

BUILDING

SUSTAINABLE FOUNDATIONS

SUSTAINABILITY
REPORT
2017





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CORPORATE PROFILE

ESR-REIT has been listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”) since 25 July 2006.

ESR-REIT invests in quality income-producing industrial properties and as at 31 December 2017 has a diversified portfolio of 48 properties located across Singapore, with a total gross floor area of approximately 9.9 million sq ft and a property value of S\$1.68 billion¹. The properties are in the following business sectors: General Industrial, Light Industrial, Logistics/Warehouse, High-Specs Industrial, and Business Park, are located close to major transportation hubs and key industrial zones island-wide. ESR Fund Management (S) Limited’s (“ESR-FM” or the “Manager”) objective is to provide Unitholders with a stable and recurring income stream through the successful implementation of the following strategies:

- Pro-active asset management
- Acquisition of value-enhancing properties
- Divestment of non-core properties
- Prudent capital and risk management

View more information on our website: www.esr-reit.com.sg

¹ Includes valuation of 7000 Ang Mo Kio Avenue 5 on a 100% basis, of which ESR-REIT has 80% economic interest

BOARD STATEMENT

As the Board of Directors (“Board”) of ESR Funds Management (S) Limited (“ESR-FM” or “Manager”), the Manager of ESR-REIT (“REIT”), we are pleased to present ESR-REIT’s third sustainability report.

Formerly known as Cambridge Industrial Trust, ESR-REIT has been listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”) since 25 July 2006 and has grown its initial pool of 27 properties to a portfolio comprising 48 properties valued at S\$1.68¹ billion as at 31 December 2017. In 2016, the REIT’s efforts in championing and upholding sustainable practices earned it a place on the SGX Sustainability Leaders Index as one of the pioneering constituents, a position that the REIT has continued to hold since. As ESR-REIT embarks on its next phase of growth, we believe that sustainability policies and initiatives will play an increasingly key role in the REIT’s overall business strategy.

We recognise that environmental, social and governance (“ESG”) issues are increasingly important to our stakeholders. Therefore, we are committed to managing relevant ESG risks and opportunities across our diversified portfolio. This will ensure the long-term resilience of our business while contributing positively to the environment and society, and at the same time, creating long-term value for our stakeholders.

The Board oversees the sustainability management strategies of the Manager and is committed to incorporating sustainability into the organisation’s policies and practices. The Board

has identified the organisation’s material ESG factors and ensures that issues relating to these factors are monitored and managed on a regular basis. The Board is supported by a Sustainability Committee that is responsible for leading sustainability initiatives at ESR-REIT.

In the last year, the Manager has implemented various sustainability initiatives to reduce its environmental footprint. The Manager continued its solar panel programme and maintained solar panel installations at seven of its properties. As part of this programme, we harvested and used a total of 1,560,748 kWh of solar energy.

For the annual employee satisfaction survey, the Manager achieved an overall employee satisfaction score of 80%. For our annual tenant satisfaction survey 2017, the Manager achieved a satisfaction level of 72%.

Efforts were also made to improve the efficiency of ESR-REIT’s properties, with 30 Toh Guan Road obtaining a renewal of the Building and Construction Authority (“BCA”) Green Mark certification, and four other properties receiving Water Efficient Building (“WEB”) certification.

We look forward to the exciting journey that lies ahead of us as we continue to create sustainable value for both ESR-REIT and our stakeholders.

¹ Includes valuation of 7000 Ang Mo Kio Avenue 5 on a 100% basis, of which ESR-REIT has 80% economic interest

ABOUT THIS REPORT

This report covers the sustainability performance of ESR-REIT's properties for the FY2017 period. Where relevant, the data disclosed within the report excludes the following three properties which were divested during the reporting period: 55 Ubi Avenue 3, 23 Woodlands Terrace and 87 Defu Lane 10, as well as the two recently-acquired properties, 8 Tuas South Lane and 7000 Ang Mo Kio Avenue 5.

As a real estate investment trust, the Manager's principal business includes fund management and property and facilities management of industrial properties.

This report is aligned with the SGX-ST Listing Rules Practice Note 7.6 Sustainability Reporting Guide and prepared in accordance with the Global Reporting Initiative ("GRI") Standards (2016). The report contains ESR-REIT's sustainability practices and performance for FY2017, as well as the Manager's targets for the forthcoming year.

We have not sought external assurance for this reporting period and may consider to have the report verified by an independent third party in the near future.

We value and welcome any feedback on our sustainability reporting, approach and performance. Please send your feedback and suggestions to enquiry@esr-reit.com.sg.



SUSTAINABILITY GOVERNANCE

To ensure that sustainability is incorporated into ESR-REIT's strategies, policies and practices, a Sustainability Committee was established to integrate sustainability into the REIT's day-to-day operations.

