



SEWIT REPORT 2022-23

PIONEERING FOR AN
INTERGENERATIONAL
FUTURE



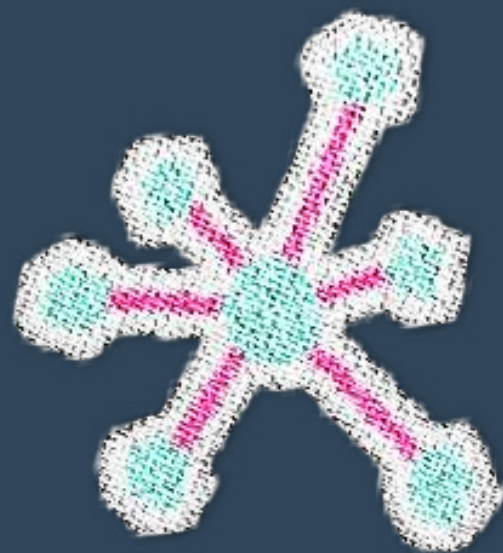
南豐集團
NAN FUNG GROUP



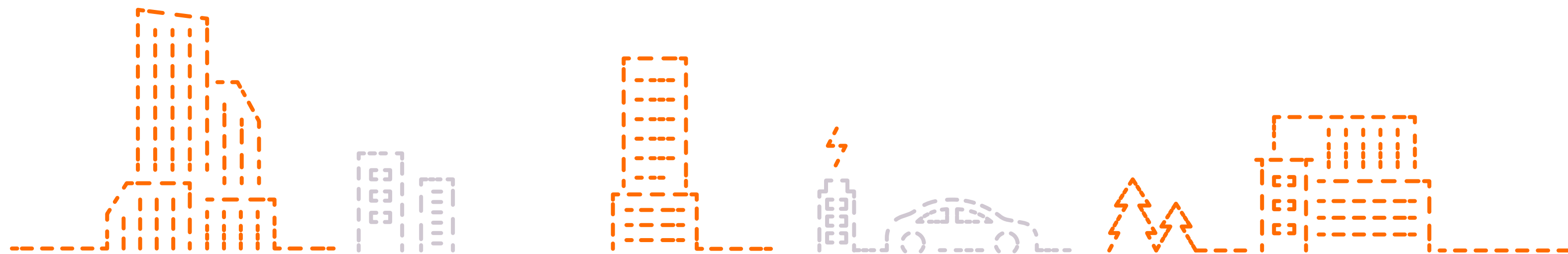
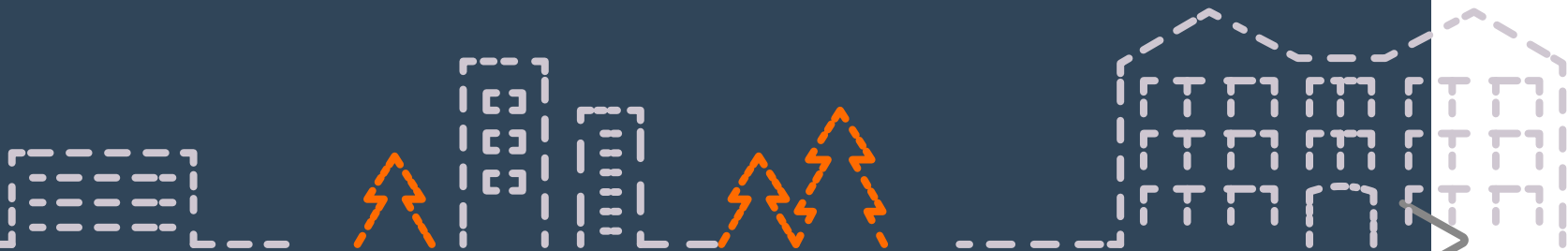
SEWIT
TURNING PURPOSE
INTO IMPACT



CONTENTS



Page	Section
03	Message from the Board
06	About Nan Fung
10	Sustainability Framework - SEWIT
13	Corporate Governance
17	Stakeholder Engagement
20	SEWIT in Action
23	Social Cohesion
35	Environment
50	Wellness
55	Innovation
67	Technology
72	Looking Forward
73	About this Report
74	The D. H. Chen Foundation
78	Appendices



MESSAGE FROM THE BOARD

Group Chairman's message

It gives me great pleasure to present Nan Fung Group's first SEWIT Report, marking an important milestone in our journey towards sustainable development and highlighting our commitment to building a sustainable future into the fabric of our business.

Nan Fung Group and Sustainability

Our commitment to sustainability is driven by our vision as a company to Do Good and Do Well in an increasingly VUCA world, with Love (namely volatile, uncertain, complex and ambiguous). As a responsible corporate, other than just focusing on short-term profitability, we also place strong emphasis on creating long-term value for our stakeholders and actively addressing the economic, environmental and social impacts of our operations.

To that end, Nan Fung established our own ESG framework that guides not just our philanthropic directions but also our modus operandi in all our businesses and geographies where we have presence in. As opposed to the traditional ESG elements, Nan Fung's 2022-established SEWIT framework is a holistic sustainability framework that helps us position and respond in this increasingly VUCA world where geopolitical uncertainties and technological disruptions are happening every day. Our SEWIT framework encompasses five strategic pillars, namely: Social Cohesion, Environment, Wellness, Innovation and Technology. We believe the SEWIT framework will guide us in creating shared value and bringing a positive impact in all aspects and we will continue to promote it to all our business partners and stakeholders.

Nan Fung integrates SEWIT into our entire value chain, from financing and investment allocation, supply chain management and procurement, to organisational structure and talent development. We strive to cultivate a sustainable mindset as part of our culture, while consistently incorporating the same philosophy into our new projects.

In September 2022, the Board approved the establishment of the SEWIT Committee to be chaired by Vanessa Cheung, our Group Managing Director and Founder of The Mills, as a formal governing body to oversee the implementation of our sustainability commitment – SEWIT – and other ESG related strategies. Through our programmes and initiatives under each business stream, we look to strengthen our relationships and partnerships with all stakeholders to forge a sustainable, resilient, and thriving community in Hong Kong, Mainland China and abroad.

The work outlined in this Report reflects the processes that are integrated into the way we do business and reflects our commitment to transparency, accountability and continuous improvement in our business.

I would like to take this opportunity to also extend my gratitude to our employees, business partners, customers, suppliers and stakeholders for their unwavering support and belief in our SEWIT vision. We look forward to our continued partnerships as we strive to build a sustainable and resilient future.

Antony Leung
Group Chairman



We are committed to Do Good and Do Well in an increasingly VUCA world, with Love.



MESSAGE FROM THE BOARD

Group CEO's message

With the theme “Pioneering for an intergenerational future”, the first SEWIT Report summarises our development over the 69 years of history, from humble roots to an ever-evolving conglomerate in Hong Kong.

From textile to real estate - weaving the future through change and innovations

Our mission is to become a technology-enabled pioneer of ideal products and solutions to benefit mankind. Our sustainable practices begin with the value chain and go beyond our day-to-day operations.

Throughout the years, Nan Fung Group has been leading through change and innovation, starting from textiles and gradually evolving into a global conglomerate encompassing various sectors, including property development, property management, property investment, life sciences investments and financial investments. As a privately held conglomerate headquartered in Hong Kong, we have developed over 165 projects including residences, offices and shopping malls. From drawing blueprints to shaping lives, our life sciences investment platform invests across the value chain to lead change in the industry. With our eyes set on the international stage, we are determined to cultivate a culture of trust, compassion and empowerment to envision a sustainable future.

Investing across the entire value chain of the life sciences industry

We see the importance of innovations and growth in life sciences. Nan Fung Life Sciences (“NFLS”) was set up as a global investment platform covering a wide spectrum of the life sciences industry through direct investment and via Pivotal Life Sciences, including Pivotal bioVenture Partners U.S. and Pivotal bioVenture Partners China. As of Dec 2022, a total of US\$ 1 billion was invested in life sciences companies. The Life Sciences Research Sponsorship

Programme sponsored over 20 academic research projects, with a total of US\$12 million sponsorship from 2017 until Mar 2023.

Our journey toward net-zero

We recognise climate change as one of the growing challenges to businesses worldwide, and the way we address it will be crucial to a sustainable future for society as well as for Nan Fung Group. Amidst the looming global climate crisis, we are actively preparing ourselves to adapt to and mitigate the various risks and impacts associated with climate change, and to grasp the opportunities it brings along while aligning with the recommendations of the Task Force on Climate-Related Financial Disclosures (“TCFD”). In 2022, we have committed to the Science-Based Targets initiative (“SBTi”) to set carbon emission reduction and net-zero targets that align with the latest climate science consistent with the Paris Agreement, aiming to limit global warming to 1.5°C and to achieve net zero by 2050.

Realising the SEWIT framework through day-to-day operations

Our Sustainability Framework – SEWIT – can only be integrated into the Group’s business strategies with the support from our colleagues, which we believe is the key to turn the SEWIT framework into measurable and tangible actions. The SEWIT framework is well-received amongst our colleagues and is implemented seamlessly into our day-to-day operations. In 2022, we introduced the Objectives and Key Results (“OKR”) methodology in goal setting to better understand our colleagues’ performance and identify areas of growth. As of Oct 2022, 85% of employees (Assistant Manager or above) and 100% of department heads have incorporated at least one SEWIT-related OKR in their OKRs, demonstrating great leadership in driving SEWIT across business units.



We are on a mission to become a technology-enabled pioneer of ideal products and solutions to benefit mankind.

As we celebrate the milestone of publishing our first SEWIT Report, I would like to thank all our staff and management team for their dedication and unflinching support. We are committed to driving positive change and creating long-term value for our stakeholders and partners. Together, we can create a better future for generations to come.

We invite you to read this Report and witness the progress we have made in driving positive impact. Your feedback is valuable to us, and we welcome your participation as we embark on this important journey toward a more sustainable future.

Vincent Cheung
Group Chief Executive Officer

MESSAGE FROM THE BOARD

Group Managing Director, Founder of The Mills and SEWIT Committee Chairperson's message

The wise words of Dr. Chen Din Hwa – the founder of Nan Fung Group and my dear grandfather – had a profound impact on both the Group and my own personal growth. His motto, 'Care for others as well as you would care for yourself', remains as relevant today as it was decades ago and continues to be a guiding light for the entire company. We channel this spirit in all we do, with an unwavering belief that sustainability goes beyond just building 'green' projects: it is about improving existing processes and spearheading innovative initiatives that create a socially cohesive and nurturing environment for the generations to come.

From creating yarns to weaving communities: revitalising The Mills

With a history rooted in textiles, Nan Fung's legacy has since grown to encompass far more, while its textile roots continue to live on through the 2018 revitalisation of our former mills and factories in Tsuen Wan. As our landmark revitalisation project, The Mills and its three pillars are a physical manifestation of Nan Fung's past, present and future – a techstyle cultural hub where we celebrate and honour our heritage, foster community engagement through experiential impact retail and programmes, and coveave a sustainable and harmonious intergenerational future. The Mills has proven our ability to make the impossible a reality – a journey that has illuminated all facets of our operations as we continue to elevate the wellbeing of our stakeholders and communities.

Creating a positive impact together with our partners

Our path towards a sustainable future is not one we tread alone. The support from our partners, stakeholders and the wider community have enabled us to continuously

rethink, redefine and reinvent our role as a pioneering force in sustainability and impact, learning together as we go. Over the years, we have built a diverse network of cross-sector partners, with the common goal of creating meaningful and tangible impact for all, to challenge the status quo and co-create innovative initiatives:

In Time Of – our vision for a resilient future

With an aim to extend the SEWIT mindset beyond Nan Fung, we launched "In Time Of" in 2021, a community initiative where we collaborate with NGOs, charities, community organisations, artists, communities and more to curate a range of programmes to build a socially coherent and resilient future.

NF Touch – empowering everyone to do good and share love with ease

Creating impact often begins with the little things: from embracing healthier daily habits to supporting eco-conscious businesses, we believe that every single action matters. With this in mind, we launched our first sustainability and community-centric membership programme, NF Touch, in 2022 – a one-of-a-kind platform that harnesses the synergy between Nan Fung, tenants, customers and the community to collaboratively work towards meaningful causes. Do-good actions generate "NF Seeds" on NF Touch, which are then translated into tangible real-world impact for our Impact Partners.

Net Positive Lease – amplifying impact through vast tenant network

The recent introduction of the Net Positive Lease in March 2023 marks another significant milestone for Nan Fung.



We learn as we go: we challenge the status quo by continuously rethinking and reinventing our pioneering role to drive meaningful and tangible impact for all.

Designed as an incentive-oriented initiative that brings together office, F&B and retail tenants, the Net Positive Lease transforms the tenant-landlord dynamic and lays the foundation for us to jointly generate a lasting positive impact on society.

Towards a better shared future

As Chairperson of the SEWIT Committee, I wish to take the opportunity to express my heartfelt gratitude to everyone who has worked with us over the years.

I am immensely proud of what we have achieved together, and am eager to accomplish more in the years to come.

Vanessa Cheung
Group Managing Director,
Founder of The Mills and
Chairperson of SEWIT Committee

ABOUT NAN FUNG

- ABOUT OUR GROUP
- WEAVING THE FUTURE THROUGH INNOVATION
- BUSINESS OVERVIEW

NAN FUNG GROUP



ABOUT OUR GROUP

Nan Fung Group¹ is a privately held multinational conglomerate headquartered in Hong Kong with over 65 years of history. With a deeply rooted presence in Hong Kong, the Group has evolved from being a leading cotton yarn manufacturer to a global conglomerate operating in various realms, including property development, property management, property investment, construction, financial investment and life sciences investment.

Throughout the years, we have amassed a versatile portfolio of residences, offices and shopping malls in Hong Kong, while strategically expanding its footprint in Mainland China, the US, and the UK, to bring our guiding principle, “Do Good and Do Well” to a global audience, creating an impact everywhere it sets foot in.

To Do Good and Do Well

Nan Fung’s core values are inspired by our founder, Dr. Chen Din Hwa’s motto – Care for others as well as you would care for yourself. At Nan Fung Group, we elevate the quality of life of our customers with our genuine services and the quality foundations we laid. Adhering to our core values, we cultivate a culture of trust, compassion and empowerment as we continue to play our role as a driving force for a thriving society.

On a mission to become a technology-enabled pioneer of ideal products and solutions to benefit mankind, our sustainable practices begin with the value chain and go beyond our day-to-day operations.



Quality

We only go for the best. We are constantly raising the bar in planning, design, development, construction and management.



Value

We instill purpose and create value for our customers, business partners, stakeholders and society.



Innovation

We embrace the development of technology and seek ways to conduct business in innovative ways and nurture entrepreneurs to make breakthroughs possible. We constantly keep thinking, learning and embracing changes in all aspects of our businesses.



Service

As a company that aspires to “Do Good and Do Well” for society, we pride ourselves in providing services that create social value, putting a smile on the faces of everyone we meet.



¹“Nan Fung”, “Nan Fung Group”, “the Group”, “we”, “us” and “our” in this report refer to Nan Fung Group Holdings Limited, a principal subsidiary of Nan Fung International Holdings Limited, and their respective wholly-owned subsidiaries

WEAVING THE FUTURE THROUGH INNOVATION



1954

Nan Fung Textiles Limited was founded



1978

Developed one of Hong Kong's largest private residential development at the time - Nan Fung Sun Chuen



1993

Completed first investment in Mainland China - Tianjin Tifen Industrial Park



2017

Entered the biotechnology sector by launching two venture capital funds Pivotal BioVenture Partners US and China located in San Francisco and Shanghai respectively to invest in life sciences startups



2019

- Established Nan Fung Life Sciences Real Estate in Boston
- Expanded The Mills Fabrica to the UK



2021

- The group's investment arm, NF Trinity, received SFC licenses
- Published first Sustainable Finance Framework



2022

Established SEWIT sustainability framework

1965

Completed first property development - Fook Cheung Mansion in Yau Yat Tsuen



1985

Entered the construction industry by establishing Chun Yip Construction and Bordon Construction

2012

Marked presence in the international debt market by issuing the first MTN note and obtained investment grade ratings from international rating agencies

2018

- Completed the revitalisation of Nan Fung's textile mills into The Mills - The Mills Shopfloor; CHAT (Centre for Heritage, Art & Textile)² and The Mills Fabrica
- Expanded property business to London by acquiring a majority stake of Endurance Land
- Established Hong Kong Life Sciences Society³



2020

Kickstarted flagship AIRSIDE project at Kai Tak, Kowloon East's central business district

²CHAT is a part of the heritage conservation project of The Mills and is managed and operated by MILL6 Foundation, a non-profit arts and cultural organisation

³The Hong Kong Life Sciences Society ("HKLSS") is a non-profit youth organisation established in 2018, fully supported by Nan Fung and industry-leading biotech companies based in Hong Kong and China, dedicated to building a dynamic life sciences ecosystem in Hong Kong

BUSINESS OVERVIEW

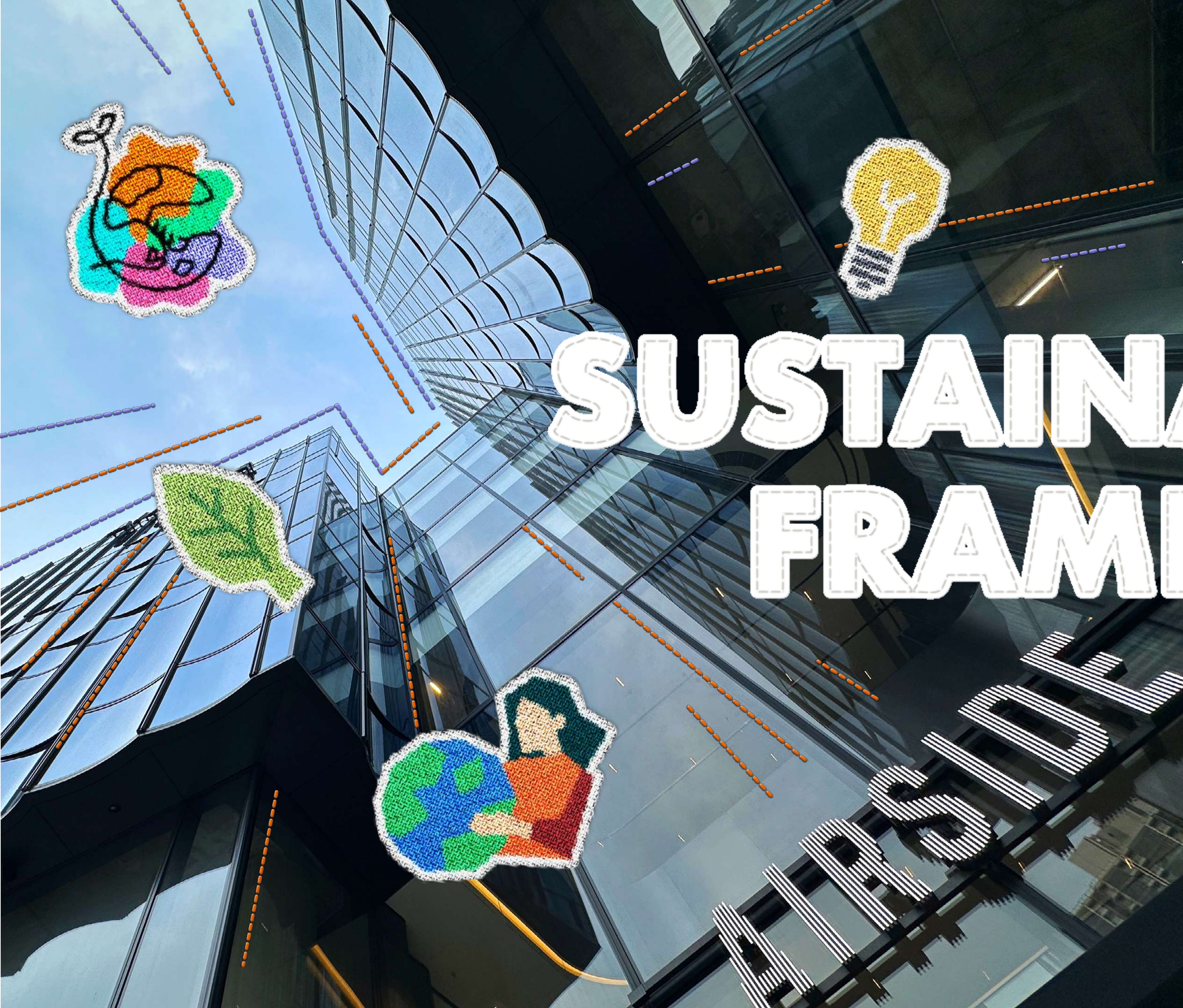


Nan Fung is a major property developer in Hong Kong with over 165 property development and investment projects across the city, as well as having a solid property construction and property management business. Meanwhile, Nan Fung also puts emphasis on innovation and revitalisation projects such as The Mills, as well as strategic investments in the international property market. As a result, we have established a solid presence in Mainland China, the United States and the United Kingdom.

The Group's subsidiary, Nan Fung Life Sciences ("NFLS"), invests across the entire value chain of the life science industry. Supported by Nan Fung's robust financial strength and investment expertise, we aspire to be the ideal partner for scientists, entrepreneurs, corporations and investors.

Our financial investment arm, Nan Fung Trinity ("NF Trinity") focuses on multiple asset classes including public securities, structured products, private direct investments and private fund of funds. We invest in a diverse range of financial assets across global markets and forge funds partnerships to capture the best opportunities. As an SFC-licensed entity, NF Trinity manages assets for the Group as well as third-party institutional and professional investors.





SUSTAINABILITY FRAMEWORK SEWIT



- SUSTAINABILITY FRAMEWORK – SEWIT
- SEWIT AT-A-GLANCE

SUSTAINABILITY FRAMEWORK - SEWIT

Based on the Group’s long-term vision of building socially cohesive, sustainable and resilient communities, we established our first sustainability framework, “SEWIT”, in 2022.

The SEWIT framework encompasses five strategic pillars - **Social Cohesion, Environment, Wellness, Innovation and Technology**, acting as a fabrication of our core values and responsibilities as a corporate citizen. Our goal is to create shared value and generate sustainable returns for society, the community and all stakeholders within our sphere of influence.

Following the establishment of the SEWIT framework, we also set up the SEWIT Committee in 2022 to oversee the implementation of the strategies and monitor progress against targets.

Cultivating a SEWIT mindset

To put the SEWIT framework into practice, we strive to cultivate a sustainable mindset as part of our culture.

In an internal SEWIT survey conducted in April 2022,



95%

Employees expressed alignment with the SEWIT framework

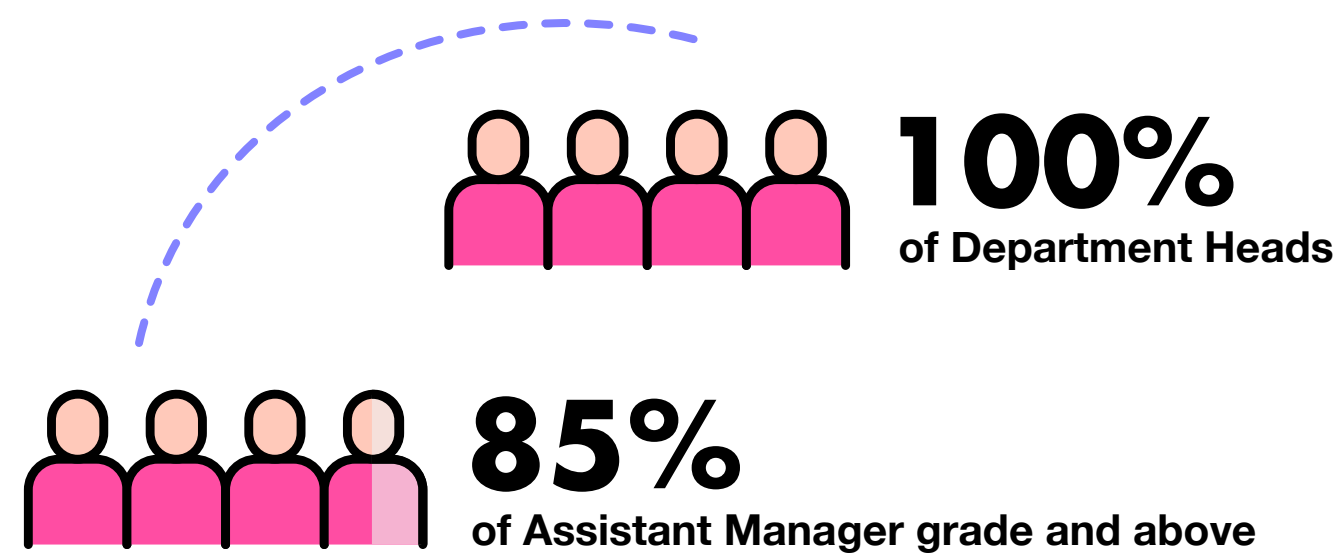
80%

Employees believed the framework is applicable to their day-to-day work

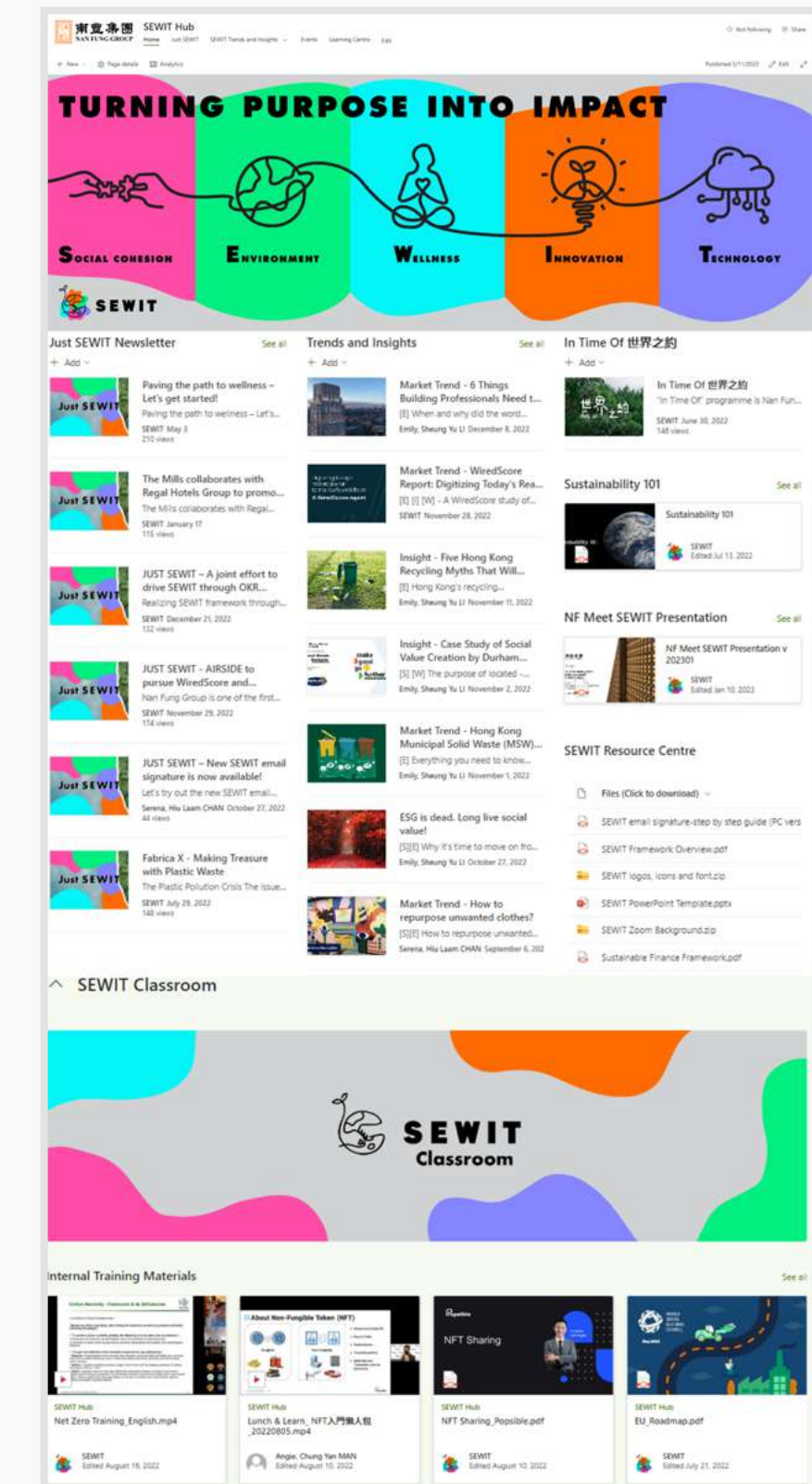
From awareness to action

Incorporating SEWIT targets into day-to-day operations is key to turning SEWIT from a mere framework into measurable and tangible actions. In 2022, we introduced the Objectives and Key Results (“OKR”) goal-setting framework to better evaluate our employees’ performance and identify the areas of growth.

As of October 2022, the percentage of colleagues who have incorporated at least one SEWIT-related OKR:



We have established a review mechanism to systematically track the status and completion rate of SEWIT OKRs.



Launch of SEWIT Hub

We actively ensure our employees are informed of the latest industry news and SEWIT-related updates. An internal platform, “SEWIT Hub”, was created to regularly share industry knowledge, SEWIT-related news as well as training materials with our employees.

