

Environmental, Social and Governance Report



An Engaging Mission

The Manager is committed to sustainable value creation for our stakeholders, which involves the incorporation of economic, social and environmental factors into the day-to-day management of Sunlight REIT. This Environmental, Social and Governance (“**ESG**”) Report presents the initiatives undertaken and the performance of our business activities (relating to this subject) over the past financial year.

The Manager is well aware of our responsibilities in helping to redress the imbalances and risks affecting the global environment. Our ESG strategies are, therefore, specifically aimed at mitigating the environmental risks associated with our operations, while optimizing stakeholder value through continuous enhancement of the overall portfolio. Recognizing that financial return is just one of the measurable objectives of asset enhancement initiatives, our management is committed to continuously realizing a threefold mission of energy conservation, waste treatment and ‘green creation’.



During the Year, we have adopted a spate of enhancements at our managed properties, notably the installation of more energy efficient chillers. The message of environmental responsibility is continuously shared with our stakeholders as we pursue more opportunities to introduce sustainable behaviour through the provision of recycling facilities and participation in community programmes.

In achieving our ESG objectives, I am indebted to our staff who have been instrumental in designing and implementing appropriate strategies to reduce our environmental footprint and enhance our sustainable business practices. As an employer, the Manager is fully committed to providing a positive, inclusive and supportive workplace which inspires continuous improvement and staff development. We also endeavour to create a 'volunteer culture' aimed at helping the less fortunate and contributing to the well-being of society. In this regard I am delighted to have witnessed the passion of our staff in the participation of various community activities, particularly on caring for the youth and the elderly.

Through this annual disclosure exercise, we communicate to our stakeholders the approach taken by the Manager in respect of mitigating risks that arise from our operating environment, while fostering the sustainable development of caring our community. This report also presents us with an opportunity to reflect on our performance over the past year, and to gather feedback which would prove useful in steering the development of a more robust ESG framework going forward.

On behalf of the Board, I assure you of our unwavering passion and determination in creating sustainable value and benefits for our stakeholders.

WU Shiu Kee, Keith

Chief Executive Officer

4 September 2018

About the ESG Report

Reporting standard

This third ESG Report has been prepared in accordance with the requirements of the ESG Reporting Guide (2015) issued by the Stock Exchange. It provides details of the management approach and the ESG performance of Sunlight REIT, and offers a transparent channel for Sunlight REIT to clearly and accurately communicate its ESG-related policies and initiatives to various stakeholders. The scope of the environmental key performance indicators (“KPIs”) covers a selected portfolio of properties managed¹.

Corporate governance and comprehensive financial metrics can be found in the relevant sections of this annual report. A detailed content index is included on page 41 for easy reference.

Stakeholder engagement

The Manager has appointed an independent consultant to conduct a stakeholder engagement exercise for the preparation of our ESG Report. In FY2017/18, internal stakeholders, including directors and employees, were invited to provide insight into the materiality of various ESG issues, and to share their thoughts on the current sustainability performance and future direction of Sunlight REIT. We also welcome your feedback. Please contact our Investor Relations Department to share your opinion at ir@HendersonSunlight.com.

Materiality assessment

To ensure that the report includes topics which are relevant and material to Sunlight REIT’s operations, the Manager conducted a materiality assessment following a three-step process.

Stage 1 : Identification

- ▶ Peer benchmarking : ESG disclosures of the five peer companies were reviewed to identify the material issues that the industry considers and the commonalities for sustainability disclosure. The greater the disclosure of an issue by the peer companies, the higher its level of materiality.
- ▶ Stakeholder engagement : internal stakeholders (directors and employees) and external stakeholders (suppliers, tenants and non-governmental organizations) were invited to rate the materiality of various ESG issues and share their thoughts on previous reports. As the surveys included the views of both internal and external stakeholders, ESG issues with higher ranking were very likely to be considered material.

Stage 2 : Prioritization

- ▶ The results of peer benchmarking and the outcomes of the stakeholder engagement were then combined and analyzed. A list of ESG-related issues of high and medium-level materiality was generated for further validation.

