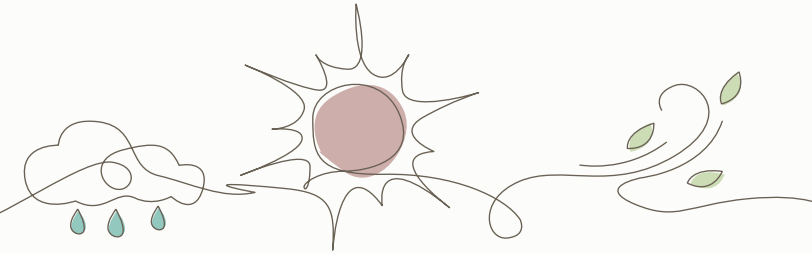


Climate Adaptation and Resilience – Our response to TCFD Recommendations



We acknowledge the potential risks and opportunities climate change poses to our business. Our disclosures align with the recommendations of the Task Force on Climate-Related Financial Disclosures (“TCFD”) across the four essential pillars: governance, strategy, risk management and metrics and targets.



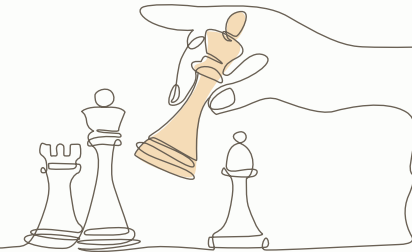
Governance



The ESG Steering Committee, which is chaired by our CEO and reports to the Executive Committee, has been formed to enhance our governance on ESG issues. The ESG Steering Committee is responsible for overseeing the Group’s ESG strategies, reviewing and endorsing plans and evaluating and monitoring the progress. The Group has four ESG Sub-Committees to ensure that climate-related considerations are effectively integrated into its strategic decision-making and daily operations.

The ESG Department is responsible for steering Group-wide initiatives. The Department also coordinates business units to assess and monitor the climate risks and opportunities for strategic planning, contributing to sustainable property lifecycles.

Strategy



Climate change presents both physical and transition risks that businesses must reckon with, and our Group is not exempt from these challenges. The escalating frequency and severity of extreme weather events, including cyclones, floods and prolonged temperature increases, have the potential to negatively impact our properties, operations, supply chain and the safety of our colleagues. Our Climate Change Policy serves as our guideline to integrate climate change considerations into the decision-making process of the Group’s businesses, activities, supplies, products and services and mitigate the impacts of our business operations on the climate.

To mitigate potential disruptions and bolster our resilience against these physical risks, the Group has diligently devised tailored contingency arrangements to address extreme weather scenarios. These robust measures are aimed at minimising potential losses and fortifying our ability to adapt to the evolving risks posed by climate change. We have identified and responded to climate-related physical and transition risks that could bring potential impacts to our business and operations:

Strategy (Continued)

Transition Risks

Technology and Innovation

Emerging technologies in building construction and property management are anticipated to cater to the requirements of climate transition, with a focus on leveraging smart technologies to enhance energy efficiency.

Policies and Regulations

At present, climate litigation and the accompanying legal risks are relatively minimal. However, an increased emphasis on this domain is expected in the future.

Market

The rising demand from customers for environmentally friendly and energy-saving properties necessitates the implementation of innovative strategies, systems and innovations to maintain or enhance rents and property value.

Reputation

The growing awareness among customers about climate change has been impacting their preferences and demands. It is imperative for the Group to effectively safeguard its brand reputation and prevent potential harm posed by climate change.

Physical Risks

Acute

The heightened frequency and intensity of extreme weather events, such as powerful typhoons and heavy rainfall, have the potential to disrupt construction activities and result in damage to construction sites, residential properties, managed offices and retail operations.

Chronic

Rising temperatures: Heat stress can potentially disrupt construction activities and diminish the productivity of workers.

Rising average sea levels: Hong Kong, as a coastal city, is increasingly susceptible to climate risks due to the rising sea levels, which makes properties in these areas more vulnerable.



Strategy (Continued)



With the urgency of combating climate change, the Group proactively responds to protect our environment. In January 2022, the Group received validation from the Science Based Targets Initiative (“SBTi”) that the Group’s carbon reduction targets - CCG 3050+ fulfil the conditions for limiting global warming to 1.5°C. SBTi is the globally most recognised organisation for evaluating and approving scientifically based reduction goals pledged by businesses without considering any CO₂-compensating climate projects. The Group is the second real estate developer in Hong Kong to complete this validation. These approved SBTs are:

- Reduce operational carbon intensity under Scope 1 and 2 by 51.8% by 2030 from a 2020 base year; and
- Reduce Scope 3 carbon intensity from capital goods, downstream leased assets and waste generated in operations by 20%

The Group has allocated sufficient time and resources in the coming years to effectively mitigate the impacts of identified climate risks. The Group has executed an extensive array of climate mitigation measures to enhance sustainability, including chiller replacement, retro-commissioning, lift replacement, heat pump installation, enhancements in the energy efficiency of mechanical and electrical equipment and optimisation of operation and maintenance practices. Feasibility studies were conducted to explore cutting-edge technologies for further decarbonisation efforts.