SEWIT AT-A-GLANCE



SOCIAL COHESION

Materiality Assessment

- Conducted Nan Fung Group's **first Materiality Assessment** to identify key material issues
- Kick-started location-based materiality assessment with **1,000+** stakeholders for the AIRSIDE project at Kai Tak and its vicinity in Hong Kong

Community and Tenant Engagement

- **210+** partners, including NGOs, schools and local artists, participated in **65+** community programmes with **288+** events and **190k+** participants
- Rolled out **Net Positive Lease ("NPL")** in Hong Kong to engage with and support tenants in achieving sustainability goals. NPL has been launched with 9 tenants covering 9%⁴ of LFA among major portfolio in Hong Kong

Impact Measurement

- Accelerated the use of **impact measurement tools** such as Social Return on Investment ("SROI"), IRIS+ framework and Life Sciences Capital Index on internal and external initiatives



ENVIRONMENT

Net Zero Commitment

- Hong Kong's property portfolio⁵ has been committed to the **Science-Based Targets initiative ("SBTi")** to set ambitious carbon emission reduction to achieve Net Zero by 2050⁶
- Conducted the **first Group-wide Net Zero Training**

Green Operations and Sustainable Value Chain

- AIRSIDE became Hong Kong's **first building** targeting the **highest rating of 5 green building certificates**
- TKO Plaza has achieved **BEAM Plus Existing Buildings (EB) Energy Use (EU) Category Excellent Rating**
- Established the Group's **Sustainable Procurement Policy**

Climate Adaptation and Resilience

- Conducted and published our **first climate-related financial disclosures** as per TCFD recommendations



Sustainable Finance

- Published the Group's **first Sustainable Finance Framework**
- **45%** of current bonds and loans are from green financing



WELLNESS

Occupational Safety and Wellbeing

- Lost Time Injury Rate ("LTIR") of **0.85** per 100 employees⁷

Wellness in Properties

- AIRSIDE in Hong Kong achieved **WELL Platinum** certification, while C8 project in Mainland China obtained **WELL Gold** certification
- 4 properties⁸ in the UK received **WELL Health-Safety** Rating

Wellness in Life Sciences

- Arctic Vision, an NFLS incubated company, launched a **new product for dry eye disease** in Hong Kong
- **50 million** individuals are estimated to benefit from the innovative products from Arctic Vision by 2030



INNOVATION

Cultivating an Innovation Mindset

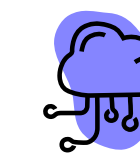
- Over **240** ideas were generated from internal & external incubation competitions such as Nan Fung Group Chairman's Award and The Mills Fabrica's **Techstyle for Social Good International Student Competition**

Investing in Life Sciences

- **US\$1 billion+**⁹ was invested in **60+** companies and **30+** funds by Nan Fung Life Sciences and Pivotal
- Sponsored **20+** academic research projects via Life Sciences Research Sponsorship Programme, with a total of **US\$12m+** sponsorship from 2017 until Mar 2023

Accelerating Sustainable Innovations

- The Mills Fabrica has invested in and/ or incubated a total of **7** funds and **20+** start-ups since 2018



TECHNOLOGY

Digital Connectivity

- The Bailey in the UK has obtained **WiredScore Platinum** certification
- AIRSIDE has committed to pursuing **WiredScore** and **SmartScore Platinum** certifications

Smart Waste Management

- AIRSIDE became Hong Kong's first commercial building equipped with the **Automatic Refuse Collection System ("ARCS")** to automatically weigh and sort general waste and recyclables

Smart Facility Management

- Adopted real-time digital platforms and integrated building management technology at AIRSIDE to facilitate **data-driven energy management** and provide **customised insights and data** for reporting

Customer Engagement

- Launched the Group's first loyalty programme and mobile application, **NF Touch**, to engage with customers, tenants and communities across the properties in Hong Kong

⁴ Measured by occupied lettable floor area ("LFA") of office and retail portfolios at 100% basis comprising 33 Des Voeux Road West, AIRSIDE, Nan Fung Place, Nan Fung Tower, The Mills and TKO Plaza

⁵ Covering properties where the Group has operational control in Hong Kong

⁶ The Paris Agreement aims at keeping the rise in global temperature to well below 2°C above pre-industrial levels and at pursuing efforts to further limit global warming to 1.5°C

⁷ LTIR represents the number of injuries per 100 employees per year. It is calculated as "total number of injuries multiplied by 200,000 and then divided by total working hours". The factor 200,000 is the annual hours worked by 100 employees, based on 40 hours per week for 50 weeks a year

⁸ The 4 properties include 108 Cannon Street, 138 Cheapside, Regent Quarter and The Bailey in the United Kingdom

⁹ Includes direct investments in life sciences companies by NFLS and Pivotal Life Sciences, excludes fund investments and public investments as of 31 Dec 2022

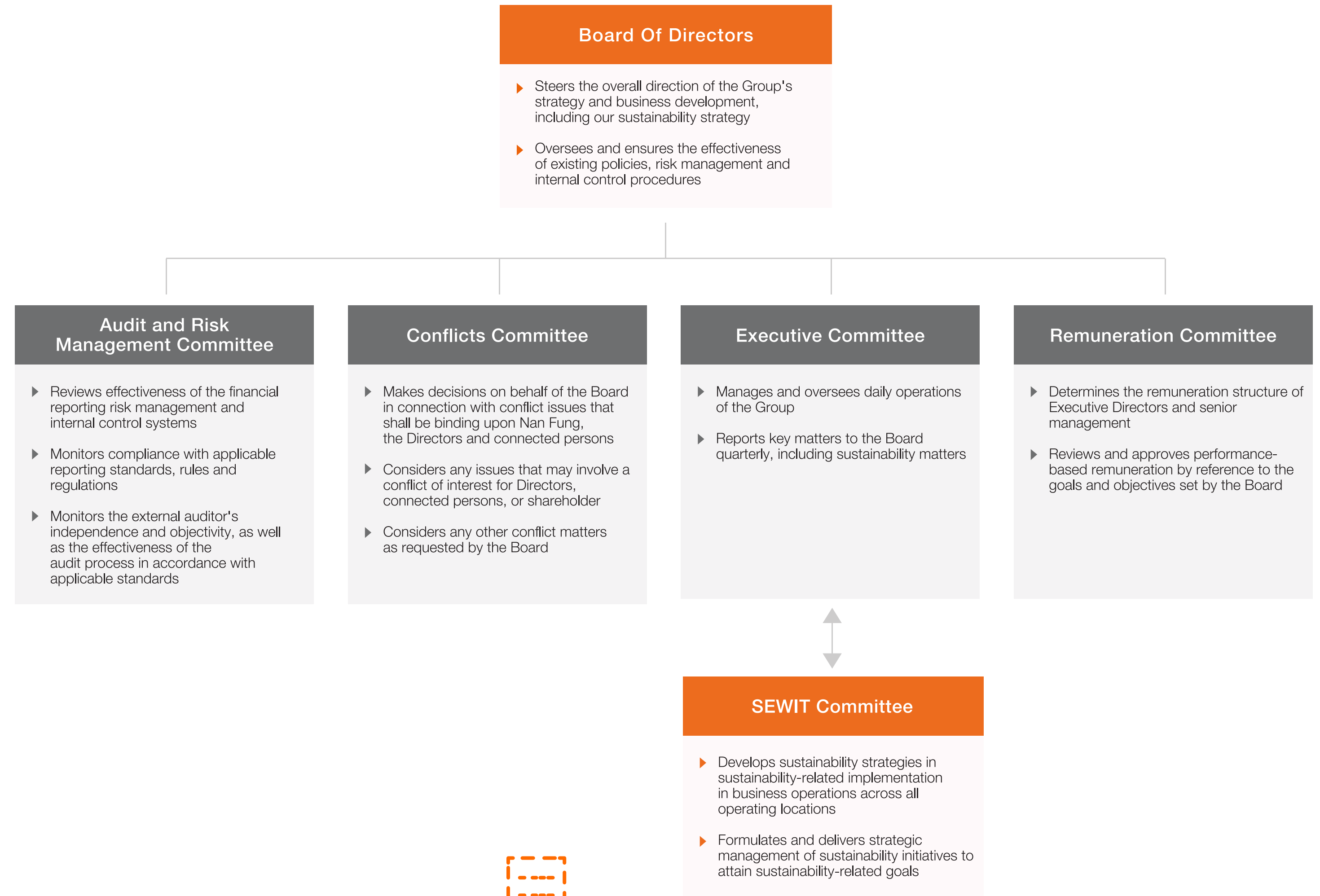
CORPORATE GOVERNANCE

The foundation of our corporate governance lays on a strong culture of integrity, transparency and accountability. By upholding the highest standards of business ethics, putting appropriate systems in place, and building a strong culture, we strive to achieve long-term prosperity not only in the interest of Nan Fung but also in the interest of our stakeholders. We ensure our impact on society, environment and the wider economy is well-managed and consistent with our core values and strategies.

Governance structure

We have adopted a tiered structure spearheaded by the board of directors (the “Board”) of Nan Fung Group Holdings Limited (“NFGH”), a subsidiary of Nan Fung International Holdings Limited (“NFIH”) and the headquartered company of Nan Fung Group, and backed by Board-level committees to make key business decisions and manage day-to-day operations.

The Board is our highest governance body responsible for the overall direction of our strategies and business development, including our sustainability strategy. The Board oversees and ensures the effectiveness of existing policies, risk management and internal control procedures, with the support from senior management and committees through regular updates. All directors are elected and appointed by the resolution of shareholders or directors, which aims to include directors of different age, gender, expertise and experiences to promote diversity of thought in the Board.



Our Board, led by Chairman, consists of Chief Executive Officer and key senior management of the Group, ensuring that the Board’s decision-making process regarding our operations involves personnel of different expertise. The Board now comprises a total of twelve¹⁰ directors, including eight Executive Directors, one Non-executive Director and three Independent Non-executive Directors.

Currently, in lieu of a formal nomination committee, the directors of the Board are elected by Resolution of Shareholders or by Resolution of Directors pursuant to NFGH’s Articles of Association. For Board-level committees and sub-committees, members are recommended for nomination by relevant committees, sub-committees or directors. Committee and sub-committee appointments are required to be approved by the Board.

Furthermore, the Board holds responsibility and reaches into Nan Fung’s decision-making and management processes. Directors of the Board are involved as members of various committees, as a key to Nan Fung’s businesses. The list of committees with directors from the Board involved as members include:

- China Property Development and Investment Committee
- Finance and Investment Committee
- Group Support, Operations and General Administration Committee
- Hong Kong Property Development and Investment Committee
- International Property Development and Investment Committee
- Life Sciences Committee
- SEWIT Committee

Conflicts Committee

The Conflicts Committee comprises Non-executive Directors and Independent Non-executive Directors. It is responsible for ensuring any proposed transactions that may involve personal interests of directors from the Board are reviewed prior to entry of contracts. To resolve and avoid any conflicts of interest at the Board level, directors are obliged to disclose details of their personal interests (if any) in any contract to be entered into by the Group. On day-to-day operations, guidelines on handling potential conflicts of interest are also available in the Group’s Human Resources Policies to ensure such issues are properly addressed.

¹⁰ with effect from 1 August 2023

Remuneration Committee

The Remuneration Committee makes recommendations to the Board on policy and structure for remuneration of the directors and senior management of NFGH’s subsidiaries and on the establishment of formal and transparent procedures for developing policies on such remuneration.



Sustainability governance

To manage our growing sustainability commitments and respond to increasing expectations from stakeholders, the Board established the SEWIT Committee in 2022, and has delegated to the SEWIT Committee the responsibility to oversee sustainability-related matters. The SEWIT Committee is chaired by the Group Managing Director and composed of key members from the Executive Committee and the Board. The SEWIT Committee reports to the Executive Committee of NFGH on all of its decisions.

The SEWIT Committee is responsible for the Group’s development of sustainability strategies in environmental, social and governance (“ESG”) and related implementation in business operations in Hong Kong, Mainland China and overseas.

The SEWIT Committee is also responsible for steering the agenda around sustainability, including:

- Sustainability-related reporting, policies and procedures
- Employee-level SEWIT OKRs
- Climate risk management
- Net Zero and SBTi commitments
- Sustainable finance

The SEWIT Committee held its inaugural meeting in 2022 and will hold regular meetings at least once per year for different sustainability-related topics, including keeping the SEWIT Committee abreast of the latest sustainability development trends and ensuring sustainability risks and opportunities material to Nan Fung are properly addressed.

We are committed to promoting sustainability and driving positive impact throughout the entire company. This includes ensuring that the Board stays informed of the latest sustainability developments. To this end, the Board regularly attends sustainability training seminars and workshops to stay up-to-date on emerging trends and best practices.

Business ethics

Our business ethics and integrity standards are mandatory for all employees and are supported by our Code of Conduct (the “Code”) and related policies. Our employees at all levels are expected to uphold the Group’s core values and conduct business in an ethical manner.

Anti-bribery and anti-corruption

We take a zero-tolerance approach to bribery, fraud and corruption. The Code, which covers all businesses within the Group, sets out our expectations of employees in this regard and employees are expected to comply with the relevant guidelines at all times. Our Employee Handbook, Staff Co-investing Policy and the Guidelines on Handling Potential Conflict of Interest require employees to avoid any activity that creates a conflict between their personal interests and the Group’s business interest. Employees shall also disclose the personal interests that may conflict with their responsibilities at the Group. Furthermore, all new office employees are required to receive online training on anti-corruption.

During the reporting period, there were no reported cases related to breaches of anti-corruption or anti-competitive practices. Looking forward, we will reinforce anti-corruption training through annual refresher training for all employees.

Anti-money laundering, counter-terrorist financing and counter-proliferation financing

The Group is firmly committed to complying with all applicable local and international laws and regulations in relation to the prevention of money laundering, terrorist financing and proliferation financing. Accordingly, the Group has established a set of policies and procedures covering staff obligations in respect of anti-money laundering, counter-terrorist financing and counter-proliferation financing activities, to which all directors, officers, employees and agents of the Group are required to adhere to at all times.

We provide regular trainings to our employees to maintain their awareness of reporting on any suspicious transactions related to the Group.

Competition Law

To contribute to a free and fair competition environment in the markets we operate in, we have established and published a Competition Law Compliance Policy that sets out conducts not permitted within the Group with reference to the relevant regulations. These conducts concern anti-competitive aspects in dealings with competitors, participation in trade association activities and entering contractual relationships.

Whistleblowing policy

The Group encourages employees to raise concerns about potential misconduct, malpractice or irregularities in any matter related to Nan Fung. Our Whistleblowing Policy details our whistleblowing channel, through which employees can report potential fraud, corruption, breach of legal requirements, malpractice in financial matters or internal control, bullying or harassment, among others, in a confidential manner without concern of reprisal of any kind.

The Group Internal Audit Department is responsible for the preliminary assessment, while dedicated investigating committees will be appointed to conduct official investigations for reported cases.

To ensure our employees are aware of the Code and relevant policies, mandatory training on whistleblowing, among other topics, is organised for new joiners.



Data Privacy and Security

We uphold the strictest data security practices on customer data and adopt best practices of information security in our operations. Nan Fung understands the importance of keeping customer data secure and strives to achieve zero data leakage. During the reporting period, no incident of data leakage was reported.

Electronic data management

Nan Fung refers to the guidelines from the Office of the Privacy Commissioner for Personal Data in our system design to ensure proper management of data collection and protection. The information obtained during daily operation is also safeguarded by the Information Security Policy to ensure the confidentiality and integrity of these assets.

To strengthen electronic data security from within, the Group has deployed a data classification system to comply with legal, regulatory and business requirements. After the analysis conducted by the information owner, information assets are classified into different sensitivity categories. The information classification practice governs the communication of information throughout the Group, helping employees avoid communicating confidential or sensitive information to any inappropriate parties.

We also conduct annual IT audit review on selected applications. During the reporting period, no substantiated complaints were received concerning breaches of customer privacy.

Regular security checks and training updates

Prior to any new public-facing applications launch, cybersecurity checks are conducted on the applications to ensure security and stability. For example, before the launch of NF Touch, security vulnerability tests were conducted to identify potential security risks in the software. Personal Information Collection Statement and Terms and Condition are made easily accessible in the application to provide users with transparency on our data collection. We ensure sensitive data is protected by encryption, with best practices such as restricted network access and regular security patching management in place to keep data secure.

With phishing being one of the most common cyber-attacks leading to data leakage, we conduct regular phishing tests to train our employees, after which our Information Technology Department reviews the results and discusses with respective departments on potential improvement areas to enhance cybersecurity awareness.

Risk management

Risk management is a key component of our corporate governance and sustainability efforts to effectively manage and mitigate risks. Led by the Board, we implemented a Three-Lines-of-Defence model.

First line of defence: The first line of defence consists of business owners with primary responsibility to own and manage risks associated with day-to-day operations.

Second line of defence: The second line of defence such as Finance and Accounts Department and the Legal Department, provides compliance advice and oversight to support risk and compliance management.

Third line of defence: The third line of defence from the Group Internal Audit Department provides independent and objective assurance and advice on the adequacy and effectiveness of the risk management process. This includes reviewing and evaluating the design and implementation of the risk management framework, and the risk management processes followed by the first and second lines of defence.

Senior management reviews material risks affecting the Group and their potential impacts, evolution and mitigating measures. The Audit and Risk Management Committee, acting on behalf of the Board, ensures an appropriate and effective risk management framework is established and maintained.

Furthermore, recognising the significance of climate-related risks to our long-term business success, we conducted a pilot study during the reporting period to identify and assess the material climate-related physical and transition risks to our property business.¹¹

¹¹ For more information on the climate-related physical and transition risks, please refer to the "Climate-Related Financial Disclosures" section

STAKEHOLDER ENGAGEMENT

Ongoing and effective stakeholder engagement is key to achieving Nan Fung’s long-term vision of sustainable value creation.

We regularly engage with our external and internal stakeholders through diverse channels to understand their expectations and assess our impact on them. These engagements enable us to identify and define the material issues that are significant to our business and stakeholders.

Stakeholder Groups’ Engagement Channels:



Employees

- Employee surveys
- Employee engagement activities
- Internal publications (e.g., Just SEWIT Newsletter)
- Intranet
- SEWIT Hub
- Performance review (e.g., NF OKR, 360-degree assessment, instant feedback)
- Regular meetings



Customers, Residents and Tenants

- Publications (e.g., leaflets, magazines)
- Mobile app (e.g., NF Touch)
- Surveys and feedback channels
- Community events
- Net Positive Lease



Consultants, Contractors and Suppliers

- Engagement surveys
- Tendering and procurement process
- Supplier assessments
- Regular meetings



Community and Non-Governmental Organisations (‘NGOs’)

- Publications (e.g., leaflets, magazines)
- Mobile app
- Community events (e.g., employee volunteering programmes)
- Joint programmes



Industry Organisations

- Conferences, exhibitions and seminars
- Joint programmes



Banks, Investors and Investees

- Regular meetings



Regulators and Government

- Public consultations
- Joint programmes



Media

- Interviews
- Response to media enquiries



OUR MATERIALITY ASSESSMENT

By understanding which topics impact our business and stakeholders the most, we identify key material issues, determine our focus and set our strategy accordingly.

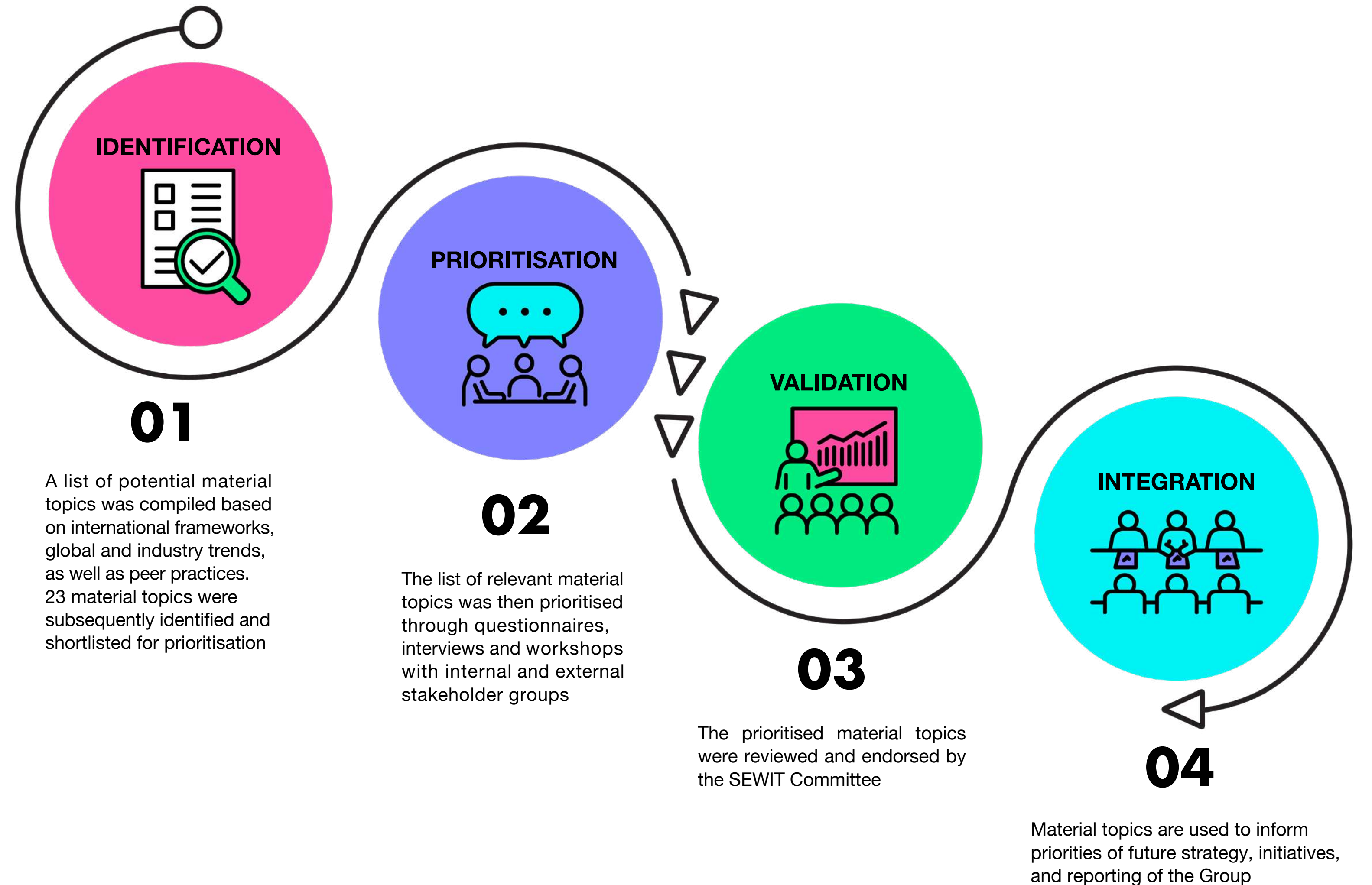
First Group-wide materiality assessment

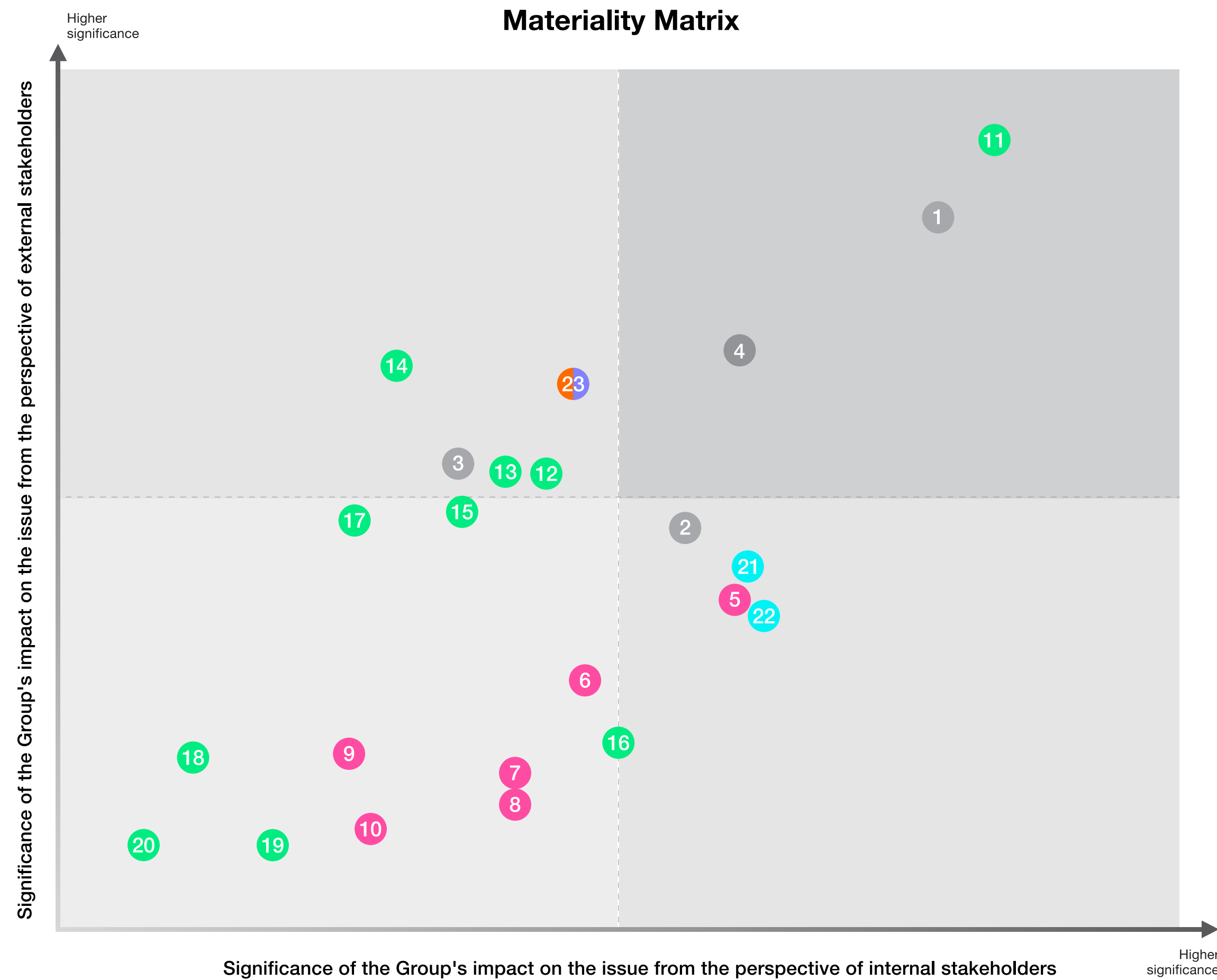
We conducted our first Group-wide materiality assessment during the reporting period to identify ESG issues that represent Nan Fung’s most significant impacts on the economy, the environment and people.

In 2022, we worked with an independent third-party expert to assist us in conducting the materiality assessment through distributing questionnaires to stakeholders, as well as conducting interviews and workshops with senior management.

The findings were then reported to the SEWIT Committee and the Board, and subsequently consolidated to inform our ESG priorities and the contents of this SEWIT Report.

Our materiality assessment process





Corporate Governance	Social Cohesion	Environment
<ul style="list-style-type: none"> 1 Business ethics 2 Corporate governance 3 Economic performance and impact 4 Data privacy and security 	<ul style="list-style-type: none"> 5 Community investment and engagement 6 Talent attraction and retention 7 Tenant and customer engagement 8 Training and development 9 Diversity and equal opportunity 10 Labour practices and human rights 	<ul style="list-style-type: none"> 11 Green building 12 Building materials 13 Energy 14 Climate adaptation and resilience 15 Waste 16 Sustainable finance and investment 17 Emissions 18 Water resources 19 Supply chain management 20 Biodiversity
Wellness	Innovation	Technology
<ul style="list-style-type: none"> 21 Customer health, safety and well-being 22 Occupational health, safety and well-being 	<ul style="list-style-type: none"> 23 Innovation and technology 	<ul style="list-style-type: none"> 23 Innovation and technology

Materiality assessment results

The materiality matrix indicates the most prioritised issues from the perspective of internal and external stakeholders respectively. Highly material issues are indicated in the top right, while the least material issues are shown at the bottom left. The material topics are mapped according to the five strategic pillars of our SEWIT framework and transversal topics.

The results of the materiality assessment helped us identify and prioritise the current and evolving risks and opportunities across our businesses and operations. Those insights are fundamental for us to better align our business strategies, improve our decision-making and guide future strategic developments.

Looking forward, we shall regularly revisit the materiality matrix and conduct materiality assessments when appropriate to ensure Nan Fung’s strategies and subsequent impacts are in line with stakeholders’ evolving expectations.¹²

¹² Please refer to the appendix table, "Materiality Assessment", for more details on information on stakeholders' material issues and corresponding GRI topics

SEWIT in Action

AIRSIDE

AIRSIDE, the Group's flagship project, is a 1.9 million sq. ft. mixed-use commercial development in the Kai Tak area, the new Central Business District ("CBD 2.0") in Hong Kong. The flagship project is a 47-storey mixed-use development, which comprises a 32-storey Grade A office and a multi-storey retail complex with an interconnected underground shopping street.

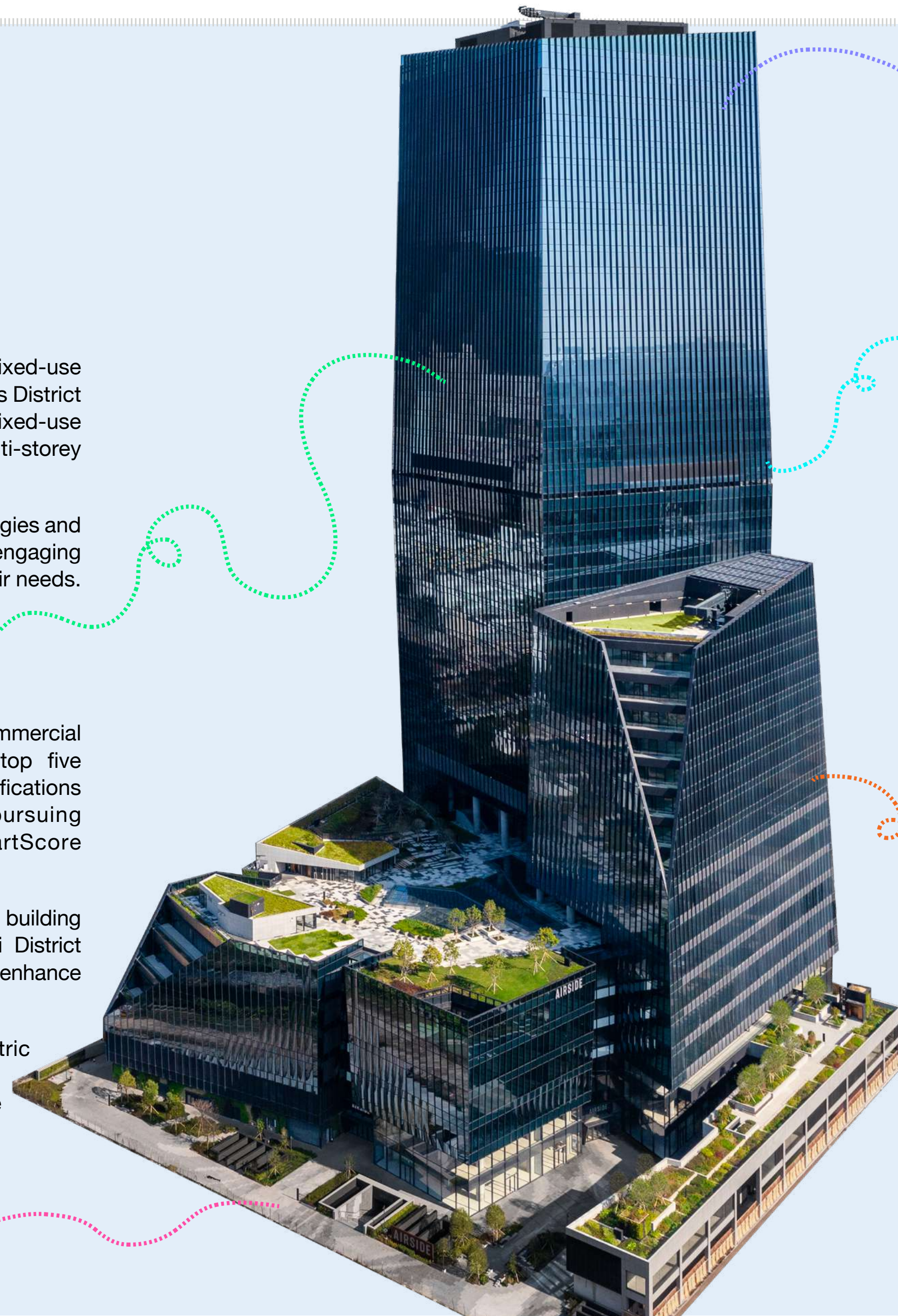
AIRSIDE embraces the SEWIT framework, implementing new technologies and innovative designs to do good for the environment and society, while engaging visitors and the community through diverse initiatives that cater to their needs.

Social Cohesion

- The "RETRO Encounter" Christmas market was held in 2022 to bring together visitors and local communities to take sustainable actions and create a positive impact while enjoying a fun, immersive experience at AIRSIDE.
- AIRSIDE partnered with NGOs, social enterprises and community designers to develop programmes that support the neighbourhoods in sustainable development, social well-being and inclusive growth.