Stage 3 : Validation

- ▶ The list of potential material ESG issues was presented to senior management for consideration. A list of relevant aspects and KPIs² was finalized for disclosure in this report.

Notes :

1. Greenhouse gas emissions, energy consumption and water consumption data cover Sunlight Tower, SSC, MCPI, BTC, 235 Wing Lok Street Trade Centre, Righteous Centre, Java Road 108 Commercial Centre and On Loong Commercial Building. Waste data covers Sunlight Tower, SSC and MCPI.
2. Appendix 27 “Environmental, Social and Governance Reporting Guide” of the Rules Governing the Listing of Securities on the Stock Exchange is organized into two ESG subject areas – Environmental and Social. There are various aspects under the two subject areas and each aspect sets out KPIs for issuers to report on so as to demonstrate their performance.

Awards and certificates in FY2017/18

Awards/Certificates	Participating entities/Properties	Awarding bodies
Caring Company	1. The Manager 2. The Property Manager	The Hong Kong Council of Social Service
Certificate of Appreciation for Donation – Christmas Sack Campaign	The Property Manager	The Salvation Army
Computer & Communication Products Recycling Programme (Certificate of Appreciation)	The Property Manager : Sunlight Tower	Environmental Protection Department, HKSAR Government
Corporate Environmental Leadership Awards 2017	The Property Manager : 1. Righteous Centre 2. Sheung Shui Centre Shopping Arcade 3. Metro City Phase I Property	Bank of China (Hong Kong)
FOOD-CO Save & Share Mooncakes Collection 2017	The Property Manager	St. James' Settlement
Good MPF Employer	1. The Manager 2. The Property Manager	Mandatory Provident Fund Schemes Authority
Green Office Award Labelling Scheme (GOALS)	The Manager The Property Manager : 1. Bonham Trade Centre 2. Righteous Centre 3. Sheung Shui Centre Shopping Arcade 4. Metro City Phase I Property	World Green Organisation
Happy Company	1. The Manager 2. The Property Manager	Promoting Happiness Index Foundation
Picture Theatre x Green Handicrafts Workshop (Certificate of Appreciation)	The Property Manager	Heifer Hong Kong
Hong Kong Awards for Environmental Excellence – Property Management (Commercial & Industrial)	The Property Manager : Sunlight Tower	Environmental Campaign Committee
Hong Kong Green Organisation Certification	The Property Manager : Sunlight Tower	Environmental Campaign Committee
Hong Kong Green Organisation Certification – Carbon Reduction Certificate	The Manager : Sunlight Tower	Environmental Campaign Committee
Hong Kong Green Organisation Certification – Wastewi\$e Certificate (Basic Level)	The Property Manager : Sunlight Tower	Environmental Campaign Committee
HSBC Living Business Award – Green Achievement Award 2017 (Bronze)	The Property Manager : Sunlight Tower	The Hongkong and Shanghai Banking Corporation Limited
Indoor Air Quality Certificate (Excellent Class)	The Property Manager : Sunlight Tower	Indoor Air Quality Information Centre, Environmental Protection Department, HKSAR Government
Indoor Air Quality Certificate (Good Class)	The Property Manager : 1. Sheung Shui Centre Shopping Arcade 2. Metro City Phase I Property	Indoor Air Quality Information Centre, Environmental Protection Department, HKSAR Government
Paper Towel Saving Campaign	The Property Manager : Sheung Shui Centre Shopping Arcade	World Green Organisation and JCI (Junior Chamber International Hong Kong) Lion Rock
The HKIFM Excellence in Facility Management Award 2017 – Office Building (Excellence Award)	The Property Manager : Sunlight Tower	The Hong Kong Institute of Facility Management

Sustainability governance

An effective governance structure is essential to address sustainability issues and manage ESG-related risks. Existing and emerging risks pertinent to ESG have been strategically addressed and monitored in our risk management framework and internal control systems, for which the Board has an overall supervisory responsibility. The Corporate Social Responsibility Committee (“CSRC”) was established by the Manager in 2012 to plan and coordinate various ESG initiatives. Headed by the CEO, the CSRC consists of representatives from the Manager and the Property Manager. A number of sustainability issues, including energy efficiency, waste management and community contributions, were discussed at regular meetings during the Year. The CSRC is responsible for spearheading Sunlight REIT’s sustainability initiatives and ensuring that business practices align with our sustainability and social responsibility principles.

