price of the shares of the Company immediately before the date of grant (i.e. as of 20 February 2020) was HK\$29.55.
- (f) The closing price of the shares of the Company immediately before the date of grant (i.e. as of 30 March 2020) was HK\$23.85.

## REMUNERATION COMMITTEE REPORT

Apart from the above, the Company has not granted any share options under the Schemes to any other persons during the year that are required to be disclosed under Rule 17.07 of the Listing Rules.

Particulars of the Schemes are set out in note 37 to the consolidated financial statements.

### Value of share options

Pursuant to Rule 17.08 of the Listing Rules, the value of the share options granted during the year is to be expensed through the Group's statement of profit or loss over the 3-year vesting period of the options.

The fair values of share options granted by the Company were determined by using the Black-Scholes option pricing model (the "Model"). The Model is one of the commonly used models to estimate the fair value of an option. The variables and assumptions used in computing the fair value of the share options are based on the management's best estimate. The value of an option varies with different variables of a number of subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

The inputs into the Model were as follows:

Date of grant	31.3.2020	21.2.2020
Closing share price at the date of grant	HK\$25.200	HK\$29.250
Exercise price	HK\$25.200	HK\$29.730
Risk free rate (Note a)	0.528 %	1.172 %
Expected life of option (Note b)	5 years	5 years
Expected volatility (Note c)	18.518 %	18.013 %
Expected dividend per annum (Note d)	HK\$1.384	HK\$1.384
Estimated fair values per share option	HK\$2.060	HK\$2.520

Notes:

- (a) Risk free rate: the approximate yields of 5-year Exchange Fund Notes traded on the date of grant, matching the expected life of each option.
- (b) Expected life of option: the period of five years commencing on the date of grant, based on management's best estimates for the effects of non-transferability, exercise restriction and behavioural consideration.
- (c) Expected volatility: the approximate historical volatility of the closing prices of the shares of the Company over the past five years immediately before the date of grant.
- (d) Expected dividend per annum: the approximate average annual cash dividend over the past five financial years.

Members of the Remuneration Committee

**Fan Yan Hok Philip** (Chairman)

**Lee Tze Hau Michael**

**Poon Chung Yin Joseph**

Hong Kong, 25 February 2021

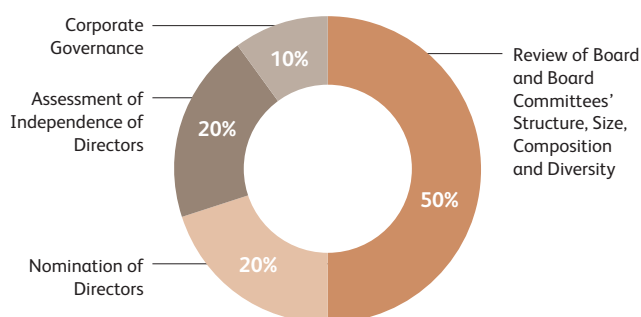


# Nomination Committee Report

## Dear Shareholders,

We are pleased to present the Nomination Committee Report for 2020. The primary roles of the Nomination Committee are to review the Board's structure, composition and diversity, and to recommend Board appointments. The roles of the Non-Executive Directors continue to evolve in line with the growing demands and the fast-changing business environment. The Board is constantly looking ahead to ensure that our Non-Executive Directors have the skills and experience required to drive the highest standards of performance. During 2020, Lau Lawrence Juen-Yee retired from the Board and the Committee. We would like to thank him for his contribution during his tenure. We would also like to welcome Churchouse Frederick Peter to the Committee.

## Nomination Committee activities and agenda time during the year



## Composition

The majority of the Committee is comprised of Independent Non-Executive Directors

## Committee members

Lee Irene Yun-Lien (Chairman)

Churchouse Frederick Peter\*

Fan Yan Hok Philip\*

Lee Chien

Poon Chung Yin Joseph\*

\* Independent Non-Executive Director

## Highlights in 2020

- Considered the re-appointment and independence of Directors
- Reviewed the Diversity Policy and the Nomination Policy
- Reviewed the Terms of Reference

## Key responsibilities

- Review the structure, size and composition of the Board
- Review the skills, knowledge, experience and diversity of each Director
- Assess the independence of the Independent Non-Executive Directors
- Make recommendations to the Board on the appointment of Directors
- Review the dedication of time and expertise of each Director, while taking into account other material commitments of Directors
- Oversee succession planning for the Board

## Meeting Schedule

The Nomination Committee generally meets at least once a year.

