



SUSTAINABLE |
Philosophy |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”)

OUR PHILOSOPHY

Prosperity REIT firmly believes that we are more than just a standalone entity; we belong to the larger society, and thus we put strong emphasis on Environment, Society and Governance (“ESG”). Believing that consideration for the ESG leads to long-term growth for stakeholders goes hand-in-hand with our wider commitment to our community, environment, tenants, staff and unitholders, we work with them to display our core values for sustainable development — Respect, Excellence, Integrity and Teamwork.

We have established relevant ESG policies, which give consideration to sustainability in our real estate investment and implement the policies in our properties’ operations. We are committed to growing our business responsibly and sustainably by managing the impact of our business to the environment and society, and creating value for the community. We believe our contribution in CSR programs can help us attract and retain talented staff and earn trust from our investors. In future, we will continually execute our concept of corporate citizenship and we hope that our effort can be benefit to the environment and society.

ABOUT THIS SECTION

This section covers the environmental and social measures taken by Prosperity REIT that contribute to sustainable development. It is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “ESG Guide”) set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong (“Listing Rules”).

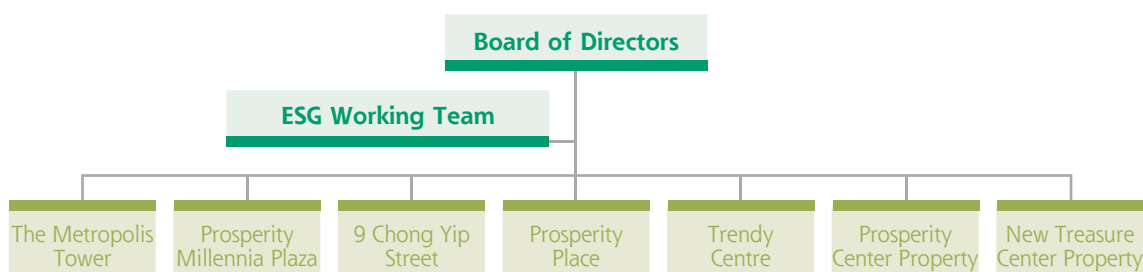
The report focuses on the ESG performance of all properties owned and managed by Prosperity REIT. The seven properties include The Metropolis Tower, Prosperity Millennia Plaza, 9 Chong Yip Street, Prosperity Place, Trendy Centre, Prosperity Center Property and New Treasure Centre Property.

Unless otherwise stated, the report covers our performance within the financial year from 1 January 2017 to 31 December 2017.

For information regarding our corporate governance, please refer to the Corporate Governance Section at page 65.

OUR ESG GOVERNANCE AND MANAGEMENT

ESG Management Structure



Prosperity REIT has in place a sound and robust management framework which enables the REIT Manager to mitigate ESG risks effectively. The Board of Directors, REIT Manager and Property Manager are fully committed to delivering value through sustainable development, empowering our employees and giving back to our society. An ESG Working Team is formed to lead and supervise the preparation of the ESG report in the Annual Report. The REIT Manager and Property Manager work closely to identify material issues, complete data collection process, and compile the report. We have also engaged an independent consultant to provide advice thereon.

The Board has the overall responsibility for setting goals, developing strategies with regard to ESG performance and approving the final report.

STAKEHOLDER ENGAGEMENT AND MATERIALITY ANALYSIS

Communication with Stakeholders

We recognize that regular engagement with key stakeholders is crucial for the sustainability of our property management business. Insights and opinions gathered from the stakeholders reaffirm our focus on business development as well as sustainability strategies. We have identified our unitholders, tenants, vendors, service providers, suppliers, employees and community as the key stakeholder groups. Being responsive to stakeholders’ concerns allow us to constantly improve our business practice and maintain warm relationship. The REIT Manager’s means of engaging the key stakeholder groups are summarized below:



Communication with Unitholders

We strive to promote effective communication with unitholders, and thus we regularly communicate up to date financial performance, as well as the overall ESG performance of Prosperity REIT through different channels, including but not limited to the methods listed above, helping us to build trust with unitholders and upholding the corporate governance.