Our People

Our employees are crucial to the Manager’s long-term success. To ensure they achieve their full potential, we are committed to providing a supportive, inclusive, safe and caring work environment.

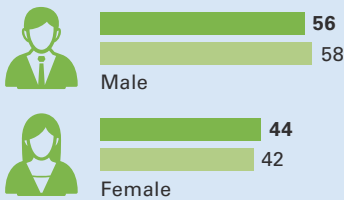
Caring company

A harmonious and caring workplace allows our employees to excel in their work. Our staff handbook includes policies on anti-discrimination and anti-harassment, and provides guidance on professional business conduct. With equal opportunity as a core principle in our recruitment practice, job applicants are assessed based on their merits, regardless of age, disability, gender, marital status, family status or ethnicity.

Attracting new talent and retaining professional employees are key to sustaining business success. We ensure that our employees are compensated with competitive salaries and benefits commensurate with their work experience and job requirements. We also recognize the importance of career progression and employee engagement in retaining talent. Accordingly, an annual performance

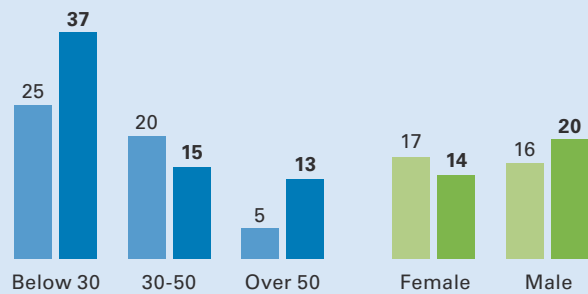
Total workforce by gender

(%)



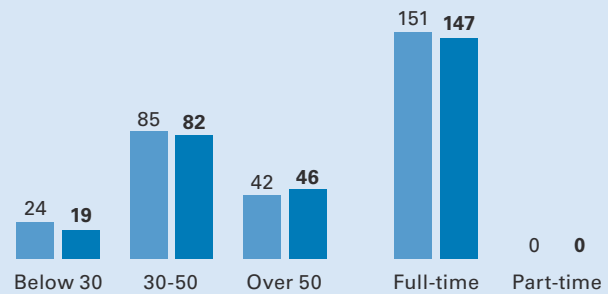
Employee turnover rate by age group and gender

(%)



Total workforce by age group and employment type

(no. of people)



By age group and employment type
 ● FY2017/18
 ● FY2016/17

By gender
 ● FY2017/18
 ● FY2016/17

appraisal is conducted for employees to discuss their work performance and opportunities for career development.

Committed to cultivating a caring culture, we offer flexible working hours to cater for different employees' needs. During the Year, we organized a wide variety of staff activities such as annual dinners, staff trips and seasonal holiday celebrations to enhance employees' sense of belonging.



Staff trip

To strengthen the bonds between colleagues and their sense of belonging to the company, a trip to Okinawa in Japan was organized in December 2017. This activity provided our employees an opportunity to mingle with each other and foster team spirit.