## Roles and Authorities

- Review and make recommendations on the structure, size, composition and diversity of the Board with a view to complementing the Company's corporate strategies.
- Review the Diversity Policy.
- Review the independence of Directors pursuant to the Listing Rules' requirements.
- Generally oversee the succession planning of the Board.
- Review the time commitment and effort required of Directors to discharge their responsibilities.
- Review the training and continuous professional development of the Directors.
- Recommend the nomination of Directors after careful consideration of the attributes and values required in accordance with the Company's Nomination Policy, while also taking into account diversity aspects (including, but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) with due regard to the benefits of diversity, as set out under the Diversity Policy.



### Director Recruitment Process

- 1 A wide and diverse range of candidates with different skills and business backgrounds appropriate to the Group's business needs are identified
- 2 Nomination Committee Chairman meets with shortlisted candidates
- 3 Nomination Committee assesses the suitability of the candidates based on a range of criteria
- 4 All Directors are given the opportunity to meet with the preferred candidate
- 5 Nomination Committee makes a recommendation to the Board

### Activities

During 2020, the Committee held one meeting to:

#### Board Composition

- Review the Board's structure, size, composition and diversity, and monitor the progress made towards enriching the skills and experience of Board members while improving Board diversity in line with the Company's strategy. The Nomination Committee was satisfied that, with the establishment of the Sustainability Committee at Board level on 1 January 2020, the current composition and size of the Board remained appropriate for the time being. These matters shall continue to be kept under regular review.
- Recommend the re-appointment of Directors to the Board.
- Continue with the appointment of Li Xinzhe Jennifer as an advisor to the Board, in order to continue to enrich the Board's skills and diversity.
- Receive and review the latest Board performance evaluation, which concluded that the Board has operated very well. The Nomination Committee was satisfied that all Directors were committed to the Company and had contributed to the Board through their participation in the Company's affairs and discussions at the Board and Board Committees' meetings during the year, as reflected in their high rates of attendance, recorded in the table on page 41.
- Review the contributions of those Directors who are due to retire and are subject to re-appointment at the forthcoming AGM with the support of the Board.
- Review the training of the Directors and senior management.

#### Independence of Non-Executive Directors

- Assess the independence, effectiveness and commitment of each of the Company's Independent Non-Executive Directors.

- Consider the fact that two Directors, Fan Yan Hok Philip and Poon Chung Yin Joseph, have served as Independent Non-Executive Directors for more than nine years. Fan Yan Hok Philip was re-elected at the 2020 AGM and will remain on the Board for a further year, while Poon Chung Yin Joseph will retire by rotation at the forthcoming AGM to be held on 21 May 2021. The Nomination Committee was of the view that both Fan Yan Hok Philip and Poon Chung Yin Joseph have consistently demonstrated a healthy level of professional scepticism whenever appropriate, and have not held back from asking probing questions and challenging the executive management's views and recommendations. There is no evidence to suggest that their tenure has had any impact on their independence. The Nomination Committee was thus satisfied that, notwithstanding the length of service of such Directors, as well as the number and nature of office(s) they held in other public companies and their other commitments, they remained highly committed to the Company, are independent and impartial, and continue to be in a position to discharge their duties and responsibilities in the coming year.

#### Review of Policies and Guidelines

- Review our Diversity Policy and Nomination Policy (available on the Company's website) to enhance the diverse perspectives of Directors and strengthen the nomination process.
- Review its terms of reference in order to strengthen the board assessment process for the appointment of Directors.

#### Next Generation Innovation Panel

- Consider the nature and composition of the Next Generation Innovation Panel, which improves the Board's capabilities and supports its strategic decision-making.

Members of the Nomination Committee

**Lee Irene Yun-Lien** (Chairman)  
**Churchouse Frederick Peter**  
**Fan Yan Hok Philip**  
**Lee Chien**  
**Poon Chung Yin Joseph**