Investor Seminars



Annual General Meeting (AGM)



Property Tour



Press Briefing




Analysts Briefing

Environmental, Social and Governance (“ESG”)

Materiality analysis

We completed our materiality analysis in 2016 which extensively included expectations from representatives across the business. To solicit the views of internal and external stakeholders toward particular ESG issues, they were asked to rank the importance of ESG issues from 1 (not important at all) to 6 (very important) through an online survey. In addition, regular communication on ESG matters and in-depth interviews with stakeholders are also taken into consideration to further understand their opinions.

During the Reporting Year, the result of material analysis remained unchanged as there was no significant change in business operations. The following issues were identified and prioritized according to their relevance and significance to Prosperity REIT and its stakeholders:

ESG Aspects	Issues
 Social — Community	<ul style="list-style-type: none"> Community investment
 Environmental	<ul style="list-style-type: none"> Energy conservation Significant impacts of activities on the environment and natural resources
 Social — Employment and labour practices	<ul style="list-style-type: none"> Employment relations including employee remuneration and welfare, labor standards etc. Occupational health and safety Staff training and education
 Social — Operating practices	<ul style="list-style-type: none"> Data privacy protection for tenants Supply chain management Anti-corruption Service responsibilities

CARING FOR COMMUNITY

Giving Back to the Society

To us, business success is measured beyond monetary value. A successful business is the one which can produce meaningful impact in the society. Therefore, we are determined to share our success with the community, give back to the society, and generate positive effects to people in need. Through actively supporting and participating in CSR activities, we have received the 5 Year Plus Caring Company Award from the Hong Kong Council of Social Service again in 2017. The award recognized our continuous contribution in creating a caring society for all walks of life.



Certificate to the Tenant to express our gratitude to their participation and support



Prosperity REIT continuously organizes blood donation day with Hong Kong Red Cross Blood Transfusion Service, and this time, jointly organized with our major tenant “Canon HK” to support patients in need. In July 2017, we set up two blood donation centres in The Metropolis Tower.



Involving Our Staff



Prosperity REIT received a certificate from AVS at the International Volunteer Day Recognition Ceremony 2017

We encourage our staff to get involved in a variety of community work to give a helping hand to people in need and achieve work-life balance through volunteering. Within the Reporting Year, our staff members dedicated a total of 290 hours to volunteering services such as elderly visits, flag-selling, blood donation activities, and workshops with underprivileged families. In recognition of our staff's contribution to the society, Prosperity REIT was awarded the "Certificate of Appreciation" by the Agency for Volunteer Service ("AVS"), a member agency of the Community Chest, at the International Volunteer Day Recognition Ceremony 2017.

Prosperity REIT has supported a variety of charity events organized by ELCHK for three consecutive years



Building a Committed Voluntary Team at Prosperity REIT

In October 2017, Prosperity REIT received a trophy and a certificate from Evangelical Lutheran Church of Hong Kong (ELCHK) at the 2017 Corporate Partnership Award Presentation Ceremony to honor our contribution and support to their organization over the past three years. ELCHK is an organization which helps vulnerable groups such as the elderly, children and teenagers to live a better life through different charity programs. In 2017, we collaborated with ELCHK in a variety of events to give a helping hand to the underprivileged groups in the society. The followings are the highlights of CSR activities that we partnered with ELCHK:

Involving Our Staff

Our staff members brought along their kids to support the meaningful Flag-Selling Day



In June 2017, our staff and their family members participated in a Flag-Selling Day. All the proceeds would be used to provide rehabilitation service for the needs of intellectual disabled persons.



In September 2017, our volunteers paid a visit to Kwu Tung Elderly Service Center to celebrate Mid-Autumn Festival with the elderly and show our care. We made anti-mosquito cream and did some games and exercises together with the elderly.

Our volunteers showed the love and care to the elderly through the workshop and the mingling session

Involving Our Staff



In December 2017, we hosted and sponsored a “Christmas Party and Cookies DIY” to celebrate the festive season with students from low-income family at our property, Prosperity Place. Our volunteers assisted our tenant to make the Christmas’s cookies in this joyful event.