In addition, we are also committed to targeting the 2nd highest green building certification (e.g., BEAM Plus, LEED and WELL Standards) for 100% new major projects to ensure that our developments are energy-efficient and low-carbon through enhanced design and operation. In 2022/23, 46% of properties with BEAM Plus/LEED/WELL building certificates*. We will also explore opportunities to improve wellbeing and sustainability performance of our existing properties.

To reduce embodied carbon from our development projects and construction activities, we have a Sustainable Building Guideline (“the Guideline”), which covers every stage of property development, from selecting service providers to the design and construction phases. The Guideline incorporates pre-qualification and qualification checklists, prioritising tenderers who commit to sustainability through bonus requirements. The Guideline also outlines mandatory and optional sustainability elements, ensuring that our projects meet and surpass sustainable design standards. With an incentivised penalty system designed to encourage service providers to maintain high standards in project delivery and green design performance, we strive to lead our way in green building development.

Since 2021, the Group has implemented a Green Finance Framework to leverage sustainable financing for eligible green and social projects that support its business strategy and vision. As of 30 June 2023, we have secured more than \$17.3 billion (HKD) of sustainable financing, including three green loans and two sustainability-linked loans.

*Covering both Provisional and Final Assessment certificates in BEAM Plus and both Pre-certified/ Certified projects in WELL as of June 2023.

Future Plan for Climate Change Mitigation and Adaption

Carbon Neutrality

- Develop a roadmap in line with the SBTi’s Corporate Net-Zero Standard to establish long-term targets that achieve net-zero emissions by 2050

Renewable Energy

- Conduct feasibility studies for the selected properties to explore opportunities to boost the Group’s overall renewable energy capacity
- Procure Renewable Energy Certificates to support renewable energy initiatives

Energy Management

- Establish partnerships with local institutes to enhance the Group’s energy strategies
- Accelerate the electrification of our operations to improve productivity and mitigate emissions

Tenants Engagement

- Strengthen engagement efforts with tenants and relevant stakeholders in climate resilience and sustainability to foster the decarbonisation of our operations

Climate Risk Management

- Conduct a comprehensive study on Internal Carbon Pricing (“ICP”) to explore the conceptual framework of ICP and details on implementation to advance our climate transition
- Conduct a climate scenario analysis to assess the exposures and vulnerabilities of our portfolio against identified physical climate hazards/perils and quantify financial impacts

Innovation Championship

- Leverage partnerships with different stakeholders to drive innovative solutions for sustainable development of the Greater Bay Area
- Proactively support Tech Ventures to translate research outcomes into real-world solutions to foster the Group’s climate and energy transition capabilities

Green Building

- Aim to attain the 2nd highest green building certification (e.g., BEAM Plus, LEED and WELL Standards) for 100% new major project
- Reduce embodied carbon from our development projects and construction activities by prioritising service providers and materials that have greener designs and lower emissions

Risk Management

A robust climate risk management strategy is crucial for a successful journey towards decarbonisation. Our Group has adopted an active approach to ensure accurate identification of climate risks based on the latest scientific research, and we are making significant progress towards achieving our climate goals. During the Reporting Period, the Group initiated a Physical Climate Risk Assessment study for our building portfolio, comprising both existing buildings and new construction project sites. In the study, we will assess the exposures and vulnerabilities of our portfolio against identified and agreed physical climate hazards/perils, including both acute and chronic hazards, defined by financial impacts, through qualitative screening and risk ranking exercise. In addition, a comprehensive climate scenario analysis of the portfolio will also be carried out, along with an assessment of the potential implications of climate-related risks and opportunities. We will also explore ways to enhance the climate resilience of our portfolio.

In addition, climate-related consideration has been fully integrated into the Group’s Enterprise Risk Management (“ERM”) framework. As part of this framework, we will identify, assess and address the potential impacts of climate-related risks on our operations, supply chain and business model, alongside other risks. This holistic approach will enhance the management of climate-related topics and improve our overall resilience against the changing climate. The Group’s ERM framework undergoes an annual review.

Metrics and Targets

To address climate change risks, we have set ambitious climate-related targets - CCG 3050+ to define our pathway to reduce carbon emissions in line with the Paris Agreement goals to help limit the global temperature increase to 1.5°C above pre-industrial levels.

Performance Highlights

Trends of Scope 1 & 2 Emission

We target to lower our operational carbon intensity under Scope 1 and 2 by 51.8% by 2030 from a 2020 base year.