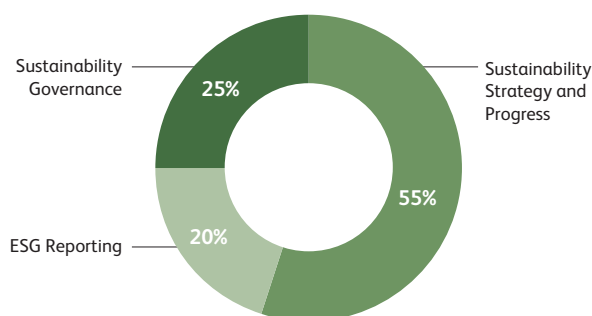
Hong Kong, 25 February 2021

# Sustainability Committee Report

## Dear Shareholders,

We are pleased to present the Sustainability Committee Report for 2020. The primary roles of the Sustainability Committee are to review and oversee the Group's corporate responsibility, sustainability development and related policies. The Committee is tasked with overseeing the Group's overall vision and action plans for corporate responsibility and sustainability, while bringing any related issues to the attention of the Board. It also assesses and makes recommendations on matters concerning the Group's sustainability opportunities and risks.

## Committee activities and agenda time during the year



## Composition

The majority of the Committee is comprised of Independent Non-Executive Directors

## Committee members

Jebsen Hans Michael B.B.S. (Chairman)

Fan Yan Hok Philip\*

Wong Ching Ying Belinda\*

\*Independent Non-Executive Director

## Highlights in 2020 and 2021

- Reviewed and endorsed the Group's sustainability strategy
- Reviewed sustainability progress on a quarterly basis
- Enhanced the Terms of Reference
- Reviewed the Sustainability Report

## Key responsibilities

- Review the Group's sustainability roadmap and make recommendations to the Board

## Meeting Schedule

The Sustainability Committee generally meets at least once a year. Two meetings were held during 2020, in order to increase its focus on sustainability matters.

## Roles and Authorities

- Review, endorse and report to the Board the Group's corporate responsibility and sustainability plans, strategies, priorities, policies, practices and frameworks.
- Review and evaluate the adequacy and effectiveness of the actions taken by the Group based on its corporate responsibility and sustainability plans, strategies, priorities, policies and frameworks, and recommend improvements.
- Review and report to the Board on sustainability risks and opportunities.
- Monitor and review existing and/or emerging issues, trends and investments related to corporate responsibility and the sustainability of the Group.
- Monitor and review the Group's corporate responsibility and sustainability policies and practices to ensure they remain relevant and compliant with legal and regulatory requirements (including, but not limited to, the relevant Hong Kong Stock Exchange Environmental, Social and Governance Reporting Guide and the Listing Rules).
- Review and provide recommendations to the Board for approval of the annual corporate responsibility and sustainability report and relevant disclosures in the Company's annual report.

## Activities

Details of the meeting held in February 2020 were set out in the 2019 Annual Report.

From March 2020 to February 2021, the Sustainability Committee held two meetings to:

### The Sustainability Committee Over the Past 12 Months

<b>May Quarterly Update</b>	Sustainability Progress Update – Q1 2020
<b>August Quarterly Update</b>	Sustainability Progress Update – Q2 2020
<b>November 2020 meeting</b>	<p>Sustainability Progress Update – Q3 2020</p> <p>Annual review of adequacy of resources of ESG functions</p> <p>Annual review of ESG risks</p> <p>Committee terms of reference</p>
<b>February 2021 meeting</b>	<p>Sustainability Progress Update – Q4 2020</p> <p>Sustainability Report</p>

### Review the Group's Sustainability Strategy

- Discuss and review the Group's sustainability strategy. The Sustainability Committee considered the action plan and identified potential risks and challenges related thereto, as benchmarked against international standards and industry peers.
- Identify material ESG-related issues following on from the stakeholder engagement and materiality assessment conducted by an independent ESG consultant in 2019.

### Discuss ESG Overview and Direction

- Review the Group's engagement strategy on a regular basis in order to prepare for the future. Hysan has consistently engaged with the community in which it operates, since the community is core to the Group's heritage.
- Review the identified ESG-related sustainability efforts.
- Identify long-term and short-term sustainability targets and review their progress.

### Sustainability Governance

- Review reports on the major ESG risks faced by the Group, including risks relating to the COVID-19 pandemic, ESG compliance, environmental management regarding climate change and corresponding mitigation measures. Details are set out in the Risk Management and Internal Control Report.
- Review the framework for sustainability governance and confirm its satisfaction with the adequacy of resources for ESG performance and reporting.
- Review its terms of reference to enhance the sustainability governance structure.

More details are set out in the Sustainability Report 2020.