Students from low-income families were excited and delighted in the cookies workshop

CARING FOR ENVIRONMENT

Managing Our Environmental Performance

While we strive to expand the existing asset base for the benefits of our unitholders, we are devoted to decoupling our environmental footprint with the gross rentable area (GRA). Throughout the years, our properties have undergone asset enhancement initiatives, with one of the five key objectives being “promote green life to the community”. The initiatives have enabled us to become more sustainable.

Our staff are welcome to offer their comments and recommendations to continuously improve our environmental performance. We stay committed to contributing to a sustainable environment, through promoting efficient use of resources, material conservation, waste management and organizing various green activities.

To this, apart from adhering to the relevant environmental laws and regulations, our environmental protection policy and Environmental Management Committee provide the overarching guidance and management for our work to enhance the overall environmental friendliness. Comprising environmental management handbook, procedure and guidelines for environmental protection, our ISO 14001-accredited environmental management system (EMS) puts our green commitment into practice in the properties’ operations. In addition, the green procurement policy which is written with the industry’s best practices further expands our influence along the supply chain.

Reducing Energy Consumption and Greenhouse Gas Emissions

Buildings are the largest energy consumer in Hong Kong. The greater the energy demand, the more the greenhouse gas emissions from buildings. These imply that our properties’ environmental performance can be improved significantly by means of minimizing the energy consumption and enhancing energy efficiency.

By adopting more energy-efficient chiller sets and lightings, building management system, insulating glass wall and automatization of the power-off function for non-essential lightings, elevators and other facilities in our properties, unnecessary energy demand has been reduced.

In addition to lowering the energy consumption, some of our properties have made use of small-scale renewable energy-powered equipment to cut our greenhouse gas emissions. Solar panels and wind turbine have been installed on the roof garden of The Metropolis Tower and Prosperity Place to provide essential ambient lighting during evening hours.

During the Reporting Year, our properties consumed a total of 7,846,991 kWh of electricity, with the intensity of 6.15kWh/GRA. The figure translates to 4,873.95 tonnes of carbon dioxide equivalent (tCO₂e) generated through purchased electricity consumption, or 0.004 tCO₂e/GRA.

Conserving Water Resources

We continue to identify water-saving opportunities to conserve water resources. With the devices readily available in the market, our properties have adopted some of them, including bathroom basins with auto-sensors, to enhance the water efficiency in daily operation.

To reduce our reliance on municipal water supplies, rainwater collection systems which harvest rainwater for irrigation and cleaning are installed in the rooftop gardens of most of the properties. These measures have alleviated the environmental impact of our properties’ operation.

During the Reporting Year, 8,965 cubic metre of water were consumed by our properties in total, with the water intensity of 0.007 cubic metre/GRA.

Greening Our Properties

Our properties have incorporated greenery to offer aesthetically pleasant and eco-healthy environment for our tenants and users. They have vertical green walls in the lobbies and gardens on the roof. The vertical green walls have been complemented with an irrigation system to hydrate the plants through sponge soil twice a month with the water pipes running along the top and bottom of the walls behind the vegetation.

For the rooftop garden, greenery is maintained for the tenants’ enjoyment. In addition, organic farm spaces are available for our tenants to apply for gardening; the interested parties will each be provided with a farming box. Seasonal farming activities are also organized, and these measures received positive feedback from the participants.

Limiting Waste Generation

Through promoting 3Rs — Reduce, Reuse and Recycle, we are determined to manage the amount of waste we generated to landfill from our business operations. While more paper recycling was observed across our properties during the year, the clean waste recycling system implemented recorded an overall increase in metal recycled.

Our properties also took part in the Environmental Protection Department’s (EPD) computer recycling program and Hong Kong Environmental Protection Association’s christmas tree and peach blossom recycling scheme with an increase of recycling rate. On the other hand, we worked together with the tenants to recycle their waste to minimize disposal at landfills.

With the implementation of the recycling scheme in our properties’ operation, the results of waste reduction were as follows:



Involving Tenants and External Parties

We involve our tenants and other relevant parties to create synergy in our environmental work. Other than offering useful information and tips by newsletters to promote energy conservation, we invite the tenants to take part in rooftop farming. They are also welcome to raise comments and green ideas to the properties for continuous improvement.