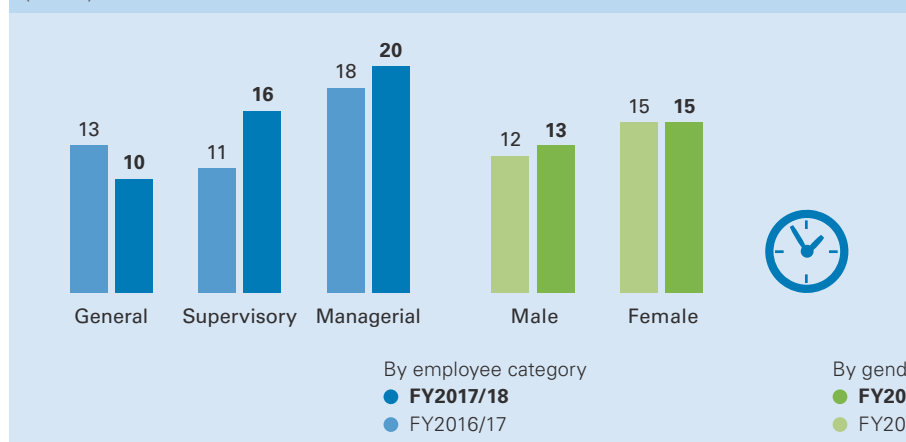
Staff development

We believe continued education and professional development not only adds value to employees' career and professional skills, but also enhances the development of the company itself. We feel it is of significant importance to equip our staff with the necessary knowledge and competitive skills to address daily internal and external challenges in a timely and appropriate manner.

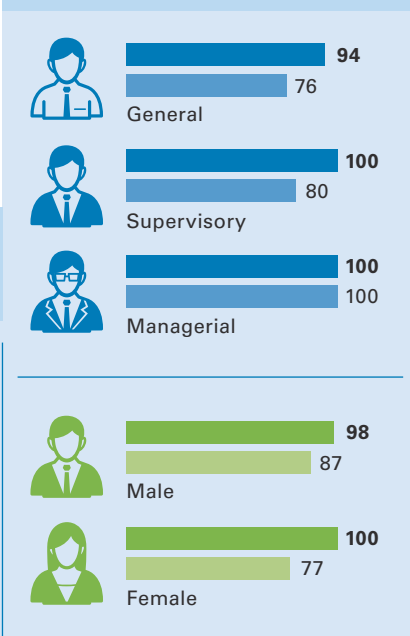
In addition to on-the-job training, our training policy ensures employees receive sufficient support for personal development. Budgeted educational and staff development allowances provide financial assistance for staff members who wish to pursue further studies and programmes that would enhance their work performance. To promote professionalism, we provide eligible employees with a professional body allowance and encourage them to apply for membership in relevant professional bodies or charters.

Tailor-made training sessions on topics such as customer service and supervisory skills are routinely organized to strengthen the various skills required by our operations staff. These are augmented by in-depth, offsite staff retreats and immersion programmes from time to time.

Average training hours completed per employee by employee category and gender
(hours)



Percentage of employees trained by employee category and gender
(%)



Environmental, Social and Governance Report



Offsite retreat

Number and rate of work-related fatalities and lost days due to work injury

	FY2017/18	FY2016/17
Number of work-related fatalities	Nil	Nil
Rate of work-related fatalities (%)	N/A	N/A
Lost days due to work injury	9.5	2

Offsite retreat

In May 2018, a two-day offsite retreat to Shenzhen was organized for managerial staff to visit co-working spaces as well as participate in workshops and corporate sharing. During the retreat, participants discussed high-level business strategies and gained a deeper understanding of business management. This retreat provided opportunities for participants to collaborate and develop new business ideas that could be applied to their daily work.

Health and safety

Occupational health and safety is a top priority at Sunlight REIT. In compliance with the Employees' Compensation Ordinance regarding work injury cases and requirements under the Occupational Safety and Health Ordinance, we have established internal guidelines and systems in place to minimize risks to our employees' health. All staff are required to report any work-related injuries experienced by themselves or others, and are encouraged to attend safety-training courses conducted by the Occupational Safety and Health Training Centre. We also sponsored for annual medical examinations for employees.

Anti-corruption and whistle-blowing policy

The Manager upholds a high standard of business ethics. We adhere to stringent anti-corruption policies and measures in all day-to-day operations. Our code of conduct specifies guidelines and requirements regarding the prevention of bribery, fraud and conflict of interest. Together with regular anti-corruption seminars provided by the Independent Commission Against Corruption, our Anti-Money Laundering Policy, Policy of Reporting of Irregularity, and Anti-fraud Policy ensure our employees are equipped with comprehensive knowledge and are provided with clear guidance on anti-corruption and anti-fraud practices.

To assess the risk exposure of Sunlight REIT's operations to money laundering, an Anti-Money Laundering Policy has been established in accordance with the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Chapter 615 of the Laws of Hong Kong) and the Guideline on Anti-Money Laundering and Counter-Terrorist Financing issued by the SFC.