Environment

- AIRSIDE is the first commercial building to achieve the top five highest green-building certifications and has committed to pursuing WiredScore and SmartScore Platinum certifications.
- First private commercial building to connect to the Kai Tai District Cooling System ("DCS") to enhance energy efficiency.
- 100% equipped with electric vehicle charging facilities at the carpark to promote green commuting.



Wellness

- Indoor air quality ("IAQ") sensors with real-time monitoring and display system are installed in both tenant and public areas.
- Air filtration built into all Heating, Ventilation, and Air Conditioning ("HVAC") systems to ensure excellent indoor air quality that meets Environmental Protection Department ("EPD") IAQ Class & WELL Building Standard.
- First smart underground bicycle parking system in Hong Kong providing 48 parking spaces to promote low-carbon mobility in the community.

Innovation

1.7 tonnes of post-consumer plastic bottles were recycled to produce atrium spandrel fabrics for AIRSIDE, reducing AIRSIDE's embodied carbon by 48 tCO₂e compared to conventional acoustic panels.

Technology

The integrated digital platform provides real-time information for tenants and property management. Artificial Intelligence ("AI") and Building Information Modelling ("BIM") technologies enable data-driven building management and optimisation.

Smart and sustainable solutions include:

- One of the largest office-building monocrystalline PV Farm and Walkable PV.
- Automatic Refuse Collection System ("ARCS") integrated with a weighing system and recyclable collection capabilities.
- Nurturing biodiversity through a biofiltration system in the form of an artificial wetland using recycled greywater for irrigation.

For more information on AIRSIDE, please visit our website: <https://www.airside.com.hk/en>



SEWIT in Action

THE MILLS

Opened in late 2018, The Mills is a landmark revitalisation project by Nan Fung Group that celebrates the shared industrial legacy of Hong Kong by taking steps towards a future of applied creativity and innovation.

The three key pillars of The Mills embody the SEWIT framework as a guiding light to its operations to promote a sustainable lifestyle, as well as to educate the public on promoting sustainability.



The Mills Shopfloor

Featuring an experimental retail hub emblematic of the evolving character of Hong Kong, The Mills Shopfloor is a go-to destination for hands-on learning and experiential retail.

Visitors to the Shopfloor can explore the intricate relationship between inspiration, innovation and creativity.



CHAT (Centre for Heritage Arts & Textile)

As part of the heritage conservation project, CHAT is an art centre that weaves creative experiences for all through curating multifaceted and cross-disciplinary programmes, including exhibitions and co-learning programmes.



The Mills Fabrica

The Mills Fabrica is a go-to solutions platform accelerating techstyle (intersection of technology and lifestyle) and agrifood tech innovations for sustainability.

With its investment fund, business incubator, spaces (Fabrica X Impact Retail Store, prototyping lab, co-working and event space) in Hong Kong and London and community-building initiatives, The Mills Fabrica aims to create success stories of collaborations between innovators, entrepreneurs and corporates, together, driving positive change for future generations.

For more information on The Mills, please visit our website:
<https://www.themills.com.hk/en/>

SEWIT in Action



Established in 2019, Nan Fung Life Sciences Real Estate (“NFLSRE”) transforms historic properties into state-of-the-art life sciences hubs with a focus on acquiring, developing and managing life sciences-related properties in innovation-driven markets across the United States and United Kingdom.

Based in Boston, Massachusetts, NFLSRE specialises in adaptively repurposing viable office buildings by upgrading mechanical, electrical and plumbing infrastructure as well as improving the interior and exterior spaces. This enables NFLSRE to house a wide range of innovative life sciences companies while significantly improving the experience of building users.

By breathing new life into historic buildings, NFLSRE aims to make a profoundly positive impact on communities, neighbourhoods and the life sciences sector.

For more information on NFLSRE, please visit our website: <https://www.nanfunglsre.com/>

470 Atlantic Avenue

A 14-storey life sciences lab office building situated between Boston’s Financial District and Seaport District, provides 382,000 sq. ft. of Class A space connecting businesses to the city’s history and innovation. Certified with LEED Gold, this building envisions a sustainable future through a green glass facade, an LED retrofit saving of 242,669 kWh annually and plans for a green sedum roof and reshaped waterfront landscape which further positions itself as a remarkable asset in Boston’s evolving urban landscape.

51 Sleeper Street

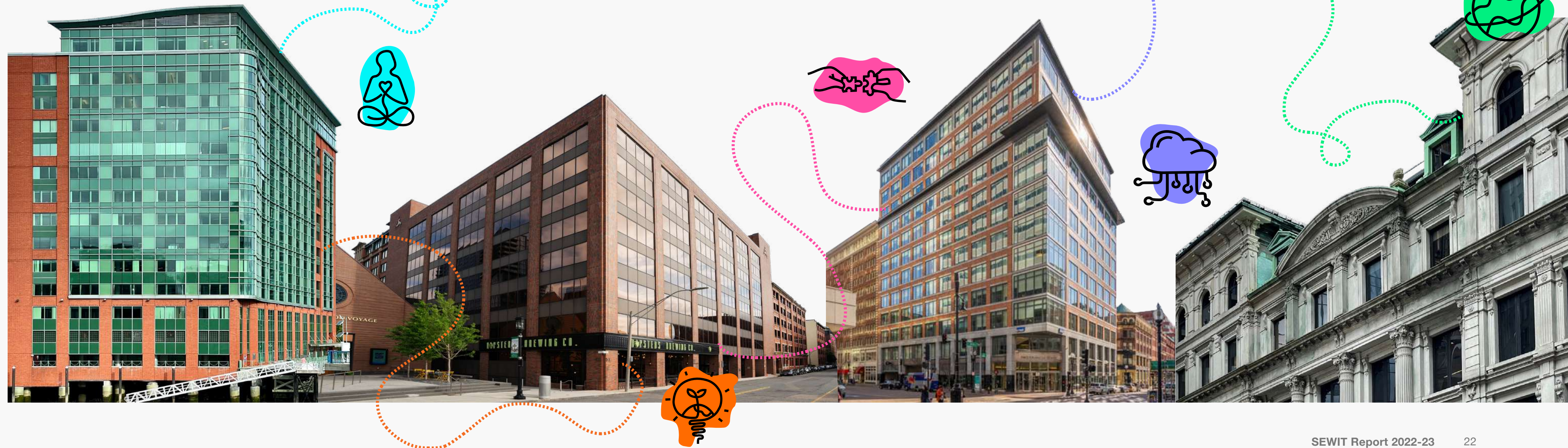
A 153,500 sq. ft. life sciences building in Boston’s Seaport District, offers elevated experiences with breath-taking views and proximity to amenities. Overlooking the Fort Point Channel and waterfront, the transformed building seamlessly blends traditional and modern styles. The lobby redesign honors the district’s industrial heritage and invites collaboration. As a gateway to the Seaport, 51 Sleeper Street provides exceptional access and epitomises the Seaport District’s charm and allure, combining innovation, stunning views and rich industrial heritage.

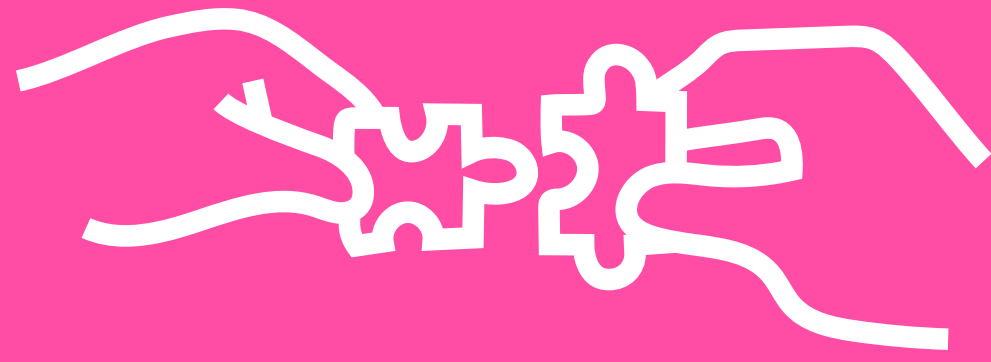
Two Financial Center

A 220,000 sq. ft. Class A office space in Boston’s Financial District that integrates urban development with sustainability. The building has been awarded LEED Gold certification and enhanced energy efficiency through a comprehensive LED retrofit in 2022, achieving significant energy savings of 450,365 kWh annually.

One Winthrop Square

A 112,000 sq. ft. Boston landmark since 1872, featuring a unique Renaissance design blend of granite and metal. Today a 5-storey life sciences building, it seamlessly merges history with functionality. In line with the SEWIT framework, on-site stormwater management to capture runoff and ease strain on existing infrastructure is part of our plan to conserve water and protect the environment. With preserved charm, captivating interior and convenient location, One Winthrop Square symbolises adaptive reuse of historic buildings, reflecting Boston’s heritage and dedication to innovation.





SOCIAL COHESION

We believe the sustainability and resilience of a prosperous society rely on the social fabric formed by communities - the strength of relationships and the sense of solidarity among stakeholders. We enrich it by providing access to education and upskilling, creating partnerships, as well as preserving culture and heritage.

- DELIVERING IMPACT-DRIVEN COMMUNITY ENGAGEMENT
- PROMOTING ART, CULTURE AND HERITAGE
- CO-BUILDING A DYNAMIC ECOSYSTEM WITH FUTURE GENERATIONS
- BUILDING A SOCIALLY INCLUSIVE FUTURE
- TALENT ATTRACTION AND RETENTION
- TENANT AND CUSTOMER ENGAGEMENT

S in SEWIT



DELIVERING IMPACT-DRIVEN COMMUNITY ENGAGEMENT

Material Issue:
Community investment and engagement

By understanding the material issues of our stakeholders, we can foster a sustainable, resilient and cohesive community that creates shared value for all parties.

At Nan Fung, we pride ourselves on turning purpose into impact through various community investment and engagement initiatives. Working with our employees and community partners, we delve deep to understand the needs and expectations of our communities, to design and launch innovative community initiatives that demonstrate our core values and business strengths.

Through an array of programmes with different focus areas that penetrate through our various business lines, we aspire to reconnect the community with nature, nurture young talents and cultivate vibrant communities.

Location-based micro materiality assessment

We believe the fundamental step to curating impact-driven social programmes that address social needs is through regular and in-depth stakeholder engagement.

We conduct location-based micro-materiality assessment, down to the district level, to engage with key stakeholders within our local communities and better understand material social needs and communal expectations. These findings inform our programme curation, enabling us to address priority issues effectively.

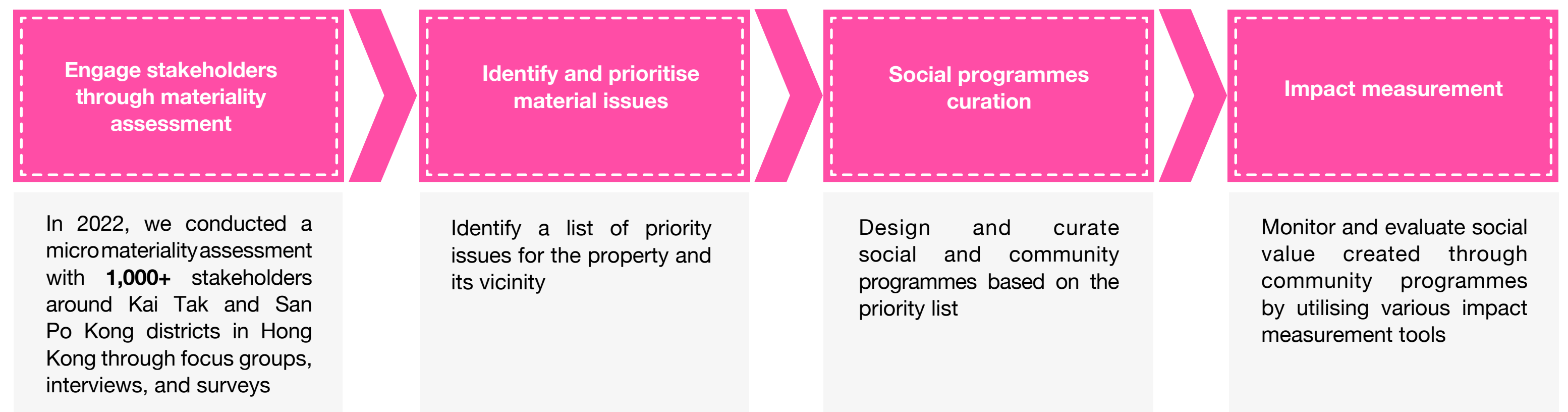
Through location-based micro-materiality assessment, we aim to:

- Improve decision-making to enhance programme quality and maximise impact
- Establish credibility and trust with key stakeholders
- Meet growing expectations of transparency

Moving forward, we will continue conducting micro-materiality assessment for our portfolio, to ensure our community programmes across properties are well aligned with stakeholders' interest and concern.



Impact-driven mindset to ensure long-term positive impact



Cultivating the mindset of “Theory of Change”

Having identified material social needs and expectations from key stakeholders, we integrated the “Theory of Change” as an integral logical framework to articulate how the programme design contributes to the intended outcome, ultimately driving measurable short-term and long-term behavioural changes.

This framework encapsulates an overall methodology for planning, implementation, adaptive management and evaluation that promotes social change.

We target to conduct “Theory of Change” workshops for all colleagues in 2023.



52 colleagues from **7** departments completed “Theory of Change” workshops during the reporting period



100% Employees agreed that “Theory of Change” framework is applicable to day-to-day operations



世界之約 IN TIME OF

In Time Of (“ITO”) is Nan Fung’s impact-driven community initiative that engages society on multidisciplinary levels across social design, sustainability and the cultural and creative industry. Incorporating the “Theory of Change” framework into programme curation, ITO looks to help cultivate communities with the resilience to absorb, recover from and prepare for future shocks in different aspects of society, including economic, environmental, social, infrastructural and institutional aspects.

Through the ITO initiative, we partner with a diversity of social stakeholders to develop targeted community programmes that foster social empowerment and improve the efficiency of resource utilisation, in hopes of creating a more resilient future for local neighbourhoods.

We form strategic alliances and build relationships with different local community stakeholders, ranging from NGOs and social enterprises to community designers. Programmes are developed with a unique local and cultural touch that looks to amplify impact through local networks and support the neighbourhoods in sustainable development, social well-being and inclusive growth.

In 2022, under the main theme “In Time Of Food”, ITO organised a number of initiatives with a focus on cultivating a food-resilient future in the city through exhibitions, seminars, workshops and guided tours.

For more information on ITO, please visit our website:
<http://www.intimeof.com/en>

CASE STUDY

In Time Of x DBS Weekend Market: No More Food Waste Tomorrow

In Time Of x DBS Weekend Market: No More Food Waste Tomorrow is a collaboration between ITO and DBS Bank, where a weekend pop-up market was held in September 2022 to promote zero food waste.

Through green shopping and food waste recycling and upcycling workshops, the event looked to explore local food-related issues, such as the development of local farming development, sustaining the food chain and preserving local food culture.

Feedback from a participant

"This event allowed small businesses and brands to tell their brand stories and explain to the public the importance of waste and plastic reduction in person."



In Time Of: The Store In Time

A concept store located at The Mills showcasing local artists' stories through tableware. Since its launch in 2022, we have partnered and collaborated with over 20 NGOs, artists and local brands to share stories of the intricate connections we have with our food and land, as well as stories behind each design and product created. Participatory experiences, such as local pottery clay workshops and rattan workshops, were also organised to further engage the community, harnessing their creative power.

In Time Of: My Little Story

My Little Story, a 6-month empowerment programme, partnered with 13 local brands with the aim of unleashing their full potential. The programme was dedicated to empowering, upskilling, and creating opportunities for local small businesses through a series of workshops and training, covering topics that range from product design and sustainable packaging, to brand building and strategic marketing, to help these local brands gear up for wider consumer exposure.

All participating brands have further incorporated the concept of sustainability into their products, rethinking and redefining the connections between their brands and the community.



Creating, measuring and maximising positive impact

In order to create and deliver positive impact that is material to our communities and stakeholders, we believe that keeping track of progress made in a quantifiable, transparent manner is vital.

We have deployed a multitude of different impact measurement tools, including Social Return on Investment (“SROI”), IRIS+ and Life Sciences Capital Index to measure the impact created by our social and community initiatives.

This enables us to look at our impact towards society and the community through multi-faceted perspectives and arrive at a robust understanding and insights for future initiative directions and planning.



NFPM x FOODSPORT: Let's Move For Zero Hunger campaign

In collaboration with FOODSPORT, the Property Management team organised a 10-day social campaign, “Let's Move for Zero Hunger”, in September 2022. Kicking off with a Staff Sports Day, the campaign encouraged staff to participate in sports activities to establish a healthy lifestyle, while gathering food donations for those in need.

Participants were able to track their time spent and calories burnt when exercising with the use of designated mobile applications. By the end of the campaign, participants have accumulated a total of 2,464 exercise hours, burning a total of 816,765 kcal, which were converted into food portions of equivalent caloric value for donation. As a result, the campaign raised more than 210 foodie bags for “Youth With A Mission Tuen Mun Hong Kong”.

Social value and impact created by the initiative were measured using SROI. Both pre- and post-campaign surveys were conducted, with 80 and 110 responses received respectively for calibration and calculation. Survey results reflected that despite one-third of respondents had no or little knowledge of volunteering initiatives prior to the campaign, 100% of the respondents remarked that they are now well aware of Property Management’s volunteering opportunities and felt a stronger bond among themselves post-campaign.



CASE STUDY

Resource sharing programme at Endurance Land¹³

Endurance Land is helping to redistribute resources between members of our community in London. The resource sharing programme reallocates furniture from our properties to various charities and community groups in our network.

The programme is designed to better support the needs of communities by reducing waste from our buildings, fostering a culture of giving and creating meaningful connections between tenants and the local community. As of today, a total of 93 items have been donated to 9 different charities and/or community groups. Donated items include sofas, filing cabinets, refrigerators, office chairs, desks, plants and more.

We are dedicated to expanding the community involvement beyond the resource-sharing programme and exploring ways to bridge knowledge gaps in a bid to foster a culture of learning and innovation within various industries and professional fields.

Feedback from a community group

"We have been using the same set of furniture for at least 10 years, so it is great to have the opportunity to modernise our office."



PROMOTING ART, CULTURE AND HERITAGE

Material Issue:

Community investment and engagement

As we primarily operate in Hong Kong, a city with a vibrant atmosphere for art, culture and heritage, we curate programmes and exhibitions through CHAT, a community museum located within The Mills, to shed light on perspectives through the unique lens of our textile roots.

Striving to explore the interwoven relationship between textile and the environment, CHAT's ongoing community programme, Seed to Textile, traces textile manufacturing down to its origin, whereby each element to showcased artworks are locally grown, spun and produced. Since 2019, CHAT has worked with local artists, farming experts and community enthusiasts to experiment with locally grown pigments and yarns, a collaborative art-making process that explores the artistic interpretations of the human-nature relationship.

Through Seed to Textile, CHAT forges new connections between people and nature, threads through and localises knowledge from different places and disciplines, and seeks to foster an eco-friendly community.



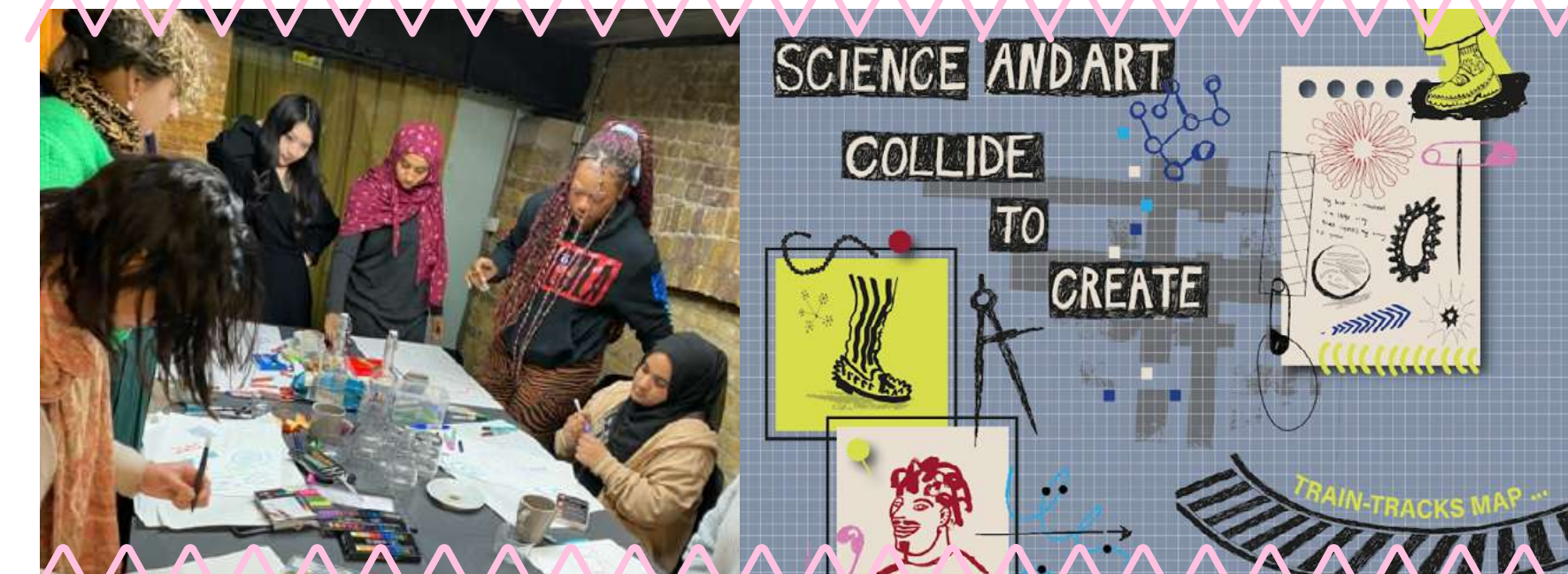
Feedback from participants

"Using organic materials to express my ideas and creative visions through stencil and paper is a very fascinating and refreshing experience!"



"I have learnt to repurpose and transform used clothing into rags for cleaning, and hope to use fabric to create art in the future."

CHAT also organises learning tours regularly for students and the public, showcasing machines and archival materials of the industrial past, valuable artefacts and replicas, as well as ground-breaking technology and inventions back in Hong Kong's manufacturing heyday that helped solidify its vibrant present.



Hoarding artwork project in the UK

Our team in the United Kingdom is actively engaging and collaborating with the community. In London, Endurance Land works with All Change, a community arts organisation, to design hoarding artwork for the redevelopment sites around Regent Quarter in King's Cross.

Led by local artists, the art showcases local aspirations for young and emerging creatives, innovators and entrepreneurs to be part of Regent Quarter's future.

¹³ Endurance Land is an operating platform of Nan Fung Group based in the UK and specialises in the asset management, refurbishment, and redevelopment of commercial buildings in London



CO-BUILDING A DYNAMIC ECOSYSTEM WITH FUTURE GENERATIONS

Material Issues:

- Community investment and engagement
- Talent attraction and retention

The Hong Kong Life Sciences Society (“HKLSS”) is a non-profit youth organisation established in 2018, fully supported by Nan Fung and industry-leading biotech companies based in Hong Kong and China, dedicated to building a dynamic life sciences ecosystem in Hong Kong. HKLSS focuses on nurturing young talents in the industry through knowledge exchange, collaboration and public engagement.

The HKLSS Life Sciences Summer Internship Programme and Mentorship Scheme are designed for life sciences, medical and biotech undergraduate and postgraduate students, aiming to equip them with workplace knowledge and soft skills and provide exposure and networking opportunities.

The mentor line-up comprises industry experts, young entrepreneurs and senior executives across a wide range of professions in the life sciences industry. Outstanding undergraduate students are also provided with scholarships to support them in pursuing further studies in life sciences or biomedical sciences programmes.



The Hong Kong Life Sciences Society Mentorship Scheme 2023 Kick-off Ceremony cum Spring Reception



HONG KONG
LIFE SCIENCES SOCIETY
香港生命科技青年會

BUILDING A SOCIALLY INCLUSIVE FUTURE

Material Issue:

Diversity and equal opportunity

We place emphasis on enabling inclusivity in our communities. At CHAT, exhibitions are carefully crafted in accordance with the Accessible Design Guideline to provide the best visiting experience to all visitors, regardless of their conditions. Numerous barrier-free facilities, including entrances and exits, passages, automatic doors, lifts, tactile guide paths and tactile floor plans are installed with the consideration to provide convenience to persons with mobility impairment.

Each season, CHAT prepares an Audio Guide for visitors that introduces CHAT's overall exhibition space as well as a tour of CHAT's permanent exhibition, *Welcome to the Spinning Factory!*, and seasonal exhibition.

The Audio Guide material can be collected at CHAT Reception and scanned with the visitors' mobile devices for a tour that can be adjusted according to the listeners' preference and pace.



TALENT ATTRACTION AND RETENTION

Material Issues:

- Diversity and equal opportunity
- Labour practices and human rights
- Talent attraction and retention
- Training and development

Our people are at the heart of our guiding principle to “Do Good and Do Well”. Their well-being is a priority in building a sustainable business and demonstrating stakeholder value.

We put great emphasis on attracting, developing and retaining talent. We remain committed to ensuring every employee receives a fair and competitive salary package with a variety of benefits, including medical and life insurance, retirement pension scheme and discretionary bonus. We review our remuneration package regularly to reflect market trends and business growth and strive to uphold the principle of “Pay for Performance”.

Summer Internship Programme and Group Management Trainee Programme

Over the years, we have provided various programmes for young talent to develop skills for the workplace. The Group and The Mills Fabrica offer summer internship programmes for undergraduate students to gain practical work experience and exposure to various areas such as property development, projects engineering, commercial marketing and sustainability and shared value.

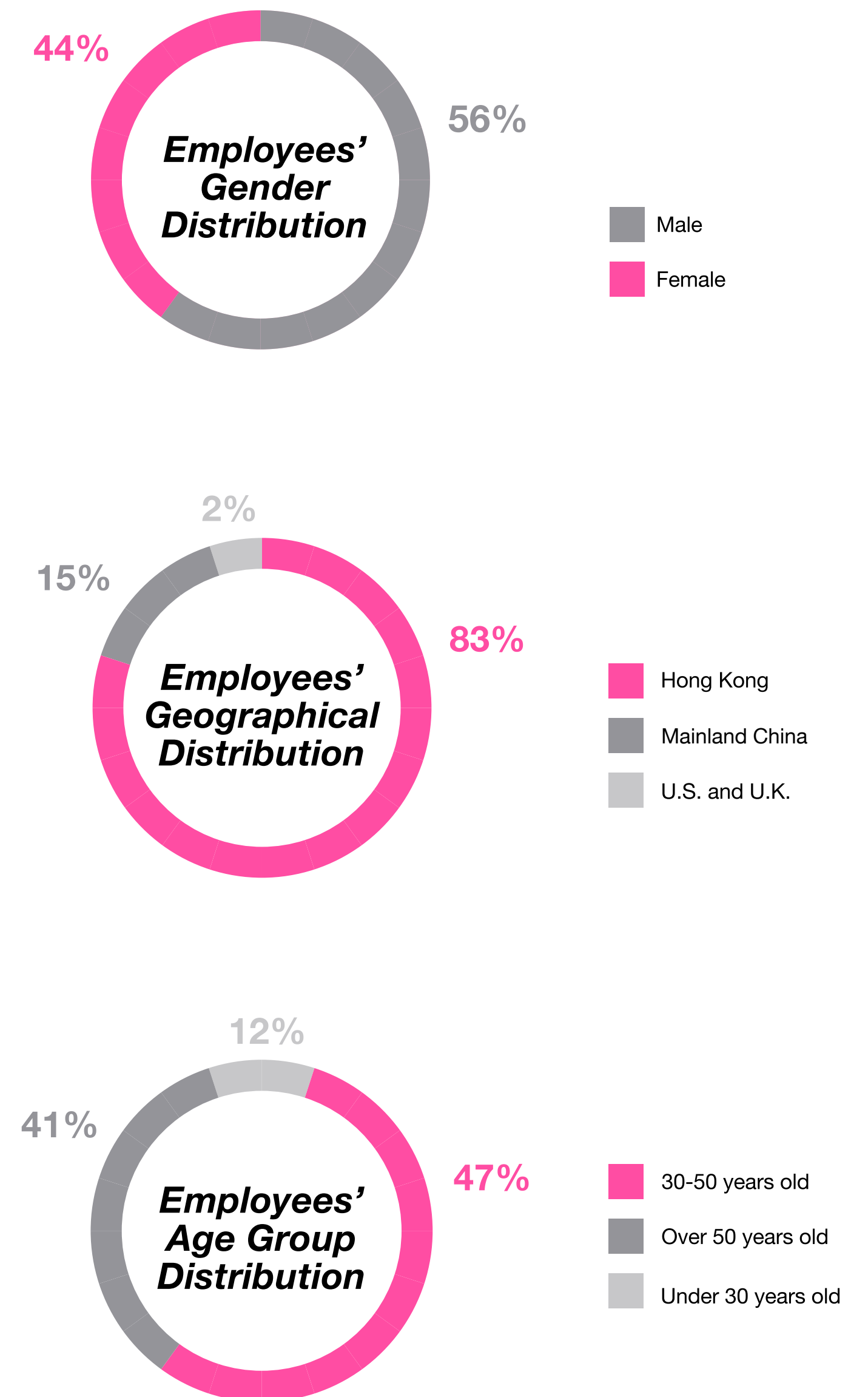
In addition to summer internships, our Group Management Trainee Programme is also crucial for recruiting and nurturing potential young talents. The two-year rotational programme provides young graduates with a wide range of exposure and learning opportunities, including job attachments, tailored trainings and mentoring by senior management.

Equal opportunity and diversity

At Nan Fung, we adopt fair labour practices that safeguard and respect our employees’ basic rights.

As an equal opportunity employer, we ensure every job applicant or employee enjoys equal opportunity within the employment arena. We prohibit discrimination on the grounds of sex, pregnancy, disability, marital status, ethnicity and family status, whether during the application or employment stage. We strongly believe that everyone has the right to work in an environment free from discrimination, harassment, slander and prejudice. Employees who encounter harassment may report to the Human Resources Department. The Department will carry out a thorough and impartial investigation once a complaint is received. During the reporting period, there were no identified cases of discrimination.