Members of the Sustainability Committee

**Jebsen Hans Michael** B.B.S. (Chairman)

**Fan Yan Hok Philip**

**Wong Ching Ying Belinda**

Hong Kong, 25 February 2021



# Sustainability Report 2020 – Summary

This section provides a summary of Hysan’s sustainability strategy overview and 2020 highlights. The reporting period is from 1 January 2020 to 31 December 2020, unless otherwise specified. During this period, Hysan continued to comply fully with the requirements of the provisions contained in the Environmental, Social and Governance Reporting Guide, Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

In 2020, COVID-19 was a severe test of our ability to maintain a safe and enjoyable community for everyone who makes use of our buildings and services. Hysan’s team was successful in providing a secure environment for our tenants, customers and visitors. We began with comprehensive preventive measures and clear communications, followed by swift handling of any potentially infectious situation.

During these challenging times, Hysan’s sustainability efforts brought positivity and hope to the tenants of our properties and members of the surrounding community. With guidance from the Board-level Sustainability Committee, the management team initiated and maintained a wide range of new and existing sustainability projects, with environmental, social and governance objectives that align with a number of the Sustainability Development Goals (“SDGs”) adopted by the United Nations General Assembly in 2015. Our efforts have been recognized by some of the world’s top sustainability indices and rating agencies.



## CLIMATE RESILIENCE

We are committed to reducing our carbon emissions. As part of Hysan’s decarbonisation journey, we aim to lower the carbon intensity of our daily operations by investing in renewable energy and green buildings, increasing system efficiency, optimizing the way we use our resources, and exploring innovative solutions to further minimize the impact of our business operations. In terms of transitional risks, our Sustainability Executive Committee examines the climate risks and opportunities arising from our operations, closely observes potential policy changes and market shifts, and reports to the Board-level Committee to ensure relevant climate risks are integrated into our risk management process. In terms of physical risks, we have procedures in place to handle different types of climate disruption such as flooding, heavy rainstorms, and other extreme weather conditions.

## Environmental Management System

Hysan’s Environmental Policy focuses on measuring and reporting carbon reduction efforts, promoting waste reduction at source, enhancing green purchasing and improving stakeholder engagement. We obtained ISO 14001 Environmental Management System certification for our head office in order to align our corporate environmental management efforts with international standards, and to strengthen our measures for monitoring, reviewing and minimizing the environmental impact of our operations. We also developed a Sustainable Office Guide for our colleagues. The Guide presents simple steps and tips, as well as resources and training related to green office management. We aim to nourish a green office culture and promote greater awareness among employees.



# OUR SUSTAINABILITY STRATEGY

Hysan takes pride in being not only a business that owns and manages properties, but also a Business of Life. The “LIFE” within our Business of Life mindset has become the foundation of our strategic sustainable development principles. We regularly review our strategy and business operations, and continue to support and align our efforts with nine United Nations Sustainable Development Goals (“SDGs”). Our Sustainable Development Principles are:



Smart use of natural resources and technology for reducing the environmental impacts of Hysan’s daily operations.



Integrate community needs into our core business operations and partnerships, provide support to community projects, and develop sustainable partnerships with our tenants

TARGETS	2020 PROGRESS
Average <b>20%</b> reduction in energy purchased by 2024 (baseline: 2005)	<b>On track</b>
<b>20%</b> reduction in carbon intensity by 2024 (baseline: 2005)	<b>On track</b>

TARGET	2020 PROGRESS
<b>&gt;30,000</b> beneficiaries (yearly)	<b>&gt;50,000</b> beneficiaries

### 2020 HIGHLIGHTS

- Kick-started our renewable energy project and began installing solar panel systems across our portfolio, starting with the rooftop of Hysan Place
- Digitalised shoppers experience through the Lee Gardens App, issuing over **415,000** paperless e-coupons, transforming Lee Gardens into a digitally savvy district

### 2020 HIGHLIGHTS

- Swiftly implemented and continually strengthened measures in response to COVID-19 for the safety of our employees, tenants, community members and shoppers
- Engaged over **50,000** stakeholders both locally and internationally through 18 major physical and virtual engagement events, as well as partnerships with non-governmental organizations
- Held exhibitions and activities on the themes of cultural heritage, local fashion talent, mural art and the post-pandemic “new normal”



## FOSTER PARTNERSHIP WITH OUR PEOPLE



Build a diverse and inclusive workforce, treat our people fairly and help them realize their full potential



## ESTABLISH STRONG CORPORATE GOVERNANCE



Build a strong governance structure, maintain an ethical workplace and promote green finance