Our Policy of Reporting of Irregularity provides channels and guidance on reporting possible improprieties, which encourages employees and business partners to report any misconduct, malpractice and irregularity without fear of reprisal. Complaints are sent to the Internal Audit Department directly, and confidentiality is fully respected under all circumstances. The Internal Audit Department will examine each case and assess possible follow-up actions, such as an internal enquiry or more formal investigation. The result of any probe will be submitted to the CEO or the Audit Committee to determine appropriate corrective actions.

The Anti-fraud Policy sets out the management’s commitment to upholding high ethical and moral standards in conducting business, and the responsibility in maintaining an effective fraud risk management framework. Heads of departments and operating units are required to identify types of fraud that may occur within their area of responsibility and conduct systematic fraud risk assessments, while also imposing effective control measures for identified fraud risks.

During the Year, there were no concluded legal cases regarding corrupt practices brought against the Manager or its employees.

Number of concluded legal cases regarding corrupt practices brought against the company or its employees

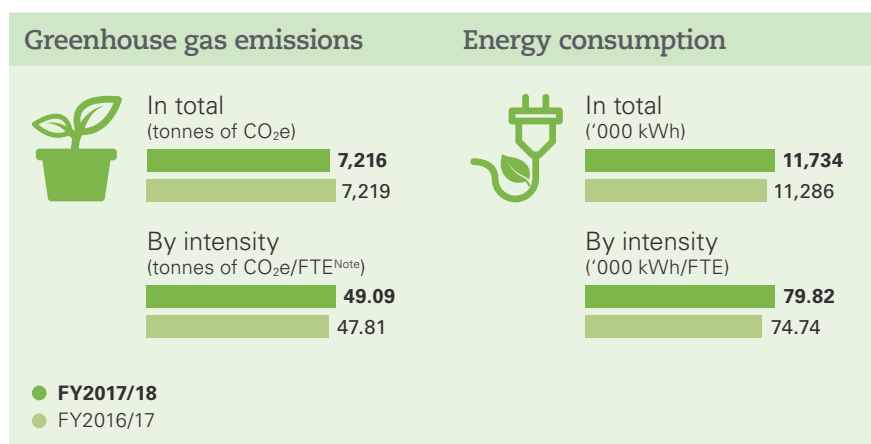
	FY2017/18	FY2016/17
Number of cases	Nil	Nil

Compliance with employment and labour standards

Our recruitment procedures comply with all laws and regulations related to labour standards in Hong Kong. Throughout the Year, we strictly complied with local laws and regulations in relation to employment and labour practices, including those related to occupational health and safety, anti-discrimination, child labour and forced labour.

Our Environment

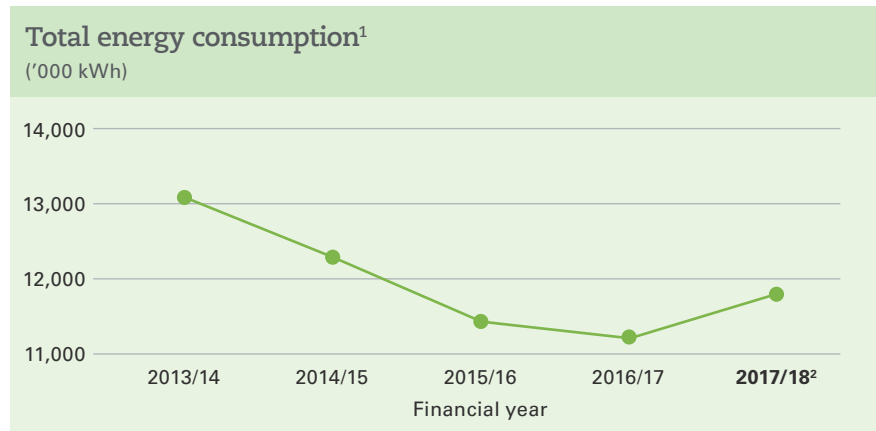
The Manager adopts high environmental standards in managing our property portfolio for the sustainable interests of various stakeholders. While we strive to expand the existing business, we are devoted to achieving efficient allocation of resources and minimizing adverse environmental impacts. As such, we incorporate environmental strategies in operations management and asset enhancement. Throughout the Year, we have made substantive achievements in energy efficiency, waste reduction, water conservation and stakeholder engagement through various environmental initiatives spearheaded by the CSRC.