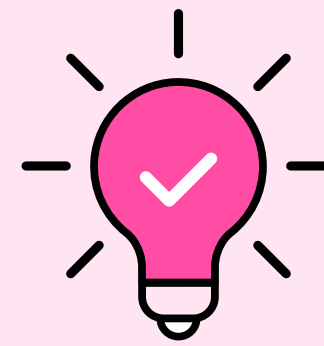
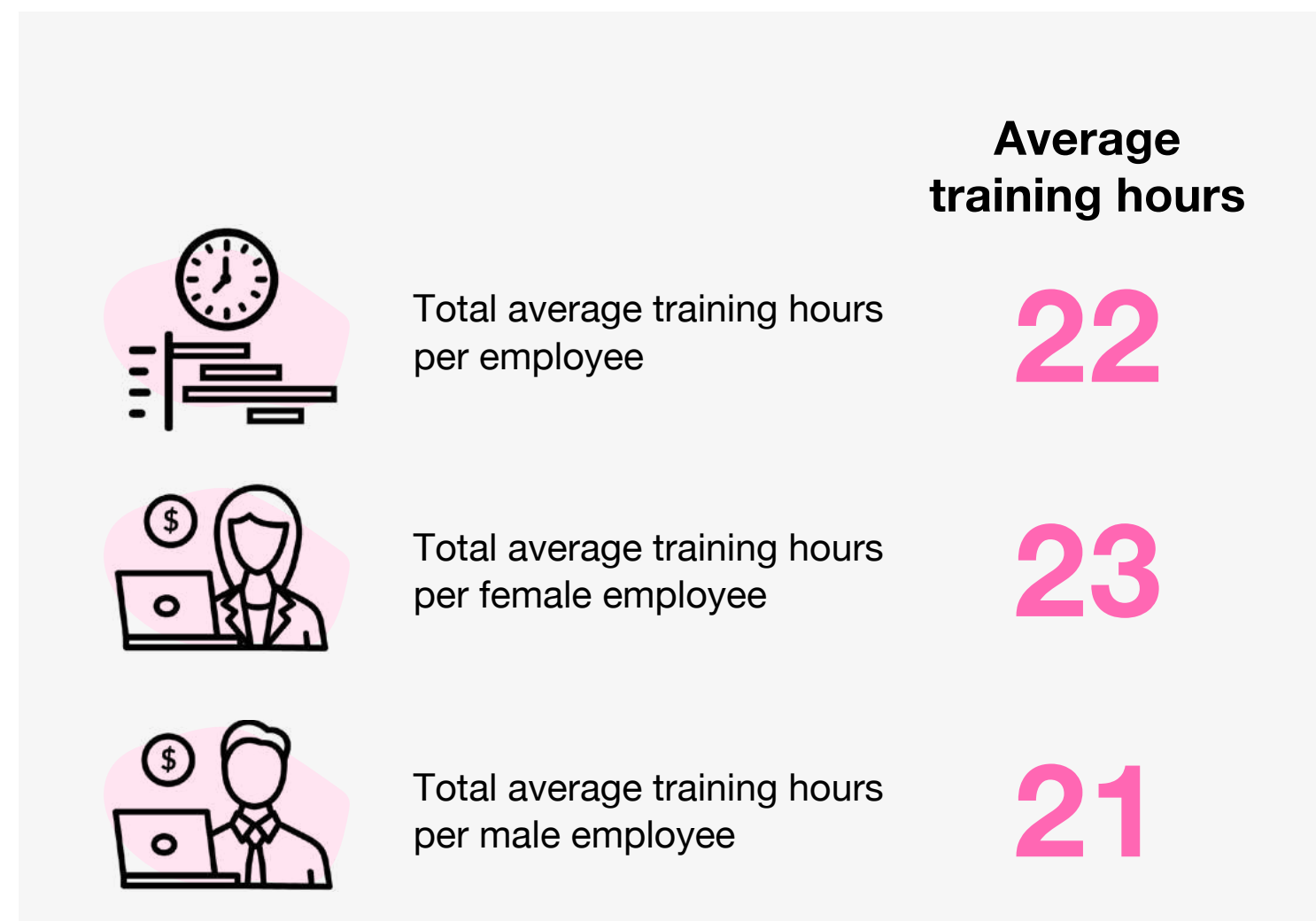
We strictly prohibit any form of child labour and forced labour in all aspects of business and operations and extend this to our contractors and suppliers alike.



Learning and development

We constantly encourage our employees to continuously think, learn and embrace changes in all aspects of our businesses. A variety of training and learning opportunities are offered to employees of various business units and at different phases of career development.

During the reporting period, 64,272 hours of training were provided to employees, averaging 22.1 hours per employee, to develop the skills and competencies needed for employees to grow, both personally and professionally.



64,272

training hours delivered during the reporting period

Regular learning and knowledge exchange platforms

We believe that employee learning and development should go beyond targeted, specific workshops and training sessions. We have organised a plethora of regular learning opportunities via knowledge sharing between departments and amongst peers, such as utilising E-Learning platforms and hosting company-wide events like NF Meet, Quarterly SEWIT Townhall and NF Book Club.



E-Learning Platform

A range of video courses instructed by industry experts, aimed at equipping all employees with essential business skills, technical know-how and creativity

NF Meet

Regular corporate and divisional updates to facilitate cross-departmental knowledge building



Quarterly SEWIT Townhall

Strategy and progress sharing on SEWIT initiatives to help all employees keep abreast of emerging sustainability trends

NF Book Club

A quarterly intellectual roundtable on a range of topics ranging from Net Zero, Economics, to Philosophy

Performance evaluation framework

Our performance appraisal approach includes a 360-degree assessment, instant feedback and OKR setting to ensure an open and fair assessment of the performances of our employees. The employee evaluation framework is specifically designed to drive and guide our people to align their performance with our business objectives. The framework is reviewed periodically to ensure our employees understand their performance and identify areas of growth.

To encourage employees to set goals that are aligned with our priorities, we have been actively incorporating SEWIT targets into employees' OKR-setting processes, striving to turn the SEWIT framework into measurable and tangible actions. Looking ahead, we expect SEWIT OKRs to rise in importance, whereby each employee will work towards fully integrating SEWIT into all facets of our business.¹⁴

Employee training sessions on evolving technologies

The new wave of AI: ChatGPT

2023.03.17
ZOOM CANTONESE SESSION
10:00-11:30 HKT / 00:00-01:30 PST / 08:00-09:30 GMT

2023.03.30
ZOOM ENGLISH SESSION
22:30-00:00 HKT / 06:30-08:00 PST / 14:30-16:00 GMT

Registration Please register on Intranet or scan the QR code on or at least 3 days before the workshop

NFT 入門懶人包

2022.08.05
13:00-14:00 @ Zoom(網上) & Room 2301-02

報名方法

Non-Fungible Token (“NFT”) and other evolving AI technology have been a booming concept in recent years, driving great attention and investment globally. Since August 2022, we have engaged with external technology training experts to launch a series of workshops for all employees with topics ranging from NFT, Web 3.0, Metaverse, to Big Data and Generative AI.

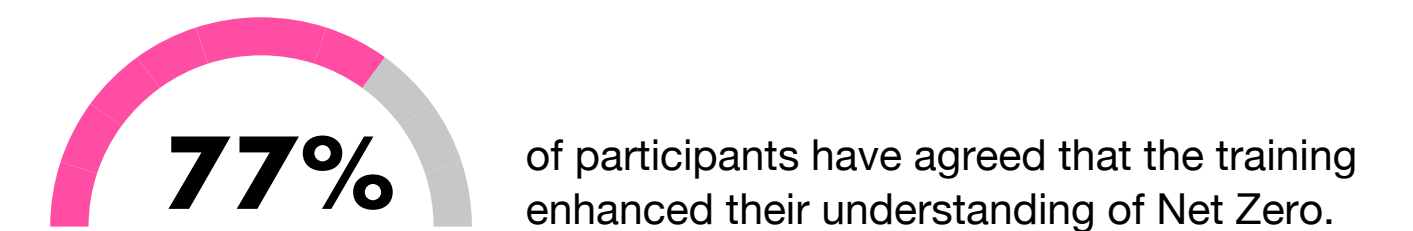
Sustainability capability building

In supporting our commitment to achieving Net Zero by 2050, we have introduced mandatory Net Zero Training to all employees in Hong Kong, Mainland China and overseas. This helps equip our employees with knowledge related to Net Zero and understand how climate change may impact our business.

Nan Fung Group's Sustainability Vision towards Carbon Neutrality

Business Innovation | June 2022

南豐集團 NAN FUNG GROUP



Going forward, we target to provide more training and learning opportunities to keep our employees updated with the latest sustainability and environmental topics.

¹⁴ As of October 2022, 85% of employees (Assistant Manager grade or above) and 100% of department heads have incorporated at least one SEWIT-related OKR in their OKRs. For further information on OKR, please refer to the “Sustainability Framework-SEWIT” section

TENANT AND CUSTOMER ENGAGEMENT

Material Issue:
Tenant and customer engagement

Tenant and customer engagement are indispensable to our sustainability endeavours. We continue to foster open and transparent communication with our tenants and customers to build a trusted relationship.

Tenant and customer satisfaction

To maintain customer satisfaction, we actively solicit feedback through surveys, events and daily interactions with customers to improve our products and services. Our property management arm in Hong Kong has set up a Customer Experience Steering Committee to enhance customer experience and drive interactive and two-way communication with customers. The committee has organised various projects to improve the customer feedback mechanism, such as upgrades to online feedback channels.

A customer satisfaction survey is conducted annually to seek customer feedback on our service. During the year, we have updated our survey by enhancing the accessibility and shortening the length of the survey.



Sustainability awareness

With rising tenant and customer demand for healthier, greener and more sustainable lifestyles, we have designed a variety of green features and sustainability-themed programmes in our premises.



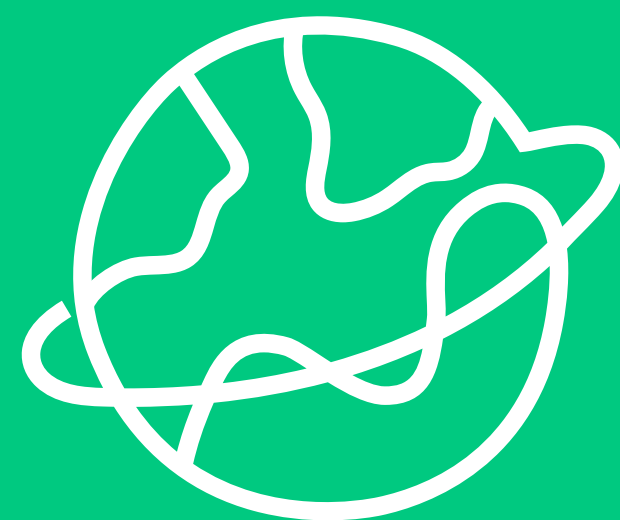
We established the nf HOMES loyalty programme to create a vibrant living environment and experience in our residential properties. Activities to promote sustainability were organised for nf HOMES members during the reporting period, including the Heritage Tour to Old Tai Po Police Station, Summer Visit to Fung Yuen Butterfly Reserve as well as other cultural and upcycling workshops.

Building a sustainable partnership

Beyond raising awareness towards sustainability amongst our tenants and customers, we believe that it is equally important to work together with tenants to build a relationship rooted in sustainability.

Bearing this in mind, we have launched NF Touch to serve as one of our tools to engage with customers, tenants and communities to facilitate sustainability, wellness and communal bond. In March 2022, we also introduced a pioneering tenant engagement initiative, Net Positive Lease, that brings together tenants, their employees and community partners to foster sustainability on all ends, creating long-term positive impact on communities and society.¹⁵

¹⁵ More on our innovation regarding Net Positive Lease can be found in the "Innovating business streams" section



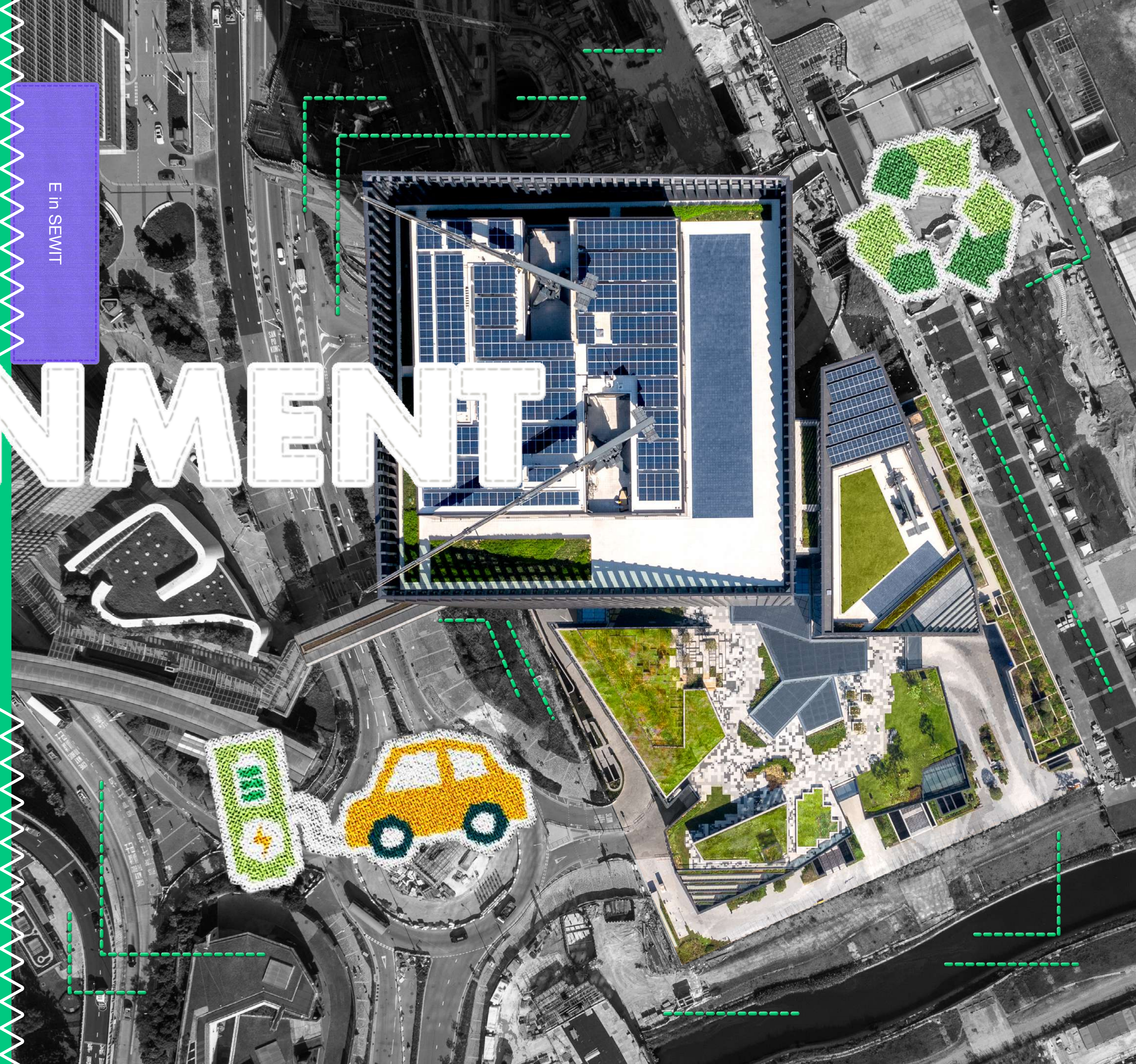
E in SEWIT

ENVIRONMENT

We envision positive environmental impacts created in all our activities through incorporating sustainability along our entire value chain, ranging from financing and investment allocation, supply chain management and procurement, to operations, organisation and talent development.

We invest for the circularity of natural resources that we depend on or are impacted by our operations, at the same time enhancing our resilience against the climate crisis.

- CREATING POSITIVE ENVIRONMENTAL IMPACTS
- CLIMATE ADAPTATION AND RESILIENCE
- ENERGY EFFICIENCY
- WASTE MANAGEMENT
- WATER MANAGEMENT
- SUSTAINABLE FINANCE
- INTEGRATING SUSTAINABLE PRACTICES ACROSS OPERATIONS



CREATING POSITIVE ENVIRONMENTAL IMPACTS

Material Issues:

- Biodiversity
- Building materials
- Climate adaptation and resilience
- Emissions
- Energy
- Green building
- Innovation and Technology
- Waste

Nature is the thread that weaves our business. Our interdependency with the natural environment forms the basis of our strategy in environmental stewardship to create positive environmental impacts through our activities.

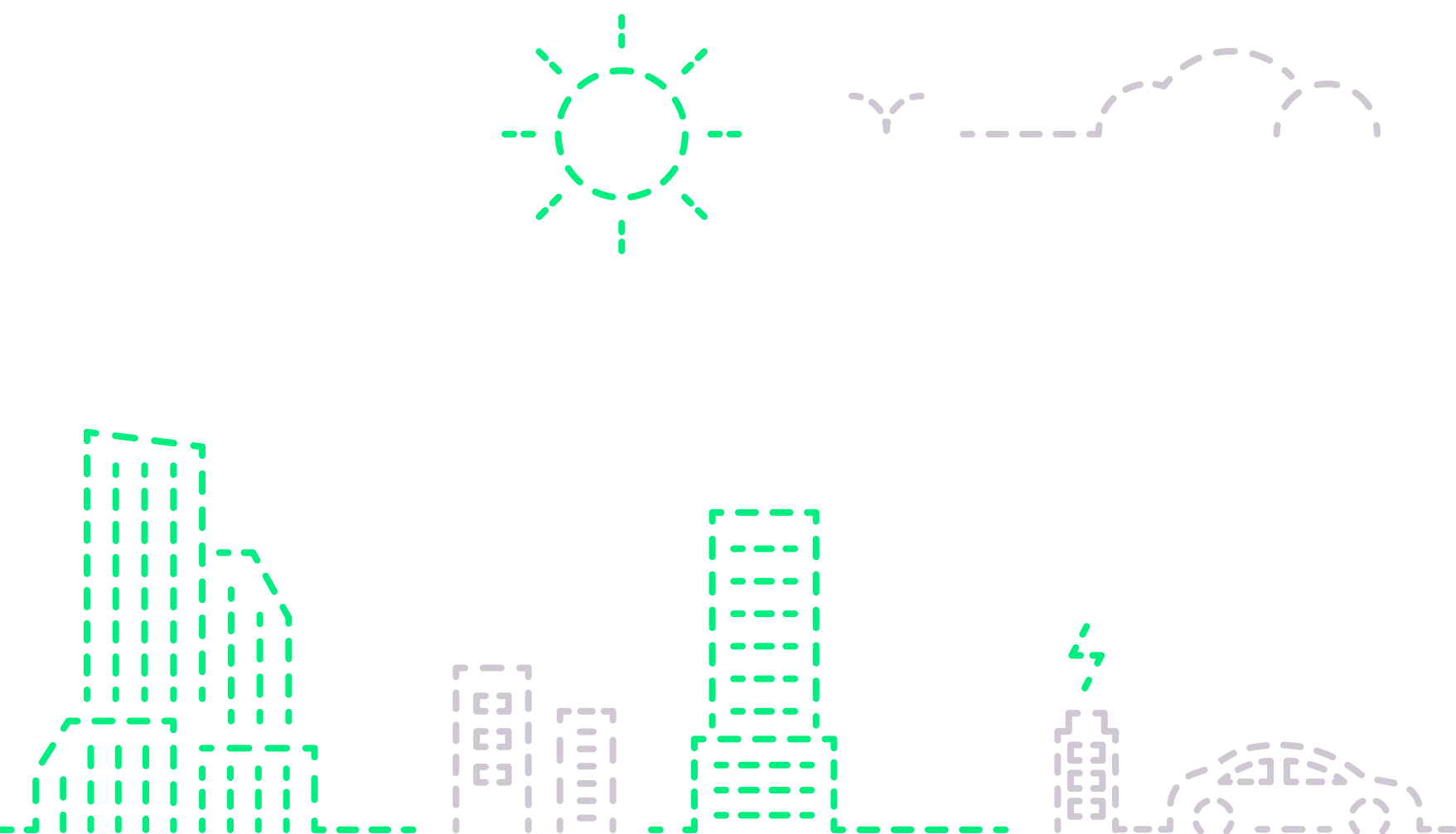


To manage our impact on the environment and natural resources, we ensure we comply with all applicable local, regional and international regulations with various procedures and systems in place. We have also established a set of environmental policies to better articulate our goals for the built environment and provide guidance towards attaining those goals, including:

- Environmental Policy
- Sustainable Procurement Policy
- Supplier Code of Conduct

Other than policies and guidelines, the Environmental Management System of our property management and construction business in Hong Kong is certified with ISO 14001 Environmental Management Systems, covering managed properties and construction sites. We also conduct environmental risk assessment onsite on an annual basis to identify potential environmental risks in managed premises, including those related to waste management, energy efficiency and pollution, among others.

Following our stringent practice within property management operations, we are looking to expand the scope to other business lines, starting by developing a Group-level environmental policy.

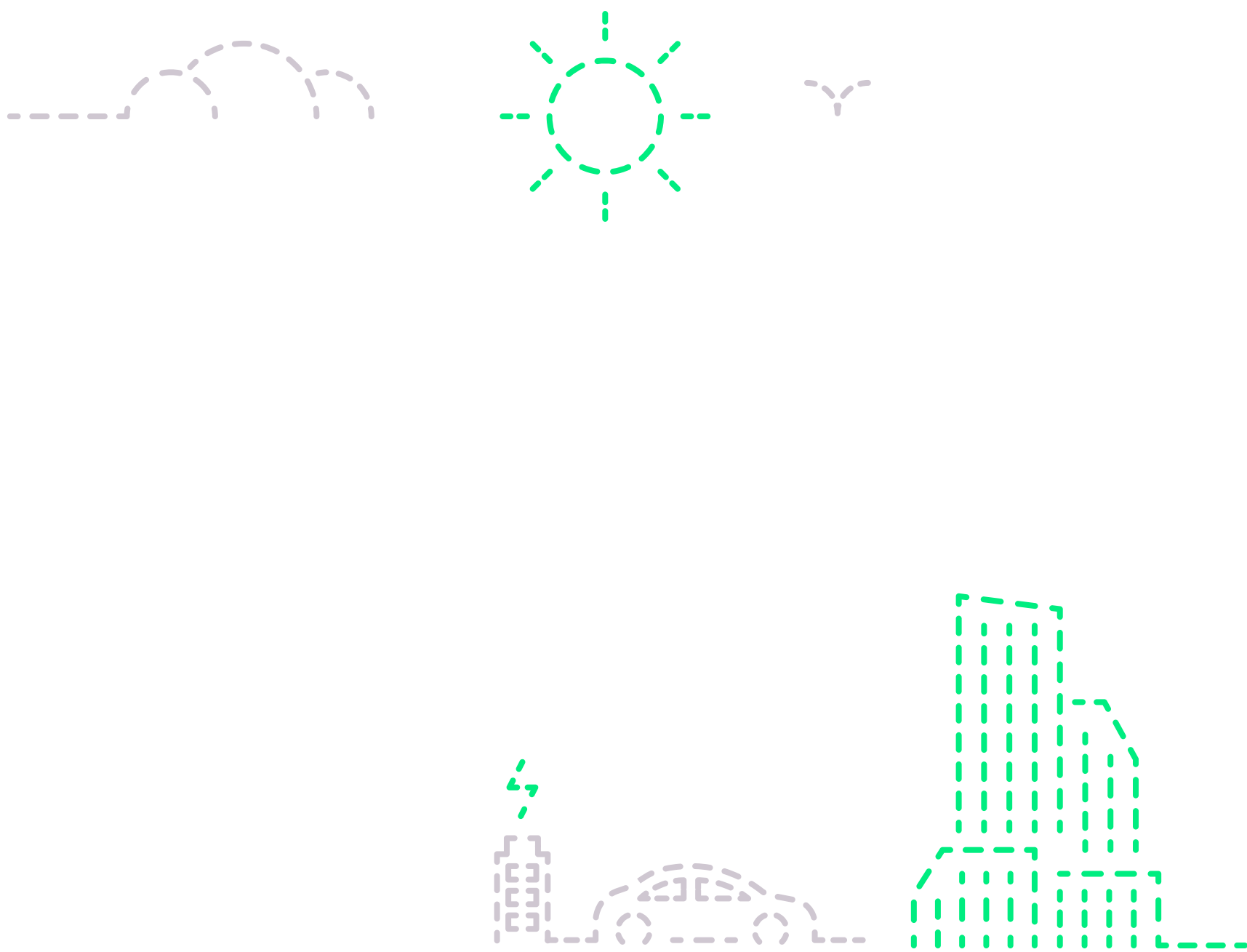


Green building

Property development is one of Nan Fung’s key businesses, which is carbon-intensive by nature. As such, we strive to adopt a lifecycle approach that incorporates sustainable building practices into all phases of our developments.

As a testimony of our commitment, we have actively pursued a variety of green building certificates for our properties.

Overall, we have obtained over 50 green building certificates from renowned institutions and standards, such as Building Environmental Assessment Method (“BEAM Plus”), Leadership in Energy and Environmental Design (“LEED”), The WELL Building Standard (“WELL”), Building Research Establishment Environmental Assessment Method (“BREEAM”) and China Green Building Label.



Lifecycle Phase	Description	Example
Planning and design	<ul style="list-style-type: none"> • Incorporate green building features to promote energy and resource efficiency at construction and operational stage • Employ thoughtful designs, such as building setback, to improve ventilation • Adopt extensive greenery and nuanced landscaping to enhance urban biodiversity • Conduct net zero carbon building feasibility and climate resilience study, lifecycle assessment and set goals on embodied carbon to understand the impact whilst improving user satisfaction 	<p>Wellington Street project and Jardine Court project - Hong Kong</p> <ul style="list-style-type: none"> • Conducted Net Zero carbon building feasibility and climate resilience study <p>The Quayside¹⁶ – Hong Kong</p> <ul style="list-style-type: none"> • Achieved Beam Plus New Buildings (NB) - Platinum, LEED Core and Shell (C&S) - Platinum • Obtained Green Building Award 2016 New Building Category Merit Award • Obtained Green Building Award 2019 Completed Building Category Merit Award • Shifted building orientation by 45-degree rotation to reduce tower air and noise pollution footprints
Construction	<ul style="list-style-type: none"> • Employ new technology such as Building Information Modelling (“BIM”) to digitise building construction, supporting resource optimisation, energy efficiency and waste reduction • Adopt and procure local, low-carbon construction materials certified as China’s Environmental Protection Product whenever applicable • Promote Modular Integrated Construction and the use of prefabricated components • Adopt ultra-low sulphur diesel for onsite generator or apply diesel-free energy storage system, “Enertainer” according to site condition • Obtain green building certificates such as LEED, BEAM Plus, BREEAM and China Green Building Label to adopt best practices in the design and construction of buildings • Set green fitting-out standards for leased space to encourage the use of green construction materials 	<p>AIRSIDE - Hong Kong</p> <p>AIRSIDE is the first building in Hong Kong to receive top five green-building certifications: BEAM Plus Neighbourhood (ND) - Platinum, BEAM Plus New Buildings (NB) - Provisional Platinum, LEED Core and Shell (C&S) - Platinum, WELL Core and Shell (C&S) - Platinum and China Green Building Label 3 Stars.</p> <p>C8 - Shanghai</p> <ul style="list-style-type: none"> • Achieved LEED Core and Shell (C&S) - Provisional Gold • Achieved WELL - Gold (Precertification) • Obtained 2-Star China Green Building Label <p>LP 10 - Hong Kong</p> <ul style="list-style-type: none"> • Achieved BEAM Plus New Buildings (NB) – Provisional Gold • Building materials were manufactured locally within 800 km radius to reduce environmental footprint during transportation
Operation	<ul style="list-style-type: none"> • Upgrade operational system and perform energy retrofit on a regular basis • Promote the use of renewable energy onsite by installing solar PV • Conduct energy audit and retro-commissioning study to identify energy efficiency opportunities • Install EV-charging stations to boost green mobility • Provide recycling facilities for building users to encourage waste diversion from landfill 	<p>TKO Plaza - Hong Kong</p> <ul style="list-style-type: none"> • Performed enhancement works on central air-conditioning system in 2021, achieving energy savings of more than 500,000 kWh annually

¹⁶ The Quayside is a joint venture project of the Group

Enhancing energy efficiency through state-of-the-art facilities

AIRSIDE has become the first private development to support and employ the district cooling system (“DCS”) at Kai Tak Development (“KTD”), an energy-efficient system designed by the Electrical and Mechanical Services Department (“EMSD”) that consumes approximately 35% less electricity compared to traditional air-conditioning systems.

According to the Energy Saving Plan for Hong Kong’s Built Environment 2015~2025+ published by Environment Bureau, Development Bureau and Transport and Housing Bureau, buildings account for approximately 90% of Hong Kong’s electricity consumption and remains the largest consumer of electricity in Hong Kong, of which the highest portion is contributed by air-conditioning.

Initiated by the Hong Kong Special Administrative Region (“HKSAR”) Government, the DCS is a large-scale centralised air-conditioning system that aims to reduce overall electricity consumption from air-conditioning by providing a central efficient air conditioning system at a district level. It utilises seawater to produce chilled water at a central plant, which then gets distributed to buildings in KTD through an underground pipe network, expecting to save 580 tCO₂e¹⁷ and reduces energy for our businesses and tenants at AIRSIDE annually.

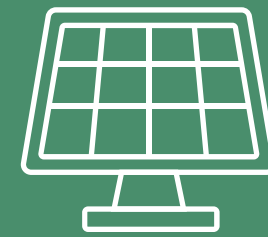


AIRSIDE District Cooling System Ceremony

One of the largest photovoltaic systems among commercial buildings in Hong Kong

We have installed the largest photovoltaic (“PV”) energy generation site amongst Hong Kong commercial buildings at AIRSIDE, with over 1,350 sq. m. PV coverage.

In addition to conventional roof panels, PV technology has been extended to landscaped grounds as solar pavers to maximise renewable energy output in Hong Kong’s congested environment. All of these efforts contribute to reducing AIRSIDE’s reliance on non-renewable energy sources through the mass adoption of PV technology.



The PV system generates a total of **270,000 KWh per year**

The monthly average electricity consumption of **700 households in Hong Kong**



First Automatic Refuse Collection System (“ARCS”) integrated with a weighing system and recyclable collection capabilities

Besides enhancing energy efficiency, we recognise that waste reduction is equally important.

AIRSIDE is Hong Kong’s first-ever commercial building equipped with the ARCS, which automatically weighs and sorts general waste and recyclables, enabling effortless, effective and systematic waste management. With waste inlets on each floor, all waste disposal, from general waste to paper, aluminium cans and plastic bottles, will be weighed, transported and stored in a centralised, enclosed facility for maximum hygiene. Disposed waste will then undergo corresponding treatments with the waste compactor, food waste decomposer and glass crusher; treated waste and recyclables can also be upcycled into new products and form part of AIRSIDE’s very own circular economy.

The amount of waste collected will be automatically weighed and the data will be shared with the tenant via the digital tenant portal, allowing them to closely monitor their waste while enabling the Group, as the landlord, to systematically and thoroughly monitor our Scope 3 emissions. Through the waste data sharing from ARCS and alongside tenant engagement programmes, we expect to drive behavioural change from tenants and ultimately reduce waste generated, tackling waste issues at their root.



¹⁷ GHG emissions are calculated with reference to the GHG Protocol published by the World Business Council of Sustainable Development and the World Resources Institute



Promoting green commuting at AIRSIDE: Hong Kong's first smart underground bicycle parking system

Aligning with Kai Tak District's Greenway Development Vision, AIRSIDE has implemented Hong Kong's first automatic underground bicycle parking system to promote low carbon mobility, automating the bicycle parking process and solving key cycling problems such as bicycle "pollution" due to uncontrolled bicycle parking and bicycle damage at outdoor storage, in turn providing convenience to cyclists and promoting a cycling-centric culture.

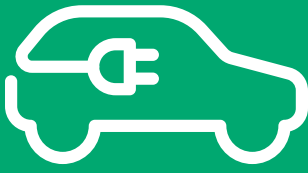
The parking facility contains 48 compact parking spaces, boasts a 20-second parking and retrieval process with self-service stations and are compliant with local and international safety standards.