### TARGET



**20%** increase in average annual hours dedicated to employee health and wellness

### 2020 PROGRESS

**166%** increase with additional **330** hours invested in health and wellness programme comparing with 2019

### 2020 HIGHLIGHTS



Introduced a three-month weight management programme in addition to several office health and wellness activities, engaged cumulative participation of over **1,150** colleagues



Provided a total of **2,137** training hours on safety and health related topics



Launched Learner Reward Scheme and added **100+** online learning modules on our Mobile Learning Platform to support and stimulate employees' continuous development

### TARGETS



Disclose and maintain/improve our performance in major sustainability benchmarks and indices, reflecting the latest ESG requirements and expectations from investors



Strengthen our position in sustainable and green finance through both innovative and traditional financial instruments

### 2020 PROGRESS

Rated **"three stars"** in the GRESB assessment, **"AA"** in the Hang Seng Corporate Sustainability Index and, **"A"** in MSCI ESG Ratings, and remained a constituent member of the FTSE4Good Index Series

Launched the first sustainability-linked derivative hedging solution among Hong Kong real estate companies in October 2020

### 2020 HIGHLIGHTS



Established Board-level Sustainability Committee integrated material ESG-related risks in the Group's risk assessment process



Enhanced **over 10** corporate policies and statements to address business developments and legal updates, and to capture best practices

Please refer to our standalone Sustainability Report for further details of the Group's sustainable development efforts and progress.



# Directors' Report

The Directors submitted their report together with the audited consolidated financial statements for the year ended 31 December 2020, which were approved by the Board of Directors on 25 February 2021.

## PRINCIPAL ACTIVITIES

The principal activities of the Group continued throughout 2020 to be property investment, management, and development. Details of the Group's principal subsidiaries, associates and a joint venture as at 31 December 2020 are set out in notes 17 to 19 respectively to the consolidated financial statements.

The turnover and results of the Group are principally derived from the leasing of investment properties located in Hong Kong. The Group's turnover and results by operating segment are set out in note 5 to the consolidated financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of profit or loss on page 89.

The first interim dividend of HK27 cents per share, amounting to approximately HK\$281 million, was paid to shareholders during the year.

The Board declared a second interim dividend of HK117 cents per share to the shareholders on the register of members on 12 March 2021, totalling approximately HK\$1,216 million. The dividends declared and paid for ordinary shares in respect of the full year 2020 will total approximately HK\$1,497 million, and the balance of the profit will be retained.

## BUSINESS REVIEW AND PERFORMANCE

A fair review of the business of the Group and a discussion and analysis of the Group's performance during the year, the material factors underlying its results and financial position and material attributable factors relating to the development and likely future developments of the Group's business, are provided throughout this Annual Report, particularly in the following separate sections:

- (a) Review of the Group's business – "Management's Discussion and Analysis";
- (b) The Group's risk management framework, the principal risks the Group is facing and the controls in place – "Risk Management and Internal Control Report";
- (c) Particulars of important events affecting the Group that have occurred since the end of the financial year 2020 – "A Conversation with Our Chairman" (Chairman's Statement), "Management's Discussion and Analysis" and "Notes to the Consolidated Financial Statements";
- (d) Future development of the Group's business – "Key Facts" and "A Conversation with Our Chairman" (Chairman's Statement);
- (e) Analysis using financial key performance indicators – "Management's Discussion and Analysis";
- (f) Discussion of the Group's environmental policies and performance – "Sustainability Report 2020 – Summary";
- (g) Discussion of the Group's compliance with the relevant laws and regulations that have a significant impact on the Group – "Corporate Governance Report", "Sustainability Report 2020 - Summary" and "Independent Auditor's Report"; and
- (h) An account of the Group's key relationships with its employees, customers, suppliers and others that have a significant impact on the Group and on which the Group's success depends – "Directors' Report" and "Sustainability Report 2020 – Summary".

A detailed discussion of the Group's environmental policies and performance, its compliance with the relevant laws and regulations that have a significant impact on the Group, and its key relationships with stakeholders, is contained in the separate Sustainability Report 2020, which is available on the Company's website: [www.hysan.com.hk](http://www.hysan.com.hk).

These discussions form part of this Directors' Report.

## RESERVES

Movements during the year in the reserves of the Group and the Company are set out in the consolidated statement of changes in equity on pages 92 and 93 and note 31 to the consolidated financial statements respectively.