Our environmental education initiatives go into the community as well. During the year, we collaborated with ELCHK to host an environmental awareness-raising day (一家大細綠戰隊) for 28 underprivileged primary school students and their parents at Prosperity Place. The participants toured around the property to visit the green facilities, including green wall, rooftop garden, hydroponic organic farm and renewable energy generation sets. In addition, we held a workshop — “Build Your Dream House”, in which the kids and their parents constructed their warm house using recycled ice-cream sticks. The activities aim to cultivate their environmental awareness.

Whenever possible, we arrange venue sponsorship to environmental NGOs as a form of support to their environmental education programs. It also allows the tenants and visitors to learn more about environmental protection.



We introduced our greening facilities to the participants, and utilized recycled materials in the workshop to raise their environmental awareness



Environmental, Social and Governance (“ESG”)

CARING FOR TENANT

Engaging Our Tenants

We prioritize to establish a long-term relationship with our tenants at our properties. This year, we organized the Sport Fun Day, which included lawn bowling activity and golf game competition for our tenants. During the mingling events, our staff listened to our tenants’ needs, communicated and exchanged ideas with them to establish a friendly business relationship.

Protecting Data and Privacy

Property management business involves the collection of sensitive personal data, and it requires our extra care to protect the information provider’s privacy in our daily operations. Besides being compliant with the Collection of Personal Data (Privacy) Ordinance and other relevant regulations, we have a Personal Data and Classified Data Handling Guideline in place to handle, store and destroy data collected.

During the Reporting Year, no data breach or privacy infringement incidents were recorded.

Handling Complaints

To listen to our tenant’s comments and advice, we conduct a yearly customer satisfaction survey. We review the satisfaction rate and provide timely feedback to our customers. According to our annual tenant satisfaction survey, our property management service has been regarded as highly satisfactory.

Still, complaints may arise in our day-to-day operations. To allow effective and efficient resolution to the complaints, we have published a working instruction for handling complaints and enquiries. Tenants can raise their concerns in person, through mail, phone, fax or email. Upon receiving the information, we would contact the tenants in a timely manner to understand the situation and implement corrective and preventive measures accordingly. We would continue to follow up on the incidents until the tenants are satisfied. The entire handling process would be documented for future reference. All personal information obtained during the process is kept in a strictly confidential manner.

The winning teams in Sport Fun Day were awarded trophies



Our tenants and staff sharing of lawn bowling technique

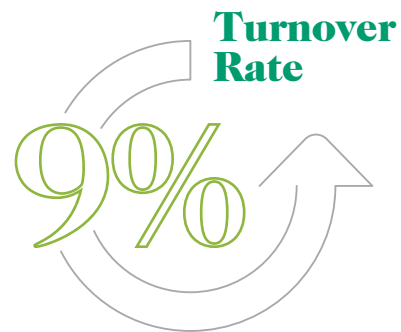
CARING FOR STAFF

Safeguarding Employee’s Rights

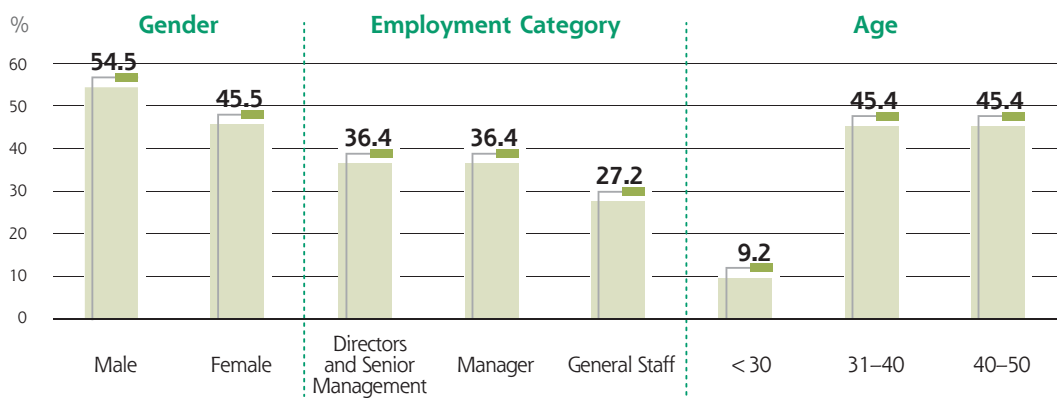
Our staff are the building blocks of our business, and we are dedicated to providing them with a workplace that is pleasant, fulfilling and supportive. Apart from being compliant with the employment-related laws and regulations, we have implemented human resources policy. The policy details employee’s rights and duties including compensation, recruitment, promotion, working hours, rest periods, equal opportunity and anti-discrimination. Child and forced labor are strictly prohibited in our operation.