Promoting low-carbon commuting at AIRSIDE

AIRSIDE's carparking spaces are 100% equipped with electric vehicle charging facilities, with a total of 851 electric vehicle fast, medium and slow chargers. The multitude of green commuting options offered by AIRSIDE provides significant levels of ease of access to alternative methods of commuting, promoting green mobility within the community.

AIRSIDE has been strategically designed as a central hub to connect the existing community to the new CBD. To achieve this, a new footbridge has been constructed from San Po Kong to the second floor of AIRSIDE. Furthermore, to further enhance pedestrian movement and mobility to different destinations at multiple levels, the ground floor has been directly connected to the landscaped station square, as well as the adjacent Concorde Road.

AIRSIDE serves as the starting point for the first underground shopping street concept, which is fully embraced with retail vibrancy and seamlessly connects Kai Tak and Sung Wong Toi MTR station. The aforementioned three pedestrian linkages have been designed and integrated together to form a 24-hour pedestrian link, providing convenience and promoting green commuting within the Kai Tak area and its vicinity.

100% Equipped with EV charging facilities 

We acknowledge the risks brought by climate change to our business operations, as it could affect our business continuity in the long-term.

To build future-proof operations, we strive to manage our climate-related risks and minimise greenhouse gas (“GHG”) emissions in a responsible and efficiency manner.

GHG emissions and intensity

Our GHG emissions management begins with a detailed review and understanding of our emission profile. During the reporting period, we systematically measured our baseline GHG emissions, supported by public available sources.

GHG emissions and intensity¹⁸

GHG emissions	(tCO ₂ e)
Scope 1	24,915
Scope 2	87,845
Total GHG emissions	112,760
GHG emission intensity ¹⁹ (tCO ₂ e/sq. m. GFA)	0.03

To prepare for target setting, we have also started developing our Scope 3 GHG inventory for our property business to account for emissions arising from material upstream and downstream activities.

We seek to continuously improve our GHG emissions data coverage based on its materiality to our business portfolio and explore expanding the reporting scope to cover all business locations.

Science-based target commitment

We uphold the principle to use climate science as our core basis in reducing the carbon emissions of our operations. In August 2022, our subsidiaries in the property business, including property development and management, have committed to the SBTi to set ambitious GHG emission reduction and net-zero targets that are consistent with the Paris Agreement, aiming to limit global warming to 1.5°C and achieve carbon neutrality by 2050.

As an effort to ensure that our targets are effective, we have engaged an external consultant to support our target setting journey through establishing an emission baseline. By developing a set of emission reduction targets for Scope 1, 2 and 3 emissions, we will be able to efficiently strategise to achieve net zero in the long run through implementing new operation approaches and technologies, such as optimising energy management systems and building services systems.



¹⁸ For Scope 1 and Scope 2 GHG emissions calculations, we referred to the GHG Protocol published by the World Business Council of Sustainable Development and the World Resources Institute
¹⁹ GHG emission intensity refers to the amount of greenhouse gas (GHG) emissions produced per unit of Gross Floor Area (GFA) of our properties

CLIMATE ADAPTATION AND RESILIENCE

Climate-related financial disclosures

We actively enhance our resilience towards the climate risks guided by the Task Force on Climate-Related Financial Disclosures (“TCFD”) recommendations.

The TCFD was created in 2015 by the Financial Stability Board (“FSB”)²⁰ to develop consistent climate-related financial risk disclosures for use by companies to provide information to its stakeholders.

The framework consists of four pillars, Governance, Strategy, Risk Management and Metrics and Targets, providing guidance for us to consider, assess and disclose financial impacts of climate change on our operations, including both risks and opportunities.

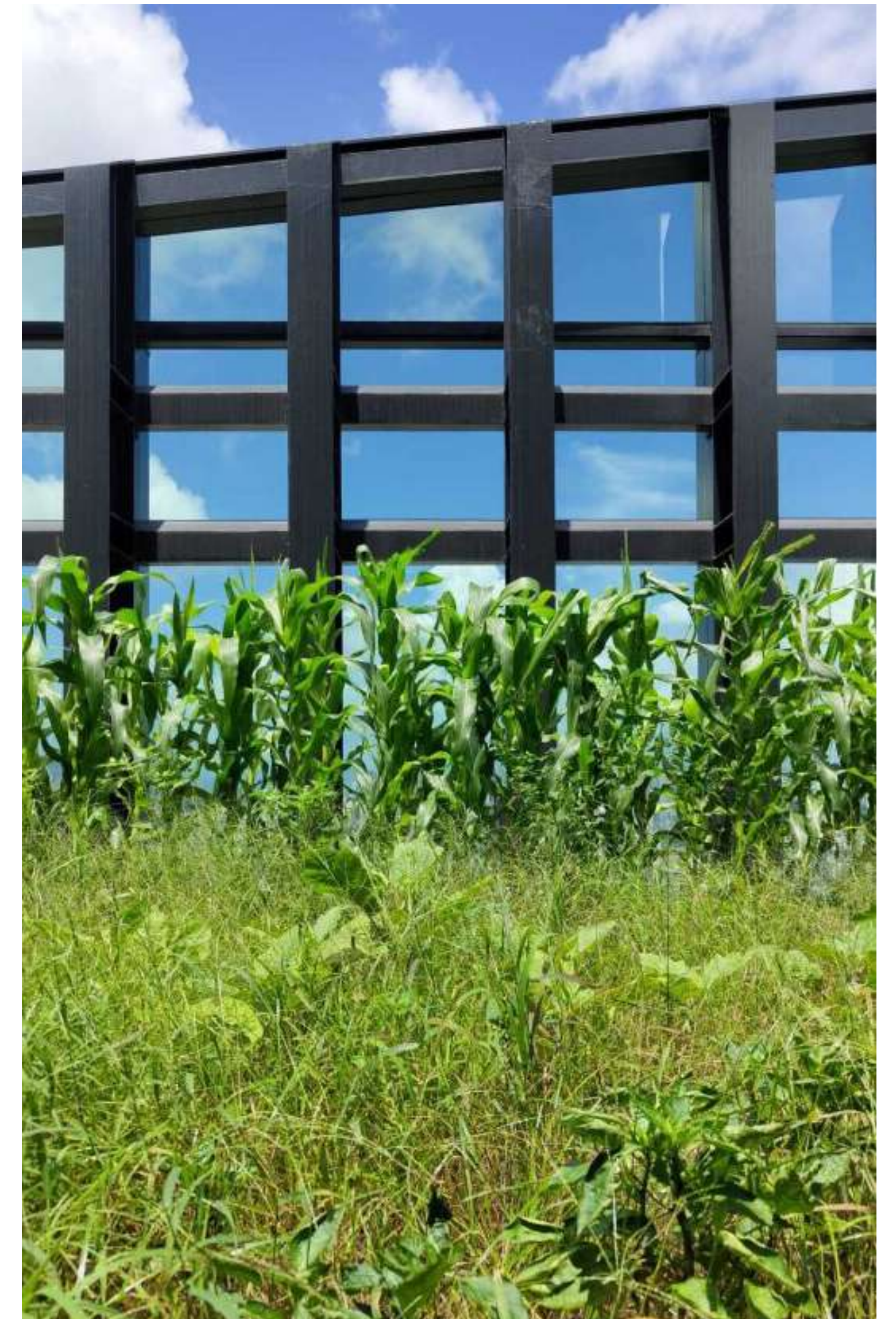


Governance: Our governance around climate-related risks and opportunities

The Board steers the overall direction of Nan Fung’s strategy and business development, including our sustainability strategy. They receive regular updates from the SEWIT Committee on strategic sustainability initiatives, including climate-related initiatives.

Our SEWIT Committee, chaired by the Group Managing Director and key members from the Board and the Executive Committee, oversees sustainability-related matters, including climate-related risk and opportunity management.

We utilise climate-related analysis, such as conducting scenario analysis, the findings and mitigation measures of which will be communicated with our SEWIT Committee to facilitate their understanding of climate-related risks and opportunities.



²⁰ The FSB is an international body that monitors and makes recommendations about the global financial system

Strategy: Identifying, assessing and addressing the actual and potential impacts of climate-related risks and opportunities

We recognise climate-related risks as emerging risks affecting our business success in the long run.

In 2022, we engaged an external consultant to assist us in identifying and assessing key climate risks faced by Nan Fung, taking a four-step approach to prioritise the relevant climate-related risks:



1. We first identified a list of climate-related risks and opportunities based on Nan Fung’s businesses and operating locations, with reference to industry and peer research.
2. We then conducted a workshop with senior management to shortlist climate-related risks and opportunities based on their significance to Nan Fung.
3. Shortlisted climate-related risks and opportunities were then reviewed and endorsed by the SEWIT Committee to inform Nan Fung’s future climate risk management strategy.
4. Based on the shortlisted climate-related risks and opportunities, a scenario analysis was conducted to assess their impact level and quantify financial impacts where appropriate.

The scenario analysis conducted focuses on eight material physical and transition risks and opportunities, with the following parameters:


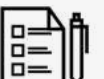




Location	<ul style="list-style-type: none"> • Hong Kong • China • United States • United Kingdom
Business Operation	Property business including properties under management and properties under development
Scenario	<p>Two climate scenarios by the Network of Central Banks and Supervisors for Greening the Financial System (“NGFS”):</p> <ul style="list-style-type: none"> • Current Policies scenario: scenario that assumes only currently implemented policies are preserved, leading to high physical risks, emissions are expected to grow until 2080 leading to about 3°C of warming and severe physical risks. • Net Zero 2050 scenario: scenario that limits global warming to 1.5°C through stringent climate policies and innovation, reaching net zero carbon emissions around 2050, leading to high transition risks.
Time Horizon	<ul style="list-style-type: none"> • Short-term: Current year to 2025 • Medium-term: 2030 • Long-term: 2050
Baseline	2022

Based on the analysis, we have identified climate risks and opportunities and their potential impacts below:

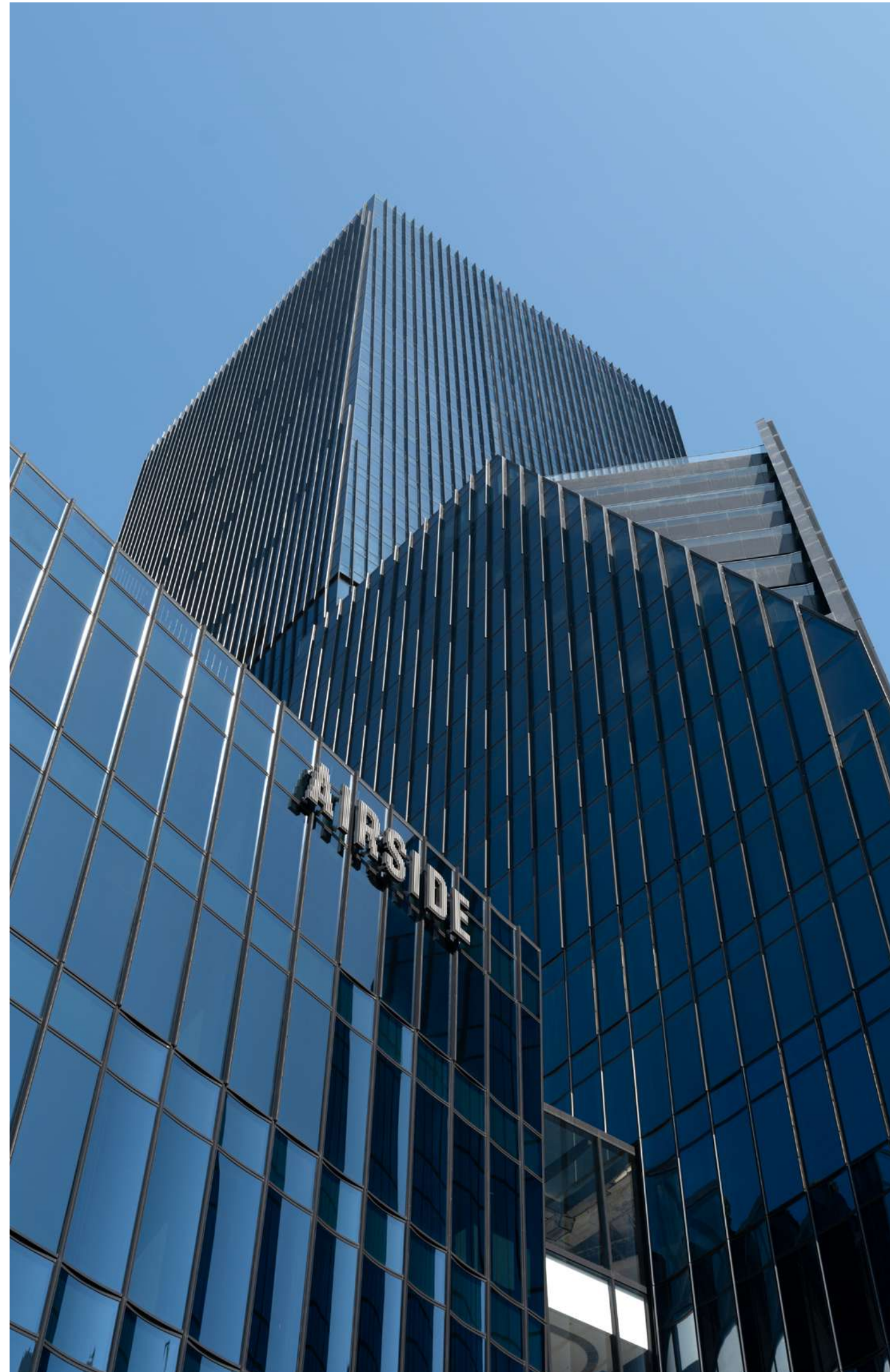
Physical Risks

Risks and Opportunities	Potential Impacts
 Tropical Cyclones	<ul style="list-style-type: none"> • Damaged building and assets leading to increased maintenance cost and reduced asset value • Potential capital expenditure to invest in climate-resilient design and coastal defence structure
 Coastal Flooding	<ul style="list-style-type: none"> • Potential increase in insurance premium • Operational disruption causing delay in project delivery

Transition Risks

Risks and Opportunities	Potential Impacts
 Carbon Pricing	Implementation of carbon pricing induces direct or indirect costs from Scope 1 and 2 emissions, such as increased cost for carbon-intensive materials
 Enhanced and Emerging Regulatory Requirements	More stringent building codes on energy efficiency and other environmental requirements increase building cost and operational expenses
 Supply and Cost of Raw Materials	More transition policies governing construction materials, leading to higher procurement cost
 Shifting Market Preferences	Growing preference for green buildings increases adoption of green building designs and features, leading to higher construction cost
 Low-Carbon Technology and Innovation	Higher commercial viability on green technology, leading to higher adoption and improved efficiency and reputation
 Increased Adoption of Renewable	Increased proportion of renewable energy in the electricity mix affects the cost of electricity





Risk management: Managing and addressing climate-related impacts

The profile and analysis results of our climate risks are reported to our SEWIT Committee, who would update the Board on key climate-related issues on a regular basis.

To actively manage risks arising from climate change, we regularly monitor climate-related risks and put in place mitigation measures to address these risks.

Physical risks

We continue to assess our buildings' resilience and implement climate resilience measures where possible.

In our latest flagship project, AIRSIDE, we adopt a higher ground floor level than the Kai Tak River water levels to avoid impact from overflowing riverbanks. Major plantrooms are also relocated to higher levels to minimise the potential risk from floodings. Furthermore, we have implemented other measures such as flood boards, flat valves, and sump pumps to mitigate the risks and damages from floodings as part of AIRSIDE's climate resilience strategy.

For new projects, we also look to increasingly incorporate climate resilience planning from the construction stage. An example is Jardine Court, our redevelopment project, we took into account various physical risks (e.g., heat stress, water stress, typhoons and landslides) during the pre-development stage. Practical mitigation and adaptation measures have been proposed to address identified physical risks, which may be applied during its future design, construction and operation phases.

Transition risks

To solidify our efforts in green buildings, we continue to adopt a lifecycle approach by incorporating sustainable building practices into all phases of our developments.

We have installed solar farms and walkable solar panels at AIRSIDE, the largest in scale for commercial buildings in Hong Kong, to address the potential risk of increased energy costs in the future.

We are also in the process of developing Group-level decarbonisation targets in line with the SBTi and aim to submit targets for approval by 2024 to accelerate our decarbonisation journey.



With the engagement completed in 2022, we will take the scenario analysis results into consideration when planning for our future resilience strategy to safeguard our business from different climate trajectories.

We will also begin looking into the need to integrate climate risks into our risk management procedures.

Metrics and targets: The metrics and targets used to assess and manage relevant climate-related risks and opportunities

Our Scope 1 GHG emissions were 24,915 tCO₂e and our Scope 2 GHG emissions were 87,845 tCO₂e during the reporting period.

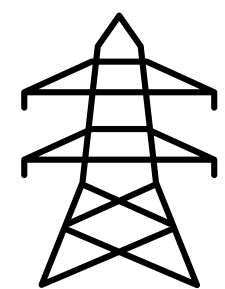
We will continuously expand the scope of our carbon reporting by covering other relevant business units.

We have begun establishing internal and departmental targets to reduce electricity consumption, adopt renewable energy and lower embodied carbon emissions for selected business units.

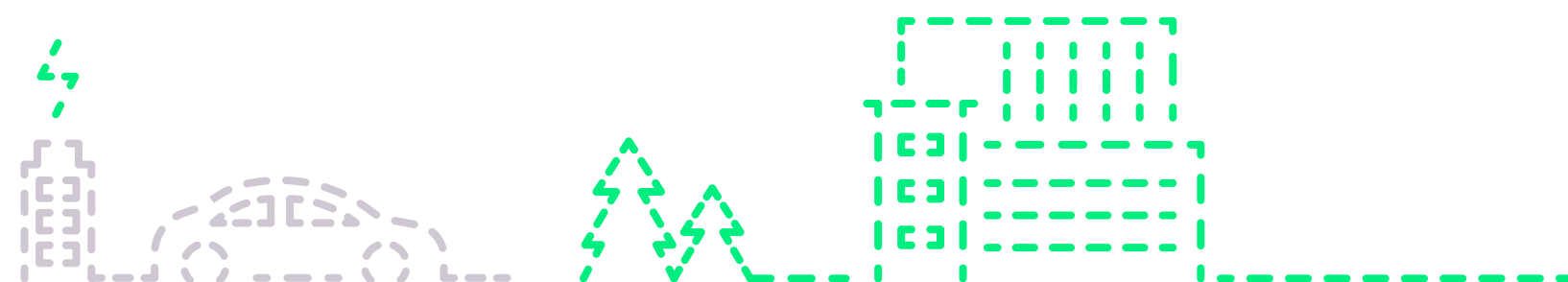
We have also committed to the SBTi to set ambitious carbon emission reduction and net-zero targets that align with the latest climate goals of the Paris Agreement. We will share the targets upon receiving validation from SBTi and continuously review our progress.



Scope 1 GHG Emissions
24,915
ton CO₂e



Scope 2 GHG Emissions
87,845
ton CO₂e



ENERGY EFFICIENCY

Material Issues:

- Climate adaptation and resilience
- Emissions
- Energy

Energy consumption is a major source of our environmental and carbon footprint. To ensure responsible use of energy, the Energy Management System of our construction arm is certified with ISO 50001 Energy Management System.

A specialised taskforce comprising management and technical managers was also established to track and manage our properties' energy performance.

Our energy consumption and intensity during the reporting period are shown in the table below:

Energy consumption	Unit	FY22/23
Total energy consumption	kWh	188,417,641
Energy consumption intensity ²¹	kWh/sq. m. GFA	53

To actively reduce energy consumption, we have put in place various measures:

Measures	Impacts
 Transition to cleaner fuel	Transitioning away from fossil fuel with electrification and adoption of renewable energy—we have begun switching from traditional diesel generator to Enertainers in our construction sites, which are expected to save 20 tCO ₂ e ²² emissions annually.
 Retrofitting and facility upgrade	Installing and/or upgrading to energy-efficient facilities where possible—we have also begun transitioning to light-emitting diode (“LED”) lighting in our premises and targeted to replace 85% of existing fluorescent tubes at the common area of all managed properties in Hong Kong.
 Digital transformation	Applying PropTech, such as AI and Internet of Things (“IoT”) powered building management systems, to facilitate energy efficiency—an example is the deployment of PlantPRO, an AI-based chiller plant optimisation solution, at TKO Plaza. The system was estimated to have reduced electricity consumption by over 14% year-on-year in 2022.
 Energy audit	Conducting regular energy audit for existing buildings to identify energy-saving opportunities—for China properties, we have completed an energy audit for Shanghai The Place and begun implementing energy-saving initiatives accordingly. We will also roll out energy audits for Nan Fung Tower, Le Rendez-Vous, and WPP Campus in 2023. We target to have 95% of eligible Hong Kong properties complete energy audits by 2025. ²³

Energy reduction targets are set for both our managed properties and construction projects, which are reviewed regularly to ensure progress is on track. We are currently analysing data trends and will further explore setting Group level targets in the future.

Renewable energy adoption



Adoption of renewable energy is another means through which we can exemplify our commitment to sustainability and decarbonisation. To transition away from fossil fuels and reduce our carbon footprint, we have begun installing solar panels, aggregate strides in recent years to increase the renewable energy generation. We had solar panels installed across seven properties and development projects, generating and selling an aggregate amount of approximately 561,046 kWh electricity during the reporting period.

Apart from the PV system at AIRSIDE, we are also installing solar panels on more properties, including our largest private residential development, Nan Fung Sun Chuen. Nan Fung Sun Chuen joined the HKSAR Government’s Feed-in Tariff scheme in 2022 for a contract period of 12 years. A total of 240 solar panels have been installed on the rooftop of 12 blocks, yielding multiple benefits including the provision of clean energy, cooling effect and a better utilisation of rooftop space. It is estimated that 140,000 kWh electricity will be generated each year, providing long-term, sustainable benefits to residents as well as the environment.

²¹ Energy consumption intensity refers to a measure of the amount of energy consumed per unit of Gross Floor Area (GFA) of our properties

²² GHG emissions are calculated with reference to the GHG Protocol published by the World Business Council of Sustainable Development and the World Resources Institute

²³ This target covers the 74 eligible properties (including residential and industrial properties) managed in Hong Kong

WASTE MANAGEMENT

Material Issues:

- Climate adaptation and resilience
- Emissions

Waste management across operations

We recognise the significant environmental impact resulting from the waste generated by our business operations.

To manage waste efficiently and minimise such impacts, we have developed a comprehensive understanding of our waste by tracking and analysing waste data, which enables the design and implementation of effective waste management.

We actively engage with tenants, customers, visitors and the community to promote and advocate for waste reduction and recycling efforts. Our focus on recycling and upcycling is fused into all aspects of our business. In property development, we have adopted recycling measures for construction materials to reduce the pressure on landfills.

Waste generated	Unit	FY22/23
Total waste generated	tonne	44,253
Waste intensity ²⁴	tonne/sq. m. GFA	0.01

Municipal solid waste

A significant portion of waste generated and municipal solid waste derived comes from managed properties. We have implemented key measures to alleviate this issue:

- Established a Resource Management & Circularity Taskforce to collect waste data from properties and implement initiatives to enhance resource recovery and recycling across operations
- Installing recycling facilities for a wide range of resources, such as paper, metals, plastics, glass, carton / cardboard boxes, batteries, clothes, electrical appliances and light tubes to encourage recycling in routine practice
- Implemented built-in automatic refuse collection systems (e.g., at AIRSIDE) to encourage tenants to separate recyclable waste from general waste

Food waste

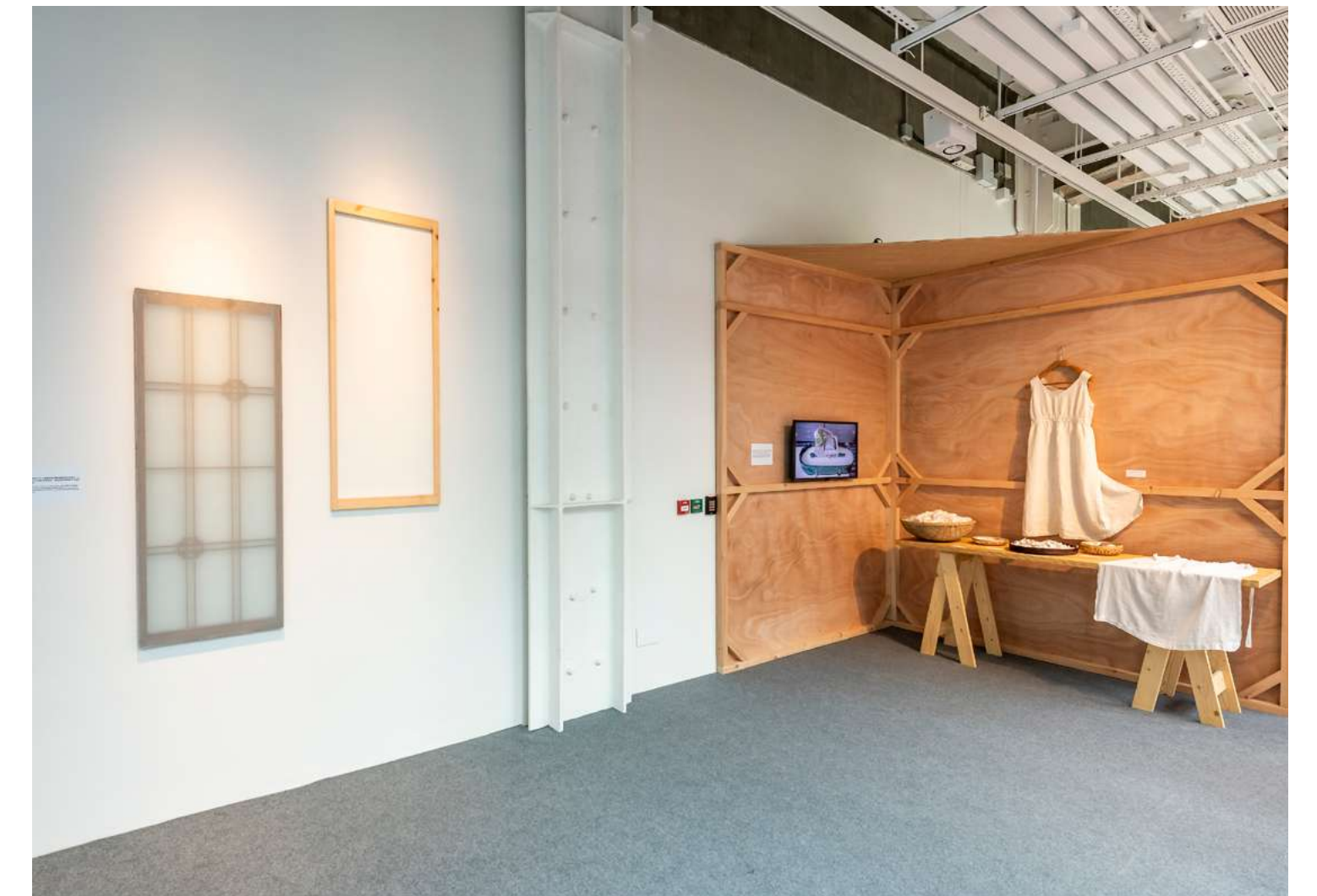
In November 2022, we piloted a food waste collection programme within office areas of the Group and at Nan Fung Place.

Food waste collected through the programmes is first separated based on their recyclability and transported to “O-Park1” for further processing. Since the launch of the programme, various food and beverage sector tenants have joined, and we will continue encouraging active participation.

In order to extend food waste reduction efforts to our communities, we have placed a food waste collection machine at the customer service centre of 33 Des Voeux Road West since August 2022, encouraging tenants and visitors to recycle food waste and further raise awareness within the community. The food waste recycling programme has collected more than 7 tonnes of food waste during the reporting period.

Non-routine waste generation

To minimise waste due to the change in exhibition settings, CHAT’s gallery spaces have adopted a reusable modular wall system as a versatile set-up to cater diverse spatial and aesthetic requirements by curators and participating artists. An example is the 2022 Summer Programme, *We are Textile Culture Net!*, where CHAT used the wall system as wall partition and shelving to reduce waste production.



CHAT gallery

²⁴ Waste intensity is a measure of the amount of waste generated per unit of Gross Floor Area (GFA) of our properties

Creating shared value in the process of urban development

As Hong Kong houses over 7 million people, tonnes of solid waste are generated every day. According to the 2021 Waste Statistics Report by the Environmental Protection Department of the HKSAR Government, the total quantity of solid waste disposed of at Hong Kong's strategic landfills amounted to 5.67 million tonnes.

At our residential project, Jardine Court, we have prevented the disposal of unwanted furniture, electronic appliances and plantations to the landfills by redistributing these resources to those in need. After conducting on-site inspection to make sure items were in good condition, they were sent to our network partners, including local schools, NGOs and others in need. Not only is this a better solution for the environment, but it also benefits the wider community by giving the furniture a new life, creating a real impact in making property development more sustainable.

We firmly believe that shared value could be created when we reconnect company's success with social progress, and that there are more furniture items that could be saved from landfills and instead given to those who need them. This is a perfect demonstration of how we could minimise negative environmental impact while simultaneously addressing societal needs and challenges.

Looking forward, we will continue to assess the after-life of and donate different discarded goods and items during the handover of acquired existing properties, subsequently improving the well-being of the community by providing them with essential items that may otherwise be unaffordable.

CASE STUDY



WATER MANAGEMENT

Material Issue:

Water resources

We aim to minimise our impact on the natural environment through reducing our water consumption and promoting water stewardship along our value chain. We have implemented a number of initiatives to improve water efficiency and manage discharge onsite.

Water consumption ²⁵	Unit	FY22/23
Water consumption	m ³	1,048,716
Water consumption intensity ²⁶	m ³ /sq. m. GFA	0.30

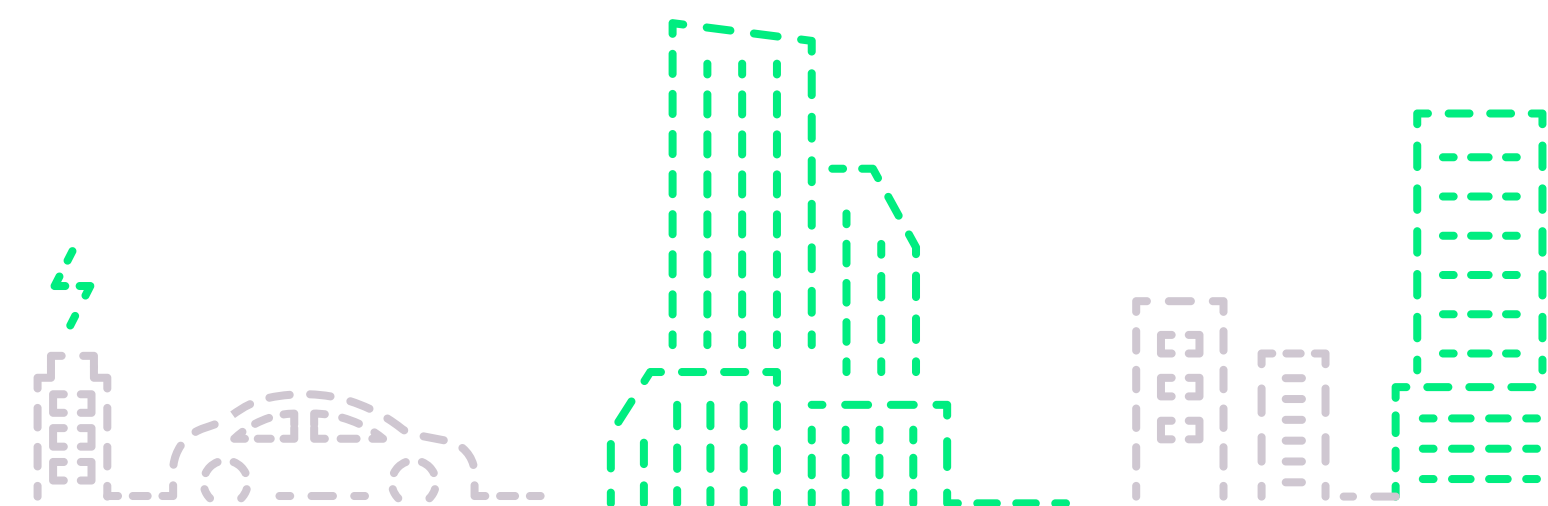
Our water consumption mainly arises from domestic use in our offices and managed buildings, as well as cleaning and dust control on construction sites, primarily sourced from municipal supply. We monitor our water usage on a regular basis, with efficiency measures in place to ensure efficient water use in our operations:

- Installing low-flow fixtures
- Installing automatic sensors
- Adopting rainwater harvesting system
- Reusing grey water for irrigation and cleaning

During the reporting period, 64% and 52% of our properties were awarded the Quality Water Supply Scheme for Buildings – Flushing Water and the QMS certificate Quality Water Supply Scheme for Buildings – Fresh Water (Management System) by Water Services Department respectively.