Note : FTE: Full-Time Equivalent employees.

Energy and emissions

The adoption of sustainable initiatives in our buildings is crucial to the responsible management of our property portfolio. During the Year, we actively enhanced energy efficiency and reduced greenhouse gas (“GHG”) emissions at appropriate locations. At MCPI, we upgraded the central chiller plant system with four sets of air-cooled chillers of higher energy efficiency and intelligent building management system. At Sunlight Tower, we upgraded our lighting system with LED lights.



In addition to improving our energy efficiency, we have also actively promoted energy awareness among our staff and tenants. We do not identify any activities from our business which are associated with air emissions.

	FY2017/18	FY2016/17
Greenhouse gas emissions		
Scope 1 emissions (tonnes of CO ₂ e)	N/A	N/A
Scope 2 emissions (tonnes of CO ₂ e)	7,212.73	7,215.17
Scope 3 emissions (tonnes of CO ₂ e)	3.18	3.41
In total (tonnes of CO ₂ e)	7,215.91	7,218.58
By intensity (tonnes of CO ₂ e/FTE)	49.09	47.81
Energy consumption		
In total (kWh)	11,733,810	11,286,239
By intensity (kWh/FTE)	79,822	74,743

Waste management

To fulfill our role as a responsible corporate citizen, we spare no effort in waste reduction and management in our office and retail properties. We have devoted particular attention on improving the social hygiene environment of toilets while promoting the reduction in the use of paper towels and plastic utensils. In addition, we have set up and implemented mechanisms to separate and recycle waste at Sunlight Tower, SSC and MCPI.

Notes :

1. Cumulative measurements taken at Sunlight REIT’s wholly-owned properties.
2. The increase in energy consumption in FY2017/18 was due to the higher average occupancy and an increase in areas served by the new air-conditioning systems in SSC and MCPI.

To facilitate staff and tenants' practice of waste separation and recycling, we provide resource collection facilities as well as door-to-door collection services. Compared to FY2016/17, the recycling of waste paper, plastic bottles and aluminium cans rose by 14.1%, 3.4% and 7.9% respectively.

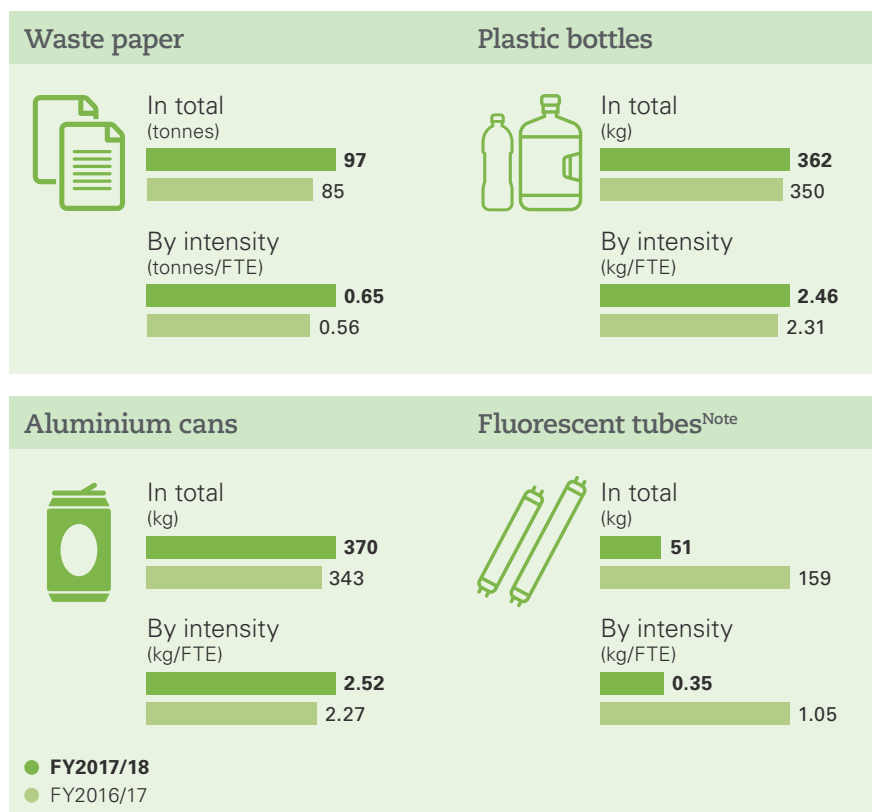
We also leverage the scale and traffic of our shopping arcades to further promote the concept of waste reduction and recycling among the public. This year we continued to support the signature event of "Read Cycling" by (i) encouraging our tenants and communities to take part in the used book collection event at Sunlight Tower, SSC and MCPI, and (ii) organizing "Bring a Book and Share" at MCPI to drive more resource circulation among the local community.