When staff are recruited, we adhere to fair employment practices. As such, the recruitment decisions are made based only on the candidates’ skills, experience and competence. We strictly prohibit any form of discrimination against age, race, gender, religion, nationality, sexual orientation, family status, disability and other characteristics. On the other hand, our staff are expected to behave ethically in the workplace as outlined in the Code of Conduct.

Induction program is conducted for all the new joiners to help them assimilate into the company’s operation and culture. The program introduces them to the history, business, values and mission of the REIT’s operations. In terms of staff engagement and work-life balance, annual spring dinner, team-building activities and subsidized gym membership are offered to them.



Total Workforce by Category



Maintaining Workplace Safety and Health

We emphasize workplace safety and health which is the first step to providing the staff with positive work experience. Other than complying with occupational safety and health-related ordinances, we are committed to a drug-free and sweat-free workplace. We make use of the Health and Safety Policy and OHSAS 18001-certified safety and health management system. In addition, the Health and Safety Management Committee which consists of different ranks of staff is tasked to facilitate the implementation of the system, promote occupational health and safety matters and enhance the overall workplace conditions.



Besides having the committee to regularly review the incident prevention strategy and ensure the preventive measures implemented are effective, we provide safety training through briefing, tool box talk and lecture. Training and drills on safety principles and emergency procedures regarding fire hazard, use of chemical and electrical appliances are held throughout the year. A total of 827.5 training hours were recorded during the year, with courses including first-aid, safety inspector training and metal scaffolds installation and uninstallation training were organized for the property management staff.

As another means of staff education, we distribute quarterly newsletters with the latest safety and health practices and trends to staff. We carry out regular safety inspections with independent safety consultant to assess and improve the current measures. The findings are shared in monthly meeting to refresh the property management staff's awareness.

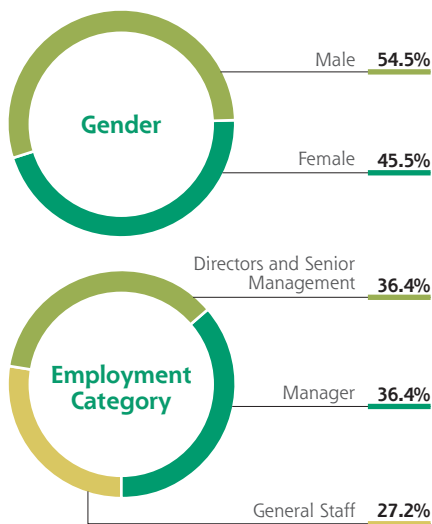
With our effort to create a pleasant work environment to staff, our Trendy Centre and Prosperity Millennia Plaza have been awarded the Good Class Certificate in the Indoor Air Quality Certification Scheme. Our workplace safety and health practices extend to our supply chain. As part of our procurement requirement, our suppliers and contractors are required to follow our safety guideline.

Enriching Career and Personal Experience

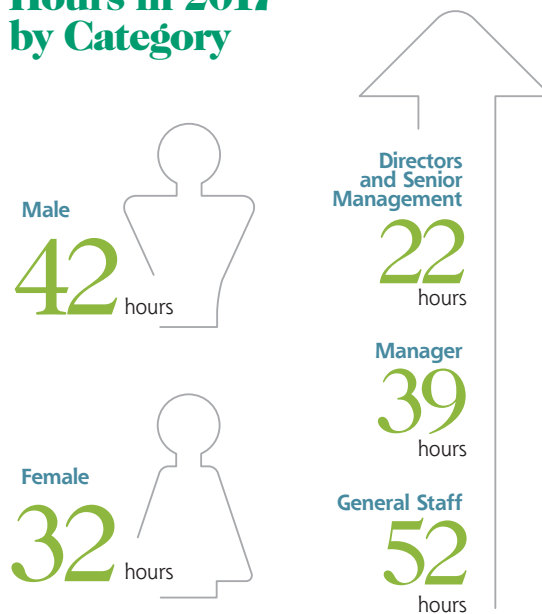
We strive to offer fulfilling experience to staff through giving them learning and development opportunities. In addition to the aforementioned induction and safety training programs, other courses tailored to their everyday work are organized both internally and externally. In an attempt to align the training to the staff’s career aspirations, we make use of goal-setting exercise at the beginning of the year.