To reduce water consumption, targets are set internally for managed properties under ISO 14001. We target to obtain the Quality Water Supply Scheme for Buildings – Fresh Water Certificate and Quality Water Supply Scheme for Buildings – Flushing Water Certificate for 75% of eligible properties by 2025, and aim to install water saving devices at 75% of eligible properties by 2030.

To manage our discharge, we strictly follow relevant regulations to ensure our effluent complies with all applicable standards. We test our discharge practices against regulatory requirements annually, and wastewater at construction site is discharged with treatment. During the reporting period, no non-compliance case was recorded.



SUSTAINABLE FINANCE

Material Issue:

Sustainable finance and investment

Leveraging sustainable finance to drive sustainable development

To continue harnessing opportunities presented by the emerging green and sustainable financing landscape, the Group established the Sustainable Finance Framework (the “Framework”) in 2022. The Framework provides overarching criteria and guidelines for entering into Sustainable Financing Transactions (“SFTs”) that deliver environmental and social benefits in support of our sustainability vision, strategy and targets.

As of March 2023,

~45%

of the Group’s current bonds and loans were from green or sustainability-linked loan financing

²⁵ Full-year water consumption data for some of the managed properties in Hong Kong were unavailable to Nan Fung Group
²⁶ Water consumption intensity refers to the amount of water consumed per unit of Gross Floor Area (GFA) of our properties

INTEGRATING SUSTAINABLE PRACTICES ACROSS OPERATIONS

Material Issues:

- Climate adaptation and resilience
- Emissions
- Energy
- Waste
- Water resources

We believe that it is integral to align our vision to create positive environmental impacts within Nan Fung. Therefore, we have put in place sustainability-related environmental measures not only in our communities and properties, but also within our day-to-day operations, such as:

- Actively replacing company vehicles with electric vehicle models and tracking vehicle fuel consumption to reduce and offset carbon footprint
- Setting up and adhering to a sustainable procurement policy that encourages ethical sourcing, sustainable consumption of products and services and supplier selection and management against a stringent set of environmental and social requirements

Going forward, besides measures implemented for climate resilience, energy efficiency, waste and water reduction and sustainable finance, we will continue going the extra mile to incorporate sustainability in our value chain.





WELLNESS

We care for the well-being of our stakeholders, including our employees, customers, suppliers and neighbours with whom we share the communities.

We believe a sustainable and healthy lifestyle is a basic human need, and the knowledge and opportunities for such should be universally accessible. Our facilities and services strive to support this lifestyle whether at work, at home, or anywhere they enjoy quality time.

- EMPLOYEE ENGAGEMENT, HEALTH AND WELL-BEING
- CUSTOMER HEALTH, SAFETY AND WELL-BEING
- WELLNESS THROUGH LIFE SCIENCES
- WELLNESS FOR THE COMMUNITY

W in SEWIT



EMPLOYEE ENGAGEMENT, HEALTH AND WELL-BEING

Material Issues:

- Occupational health, safety and well-being
- Training and development

Employee engagement and satisfaction

To maintain open communication and better understand the voices of our employees, we conduct an annual Staff Engagement & Cross-Team Collaboration Survey.

The survey results inform the Group's overall strategy in formulating action plans to address areas of concern and improve overall employee engagement, which can ultimately benefit both the Group and employees.

To ensure the authenticity and impartiality of the survey, we have engaged a third-party consultant to conduct the survey. The survey had an 84% response rate and 90% of responded employees indicated that they believe in the Group's values and take pride in our efforts to make a positive impact in the world.



Employee well-being - RECESS workplace wellness programmes

We ensure our employees' well-being are covered in all aspects of their daily lives. Our RECESS workplace wellness programmes aims to strengthen the bonding between our staff and elevate their work life quality. Activities include weekly fitness workshops, health talks and interest classes. Various leisure facilities such as table tennis are also available in the office.

Outside of office hours, we have also organised the SEWELL Habits Programme, a 14-week health and lifestyle programme for all employees. The programme includes support from external fitness and performance coaches, where they help employees drive lifestyle changes and understand the positive impact of developing healthy habits.

The Mills Fabrica's wellness programme

The Mills Fabrica's wellness programme includes a plethora of health workshops and volunteering activities to facilitate a sustainable and healthier lifestyle for tenants and staff, including monthly yoga workshop for Fabricans, volunteering at NGOs and massage sessions.

Employee Assistance Programme

Our Employee Assistance Programme (EAP) offers a 24-hour hotline service for employees and their family members in need of support due to work, family, social, or other personal challenges. Guidance and practical advice are provided by an independent, trained professional counsellor from an external organisation.

Occupational health and safety

The safety of our employees is our number one priority and we endeavour to provide a safe, healthy working environment. We have a well-established health and safety management system certified with ISO 45001 for our property management business.

On a Group level, the Occupational Health and Safety Policy sets out our commitment to maintaining a safe working environment for employees by eliminating safety hazards and mitigating health risks.

During the reporting period, the Group recorded a Lost-time Injury Rate ("LTIR")²⁷ of 0.85.

Job safety training

We offer job safety training to employees and construction workers across our properties and provide dedicated training as needed.

In Shanghai, we provided heatstroke prevention training and cooling supplies to our construction workers during the hot summer of 2022.

In Guangzhou, we provided emergency safety training workshops and first-aid certification courses to staff members to minimise harm done under hazardous situations and equip them with necessary skills for handling health and safety emergencies.



²⁷ LTIR represents the number of injuries per 100 employees per year. It is calculated as "total number of injuries multiplied by 200,000 and then divided by total working hours". The factor 200,000 is the annual hours worked by 100 employees, based on 40 hours per week for 50 weeks a year

CUSTOMER HEALTH, SAFETY AND WELL-BEING

Material Issue:

Customer health, safety and well-being

At Nan Fung, ensuring safety, health and well-being is a top priority. We conduct risk assessments before commencing construction to evaluate potential risks, and regularly monitor building performance and equipment to maintain optimal conditions.

Upon the completion of construction, we continue monitoring building performance regularly, whereas equipment and indoor environments are kept in good condition. We also engage with licensed engineers and professionals to perform regular inspections in compliance with local statutory regulations and ISO standards.

Customer health and safety

We conduct regular assessments of the health and safety impacts of significant product and service categories to ensure continuous improvement. During the reporting period, 100% of significant product and service categories were assessed, and no significant incidents of non-compliance with regulations concerning the health and safety impact of products and services resulted in a warning, fine or penalty, were identified.

At Guangzhou Langham Place, we comply with the international system, Hazard Analysis Critical Control Point (“HACCP”), in which food safety at the hotel is addressed through analysis and control of biological, chemical and physical hazards from raw material production, procurement and handling, to manufacturing, distribution and consumption of the finished product.

LP10²⁸ recognised as the first WELL Pre-certified residential project in Hong Kong



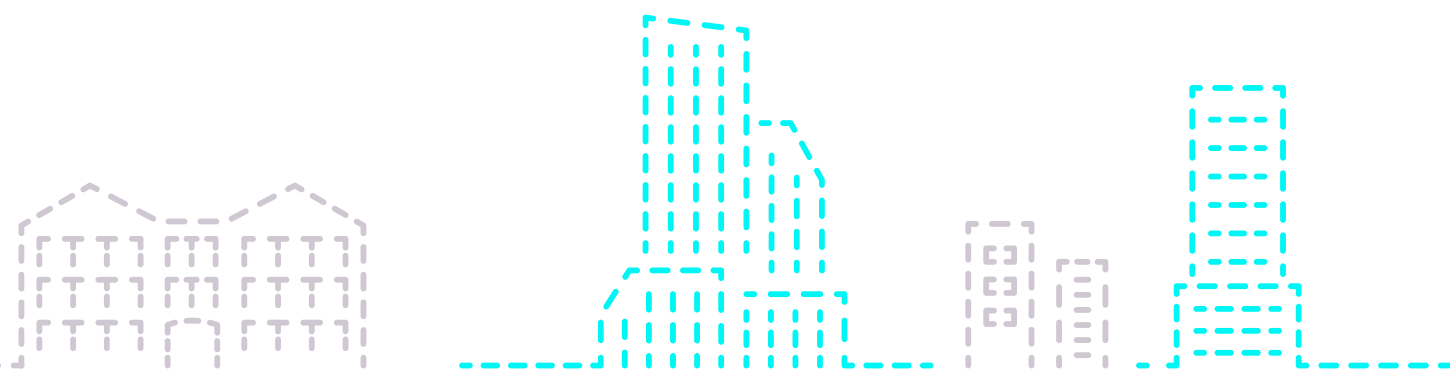
Other than pest control measures, newly installed interior wet-applied paints, coatings, adhesives, and sealants are all tested to meet methods and thresholds in standards or regulations for volatile organic compounds (“VOCs”) as mandated in WELL requirements.

Inspection and reassessment are conducted regularly to ensure practices are in accordance with WELL regulations and requirements. Nan Fung has plans to further expand WELL recognition for our portfolio, such as Shanghai The Place, WPP Campus, Le Rendez-Vous and Nan Fung Tower in the coming years.

LP10, our property development project in LOHAS Park in Hong Kong, is recognised as the first WELL Pre-certified project in the category of WELL v1 Multifamily Residential Pilot Building, and was awarded “BEAM Plus New Buildings (NB) - Provisional Gold” by the Hong Kong Green Building Council for demonstrating its approach to green living lifestyle for residents. Various green living features adopted in LP10 include the family farm and AI-powered air-conditioning system.

At LP10, we have put significant efforts in pest control measures in all indoor and outdoor spaces based on integrated pest management principles, using non-toxic pest control and less hazardous pesticides in regular cleanings. Personal protective gear is provided to our cleaning staff to reduce exposure to hazards.

CASE STUDY



²⁸LP10 is not owned by Nan Fung Group. A wholly-owned subsidiary of Nan Fung Group is engaged to co-ordinate and supervise the process of designing, planning, constructing, fitting out, completing and marketing

WELLNESS THROUGH LIFE SCIENCES

Material Issues:

- Customer health, safety and well-being
- Innovation and technology

Since 2017, we have been actively and systematically investing in various life sciences start-ups through NFLS.

With the mission that aligns with our guiding principle to “Do Good and Do Well”, NFLS strives to contribute to the common prosperity of people by investing across the entire value chain of the life sciences industry, ultimately bringing wellness through life sciences innovations.

NFLS is a global investment platform focused on innovation and growth in life sciences. With the diverse experience and long-term capital commitment from Nan Fung, NFLS is ideally suited to partner with scientists, entrepreneurs and thought leaders on drug discovery, development and growth opportunities.

Combined with a track record in company formation, venture capital and investment growth experience, NFLS seeks opportunities in long-term value for investors.



NFLS invests in Arctic Vision: Revolutionising eye care solutions for serious and common eye diseases

Eye-related diseases are common amongst people in the modern society. Serious eye-related diseases such as uveitis macular edema, corneal endothelial dysfunction and glaucoma are leading causes of blindness, while common eye conditions like presbyopia, progressive myopia and dry eye disease have been increasingly prevalent, impacting the health, safety and well-being of the people in communities. The prevalence of these eye-related problems calls for affordable, attainable solutions.

NFLS has invested in Arctic Vision Limited (“Arctic Vision”), a biotech company, that focuses on the development of innovative ophthalmic pharmaceuticals, biologicals and medical devices. Arctic Vision has brought to the eye healthcare market both game-changing therapies for serious eye diseases, as well as tech-enabled consumer eyecare products, both looking to benefit patients with relevant eye diseases.

CASE STUDY



WELLNESS FOR THE COMMUNITY

Material Issue:

- Customer health, safety and well-being

Aligning with our founder’s motto to “care for others as well as you would care for yourself”, we actively engage in initiatives with the community, organising and participating in various volunteering events with the aim of caring for all stakeholders.

During the reporting period, we accumulated a total of **4,629 hours of employees participating in volunteering events**, marking our determination to bring wellness to our communities.



Supporting the community amidst the fifth wave of COVID-19

During the COVID fifth wave in Hong Kong, we reached out to residents undergoing home quarantine to ensure they were well taken care of, both physically and mentally. Care packs with essential items were distributed to affected households; live webinar on post-COVID nutritional and traditional Chinese medicine advice was also held for over 100 nf HOMES members.



Bringing Smiles Back: Supporting young patients with cleft lips and palates in China

Since 2021, our team in China has organised various initiatives to raise awareness for and support young patients with cleft lips and cleft palates. A special surgery fund has been set up to make donations, aiming to provide surgery and support for young patients with cleft lips and cleft palates.

Leveraging customer loyalty platform to engage and drive consumers to take good actions

To increase public awareness towards young patients with cleft lips and palates, we have launched a campaign utilising the mall’s customer loyalty platform to invite consumers to show support for the cleft lip and palate surgery by donating points through the loyalty platform, which are then used towards funding surgeries for these patients.

CASE STUDY

Pedaling for a good cause

In November 2022, our team in Shanghai organised a 42-km charity cycling event initiatives for Shanghai-based employees, realising the SEWIT vision and encouraging a healthy and low carbon lifestyle. The event raised a total of RMB 55,000, with all proceeds donated to the fund to aid more young patients in need.

“I am grateful to Nan Fung Group and Shanghai The Place for launching this initiative, which not only helped 44 underprivileged families regain their smiles in 2022 but also stood as a reminder to focus on spreading joy, not just on smiling.”

Feedback from Future Smile Charitable Foundation





I in SEWIT

INNOVATION

We co-create with entrepreneurs in the market and cultivate an intrapreneurial environment for our own change-makers, continuously looking for new threads of knowledge to inspire meaningful disruptions.

- INNOVATING THROUGH IMPACT INVESTING
- ACCELERATING THE GROWTH OF POSITIVE ENVIRONMENTAL IMPACT
- GROWTH IN LIFE SCIENCES INDUSTRY
- TEXTILE INDUSTRY REIMAGINATION
- INNOVATING BUSINESS STREAMS



INNOVATING THROUGH IMPACT INVESTING IN THE PRIVATE MARKET

Stay abreast of market trends to inspire stakeholders through entrepreneurial collaboration

We are committed to maintaining our position as an industry leader by staying ahead of the market trends and industry practices.

Through collaboration with nurtured entrepreneurs, we cultivate an intrapreneurial environment that empower change-makers to explore the latest threads of knowledge and engage in meaningful discussions with the community.

Material Issue:
Innovation and technology



Nan Fung strives to leverage our investment and funding to scale up social impact through actively investing in innovative solutions. NF Trinity, Nan Fung's financial investment arm, actively seeks to invest in private market funds of various strategies and scales that support projects with meaningful social impact.

NF Trinity has established a clear ESG goal – to fully align with integrate the SEWIT framework into its investment decision-making processes and day-to-day operations, with the view to bringing positive social and environmental impact to stakeholders and communities.

NF Trinity's devotion towards SEWIT and sustainability is evident in its robust ESG integration approach with multiple key ESG considerations in its investment process, such as the inclusion of ESG-related factors in due diligence processes of potential investments.²⁹

²⁹ For further information on NF Trinity ESG governance structure, integration approach and other initiatives, please visit <https://www.nftrinity.com/sustainability/>

ACCELERATING THE GROWTH OF POSITIVE ENVIRONMENTAL IMPACT THROUGH AN ECOSYSTEM OF TECHSTYLE AND AGRIFOOD INNOVATORS

Material Issues:

- Community investment and engagement
- Innovation and technology
- Tenant and customer engagement

Launched in Hong Kong in 2018 and expanded internationally to London in 2021, The Mills Fabrica focuses on incubating and investing in sustainable innovators within the techstyle (the intersection of technology and lifestyle) and agrifood industries, driving positive social impact for future generations with like-minded entrepreneurs and strategic partners within the ecosystem.

Since 2018, The Mills Fabrica has invested in



The impact of investments is only discernible if the right measurement metrics are set in place. In 2023, The Mills Fabrica issued an **inaugural Impact Report**, demonstrating the impact that The Mills Fabrica has brought to society overall through its diverse investment project portfolio.

The 2022 Impact Report also highlights The Mills Fabrica's impact strategy and execution pathways, with the aim to put planetary thinking into impact measurement for its investment portfolio.



The Mills Fabrica's impact-driven investments

Fall Line Capital - Innovation in Agriculture Technology

To accelerate the growth of positive environmental impact through investing in innovations, The Mills Fabrica partnered with a U.S.-based, impact-driven farmland and AgTech venture capital investor, Fall Line Capital, via investments in their Altitude Fund, contributing to Fall Line Capital's mission to restore soil health and enhance the resiliency of the food production system. Investees of Fall Line Capital mainly address agricultural issues by investing into crop protection technologies to pests, as well as purchasing undervalued soil and actively managing for soil conservation.

Fall Line Capital has a stringent ESG policy in place and invests in U.S. farmland and technology companies with a positive impact on agriculture. Through the partnership with Fall Line Capital, The Mills Fabrica aims to exchange learnings on agricultural technology and sustainability alongside our fund partner, while enhancing our resilience against the climate crisis.

Michroma - Food and Ingredient Innovations

In addition to investments in Fall Line Capital, The Mills Fabrica also invested in a clean-label food ingredient start-up, Michroma, the winner of the FoodHack Summit Pitch Competition in 2022. Michroma employs biotechnology to produce innovative, sustainable clean-label food colourant as an alternative to traditional artificial food colourants. Michroma's biotech-derived food colourants do not pose harmful effects upon human consumption, as opposed to commercial artificial food colourants, which may cause hyperactivity in children. We believe this investment is a key step in bringing a sustainable and healthy lifestyle to the community in the future.

The innovation behind Michroma's clean-label food colourant uses precision fermentation, which benefits the environment as it requires less land, water and energy and reduces arable farming-related problems such as the use of chemicals and fertilisers. In supporting Michroma, The Mills Fabrica is essentially catalysing the consumer's journey to a healthier, safer and more sustainable alternative to traditional food ingredients.





Florian Wegenast
from Studio Florian & Christine, 2019 Sustainability Grand Prize Winner of “Techstyle For Social Good”

Fostering an innovation mindset and accelerating innovations for positive impact

The Mills Fabrica has always been dedicated to fostering an innovation mindset and accelerating game-changing innovations, which is critical for propelling sustainable development overall. Through Fabrica Lab, we sow the seeds of innovation for the general public by offering sustainability-focused educational workshops. Additionally, international student competitions are designed and hosted by The Mills Fabrica to foster the development and growth of techstyle and agrifood innovations, bringing the creations of students and recent graduates from prototype to commercialisation.

Fabrica Lab

Fabrica Lab provides sustainability-focused educational workshops to a diverse range of audiences, including the general public, primary and tertiary education institutions and commercial partners. The team employs innovative technologies to create workshops that inspire and engage individuals. In 2022 alone, Fabrica Lab has inspired over 500 individuals through a variety of workshops, including plastic bag upcycling and upcycled fabric wreath workshops. Cumulatively, we have upcycled over 200 plastic bags and over 250 preowned garments during the reporting period.

International Student Competitions: “Techstyle For Social Good” and “Central Saint Martins x The Mills Fabrica Prizes”

The Mills Fabrica is committed to supporting young innovators who adopt game-changing technologies to drive positive impact in the techstyle and agrifood industry. Our international student competitions, “Central Saint Martins x The Mills Fabrica Prizes” and “Techstyle For Social Good,” provide a platform for these innovators to showcase their ideas and get recognition. These competitions are judged by a panel of industry experts and world-renowned design academia, who evaluate the submissions based on innovation, impact on society and scalability.

Winners receive a range of support and resources, including funding, mentorship and access to flexible coworking spaces. The Mills Fabrica also organises events and workshops to bring together experts, investors and industry leaders to discuss and exchange ideas about the latest trends and innovations in the sustainable textile industry, providing further support to innovators. Since 2018, both competitions have attracted over 500+ submissions, with over 22 winners, and more than HKD1.8 million awarded.



Fabrica X – the innovative impact retail store

To inspire the general public and eco-conscious consumers alike, Fabrica X, The Mills Fabrica’s impact retail store, launched a campaign in July 2022 on ocean plastic waste by featuring a selection of sustainable brands with innovative products that use recycled plastic waste as raw materials.

Educational and experimental workshops

In addition to showcasing the possibility of innovative products, Fabrica X also offers a range of educational and experimental workshops to educate the general public on sustainability and how to live sustainably. It is now one of The Mills Fabrica’s educational arms whilst being able to support top innovations in the industry by showcasing and offering an avenue to build sustainable brands’ businesses and awareness.



Feedback from a visitor

“My 6-year-old daughter had a great time visiting the store and learning about plastic waste. She came away with a greater awareness of how we can reduce waste, even at home.”

Throughout the campaign period, 254 sessions of workshops were held.



The Ocean Material Recycling Workshop



Plastic Bag Upcycling Workshop – Cardholder



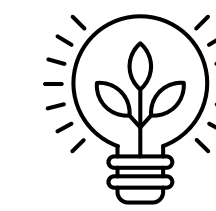
Plastic Bag Upcycling Workshop - Lamp



Plastic Bag Recycling Workshop – Christmas Ornaments

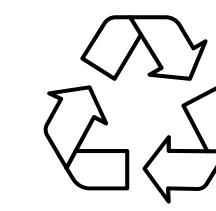


Plastic Bag Recycling Workshop - Christmas Lampshade



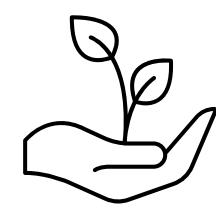
1,300

Workshop Participants



67%

Participants are more willing to practise reducing, reusing & recycling in their daily lives



73%

Participants gained a better understanding of the usefulness of plastic after the workshop

GROWTH IN LIFE SCIENCES INDUSTRY

Material Issues:

- Community investment and engagement
- Innovation and technology
- Training and development

Nan Fung fully propels the development of life sciences by investing across the value chain of the industry. Nan Fung Life Sciences (“NFLS”) identifies potential opportunities in the biotech field where needs are unmet, and source assets and global talents to meet market needs. Our experienced team will help support and build start-up companies from the incubation phase, through corporate strategy development and acquisition of new products.

NFLS provides support to various life sciences research centres and universities all over the world to support cutting-edge research led by professionals in the life sciences space, providing over USD 60 million seed capital across 11 incubatees while sponsoring over USD 12 million to more than 20 academic research projects.

NFLS investment in biotech start-up leads to breakthrough schizophrenia treatment

NFLS’s investment in Karuna Therapeutics, a biotech company developing novel drugs for treating psychiatric and neurological conditions, is one example. With financial and operational support from NFLS and other investors, the company can continue to develop new pipelines and undergo clinical trials to validate them. Recently, the company’s lead asset, KarXT, reported positive Phase 3 clinical trial results and is recognised as a breakthrough in schizophrenia treatment with the potential to shift the standard of care.

>20 academic research projects

were sponsored with over USD 12 million

USD 60 million

seed capital across 11 incubatees



Developing a successful career in the life sciences or biotech industries – Dialogue Series 2022



With the theme of “Developing a successful career in the life sciences or biotech industries”, Hong Kong Life Sciences Society’s Dialogue Series 2022 introduces a series of diverse panel discussions and webinars, providing insights on the crucial skills and techniques of building a successful career in life sciences, aiming to inspire and cultivate a new generation of life sciences and biotech professionals for the future.

Multiple distinguished guest speakers from the life sciences industry were invited to speak at sharing sessions in the Dialogue Series, where they have shared numerous insights and opportunities in biotech development in the Greater Bay Area, while also introducing the concept of ESG and the impact of sustainable finance on the life sciences and biotech industry. Discussion session topics also extended to career and work-related soft skills, such as introducing the power of networking and the benefits of visual communication in sciences, showcasing to participants the importance of all-round skillsets in building a successful life sciences career.

CASE STUDY



HONG KONG
LIFE SCIENCES SOCIETY
香港生命科技青年會

Creativity from the young minds - “The Scientist’s Brew” Project

“The Scientist’s Brew” is a brewing project coordinated by HKLSS interns of the 2021 and 2022 cohorts. In collaboration with a local beer brewery and a tea brewery, the project aims to bring science to the community through launching two local brews, alongside public engagement initiatives. HKLSS interns led the entire product development process, from desktop research, idea generation and ingredient selection, to partnership and collaboration. They applied innovative mindsets and infused new flavours and ingredients into traditional craft beer, bringing fresh ideas and taste to the market.

Following the launch, a pop-up store featuring the two beer products was set up during In Time Of’s “Halloween Festival: The Lingering Fine Wine” in October 2022 at Nan Fung Place. Over 500 visitors participated in the event, learning about the science and facts behind brewing facts through mini-games and workshops.

Feedback from a 2022 HKLSS Intern

“This project allowed me to apply my scientific knowledge and gain valuable experience in research, planning and organisation, which was a new perspective for me as a food science student.”



New flavours of craft beer by “The Scientist’s Brew” Project



Pop-up store at Nan Fung Place

TEXTILE INDUSTRY REIMAGINATION

Material Issues:

- Community investment and engagement
- Innovation and technology

Apart from connecting the community, CHAT within The Mills weaves creative experiences through multi-faceted programmes, such as exhibitions and co-learning programmes, as well as innovative textile offerings.

CHAT Originals

CHAT Originals are thoughtfully designed products, often produced in-house or in collaboration with prominent international artists and local collaborators and communities, aiming to present our visitors with meaningful souvenirs to continue the CHAT experience and enhance their ties with textile culture and heritage. CHAT Originals has partnered with different communities, including the retired fishery community in Sha Tau Kok, Japanese craftsman collective BUAISOU, Japanese textile design firm Nuno and local graphic designer Pop & Zebra, to create meaningful and impactful products.



Fishnet bag

The Fishnet Bag is a collaborative effort between CHAT and Hong Kong-based design studio Milk Design, with the support of retired fishery community in Sha Tau Kok, coordinated by YWCA Jockey Club Y Care Elderly Centre (Sha Tau Kok).

The bag is made with traditional hand-knotting techniques using waxed cotton string, with customisable straps assembled by the wearer themselves.



Tataki-zome silk bolero jacket, scarf and handkerchief

Made of a special Kyoto silk normally reserved for Japanese luxury kimono and designed by Japanese textile design firm Nuno, the unique leaf patterned fabric was developed through tataki-zome, a hammer dyeing technique.

The dappled pattern was created by hammering fresh indigo leaves directly onto the silk through a vinyl sheet, and the fabric is fully handmade and dyed with all organic materials. Dyed by the Japanese art collective BUAISOU, the fabric was exhibited during CHAT's Winter Programme 2022, *Absolute Blue: BUAISOU Works with Japanese Natural Indigo*.

At the end of the display, the silks were cleaned and tailored with the zero-waste concept in mind into a range of limited-edition jackets, scarves and handkerchiefs.

Following the success of the previous campaigns, we look forward to co-creating more innovative products in the upcoming CHAT Originals series.

Please visit CHAT Originals to discover the whole collection: <https://www.mill6chat.org/shop/chat-originals/>



Driving momentum in the sustainable denim industry and lead dialogues in next-generation material innovation

Since the 16th century, indigo dyeing was developed in the Far East and evolved into an iconic material for contemporary apparel. However, denim as a material has received backlash as a culprit contributing to high emissions and directly associating with climate change concerns.



In view of such, we organised the “Denim Futures”, a 2-day conference and showcase in September 2022 hosted at The Mills Fabrica, with the objective of knowledge sharing with industry partners about the sustainable denim industry. We invited over 14 denim manufacturers, suppliers and brands to showcase their latest innovations and products relating to denim, together with 29 innovators, trend-setters and industry experts to share the latest technology on sustainable materials, next generation fibres, fabrics beyond cotton, as well as art dyeing technology that makes denim less emission-intensive. The event provided an opportunity for individuals and businesses to explore collaboration, with a total of approximately 460 attendees.



Innovative showcases by The Mills Fabrica UK

In May 2022, The Mills Fabrica in the UK organised a one-week programme of curated showcases in partnership with London Craft Week 2022. Together with 17 innovative speakers from brands and start-ups, talks and panels were organised to explore material innovation through the proliferation of biomaterials in sustainable textile and their applications, as well as trailblazing solutions that create a better planet.



Owing to our global network of high-potential innovators, The Mills Fabrica became one of the official nominators for the Earthshot Prize in 2022. The Earthshot Prize is the most prestigious global environment prize in history, aiming to find new solutions to the world’s biggest environmental problems. We nominated 40 start-ups from our portfolio and wider network, of which Ampd Energy was shortlisted as one of the 15 finalists out of over 1,000 nominations. It specialises in building compact, fully electric battery energy storage systems to replace diesel generators that power the world’s construction.

Notpla, the winner of the ‘Build a Waste-Free World’ Category in Earthshot Prize 2022, specialises in providing seaweed packaging as a sustainable alternative of single-use plastic and was also showcased in Fabrica X London.

With our industry network and innovative mindset, we continue to be invited as a nominator in 2023 to identify start-ups with potential. We look forward to continue accelerating innovations alongside ecosystem partners.



Talks and Panels from the innovators behind trailblazing solutions creating a better planet

INNOVATING BUSINESS STREAMS

Material Issues:

- Innovation and technology
- Tenant and customer engagement

Beyond innovations for our communities, we also actively seek to enhance our businesses and operations through innovations in our business stream.

The Nan Fung Group Chairman’s Award is an internal case competition that calls for innovative ideas for enhancing Nan Fung’s business operations, aiming to promote an innovative and creative corporate culture.

Employees are encouraged to propose new ideas that solve problems effectively and improve work efficiency, or propose innovative and creative business plans. Prizes are awarded for outstanding proposals, and proposals that are eventually adopted by Nan Fung are given project start-up capital for development and implementation.

Net Positive Lease – Collaborating with tenants, employees and community partners to achieve environmental and societal goals

We are dedicated to investing in the people, communities and environments we work within. Especially as a landlord, we are committed to empowering tenants to be net positive when they choose to operate at our spaces.