Total solid waste recycled at Sunlight Tower, Sheung Shui Centre Shopping Arcade and Metro City Phase I Property

(a) FY2017/18

	Sunlight Tower	Sheung Shui Centre Shopping Arcade	Metro City Phase I Property
Waste paper (tonnes)	0.2	22.6	73.7
Plastic bottles (kg)	93	78	191
Aluminium cans (kg)	91	82	197
Fluorescent tubes (kg)	51	N/A	N/A

(b) Two-year comparison



Note : At Sunlight Tower only.

Water consumption



In total
(m³)

7,925

By intensity
(m³/FTE)

53.91

Water resources

Sunlight REIT recognizes the precious nature of fresh water and is constantly on the search for new water-saving and efficient water usage methods.

To reduce the load and energy consumption of water treatment facilities, we have installed water conservation devices, such as water-saving faucets and dual-flush fittings, in all washrooms at Sunlight Tower. Bleed-off drainage water from the new water-cooled chillers is pumped into water retention tanks to fully utilize existing resources for flushing. We also provided tenants with guidelines on how to consume water resources wisely. Compared to FY2016/17, water consumption in our property portfolio has been reduced by 6.5%.

Cultivating environmental awareness

Aiming to arouse awareness of green living and improve the work environment, we nurture environmental stewardship at Sunlight REIT through a wide range of initiatives. New tenants are provided with practical green tips concerning fitting-out works and subsequent operations. We also encourage tenants and employees to switch off unnecessary lights and employ occupancy sensors in suitable areas to save electricity, and internal notices are posted to encourage efficient use of resources and recycling. Not only do we widely promote sustainable practices at the workplace, but also actively participate in different green initiatives such as Earth Hour, Energy Saving Charter and Commendation Scheme on Source Separation of Commercial and Industrial Waste.

Environmental compliance

Throughout the Year, we strictly complied with local regulations and standards related to air and GHG emissions, discharges into water and land, and generation and safe handling of hazardous and non-hazardous waste.

Our Customers and Suppliers

Product responsibility is one of the prime considerations of Sunlight REIT. To meet this dedication, we have implemented policies to protect customer privacy and manage our supply chain responsibly.

Customer privacy protection

Sunlight REIT is committed to protecting the data privacy of our property owners and tenants. We strictly comply with the Privacy Policy Statement formulated in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong). As required by law, all personal data are handled by designated personnel in strict confidence, including the collection, disclosure, retention, and rights to access and correct personal data. Our Privacy Policy Statement is publicly available and is posted on the corporate website at <http://www.sunlightreit.com/en-us/privacy-policy-statement>.

During the Year, we complied with relevant laws and regulations relating to customer health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.

Supply chain management

In light of the nature of our operations, the use of packaging materials is not relevant to our business and the impact of supply chain management is fairly low. However, we work closely with our suppliers to deliver quality products and services. Whilst guidelines and regulations are in place, we implement a mechanism to regularly review and evaluate the performance of approved suppliers so as to ensure they possess appropriate qualifications, experience and, where necessary, certification.

Our Community

As the Manager is committed to supporting community services and development, Sunlight REIT's outreach and charitable initiatives are all planned and implemented by the CSRC in order to create a more positive impact on our society. Throughout the Year, we participated in different community initiatives, recording a total of 181 engagement hours. In addition, we collaborated with diverse local groups by providing venues for community and charity events.