## INVESTMENT PROPERTIES

All of the Group's investment properties were revalued by an independent professional valuer as at 31 December 2020 using the fair value model. Details of movements during the year in the investment properties of the Group are set out in note 15 to the consolidated financial statements.

Details of the major investment properties of the Group as at 31 December 2020 are set out in the section under Schedule of Principal Properties of this Annual Report.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 16 to the consolidated financial statements.

## SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 30 to the consolidated financial statements.

## CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance and meets the requirements of the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

Further information on the Group's corporate governance practices is set out in the following separate reports:

- (a) "Corporate Governance Report" (pages 28 to 53) – this gives detailed information on the Group's compliance with the Corporate Governance Code and the relevant laws and regulations, its adoption of local and international best practices, Directors' service contracts, and Directors' interests in shares, contracts and competing business;
- (b) "Risk Management and Internal Control Report" (pages 54 to 60) – this sets out the Group's framework for risk assessment and internal control (including control environment, control activities and work completed during the year).
- (c) "Audit and Risk Management Committee Report" (pages 61 and 64) – this sets out the terms of reference, work performed and findings of the Audit and Risk Management Committee for the year;
- (d) "Remuneration Committee Report" (pages 65 to 70) – this gives detailed information on Directors' remuneration and interests (including information on Directors' compensation);
- (e) "Nomination Committee Report" (pages 71 and 72) – this sets out the terms of reference, work performed and findings of the Nomination Committee for the year; and
- (f) "Sustainability Committee Report" (pages 73 and 74) – this sets out the terms of reference, work performed and findings of the Sustainability Committee.

Further information on the Group's sustainability policies and practices is contained in the separate Sustainability Report 2020, which is available on the Company's website: [www.hysan.com.hk](http://www.hysan.com.hk).

## THE BOARD

The Board is currently chaired by Lee Irene Yun-Lien, Chairman. There are 8 other Non-Executive Directors.

Lau Lawrence Juen-Yee retired as an Independent Non-Executive Director with effect from the conclusion of the 2020 Annual General Meeting of the Company on 13 May 2020.

Lee Irene Yun-Lien and Yang Chi Hsin Trevor served as alternate Directors to Lee Anthony Hsien Pin and Jebsen Hans Michael, respectively, throughout the year.

Save as otherwise mentioned above, other Directors whose names and biographies appear on pages 29 to 33 have been Directors of the Company throughout the year and up to the date of this report.

Under Article 114 of the Company's Articles of Association ("Articles"), one-third (or such other number as may be required under applicable legislation) of the Directors; and where the applicable number is not an integral number, to be rounded upwards, of those who have been longest in office shall retire from office by rotation at each Annual General Meeting ("AGM"). A retiring Director is eligible for re-election.

Particulars of Directors seeking re-election at the forthcoming AGM are set out in the related circular to shareholders.

The Company received from each Independent Non-Executive Director an annual confirmation of his or her independence with regard to each of the factors referred to in Rule 3.13(1) to (8) of the Listing Rules, and the Company considered all of them to be independent. The Nomination Committee also reviewed Director independence in a meeting held in November 2020 (See "Corporate Governance Report" and "Nomination Committee Report").

The names of Directors who have served on the boards of the subsidiaries of the Company during the year and up to the date of this report are available on the Company's website: [www.hysan.com.hk](http://www.hysan.com.hk).

## DIRECTORS' INTERESTS IN SHARES

Details of the interests and short positions of the Directors in the shares, underlying shares or debentures of the Company and its associated corporations are set out in "Corporate Governance Report" on pages 28 to 53.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

As at 31 December 2020, the interests or short positions of substantial shareholders and other persons of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company, were as follows:

### Aggregate long positions in shares and underlying shares of the Company

Name	Capacity	Number of ordinary shares held	% of the total no. of issued shares (Note)
Lee Hysan Company Limited	Beneficial owner	433,130,735	41.66
Silchester International Investors LLP	Investment manager	83,647,000	8.05
First Eagle Investment Management, LLC	Investment manager	52,460,214	5.05

Note:

The percentages were compiled based on the total number of issued shares of the Company as at 31 December 2020 (i.e. 1,039,700,891 ordinary shares).

Apart from the above, no other interest or short position in the shares or underlying shares of the Company were recorded in the register that is required to be kept under Section 336 of the SFO as at 31 December 2020.