We have introduced the Net Positive Lease to this front, an incentive-oriented approach that brings together tenants to create a long-term positive impact for society and at all scales. Nan Fung will work closely with tenants to provide support and solutions, such as measuring and sharing environmental and social data, setting targets, celebrating joint achievements, to achieve our common goal of a greener tomorrow.

On the environmental front, we aim to share summary reports with each individual tenant on their environmental performance, alongside carbon audits and advisory services, to continuously measure and improve their environmental performance in the long run.

On the social front, as part of Net Positive Lease, we conduct location-based materiality assessments to understand material issues on a property and location-specific level. Through conducting impact measurement assessment, we measure and report the social impact measurement data arising from programmes curated according to identified material issues.

As at March 2023, 9 tenants have committed to the Net Positive Lease, representing approximately 9%³⁰ of the Group’s LFA among our major properties in Hong Kong.

Participating tenants range from those in the food & beverage, retail and consumer goods industries, with more tenants to join us as we continue to expand the Net Positive Lease network.



CASE STUDY

³⁰ Measured by occupied lettable floor area (“LFA”) of office and retail portfolios at 100% basis comprising 33 Des Voeux Road West, AIRSIDE, Nan Fung Place, Nan Fung Tower, The Mills, TKO Plaza



Impact made handy with NF Touch: A new engagement tool facilitating sustainability, wellness, community and education

Nan Fung launched NF Touch as one of the Group's tools to engage with customer, tenants and communities. The mobile application, designed to create a single member identity for each user across the Group's platforms and portfolio, was built with cloud technologies and best-of-breed customer relation management (CRM) platform, serving as a valuable channel to understand and reach out to our stakeholders.

NF Touch looks to promote a healthier, more eco-friendly lifestyle by providing various incentives and is one of the first membership applications in Hong Kong with a sustainability and community edge. Members can earn NF Seeds via simple acts that promote green and healthy living, such as walking, practising yoga, or recycling waste. With a user-friendly interface, members can swiftly register their green actions with the app and earn NF Seeds, which can be converted into support for various NGOs and contributed to good causes. In addition, NF Touch allows for a seamless integration with fitness apps and gadgets, enabling members to convert health data, including step count, walking distance, exercise duration and sleep data, into NF Seeds, contributing to the app's overarching goal to advocate for a healthy lifestyle within the NF Touch community.

The AIRSIDE 2022 Christmas market serves as a prime example of NF Seeds in action: with a focus on sustainability and community engagement, the market was organised with SEWIT in mind, featuring general and food waste recycling bins, reusable utensil rental service, and pop-up shops hosted by community partners like Gingko House. Upon completing any of the aforementioned actions, market-goers can collect NF seeds simply by scanning corresponding QR codes, which can then be shared with NGOs. NF Touch stands as a pioneering platform that amplifies kind acts and inspires a culture of doing good.



Nan Fung impact network

Echoing our vision to turn purpose into impact, we created the Nan Fung Impact Network as part of the NF Touch ecosystem—a network of small to medium-sized businesses who share our vision for sustainability and are not necessarily part of the Group's portfolio tenants, including cafes, zero-waste stores and wellness operators. Invited to join as an Impact Partner of the NF Touch ecosystem, these partners expand the overall Nan Fung network, widening our impact reach as members are now able to earn NF Points and NF Seeds across a wider selection of eco-conscious businesses.



Green explorer

NF Touch has debuted the Green Explorer mobile game as a gamified, sustainability education tool for learning about biodiversity. Customer can scan the AR code to unlock different animal features and complete the missions to earn NF Seeds.



T in SEWIT

TECHNOLOGY

We harness the power of technology to convert knowledge into applications and create ideal products and solutions to benefit mankind.

We are committed to investing in technologies that sustainably create social and financial returns.

- ENHANCING CUSTOMER ENGAGEMENT THROUGH TECHNOLOGY ACROSS OPERATIONS
- DRIVING BUSINESS INNOVATION WITH DATA ANALYTICS
- BENEFITING THE COMMUNITY WITH TECHNOLOGY



ENHANCING CUSTOMER ENGAGEMENT THROUGH TECHNOLOGY ACROSS OPERATIONS

Material Issues:

- Innovation and technology
- Tenant and customer engagement

Technology, alongside the Innovation pillar, plays an integral role in Nan Fung's SEWIT strategy. Actively exploring the potential to implement new technologies, we made various investments and adopted new PropTech solutions across our assets during the reporting period.

We strive to put in place technology solutions across business operations to provide seamless user experiences to customers, tenants and visitors.

Building construction technology

At the planning and design stage of our property development, BIM is used to enable proactive offsite coordination among parties to minimise potential abortive works on-site, thereby reducing our impact on the environment.

During the construction stage, we studied the use of a radio frequency identification ("RFID") tracking system to enhance site management, logistics control and traceability for a higher degree of accountability.

The RFID application for property development enables the implementation of "just-in-time" construction for immediate use and installation, particularly for small project sites with no space for construction staging. This minimises off-site and on-site storage, increasing site working space and enhancing work progress. Furthermore, RFID adoption improves supply chain monitoring: by tracking building elements from factory to site and linking them with BIM, the technology allows for a real-time overview of site progress and supply chain status that can be easily accessed online. This also enables the Clerk of Works to inspect work done by specific workers on-site, thereby heightening workmanship accountability.

In 2021, we conducted a RFID feasibility study on just-in-time construction for one of our commercial development projects – an idea that came from a proposal that won Second Prize in Nan Fung Group Chairman's Award 2021. Looking ahead, we plan to expand the application of PropTech on Nan Fung projects to streamline processes, optimise construction logistics management and maintain rigorous quality control.



Intelligent building management

For the Group’s property management business – we actively implement IoT by deploying smart systems at managed properties to enhance energy efficiency and tenant comfort. Within Nan Fung Tower, IoT enhancements to optimise operational efficiency and provide better customer experience include:

- Installation and implementation of smart sensors in toilets
- Cleaning robots
- UV-C Smart Disinfection Stations
- Sensors for air conditioning systems
- Flooding sensor leakage detection systems
- Traffic and footfall systems

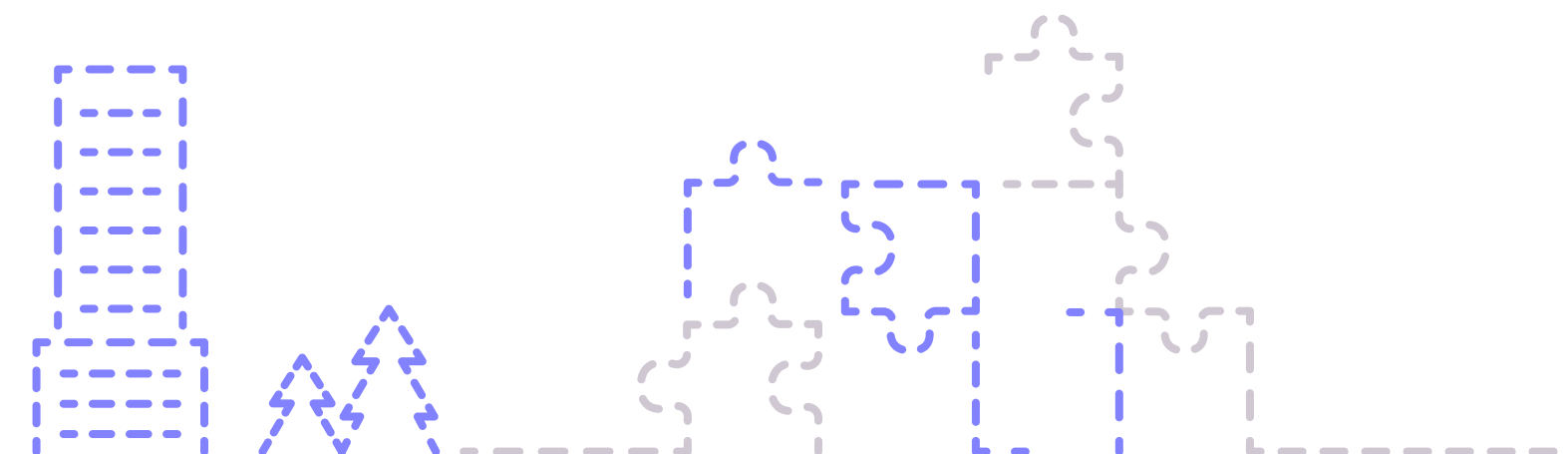


Incorporating IoT technology into property management enables the provision of superior customer service by addressing customer needs promptly and efficiently. These smart systems not only optimise operational efficiency but also contribute to our sustainability endeavours, reducing our carbon footprint and minimizing our environmental impact.

Meanwhile, TKO Plaza adopted an AI centric building management system, AI footfall system and real-time smart power meters to optimise energy efficiency across the site. We are working to boost IoT utilisation by establishing an IoT library, accessible by different properties to encourage knowledge sharing across the Group’s portfolio.

Other than in-built systems, we actively collaborate with third parties to explore technological solutions. For example, our property management team worked with CLPe in enrolling over 70 buildings under our management to “Building Portfolio”, an intelligent solution combining big data analytics with energy efficiency potentials to analyse energy consumption patterns and evaluate potential savings with real-time energy and sensor data.

Furthermore, AIRSIDE has adopted a real-time digital platform alongside integrated building management technology to facilitate data-driven energy management and provide customised insights and data for reporting through dedicated tenant portals.



Virtual safety training for employees



Nan Fung actively looks for opportunities to apply new technologies to support our employees in their day-to-day work. We have introduced virtual reality (“VR”) technology into our occupational safety and health training modules for our property management arm, which enables employees to practise safety procedures in simulations of various realistic scenarios, including scenarios of using gondolas, scissors, ladder platforms, metal scaffoldings and working platforms.

The use of VR technology received positive feedback from participants, and we subsequently expanded its use to security training modules covering topics such as daily patrol work and fire extinguisher usage to enhance safety awareness amongst newly-joined frontline security staff.

DRIVING BUSINESS INNOVATION WITH DATA ANALYTICS

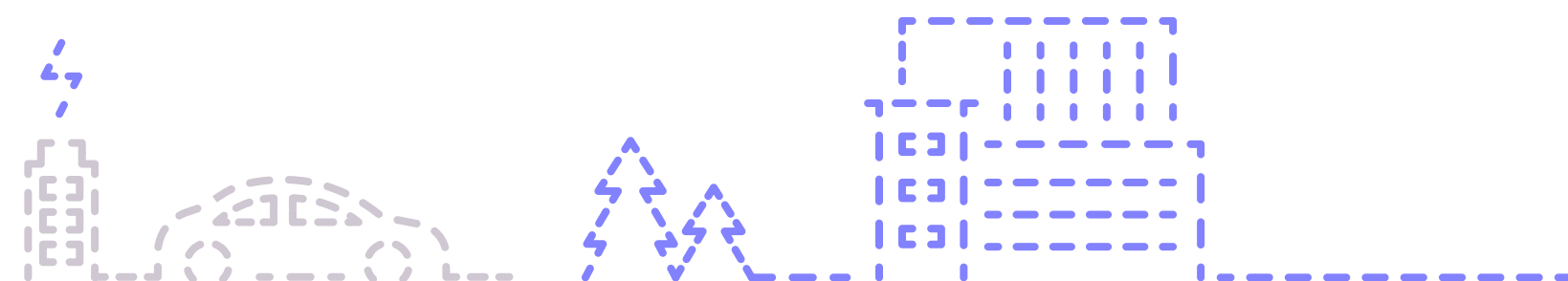
Material Issue:
Innovation and technology

Nan Fung Group's new global property research & analytics arm drives business innovation through data-driven insights

The Global Property Research & Analytic ("GPRA") team was established in early 2023 focusing on the Group's real estate business.

Harnessing the expertise of data scientists, GPRA seeks to drive business innovation through insightful analyses of market trends and data. To foster collaboration and ingenuity, GPRA held design thinking workshops to brainstorm and co-create data initiatives with business teams.

Additionally, GPRA leverages the power of artificial intelligence and machine learning to refine and enhance investment decisions. Through these methods, GPRA is devoted to developing a long-term strategy that champions data-informed decision-making for the Group.



Improving energy efficiency in commercial buildings with EPC rating analysis

The Minimum Energy Efficiency Standards regulations in the UK set a minimum energy efficiency level for commercial buildings and outline the timeline for implementing minimum Energy Performance Certificate ("EPC") rating requirements, which will also rise from Grade E to Grade B by 2030.

To assess and identify potential commercial buildings with energy performance ratings to improve and comply with the upcoming minimum efficiency standards in the UK, we have kickstarted a pilot EPC Rating Analysis utilising and applying data analysis tools such as website data scraping, data cleaning, and data structuring for visualisation. The exercise provided useful information and insights, facilitating proactive engagement and the identification of suitable acquisition opportunities.



CASE STUDY

BENEFITING THE COMMUNITY WITH TECHNOLOGY

Material Issues:

- Community investment and engagement
- Innovation and technology

At Nan Fung, the implementation of latest technology goes beyond the benefit for our operations and employees. It reaches out to our communities as well, enabling us to share our fruit in technological development, benefiting different aspects of our community.

Nan Fung Life Sciences: Transforming Lives Through Innovative Research Funding



Copper is a vital micronutrient that plays an important role in many cellular functions and is particularly critical during early childhood and development. Menkes disease is an extremely rare and inherited fatal condition due to a lack of copper in the brain and other organs. The underlying cause is the mutation of a gene required for the normal absorption and distribution of copper throughout the body. Children with Menkes disease often experience severe symptoms including slow growth, weak muscles, drooping facial features, intellectual disabilities, characteristic brittle and steely hair. It is among the most devastating neurodegenerative diseases as these children typically die within several years after birth despite their families providing constant care and medical attention. There are currently no approved treatments for Menkes disease.

In September 2021, NFLS provided research funding to the Texas A&M University System and Engrail Therapeutics (“Engrail”), a company formed through the investment of NFLS, licensed rights to use a substance called elesclomol for the treatment of disorders related to copper in the body’s cells. Further, this investment has allowed Engrail to initiate and advance the development of ENX-103 (elesclomol-copper), with the ultimate goal of saving and improving the lives of children with Menkes disease.

Shortly after the NFLS investment and Engrail’s licensing transaction, a family in Spain was able to gain exceptional-use authorization from the Spanish government for the treatment of their 20-month old infant with Menkes disease with an investigational combination of elesclomol and copper. Today, this child is nearing 40 months old and has demonstrated promising improvements including normal cognitive functioning and the ability to walk unassisted. It is uncommon to see a child with Menkes disease positively progress like this. Since then, several other children with Menkes disease have started therapy with the investigational combination of elesclomol and copper with the hope that these results will be replicated.

The impact of NFLS’s grant and Engrail’s license has been profound for the family and has raised tremendous excitement among those suffering from Menkes disease. Looking forward, NFLS is excited to help fund and advance promising science, especially in diseases with extremely high unmet need.

CASE STUDY

LOOKING FORWARD

We are delighted to release our inaugural SEWIT Report demonstrating our commitment and contribution to building a sustainable, resilient society and creating positive impact on all fronts.

We understand that climate change is a global threat to various aspects of the environment, society and economy, and could put our business operations and the community at risk. On the other hand, the impacts of climate change present an opportunity for Nan Fung as a company to innovate and rethink current processes and operations, and incorporate the SEWIT mindset into business lines to sustainably and systematically work towards a resilient future.

To fully integrate sustainability into our business lines, we are committed to adhering to our core values and cultivating a culture of trust, compassion and empowerment. We will extend our reach to support the well-being of our stakeholders by offering facilities, services and initiatives that support a sustainable and healthy lifestyle. Furthermore, we will provide an environment that enables communities and entrepreneurs to create new solutions and amplify positive impact through pioneering innovations and technologies.

We are dedicated to maintaining a high degree of transparency in disclosing our emissions and other environmental performance data. Having committed to the SBTi, we will work towards the soon-to-be approved targets, while mitigating climate-related risks and seizing any opportunities that may arise. We will continue to utilise various impact measurement tools to measure our impact on society and the environment, holding ourselves accountable as we understand our actions and impact are fundamental to making progress and creating meaningful impact.

As we look ahead, sustainability will remain a top priority, and we remain committed to driving progress and innovation in the years to come. With the publication of our first SEWIT Report, Nan Fung will continue to review and report on our progress as we make confident and thoughtful strides towards a prosperous and sustainable future, guided by Nan Fung's evolving sustainability foundation.



ABOUT THIS REPORT

Reporting period and reporting scope

This SEWIT Report marks the first sustainability report published by Nan Fung Group, providing a full and balanced overview of Nan Fung’s material topics, impact and performance during the reporting period from 1 April 2022 to 31 March 2023.

This Report covers all of Nan Fung’s core operations, including property development and management, life sciences and investments, where Nan Fung has operational control in its key operating markets in Hong Kong, Mainland China, the United Kingdom and the United States. This Report encapsulates information and data related to sustainability at its best availability and looks to provide insights into Nan Fung’s sustainability efforts during the reporting period.

Reporting framework

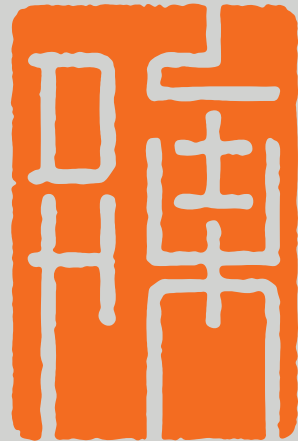
This Report has been prepared in accordance with the Global Reporting Initiative Standards (“GRI Standards”) and its latest Universal Standards 2021, providing readers with consistent comparability in information and data across future SEWIT Reports published by Nan Fung. Since this is the first SEWIT Report issued by Nan Fung, no restatements of information were required.

External assurance

We have obtained external independent assurance for the contents of this Report. Hong Kong Quality Assurance Agency (“HKQAA”) was engaged to provide reasonable assurance and ensure the Report was prepared in accordance with GRI Standards and its latest Universal Standards 2021. The scope of work carried out by HKQAA is set out in their verification statement.

Contact us

We welcome your feedback and suggestions on our sustainability performance at SEWIT@nanfung.com.



THE D. H. CHEN FOUNDATION

THE D. H. CHEN
FOUNDATION

Compassion 慈 之以行
in Action

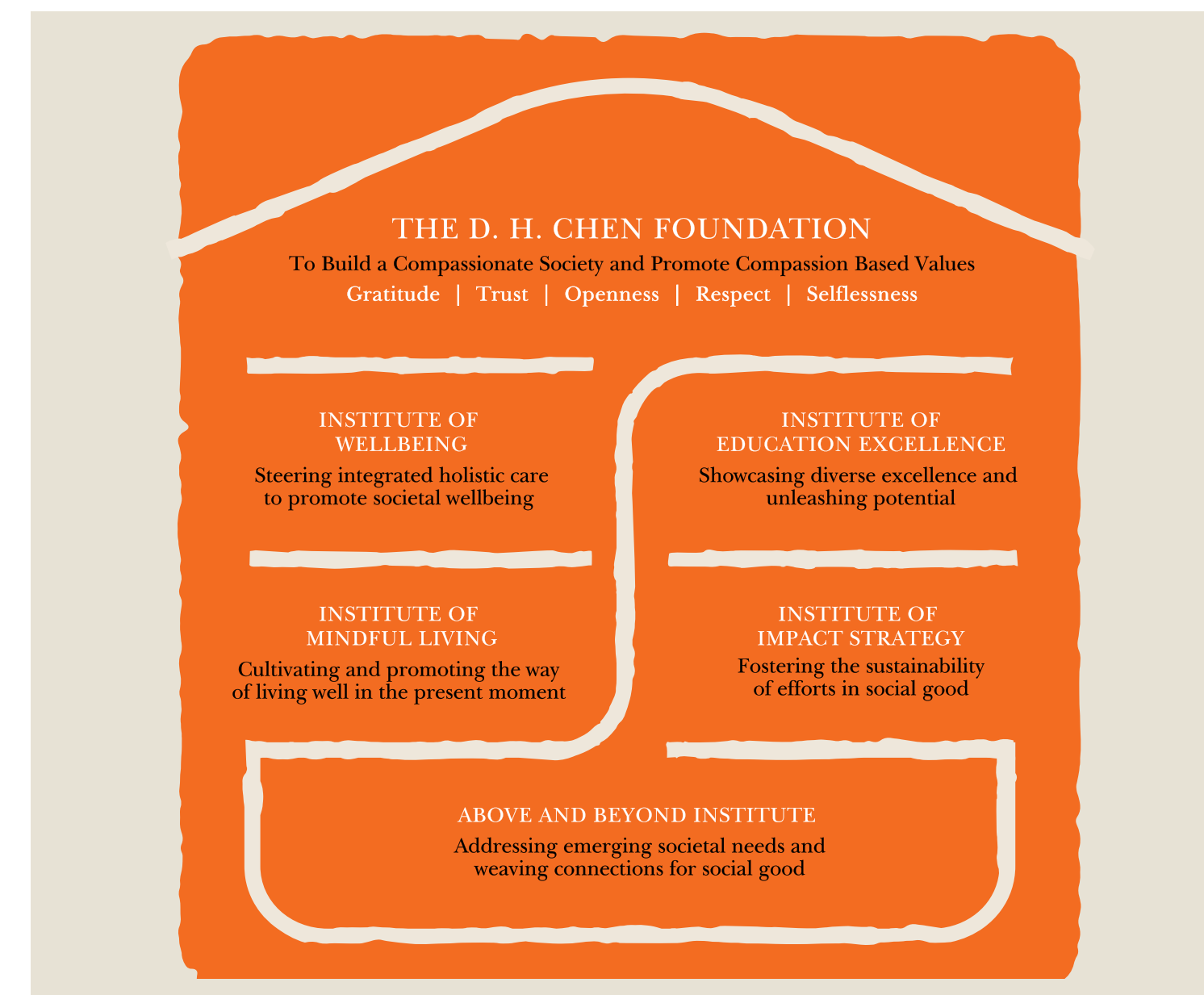


As the philanthropic partner of the Group, The D. H. Chen Foundation (“the Foundation”) is a private family philanthropic trust established in 1970 by Dr. Din Hwa Chen, an ardent philanthropist whose vision of supporting community initiatives continues to drive the Foundation’s work to this day. Dr. Chen is also the Founder of Nan Fung Group.



Over the past decades, the Foundation has been supporting numerous community initiatives to promote compassion-based values. Aspiring to build a compassionate society, the Foundation has been endeavouring to steer innovative, impactful and sustainable initiatives to realise Dr. Chen’s philosophy, “Care for others as well as you would care for yourself.”

As an organisation embracing the values and learning culture, the Foundation acknowledges and supports Nan Fung’s SEWIT framework. By creating and supporting innovative, sustainable and impactful community initiatives, the Foundation promotes Trust, Respect, Selflessness, Gratitude and Openness that all contribute to its vision – to build a compassionate society together. To cultivate these values, the Foundation’s work spans five institutes through collaboration with like-minded partners:



Going forward, the Foundation will continue to accelerate the forging of a compassionate society, and translate financial, intellectual and social capital into sustainable strategies that enhance impact.

CASE STUDY

“Project Fuel not only provided timely financial support during the pandemic but also created a community of inspiring individuals with practical wisdom for social innovation, and facilitated long-term collaborations among various organisations. Being a member of this project is a privilege and an honour for us.”

Feedback from an awardee

Project Fuel: Capacity building programme for nonprofits

The COVID-19 pandemic has exposed the needs of Hong Kong’s small-sized nonprofits. The Foundation has been supporting these organisations through Project Fuel, a programme providing core operational funding and capacity-building opportunities to small-sized nonprofits to be more resilient and collaborative against adversity.

In addition to financial support on core operational expenses, a Fellowship Programme, co-developed by participating organisations, has provided a mutual learning and peer-supporting platform to network and facilitate long-term synergistic collaborations among participants. In 2020-2023, more than 120 staff amongst the 50 nonprofits attended the Fellowship Programme. As a community built on trust and openness, many members shared their challenges, vulnerable moments and possible solutions with others.

Project Fuel has received over 530 applications and a total of 50 organisations was awarded across three cohorts, with each awarded organisation being funded up to HK\$750,000.

Compassionate Children Programme: Promoting compassion-based values in school-based curriculum

The Foundation believes that compassion is an integral element that should be incorporated into current school-based curriculum, to help children develop values of gratitude, trust, respect, openness and selflessness.

The Compassionate Children Programme, founded by the Foundation in 2020 and curated by School of Everyday Life, integrates experiential learning components into a school-based curriculum to plant seeds of compassion-based values in primary school students. Students are encouraged to think about life values and the interconnectedness between inner self, others, the environment and the world. Through personal encounters and reconnecting learning to everyday life, the programme provides students with an inner compass for their life orientation. The programme reached a total of six primary schools, 1,440 students, 360 teachers and 1,440 parents.



Weaving of Wellness – Seniors Mutual Help Development Project: Community network for dignified aging



Since 2019, the Foundation has supported The Hong Kong Sheng Kung Hui Tseung Kwan O Aged Care Complex on a three-year time bank programme, “Weaving of Wellness – Seniors Mutual Help Development Project”, which aims to enable self-help and mutual help in the community through leveraging the multi-faceted talents of the older population. The time bank programme advocates for the concept of “Prosumer”, encouraging older adults to move beyond stereotypical roles as service users and consumers, and also become “producers” by discovering and utilising their talents to serve the neighbourhood. This time banking model effectively weaves together a resilient social network for older populations and their caregivers, incorporating the “social prescribing” model to address elderly needs holistically.

A total of 18,024 hours were accumulated since the launch of the time bank. Up until the end of 2022, the programme has a total of 823 members, with over 70% of members aged 70 or above. Through the programme, the Foundation looks to build a social support network to enable older adults to age gracefully and with dignity in the neighbourhood.



Feedback from a participant

“Throughout the past year of participating in the programme, my time-bank buddies regularly called me every week to check on my well-being. I am grateful for their support and understanding, and I am deeply touched by their compassion and dedication.”

Youth ImpACT Award: A landmark social service X social innovation award for youth

Since 2016, the Foundation and The Boys' and Girls' Clubs Association of Hong Kong have co-initiated Youth ImpACT Award ("YIAA") 1.0 and 2.0 to provide a human-centric service-learning experience for secondary school students in Hong Kong. The Award has created a comprehensive platform to enable secondary school students to understand the needs of the community and formulate innovative and user-centric service ideas through a design thinking approach.

Both YIAA 1.0 and 2.0 focus on various themes from the local community, such as aging population and difficulties faced by the disabled. Participants are prompted to address the issues by offering creative ideas for community initiatives, while raising awareness for different issues. On top of the design-thinking workshops offered directly to students since YIAA 1.0, Social Innovation Club and Curriculum developed through collaborations with schools are the new features in YIAA 2.0 that offers a more dynamic learning journey to students.

As of September 2022, YIAA 1.0 and 2.0 had served 8,770 students and collected 2,731 innovative ideas.



Hub of Advanced Technology for Child Health: Translational research in microbiome medicine for children

The Foundation is devoted to bringing health and hope to future generations through the use of cutting-edge innovations and technologies. Acknowledging the challenges brought by autism spectrum disorder ("ASD") and eczema to children and their families, and recognising gut bacteria's vital role in these conditions, the Foundation partnered with the Faculty of Medicine of The Chinese University of Hong Kong in 2021 to launch a four-year programme, The D. H. Chen Foundation Hub of Advanced Technology for Child Health ("HATCH").

HATCH harnesses scientific and technological advances to generate patent-protected innovations through microbiome research that can be turned into applications, enhancing early detection and improving treatment outcomes of children's autism and eczema. Talent development, education and community outreach are all key elements in HATCH to drive more sustainable and impactful scientific innovations. Besides nurturing young talents and researchers by offering hands-on laboratory experience and knowledge exchange with multi-disciplinary leaders, HATCH also works with nonprofits to share research insights with the general public on the relationship between gut health and healthy living.