Caring for the community

We endeavour to promote a culture of volunteering and constantly encourage our staff to support the underprivileged through participation in community events. In collaboration with St. James' Settlement, we organized activities to collect surplus moon cakes and make an onward contribution to "People's Food Bank", an organization dedicated to providing free food to the poor. Collected moon cakes were distributed to people living in poverty during Mid-Autumn Festival 2017. At Christmas 2017, we collected spare toys from our tenants to give to the Salvation Army for distribution to needy families.

Caring for the youth

Recognizing the importance of the youth to our society, we engaged in various initiatives and activities. In May 2018, we partnered with The Evangelical Lutheran Church of Hong Kong to organize a Cycling Tour, which was organized by target teenagers from the North District. Since 2014, we have also cooperated with the Chinese YMCA of Hong Kong to sponsor the "Sunlight Little Ironman Triathlon". This programme aims not only at providing underprivileged children with physical training, but also raising their awareness of a healthy lifestyle and strengthening of family ties.

Caring for the environment

In January 2018, we partnered with Heifer International Hong Kong Limited to organize a programme called "Picture Theatre x Green Handicrafts Workshop" where volunteers sewed and sold dolls made from children's old clothing to promote recycling, reuse and waste reduction. In April 2018, 21 members from underprivileged families and 13 volunteers from Sunlight Tower, including our staff and tenants, participated in the "Experiencing Low Carbon Living" organized by Sunlight REIT and St. James' Settlement, learn and practise Low Carbon Living and improve parent-child relationships. The workshop helped all of our participants and volunteers to discover how colourful, delicious, affordable and joyful low carbon living can be.

Resources contributed to the focus area

(no. of service hours)



- FY2017/18
- FY2016/17

Community event highlights



2017

Sep



Sunlight Little Ironman Triathlon

Dec



Christmas sack campaign



Mooncake transfer programme



2018

Jan



Picture Theatre x Green Handicrafts Workshop



Experience Low Carbon Living

Apr



Bring a Book and Share

May



Cycling Tour in the North District

ESG reporting guide content index

Aspect	KPI	Description	Page Number
A. Environmental			
A1 Emissions	A1	General disclosure	35 & 38
	A1.1	The types of emissions and respective emissions data	36
	A1.2	Greenhouse gas emissions in total and intensity	35-36
	A1.3	Hazardous waste produced in total and intensity	37
	A1.4	Non-hazardous waste produced in total and intensity	37
	A1.5	Description of measures to mitigate emissions and results achieved	36 & 38
	A1.6	Description of how hazardous and non-hazardous waste are handled, reduction initiatives and results achieved	36-37
A2 Use of resources	A2	General disclosure	35
	A2.1	Direct and/or indirect energy consumption by type in total and intensity	35-36
	A2.2	Water consumption in total and intensity	38
	A2.3	Description of energy use efficiency initiatives and results achieved	36 & 38
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	38
	A2.5	Total packaging material used for finished products	39
A3 The environment and natural resources	A3	General disclosure	35-38
	A3.1	Description of the significant impacts of activities on the environment and natural resources and actions taken to manage them	35-38
B. Social			
B1 Employment	B1	General disclosure	32-33 & 35
	B1.1	Total workforce by gender, employment type, age group and geographical region	32
	B1.2	Employee turnover rate by gender, age group and geographical region	32
B2 Health and safety	B2	General disclosure	34
	B2.1	Number and rate of work-related fatalities	34
	B2.2	Lost days due to work injury	34
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	34
B3 Development and training	B3	General disclosure	33-34
	B3.1	The percentage of employees trained by gender and employee category	33
	B3.2	The average training hours completed per employee by gender and employee category	33
B4 Labour standards	B4	General disclosure	35
B5 Supply chain management	B5	General disclosure	39
B6 Product responsibility	B6	General disclosure	38
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	38
B7 Anti-corruption	B7	General disclosure	34
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	35
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	34-35
B8 Community investment	B8	General disclosure	39
	B8.1	Focus areas of contribution	39-40
	B8.2	Resources contributed to the focus areas	39