## RELATED PARTY TRANSACTIONS

The Group entered into certain transactions with parties regarded as “Related Parties” under applicable accounting principles. These mainly relate to contracts entered into by the Group in the ordinary course of business and that were negotiated on normal commercial terms and on an arm’s length basis. Further details are set out in note 36 to the consolidated financial statements.

Some of these transactions also constituted “Continuing Connected Transactions” under the Listing Rules, as identified below.

## CONTINUING CONNECTED TRANSACTIONS

Certain transactions entered into by the Group constituted continuing connected transactions that were subject to the notification and announcement requirements but exempt from the circular and shareholders’ approval requirements under Rule 14A.76(2) of the Listing Rules during the year (the “Transactions”). Details of the Transactions required to be disclosed are set out as follows:

### I. Leases granted by the Group

#### Lee Garden Two, 28 Yun Ping Road, Hong Kong (“Lee Garden Two”)

The following lease arrangements were entered into by Barrowgate Limited (“Barrowgate”), a 65.36 % subsidiary of the Company and the property owner of Lee Garden Two, as landlord, with the following connected person:

Connected person	Date of agreement	Term	Premises	Annual consideration (Note a)
Jebsen and Company Limited (Note b)	22 June 2018 (Lease, Carpark Licence Agreements and Licence Agreements) (Note c)	3 years commencing from 1 September 2018	Office units on the 28th, 30th and 31st Floors, 4 carparking spaces and 2 portions of spaces near the carparking spaces	2020: HK\$38,665,356 2021: HK\$25,776,904 (on pro-rata basis)

### II. Provision of leasing and property management services to a non wholly-owned subsidiary regarding Lee Garden Two

- (a) The following management agreement was entered into by Hysan Leasing Company Limited, a wholly-owned subsidiary of the Company, with Barrowgate for the provision of leasing marketing and lease administration services in respect of Lee Garden Two:

Connected person	Date of agreement	Term	Premises	Consideration received during the year
Barrowgate Limited	20 March 2019	3 years commencing from 1 April 2019	Whole premises of Lee Garden Two	HK\$24,421,639 (Note d)

- (b) The following management agreement was entered into by Hysan Property Management Limited, a wholly-owned subsidiary of the Company, with Barrowgate for the provision of property management services to Lee Garden Two:

Connected person	Date of agreement	Term	Premises	Consideration received during the year
Barrowgate Limited	20 March 2019	3 years commencing from 1 April 2019	Whole premises of Lee Garden Two	HK\$4,509,024 (Note d)

## CONTINUING CONNECTED TRANSACTIONS continued

Notes:

- (a) The annual considerations were based on prevailing rates of rental, operating charges and licence fees for each of the relevant financial years as provided in the relevant agreements. The rental, operating charges and licence fees (as the case may be) are payable monthly in advance.
- (b) Jebson and Company Limited ("Jebson and Company") is a beneficial substantial shareholder of Barrowgate and has an equity interest of 10 % in Barrowgate. Jebson Hans Michael, Non-Executive Director of the Company, is a controlling shareholder of Jebson and Company.
- (c) As the aggregated annual consideration under the lease and various licence agreements entered into with Jebson and Company exceeds the applicable de minimis threshold under the Listing Rules, they constituted continuing connected transactions of the Company, being subject to announcement requirements but exempted from independent shareholders' approval requirements.
- (d) These represent the actual consideration received for the year ended 31 December 2020, calculated on the basis of the fee schedules as prescribed in the respective management agreements.

All the Transactions were entered in the ordinary and usual course of business of the respective companies within the Group, after due negotiations on an arm's length basis with reference to the prevailing market conditions.

Announcements were published regarding the Transactions in accordance with the Listing Rules. The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules insofar as they are applicable.

Pursuant to Rule 14A.56 of the Listing Rules, the Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 81 to 82 of the Annual Report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The Company's Internal Audit has reviewed the Transactions and the related internal control procedures, and concluded that the internal control procedures are adequate and effective. All Independent Non-Executive Directors of the Company have reviewed the Transactions and the report of the auditor and confirmed that the respective contracts and terms of the Transactions are:

- 1. in the ordinary and usual course of business of the Group;
- 2. on normal commercial terms; and
- 3. in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

## DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

The lease, carpark licence agreements and licence agreements between Jebson and Company and Barrowgate are considered contracts of significance under paragraph 15 of Appendix 16 to the Listing Rules due to the annual consideration having a percentage ratio of 1.04 % from the calculation of the revenue test (the percentage ratios for assets ratio and consideration ratio are 0.04 % and 0.13 % respectively). Details of the transactions are set out under (I) of "Continuing Connected Transactions".