APPENDICES

Performance Summary

Environmental Performance

ENVIRONMENTAL KPIS	UNIT	
Pollutants		
SOx	tonnes	0.00
NOx	tonnes	0.12
Particulate matter (PM)	tonnes	0.01
GHG emissions ^{1 2}		
Direct GHG emissions (Scope 1)	tCO ₂ e	24,915
Energy indirect GHG emissions (Scope 2)	tCO ₂ e	87,845
Total GHG emissions	tCO₂e	112,760
GHG emission intensity	tCO₂e/sq. m. GFA	0.03
Energy Consumption ³		
Diesel oil	kWh	588,144
Petrol oil	kWh	579,498
LPG	kWh	12,540
Natural gas	kWh	11,792,814
Purchased electricity	kWh	173,379,054
Purchased steam	kWh	1,298,305
Purchased town gas	kWh	28,032
Other non-renewable energy sources	kWh	7,563
Renewable energy	kWh	1,292,737
Renewable energy sold	kWh	- 561,046
Total energy consumption	kWh	188,417,641
Energy consumption intensity	kWh/sq. m. GFA	53
Water Consumption ⁴		
Water consumption	m³	1,048,716
Water consumption intensity	m³/sq. m. GFA	0.30
Waste Generated		
Non-hazardous waste		
Total non-hazardous waste generated	tonne	44,244
By waste management method		
Non-hazardous waste disposed to landfill	tonne	43,211
Non-hazardous waste recycled, re-used or sent for composting	tonne	1,033
By type of waste generated		
Paper	tonne	661
Metal	tonne	162
Plastic	tonne	80
Others	tonne	43,341
Hazardous waste		
Total hazardous waste generated	tonne	9
By waste management method		
Hazardous waste disposed to landfill	tonne	7
Hazardous waste recycled or re-used	tonne	2
Total waste generated	tonne	44,253
Waste intensity	kWh/sq. m. GFA	0.01
Materials Used		
Non-renewable materials	tonne	53,436
Renewable materials	tonne	2
Total input materials	tonne	53,438
Recycled input materials	tonne	82
Percentage of recycled input materials used	%	0.15

¹The calculation of our Scope 1 and Scope 2 emissions was based on the Appendix 2: Reporting Guidance on Environmental KPIS under 'How to Prepare an ESG Report' released by the Stock Exchange

²Carbon dioxide (CO₂), Methane (CH₄), Nitrous oxide (N₂O), Hydrofluorocarbons (HFCs), Perfluorocarbons (PFCs), Sulphur hexafluoride (SF₆) and Nitrogen trifluoride (NF₃) are included in GHG calculations

³Full year natural gas and electricity purchase data of 138 Cheapside in the U.K. were unavailable as of the compilation of this SEWIT report. We have consolidated all available data and plans to improve data coverage in the future

⁴Full year water consumption data for some of the managed properties were unavailable as of the compilation of this SEWIT report. We have consolidated all available data and plans to improve data coverage in the future

ENVIRONMENTAL KPIS	UNIT	
Supplier Assessment⁵		
Percentage of new suppliers that were screened using environmental criteria	%	100
Percentage of new suppliers that were screened using social criteria	%	100

Social Performance

SOCIAL KPIS			
Workforce Statistics	Group Total	Corporate ⁶	Property Management ⁷
Number and percentage of employees by category			
Total workforce	2,910	1,191	1,719
By Employment Type			
Full-time	2,736	1,180	1,556
	94%	99%	91%
Part-time	174	11	163
	6%	1%	9%
Permanent	2,701	1,166	1,535
	93%	98%	89%
Temporary	209	25	184
	7%	2%	11%
By Gender			
Male	1,643	640	1,003
	56%	54%	58%
Female	1,267	551	716
	44%	46%	42%
By Geographical Location			
Hong Kong	2,410	691	1,719
	83%	58%	100%
Mainland China	433	433	0
	15%	36%	0%
U.S. and U.K.	67	67	0
	2%	6%	0%
By Age Group			
Under 30 years old	344	150	194
	12%	12%	11%
30-50 years old	1,378	781	597
	47%	66%	35%
Over 50 years old	1,188	260	928
	41%	22%	54%
By Employee Category			
Senior management	133	127	6
	5%	11%	0.35%
Middle management	472	376	96
	16%	32%	6%
General staff	571	371	200
	20%	30%	12%
Others	1,734	317	1,417
	59%	27%	82%

Workers Who Are Not Employees		
Total no. of workers who are not employees and whose work is controlled by the organisation	Person	5,129

⁵Data for supplier environmental and social assessment only covers Nan Fung's property management business

⁶Corporate data covers employees based at the headquarter offices in Hong Kong, Mainland China and overseas, as well as employees working at construction sites managed by Nan Fung in Hong Kong

⁷Property management data covers employees from Nan Fung's property management business, which consists of employees in New Charm Management Limited, Main Shine Development Limited, Hon Hing Enterprises Limited, Vineberg Property Management Limited and other joint venture companies

New Hires and Turnover	Group Total	Corporate	Property Management
Number of New Hires			
Total new permanent hires	614	208	406
	23%	18%	26%
By Gender			
Male	319	100	219
	21%	16%	25%
Female	295	108	187
	24%	20%	28%
By Geographical Location			
Hong Kong	524	118	406
	24%	18%	26%
Mainland China	59	59	0
	14%	14%	0%
U.S. and U.K.	31	31	0
	47%	47%	0%
By Age Group			
Under 30 years old	175	60	115
	53%	45%	59%
30-50 years old	294	128	166
	22%	17%	28%
Over 50 years old	145	20	125
	14%	8%	17%
Number of Turnover			
Total permanent employee turnover	954	185	769
	35%	16%	50%
By Gender			
Male	526	100	426
	35%	16%	49%
Female	428	85	343
	35%	16%	51%
By Geographical Location			
Hong Kong	891	122	769
	40%	18%	50%
Mainland China	50	50	0
	12%	12%	0%
U.S. and U.K.	13	13	0
	20%	20%	0%
By Age Group			
Under 30 years old	185	28	157
	56%	21%	81%
30-50 years old	399	120	279
	29%	16%	47%
Over 50 years old	370	37	333
	37%	14%	45%

Parental Leave	Unit	Male	Female
Total number of employees entitled to parental leave	Person	1,361	985
Total number of employees that took parental leave	Person	23	31
Total number of employees that returned to work during the reporting period after parental leave ended	Person	23	25
Total number of employees that returned to work after parental leave ended and were still employed 12 months after their return to work	Person	19	22
Return-to-work rate	%	100	93
Retention rate	%	73	61

Occupational Health and Safety	Unit	Employees	Contractors
Work-Related Injuries			
Total hours worked	Hours	6,848,873	13,674,189
Work-related fatalities	Person	0.00	0.00
Rate of work-related fatalities (per 200,000 hours worked) ⁸		0.00	0.00
Total number of high-consequence work-related injuries	Person	3	0
Rate of high-consequence work-related injury (per 200,000 hours worked) ⁹		0.09	0.00
Total number of recordable work-related injuries (including high-consequence work-related injury)	Person	29	5
Rate of recordable work-related injury (per 200,000 hours worked)		0.85	0.07
Work-Related Ill Health			
Work-related ill health fatalities	Person	0	0
Total number of recordable work-related ill health	Person	0	0

Training and Education	Unit	Number
Average Training Hours		
Total	Hours	22
By Gender		
Male	Hours	21
Female	Hours	23
By Employee Category		
Senior management	Hours	18
Middle management	Hours	19
General staff	Hours	25
Others	Hours	22
Percentage of Employees Receiving Regular Performance and Career Development Reviews		
By Gender		
Male	%	97
Female	%	95
By Employee Category		
Senior management	%	98
Middle management	%	93
General staff	%	95
Others	%	97

Governance Body and Employee Diversity	Unit	The Board	Management ¹⁰	Non-management
By Gender				
Male	%	82	56	57
Female	%	18	44	43
By Age Group ¹¹				
Under 30 years old	%	0	5	14
30-50 years old	%	57	76	40
Over 50 years old	%	43	19	46

⁸ Rate of high-consequence work-related injury (per 200,000 hours worked) is calculated as "high-consequence work-related injuries (exclude fatalities) divided by total no. of hours worked for employees and then multiply by 200,000". The factor 200,000 is the annual hours worked by 100 employees, based on 40 hours per week for 50 weeks a year

⁹ Rate of recordable work-related injury (per 200,000 hours worked) is calculated as "all recordable work-related injuries divided by total no. of hours worked for employees and then multiply by 200,000". The factor 200,000 is the annual hours worked by 100 employees, based on 40 hours per week for 50 weeks a year

¹⁰ Management includes senior management and middle management

¹¹ Data by age group includes only Executive Directors and excludes Non-executive Directors and Independent Non-executive Directors during reporting period

APPENDICES

EXTERNAL ASSURANCE



VERIFICATION STATEMENT

Scope and Objective

Hong Kong Quality Assurance Agency (“HKQAA”) was commissioned by Nan Fung Group (“Nan Fung”) to undertake an independent verification of its Sustainability Report 2022 (“the SEWIT Report”). The SEWIT Report covered the sustainability performance of Nan Fung for the period 1st April 2022 to 31st March 2023.

The aim of this verification is to provide an independent reasonable assurance on the reliability of the data and report contents. The SEWIT Report has been prepared in accordance with the Global Reporting Initiative Sustainability Reporting Standards (“GRI Standards”) and its latest Universal Standards 2021.

Level of Assurance and Methodology

The process applied in this verification was based on the International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board. Our evidence-gathering process was designed to obtain a reasonable level of assurance as set out in the standard for the purpose of devising the verification conclusion. The extent of this verification process undertaken covered the criteria set in the GRI Standards and its latest Universal Standards 2021.

HKQAA’s verification process included verifying the mechanisms for collecting, calculating and reporting the sustainability performance information, reviewing relevant documented information including the stakeholder engagement methods and results, and the materiality assessment processes, interviewing responsible personnel with accountability for preparing the SEWIT Report and verifying selected representative samples of data and information. Raw data and supporting evidence of the selected samples were also thoroughly examined during the verification process.

Independence

Nan Fung is responsible for the collection and preparation of the information presented. HKQAA is not involved in the collection and calculation of data or the compilation of the reporting contents where our verification activities were entirely independent and there was no relationship between HKQAA and Nan Fung that would affect the impartiality of the verification.

Conclusion

Based on the verification results and in accordance with the verification procedures undertaken, HKQAA has obtained reasonable assurance and is in the opinion that:

- The SEWIT Report has been prepared in accordance with the GRI Standards and its latest universal standards 2021;
- The SEWIT Report illustrates the sustainability performance of Nan Fung, covering all material aspects, in a balanced, comparable, clear and timely manner;
- The sampled data and report content are accurate; and
- The data and information disclosed in the SEWIT Report are accurate, reliable and complete.

Nothing has come to HKQAA’s attention that the selected sustainability performance information and data contained in the SEWIT Report have not been prepared and presented fairly and honestly, in all material aspects, in accordance with the verification criteria. In conclusion, the SEWIT Report reflects truthfully the sustainability commitments, stewardship and performance of Nan Fung.

Signed on behalf of Hong Kong Quality Assurance Agency

A handwritten signature in black ink, appearing to read 'Teresa Leung', is written over a light grey background.

Teresa Leung
Assistant Director, Finance Business
July 2023

APPENDICES

SUSTAINABILITY AWARDS AND PROFESSIONAL MEMBERSHIPS

External Charters

NAME OF CHARTER/PLEDGE	SPONSORING ORGANISATION(S)
Breastfeeding Friendly Community Initiative	Food and Health Bureau, HKSAR Government
Charter on External Lighting	Environment and Ecology Bureau, HKSAR Government
ECH2O - Enterprises Cherish Water Charter	Green Council Water Supplies Department, HKSAR Government
Employment Friendly Charter	The Hong Kong Council of Social Service
Energy Saving Charter	Electrical and Mechanical Services Department, HKSAR Government Environment and Ecology Bureau, HKSAR Government
Heart Caring Charter	Occupational Safety & Health Council
Low Carbon Charter	Business Environment Council
Say Yes to Breastfeeding	Department of Health, HKSAR Government Food and Healthy Bureau, HKSAR Government UNICEF HK

Memberships

NAME OF ASSOCIATION	NATURE OF MEMBERSHIP	ENTITY
Business Environment Council	General Member	New Charm Management Limited
Green Council	Corporate Member	
Hong Kong General Chamber of Commerce	Member	Chun Yip Construction Company Limited Hon Hing Enterprises Limited Nan Fung Development Limited Nan Fung Textiles Limited
Hong Kong Green Building Council	Platinum Patron Member	Nan Fung Enterprises (HK) Limited
The Chinese General Chamber of Commerce, Hong Kong	Member	Nan Fung Textiles Limited
The Federation of Hong Kong Hotel Owners	Member	Landsun International Limited
The Hong Kong Association of Property Management Companies	Member	New Charm Management Limited
The Hong Kong Construction Association	Member	Bordon Construction Company Limited Chun Yip Construction Company Limited

Awards

ORGANISER AND AWARD	RECIPIENT OF AWARDS
The Hong Kong Council of Social Service	
Caring Company Scheme: 10 Years Plus Caring Company Logo	Nan Fung Group
Promoting Happiness Index Foundation	
Happiness-at-work Promotional Scheme: Happy Company 5 Years+ Logo	Nan Fung Group
Mandatory Provident Fund Schemes Authority	
Good MPF Employer 2022/23	Nan Fung Group
Hong Kong Green Building Council Limited	
Hong Kong Green Shop Alliance Award 2021: Best Green Practice in Malls - Merit	The Mills
Crime Prevention Bureau & Vocational Training Council	
Security Services Best Training Award 2021: Gold Award (Type I Security Company Licence)	New Charm Management Limited Main Shine Development Limited Hon Hing Enterprises Limited Vinberg Property Management Limited
The Hong Kong Institute of Facility Management	
Excellence in Facility Management Award 2022: Outstanding Professional Integrity Award (Small-scale Residential) - Gold Award	Island Garden
Excellence in Facility Management Award 2022: FM People Award (Managerial) - Silver Award	Property Manager at Nan Fung Centre
Excellence in Facility Management Award 2022: Excellence Award (Small-scale Residential)	8 Deep Water Bay Drive 80 Robinson Road Island Garden Mount Nicholson Queen's Cube
Excellence in Facility Management Award 2022: Excellence Award (Office Building)	33 Des Voeux Road West Nan Fung Centre Nan Fung Tower
Excellence in Facility Management Award 2022: Excellence Award (Retail)	TKO Plaza MOS Centre
Excellence in Facility Management Award 2022: Excellence Award (Industrial)	Golden Dragon Industrial Centre Marvel Industrial Building Sun Fung Centre
The Hong Kong Council of Social Service	
Caring Company Scheme - 15 Years Plus Caring Company Logo	Hon Hing Enterprises Limited Main Shine Development Limited New Charm Management Limited Summit Terrace Vinberg Property Management Limited
ET Net	
Smart Living Partnership Awards 2022 in Property Technology (PropTech): Outstanding Smart Property Operation Management	TKO Plaza
Smart Living Partnership Award 2022	Nan Fung Group
HSBC, Business Environment Council Limited, The Hong Kong Council of Social Service and Policy for Sustainability Lab, The University of Hong Kong	
HSBC Living Business Awards 2022: HSBC Living Business ESG Awards – Certificate of Excellence	33 Des Voeux Road West Nan Fung Tower No. 8 Wyndham Street Queen's Cube
HSBC Living Business Awards 2022: HSBC Living Business ESG Awards – Certificate of Merit	On Lan Centre
Hong Kong Institution of Engineers	
HKIE Fire Engineering Excellence Awards 2022: Hong Kong Projects – Merit	AIRSIDE

ORGANISER AND AWARD	RECIPIENT OF AWARDS
Green Council	
Hong Kong Green Awards: Environmental, Health and Safety Award (Large Corporation) - Silver	Bordon Construction Company Limited Chun Yip Construction Company Limited
Hong Kong Quality Assurance Agency	
ISO14001:2015 Certificate ISO50001:2018 Certificate	Bordon Construction Company Limited Chun Yip Construction Company Limited
Greater Bay Area Homeland Youth Community Foundation	
Youth Activity Incentive Programme for Celebrating the 25th Anniversary of the Establishment of HKSAR: Outstanding Organisation Award	Hong Kong Life Sciences Society - Life Sciences Summer Internship Program 2022
CLP	
Energy Saving Missions Awards: Top Saving in 2022 - Gold Award Energy Saving Missions Awards: Top Smart Saving in 2022 - 2nd Runner Up	Nan Fung Property Management
CLP Smart Energy Award 2022: Innovation Award - Grand Award	TKO Plaza
GBA Carbon Neutrality Association	
GBA Low Carbon Building Top 100 Award	The Mills
The Hong Kong Association of Property Management Companies and The Hong Kong Institute of Surveyors Property and Facility Management Division	
Quality Property and Facility Management Award 2022: Excellence Award - Non-Residential - Industrial & Car Park Building Management	Profit Industrial Building
Quality Property and Facility Management Award 2022: Certificate of Merit - Non-Residential - Office Building Management (Small- & Medium-Scale Office Building)	Nan Fung Tower
Quality Property and Facility Management Award 2022: Certificate of Merit - Residential - Small-Scale Residential Property Management	8 Deep Water Bay Drive
The Hong Kong Institute of Housing	
HKIH Elite Awards 2022: Outstanding Officer (Private Housing - Residential) - Merit Award	Senior Property Officer at Island Garden
Water Supplies Department, HKSAR Government and Green Council	
ECH2O Awards: Sectorial Cherish Water Award - Industrial Building	Fook Yip Building Well Fung Industrial Centre
ECH2O Awards: Sectorial Cherish Water Award - Shopping Mall	Well On Garden

ORGANISER AND AWARD	RECIPIENT OF AWARDS
Occupational Safety & Health Council	
Safety Quiz 2022 (Community/Union category) - First runner-up	Nan Fung Property Management
The 14th Hong Kong Outstanding OSH Employee Award: (Organization/Enterprise Front-line worker) - Merit	Property Assistant at Profit Industrial Building
The 9th Best Property Safety Management Award: Best Property Management Award in Occupational Safety and Health - Merit	Nan Fung Tower
The 9th Best Property Safety Management Award: Safety Culture Award - Merit	Marvel Industrial Building
The 17th Occupational Health Award - Joyful@Health Workplace Best Practices Award (Enterprise/Organisation Category): Innovative Measures Award - Merit	Asia Trade Centre TKO Plaza Treasure Centre
The 17th Occupational Health Award - Joyful@Health Workplace Best Practices Award (Branch/Small and Medium Enterprise Category): Innovative Measures Award - Outstanding Award	Pei Ho Building San Po Kong Plaza Wonder Building
The 17th Occupational Health Award Joyful@Health Workplace Best Practices Award (Branch/Small and Medium Enterprise Category): Innovative Measures Award - Merit Award	7-15 Mount Kellett Road 8 Deep Water Bay Drive Cheung Fung Industrial Building Floriant Rise Fook Tin Building Golden Dragon Industrial Centre Green Park Interocean Court Island Garden Kwai Chung Plaza La Place De Victoria Lever Building Nan Fung Commercial Centre No. 84 Peak Road No. 21 Coombe Road No. 5 Mount Austin Estate Pao Yip Building Profit Industrial Building Ricky Centre Tai Fung Industrial Building Tak Fung Industrial Centre The Grandville Wah Fung Garden Wang Yip Industrial Building Winfield Building
The 20th Hong Kong Occupational Safety and Health Award: Safety Performance Award - Outstanding Award	Marvel Industrial Building
Community Investment and Inclusion Fund, Home and Youth Affairs Bureau, HKSAR Government	
Social Capital Builder Awards 2022: Social Capital Builder Logo Awards	Summit Terrace
Hong Kong Construction Association	
HKCA Hong Kong Construction Environmental Awards 2022 - Merit	Bordon Construction Company Limited Chun Yip Construction Company Limited

APPENDICES

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

OUR APPROACH	MATERIAL ISSUE	CORRESPONDING GRI TOPICS	IMPACTS											
			GROUP EMPLOYEES	GROUP MANAGEMENT	CUSTOMERS	TENANTS/RESIDENTS	SUPPLIERS	NGO PARTNERS	INVESTORS/INVESTEES/BANKS	COMMUNITY	INDUSTRY ORGANISATIONS	REGULATORS/GOVERNMENT	MEDIA	
Governance	1 Business ethics	GRI 205 Anti-corruption	●	●		●	●	●	●	●	●	●	●	
		GRI 206 Anti-competitive behaviour												
	2 Corporate governance	GRI 205 Anti-corruption	●	●		●	●		●	●	●	●	●	
		GRI 206 Anti-competitive behaviour												
3 Economic performance and impact	GRI 201 Economic Performance	●			●			●				●	●	
	GRI 203 Indirect Economic Impacts													
4 Data privacy and security	GRI 418 Customer Privacy	●	●	●		●		●				●		
Social Cohesion	5 Community investment and engagement	GRI 413 Local Communities	●			●	●	●		●			●	
	6 Talent attraction and retention	GRI 401 Employment		●	●									
	7 Tenant and customer engagement	GRI 418 Customer Privacy	●		●						●			
	8 Training and development	GRI 404 Training and Education		●										
	9 Diversity and equal opportunity	GRI 405 Diversity and Equal Opportunity	●						●				●	
		GRI 406 Non-discrimination												
10 Labour practices and human rights	GRI 402 Labour/Management Relations	●			●			●		●	●	●	●	
	GRI 408 Child Labour													
	GRI 409 Forced or Compulsory Labour													
Environment	11 Green building	GRI 301 Materials	●	●	●	●	●	●	●	●	●	●	●	
		GRI 417 Marketing and Labeling												
	12 Building materials	GRI 301 Materials		●		●	●		●		●	●		
	13 Energy	GRI 302 Energy		●	●	●	●	●	●		●	●		
	14 Climate adaptation and resilience	GRI 201 Economic Performance	●	●	●	●	●	●	●	●	●	●	●	
	15 Waste	GRI 306 Waste			●	●		●	●	●	●			
	16 Sustainable finance and investment	GRI 201 Economic Performance		●									●	
		GRI 203 Indirect Economic Impacts												
	17 Emissions	GRI 305 Emissions				●	●		●	●	●	●	●	
	18 Water resources	GRI 303 Water and Effluents					●	●		●	●	●		
19 Supply chain management	GRI 308 Supplier Environmental Assessment				●	●					●	●		
	GRI 414 Supplier Social Assessment													
20 Biodiversity	GRI 304 Biodiversity			●			●		●	●	●			
Wellness	21 Customer health, safety and well-being	GRI 416 Customer Health and Safety	●	●	●					●	●	●		
	22 Occupational health, safety and well-being	GRI 403 Occupational Health and Safety	●	●	●						●	●	●	
Innovation	23 Innovation and technology	N/A	●	●	●		●	●	●	●	●			
Technology	23 Innovation and technology	N/A	●	●	●		●	●	●	●	●			

APPENDICES

GRI Content Index

GRI STANDARD	DISCLOSURE
Statement of use	Nan Fung Group Holdings Limited has reported in accordance with the GRI Standards for the period 1 April 2022 to 31 March 2023.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	Not applicable

GRI STANDARD	DISCLOSURE	REFERENCES AND REMARKS	
General disclosures			
GRI 2: General Disclosures 2021	2-1 Organisational details	About Nan Fung	
	2-2 Entities included in the organisation's sustainability reporting	About this Report	
	2-3 Reporting period, frequency and contact point		
	2-4 Restatements of information		
	2-5 External assurance	External Assurance	
	2-6 Activities, value chain and other business relationships	About Nan Fung	
	2-7 Employees	Performance Summary	
	2-8 Workers who are not employees		
	2-9 Governance structure and composition	Corporate Governance	
	2-10 Nomination and selection of the highest governance body		
	2-11 Chair of the highest governance body		
	2-12 Role of the highest governance body in overseeing the management of impacts		
	2-13 Delegation of responsibility for managing impacts		
	2-14 Role of the highest governance body in sustainability reporting		
	2-15 Conflicts of interest		
	2-16 Communication of critical concerns		
	2-17 Collective knowledge of the highest governance body		Background information of members of the Board is tracked and monitored for internal use only (due to confidentiality constraints).
	2-18 Evaluation of the performance of the highest governance body		Performance evaluation policy of the Board is monitored for internal use only (due to confidentiality constraints).
	2-19 Remuneration policies	Remuneration and compensation-related policy is monitored for internal use only (due to confidentiality constraints).	
	2-20 Process to determine remuneration	Corporate Governance	
	2-21 Annual total compensation ratio	Data is tracked and monitored for internal use only (due to confidentiality constraints).	
	2-22 Statement on sustainable development strategy	Sustainability Framework - SEWIT	
	2-23 Policy commitments	Corporate Governance	
	2-24 Embedding policy commitments		
	2-25 Processes to remediate negative impacts		
	2-26 Mechanisms for seeking advice and raising concerns		
	2-27 Compliance with laws and regulations		

GRI STANDARD	DISCLOSURE	REFERENCES AND REMARKS
General disclosures		
GRI 2: General Disclosures 2021	2-28 Membership associations	External Charters, Memberships and Awards
	2-29 Approach to stakeholder engagement	Stakeholder Engagement
	2-30 Collective bargaining agreements	About Nan Fung
Material topics		
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Stakeholder Engagement - Our Materiality Assessment
	3-2 List of material topics	
Economic Performance		
GRI 3: Material Topics 2021	3-3 Management of material topics	Data is tracked and monitored for internal use only (due to confidentiality constraints).
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	
	201-2 Financial implications and other risks and opportunities due to climate change	
	201-3 Defined benefit plan obligations and other retirement plans	
	201-4 Financial assistance received from government	
Indirect Economic Impacts		
GRI 3: Material Topics 2021	3-3 Management of material topics	Data is tracked and monitored for internal use only (due to confidentiality constraints).
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	
	203-2 Significant indirect economic impacts	
Anti-corruption		
GRI 3: Material Topics 2021	3-3 Management of material topics	Corporate Governance
GRI 205: Anti-Corruption 2016	205-1 Operations assessed for risks related to corruption	
	205-2 Communication and training about anti-corruption policies and procedures	We are in the process of enhancing data availability and plan to include in future disclosures.
	205-3 Confirmed incidents of corruption and actions taken	Corporate Governance
Anti-competitive Behaviour		
GRI 3: Material Topics 2021	3-3 Management of material topics	Corporate Governance
GRI 206: Anti-competitive Behaviour 2016	206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	
Materials		
GRI 3: Material Topics 2021	3-3 Management of material topics	Environment - Green Building
GRI 301: Materials 2016	301-1 Materials used by weight or volume	Performance Summary
	301-2 Recycled input materials used	
	301-3 Reclaimed products and their packaging materials	Reclaimed products are not material to our operations and therefore not disclosed.
Energy		
GRI 3: Material Topics 2021	3-3 Management of material topics	Environment - Energy Efficiency
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	Performance Summary
	302-2 Energy consumption outside of the organisation	
	302-3 Energy intensity	
	302-4 Reduction of energy consumption	Environment - Energy Efficiency
	302-5 Reductions in energy requirements of products and services	

GRI STANDARD	DISCLOSURE	REFERENCES AND REMARKS
Water and Effluents		
GRI 3: Material Topics 2021	3-3 Management of material topics	
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	Environment - Water Management
	303-2 Management of water discharge-related impacts	
	303-3 Water withdrawal	Water withdrawal and water discharge are not material to our operations and therefore not disclosed.
	303-4 Water discharge	
	303-5 Water consumption	Performance Summary
Biodiversity		
GRI 3: Material Topics 2021	3-3 Management of material topics	
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	SEWIT in Action
	304-2 Significant impacts of activities, products and services on biodiversity	
	304-3 Habitats protected or restored	
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	We are in the process of enhancing data availability and plan to include in future disclosures.
Emissions		
GRI 3: Material Topics 2021	3-3 Management of material topics	Environment - Climate-related Financial Disclosures
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Environment - Climate-related Financial Disclosures
	305-2 Energy indirect (Scope 2) GHG emissions	Performance Summary
	305-3 Other indirect (Scope 3) GHG emissions	We are in the process of enhancing data availability and plan to include in future disclosures.
	305-4 GHG emissions intensity	Environment - Climate-related Financial Disclosures
	305-5 Reduction of GHG emissions	Performance Summary
GRI 305: Emissions 2016	305-6 Emissions of ozone-depleting substances (ODS)	Emissions of ODS is immaterial to Nan Fung's business operations and is therefore not disclosed.
	305-7 Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions	Performance Summary
Waste		
GRI 305: Emissions 2016	3-3 Management of material topics	
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	Environment - Waste Management
	306-2 Management of significant waste-related impacts	
	306-3 Waste generated	
	306-4 Waste diverted from disposal	Environment - Waste Management
	306-5 Waste directed to disposal	Performance Summary
Supplier Environmental Assessment		
GRI 3: Material Topics 2021	3-3 Management of material topics	Environment - Integrating Sustainable Practices Across Operations
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	Performance Summary
	308-2 Negative environmental impacts in the supply chain and actions taken	Environment - Integrating Sustainable Practices Across Operations
Climate Adaptation and Resilience		
GRI 3: Material Topics 2021	3-3 Management of material topics	Environment - Climate-related Financial Disclosures

GRI STANDARD	DISCLOSURE	REFERENCES AND REMARKS	
Employment			
GRI 3: Material Topics 2021	3-3 Management of material topics	Social Cohesion - Talent Attraction and Retention	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Social Cohesion - Talent Attraction and Retention Performance Summary	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employee	Wellness - Employee Engagement, Health and Well-being	
	401-3 Parental leave	Performance Summary	
Labour/Management Relations			
GRI 3: Material Topics 2021	3-3 Management of material topics	Social Cohesion - Talent Attraction and Retention	
GRI 402: Labour/Management Relations 2016	402-1 Minimum notice periods regarding operational changes	Employee retention-related policy is monitored for internal use only (due to confidentiality constraints).	
Occupational Health and Safety			
GRI 3: Material Topics 2021	3-3 Management of material topics	Wellness - Employee Engagement, Health and Well-being	
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system		
	403-2 Hazard identification, risk assessment, and incident investigation		
	403-3 Occupational health services		
	403-4 Worker participation, consultation, and communication on occupational health and safety		
	403-5 Worker training on occupational health and safety		
	403-6 Promotion of worker health		
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships		
	403-8 Workers covered by an occupational health and safety management system		We are in the process of enhancing data availability and plan to include in future disclosures.
	403-9 Work-related injuries		Performance Summary
403-10 Work-related ill health			
Training and Education			
GRI 3: Material Topics 2021	3-3 Management of material topics	Social Cohesion - Talent Attraction and Retention	
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Social Cohesion - Talent Attraction and Retention Performance Summary	
	404-2 Programs for upgrading employee skills and transition assistance programs	Social Cohesion - Talent Attraction and Retention	
	404-3 Percentage of employees receiving regular performance and career development reviews	Performance Summary	
Diversity and Equal Opportunity			
GRI 3: Material Topics 2021	3-3 Management of material topics	Social Cohesion - Talent Attraction and Retention	
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Performance Summary	
	405-2 Ratio of basic salary and remuneration of women to men		
Non-discrimination			
GRI 3: Material Topics 2021	3-3 Management of material topics	Social Cohesion - Talent Attraction and Retention	
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken		
Child Labour			
GRI 3: Material Topics 2021	3-3 Management of material topics	Social Cohesion - Talent Attraction and Retention	
GRI 408: Child Labour 2016	408-1 Operations and suppliers at significant risk for incidents of child labour		

GRI STANDARD	DISCLOSURE	REFERENCES AND REMARKS
Forced or Compulsory Labour		
GRI 3: Material Topics 2021	3-3 Management of material topics	Social Cohesion - Talent Attraction and Retention
GRI 409: Forced or Compulsory Labour 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	
Local Communities		
GRI 3: Material Topics 2021	3-3 Management of material topics	Social Cohesion - Delivering Impact-driven Community Engagement Wellness - Wellness for the Community
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	
	413-2 Operations with significant actual and potential negative impacts on local communities	
Supplier Social Assessment		
GRI 3: Material Topics 2021	3-3 Management of material topics	Environment - Integrating Sustainable Practices Across Operations
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	Performance Summary Environment - Integrating Sustainable Practices Across Operations
	414-2 Negative social impacts in the supply chain and actions taken	
Customer Health and Safety		
GRI 3: Material Topics 2021	3-3 Management of material topics	Wellness - Customer Health, Safety and Well-being
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	
Marketing and Labeling		
GRI 3: Material Topics 2021	3-3 Management of material topics	Environment - Creating Positive Environmental Impacts
GRI 417: Marketing and Labelling 2016	417-1 Requirements for product and service information and labelling	Environment - Creating Positive Environmental Impacts This disclosure has been made with respect to certification for our buildings under relevant environmental building assessment schemes.
	417-2 Incidents of non-compliance concerning product and service information and labelling	There were no incidents of non-compliance concerning product and service information and labelling during the reporting period.
	417-3 Incidents of non-compliance concerning marketing communications	There were no incidents of non-compliance concerning marketing communications during the reporting period.
Customer Privacy		
GRI 3: Material Topics 2021	3-3 Management of material topics	Corporate Governance - Data Privacy and Security
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	
Technology and Innovation		
GRI 3: Material Topics 2021	3-3 Management of material topics	Innovation Technology

DISCLAIMER

This SEWIT Report was prepared by NFGH solely for reference only. No representation or warranty, express or implied, is made as to, and no reliance should be placed on, the accuracy, fairness, completeness, reasonableness or correctness of the information, contents or opinions represented herein or any verbal or written communication in connection with the contents contained herein.

All data and information provided in this SEWIT Report is on an “as is” basis. No representations, warranties or undertakings (express or implied) are given as to the accuracy, fairness, completeness, reasonableness or correctness of the data and information in this SEWIT Report. Past performance is not an indication of future results.

This SEWIT Report may contain certain forward-looking statements that reflect NFGH’s beliefs, plans or expectations about the future or future events. These forward-looking statements are based on assumptions, current predictions and projections, and are therefore subject to inherent risks, uncertainties and other factors beyond NFGH’s control. The actual results or outcomes may differ materially and/or adversely due to a number of factors. Nothing contained in these forward-looking statements shall be, relied upon as many assurance or representation as to the future or as a representation or warranty otherwise. Neither NFGH nor any of its affiliates, directors, officers, employees, agents, advisers or representatives assume any responsibility to update these forward-looking statements or to adapt them to future events or developments or to provide supplemental information in relation thereto or to correct any inaccuracies.

Neither NFGH nor any of its affiliates, directors, officers, employees, agents, advisers or representatives shall have any responsibility or liability whatsoever, as a result of negligence, omission, error or otherwise, for any loss howsoever arising in relation to any information, contents or opinions presented or contained in this SEWIT Report.