Percentage of Employees attended training in 2017 by Category



Average Training Hours in 2017 by Category



On the other hand, all staff go through annual appraisal with their supervisors. It serves as an open, two-way communication to discuss the employee’s job performance. We recognize the staff’s dedication to work and continue to motivate them by offering those who are competent and experienced promotion and salary raise.

Environmental, Social and Governance (“ESG”)

FULFILLING OTHER DUTIES FOR SUSTAINABILITY

Supply Chain Management

Being a responsible property business means extending our commitments to suppliers. In our business activities, we continue to ensure that our high ESG standards are upheld by the contracted parties. Suppliers are expected to comply with our guidelines on environmental performance, labor practices and human rights as part of our procurement requirements.

The Prosperity REIT Operation Manual was formulated as a guiding document for illustrating procurement and supplier selection process. We would also review the selected suppliers’ profile to evaluate the suppliers’ capability of delivering project outcomes while upholding the sustainability standards. Furthermore, we regularly assess our contractors against our standards through on-site inspections.

Our principal suppliers are those with outstanding performance, and we constantly monitor the quality of their products and services. All our principle suppliers are located in Hong Kong. To comprehensively manage the ESG performance of our operations as a whole, we have set up policies for the projects, including presenting relevant certifications, as well as providing safety training and equipment to contracted workers.

Anti-corruption

Prosperity REIT’s Code of Conduct governs policies and practices relating to ethics and integrity, and adheres to the Prevention of Bribery Ordinance (Cap. 201). The incorporated anti-corruption policy applies to all of our employees and provides clear guidelines of appropriate behavior when handling gift and encountering other significant risk relating to corruption. We have zero tolerance on any misconduct including bribery, anti-competition, money laundering, fraud and corruption. Our induction training for new hires and regular training for all employees continued to offer information on this matter where an annual declaration of compliance with the policy from all staff is required. No corrupt practices incident was recorded during the Reporting Year.

To reinforce the culture of good business governance, we have established a whistle-blowing mechanism to allow all employees to raise concerns about possible improprieties and suspected misconduct while protecting the whistleblowers from reprisals. Any reported matters would go through independent investigations to validate the claim. The whistle-blowing mechanism helps the business to be ethically conducted.

Service Responsibility

Responsibility for compliance rests with all our people. We only purchase original and licensed software for the office operation.

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OUR AWARDS



Wood Recycling & Tree Conservation Scheme 2017

by Hong Kong Environmental Protection Association

Indoor Air Quality Certificate • Good Class

by Indoor Air Quality Information Centre



Excellence in Facility Management Award (Office Building)

by The Hong Kong Institute of Facility Management

Charter on External Lighting • Platinum Award

by Environmental Bureau



Caring Company • 5 years+

by The Hong Kong Council of Social Services

HKIRA IR Award • Best IR in Corporate Transaction Small Cap

by Hong Kong Investor Relations Association



2016 Vision Awards Annual Report Competition • Silver Award

by League of American Communications Professionals



2017 International ARC Awards – Annual Report 2016 • Gold Winner

by MerComm, Inc.

ELCHK Corporate Partnership Award

by ELCHK



International Volunteer Day Recognition 2017

by Agency for Volunteer Service

The 8th Hong Kong Outstanding Corporate Citizenship Awards • Merit (SME Category)

by Hong Kong Productivity Council



The 8th Hong Kong Outstanding Corporate Citizenship Awards • Corporate Citizenship Young Power

by Hong Kong Productivity Council

HSBC Living Business Awards 2017 • Green Achievement Award

by Business Environment Council



HSBC Living Business Awards 2017 • Community Engagement Award

by Business Environment Council