## MAJOR CUSTOMERS AND SUPPLIERS

During the year, 32.57 % of the aggregate amount of purchases was attributable to the Group's 5 largest suppliers, with the largest supplier accounting for 8.83 % of the Group's total purchases. The aggregate amount of turnover attributable to the Group's 5 largest customers was less than 30 % (being the Listing Rule disclosure threshold) of total turnover of the Group.

None of the Directors, their close associates or any shareholder (which to the knowledge of the Directors owns more than 5 % of the Company's issued shares) had any interest in the Group's 5 largest suppliers.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company was authorized at its AGMs to repurchase its own ordinary shares not exceeding 10 % of the total number of its issued shares as at the dates of the resolutions being passed. During the year, the Company repurchased its ordinary shares on the Stock Exchange when they were trading at a significant discount to the Company's net asset value in order to enhance shareholder value.

During the year, the Company repurchased an aggregate of 3,900,000 ordinary shares for a total consideration of approximately HK\$96 million on the Stock Exchange. The repurchased shares were cancelled during the year. Details of the shares repurchased are as follows:

Month of repurchase in 2020	Number of ordinary shares repurchased	Consideration per share		Aggregate consideration paid HK\$ million
		Highest HK\$	Lowest HK\$	
March	1,700,000	25.40	21.65	41
October	2,200,000	25.30	23.95	55
	<u>3,900,000</u>			<u>96</u>

Save as disclosed above, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

## ISSUANCE OF SECURITIES

During the year ended 31 December 2020, 50,000 shares were issued by the Company as a result of the exercise of share options granted under the 2005 Share Option Scheme of the Company. For further details, please refer to the paragraphs headed "Movement of share options" in the Remuneration Committee Report.

During the year, Hysan (MTN) Limited, a company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of the Company, has issued several Fixed Rate Notes for general corporate purposes under the US\$2.5 billion Medium Term Note Programme ("MTN Programme"), which was subsequently extended to US\$4 billion in October 2020. These Fixed Rate Notes are unconditionally and irrevocably guaranteed by the Company. The list of these Fixed Rate Notes issued during the year is as below:

1. HK\$500 million 2.73 % Fixed Rate Note due in February 2027
2. HK\$1,000 million 2.10 % Fixed Rate Note due in March 2025
3. HK\$400 million 2.85 % Fixed Rate Note due in April 2035
4. US\$400 million 2.875 % Fixed Rate Note due in June 2027
5. US\$225 million 3.55 % Fixed Rate Note due in June 2035

During the year, Elect Global Investments Limited, a company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of the Company, has issued the following Perpetual Capital Securities for general corporate purposes, which are unconditionally and irrevocably guaranteed by the Company:

1. US\$850 million 4.10 % subordinated guaranteed perpetual capital securities were issued at a price of 100 % of the principal amount; and
2. US\$500 million in aggregate principal amount of 4.85 % senior guaranteed perpetual capital securities, among which US\$300 million were issued at a price of 100 % of the principal amount and US\$200 million were issued at a price of 101.625 % of the principal amount.

For further details of the above mentioned Fixed Rate Notes and Perpetual Capital Securities, please refer to notes 27 and 29 to the consolidated financial statements. Save as disclosed above, the Group has not issued any debentures during the year.



### **PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed amount of public float during the year and up to the date of this report as required under the Listing Rules.

### **DONATIONS**

During the year, the Group made donations of approximately HK\$1 million to charitable and non-profit-making organizations.

### **PERMITTED INDEMNITY PROVISION**

Pursuant to the Articles, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred by him or her in the execution of the duties of his or her office or in relation thereto. The Directors and Officers Liability Insurance ("D&O Insurance") taken out by the Company throughout the year provides adequate cover for such indemnities to all the Directors of the Company and its subsidiaries. The relevant provisions in the Articles and the D&O Insurance were in force during the financial year ended 31 December 2020 and as of the date of approval of this report.

### **AUDITOR**

A resolution for the re-appointment of Deloitte Touche Tohmatsu as auditor of the Company is to be proposed at the 2021 AGM.

By Order of the Board  
**Lee Irene Yun-Lien**  
*Chairman*

Hong Kong, 25 February 2021