Guided by the Board of Directors, the Sustainability Committee implements, executes and monitors policies and procedures across the organisation and is also responsible for the annual sustainability reporting process.



ESR-REIT considers its sustainability performance in the context of its business objectives and benchmarks itself against industry peers in order to identify areas for improvement. The Sustainability Committee reviews the Manager's approach to

the REIT's operations, investments and projects on a regular basis to evaluate if current policies and measures are adequate to improve the REIT's future performance so that remedial actions can be taken to address any gaps.





MATERIALITY ASSESSMENT

In FY2016, the Sustainability Committee conducted a materiality session to identify ESG factors that were material to ESR-REIT's business operations and of significant interest to our stakeholders. As the REIT embarks on its next growth phase, a second session was conducted towards the end of FY2017 to review and recalibrate the material ESG factors that were earlier identified. The following factors were taken into consideration for the materiality assessment:

- global and local emerging sustainability trends
- material topics identified by industry peers
- sustainability frameworks

Following the review session, a decision was made to streamline the number of material factors from nine to six, reflecting the critical opportunities and risks faced by ESR-REIT in view of its current growth strategy. The material ESG factors identified in FY2017 were as follows:



CATEGORY	MATERIAL FACTORS	MAPPED GRI TOPICS/ASPECTS
 Economic	<ul style="list-style-type: none"> • Economic Impact • Investment Management – Quality of Assets and Services 	<ul style="list-style-type: none"> • Economic Performance • Non-GRI Topic
 Environmental	<ul style="list-style-type: none"> • Energy and Carbon Footprint 	<ul style="list-style-type: none"> • Energy • Emissions
 Social	<ul style="list-style-type: none"> • Talent Retention¹ • Tenant Engagement and Satisfaction 	<ul style="list-style-type: none"> • Employment • Training and Education • Non-GRI Topic
 Governance	<ul style="list-style-type: none"> • Governance and Enterprise Risk Management² 	<ul style="list-style-type: none"> • General Disclosures • Anti-corruption • Socioeconomic Compliance

¹ Includes information on "Diversity and Equal Opportunity" and "Employee Engagement and Wellness"

² Includes information on "Compliance"

STAKEHOLDER ENGAGEMENT

Stakeholder engagement remains a priority for the Manager. As part of on-going efforts to improve how the Manager engages with its stakeholders, ESR-FM has identified six key stakeholder groups that are critical to ESR-REIT's business and have significant impact on the REIT's long-term business

strategy and performance. The Manager aims to build positive and lasting relationships with its stakeholders by engaging with them on a regular basis to understand the issues that concern them.

STAKEHOLDERS	WHAT IS IMPORTANT TO STAKEHOLDERS	HOW WE ARE ENGAGING WITH STAKEHOLDERS
 <p>Investment Community (Institutional and Retail Investors, Analysts and the Media)</p>	<ul style="list-style-type: none"> • Long-term, sustainable and recurring distributions • Total investment returns • ESR-REIT's strategic outlook and growth prospects • Timely updates on ESR-REIT's portfolio performance, asset and capital management, asset enhancement initiatives ("AEIs"), acquisitions and divestments as well as major corporate developments 	<ul style="list-style-type: none"> • A dedicated investor relations team engages in pro-active engagement with the investment community to keep them updated on operational and financial performance, and ESR-REIT's long-term strategy • Comprehensive investor relations section on the company's website • Quarterly announcement of financial results • Half-yearly results briefings for analysts and media • Regular financial and non-financial performance updates • Annual General Meetings and Extraordinary General Meetings • Investor conferences, face-to-face meetings and Non-Deal Roadshows
 <p>Board of Directors</p>	<ul style="list-style-type: none"> • ESR-REIT's overall corporate governance and sustainability framework and initiatives • Setting of ESR-REIT's strategic objectives, broad policies, procedures and targets • Ensuring regulatory compliance • Ensuring that the organisation meets the needs and expectations of stakeholders 	<ul style="list-style-type: none"> • Regular face-to-face meetings, online communication and calls • Timely and regular updates from key management on business activities • Orientation and training programmes for new Directors
 <p>Management Team and Employees</p>	<ul style="list-style-type: none"> • Empowerment and active engagement • Competitive remuneration and benefits • Job security, stability and pathways for career progression • Health, workplace safety and work-life balance • Equality and diversity at the workplace 	<ul style="list-style-type: none"> • Orientation and training programmes for new employees • Bi-annual performance review • Training and development programmes • Weekly/bi-weekly department meetings • Weekly Heads of Departments' meetings • Team bonding activities, staff loyalty recognition programmes and health initiatives • Annual satisfaction survey for employees
 <p>Existing and Potential Tenants, Other End Users</p>	<ul style="list-style-type: none"> • Competitive rental rates and locations • Conducive and secure working environment with adequate facilities • On-site security practices and management 	<ul style="list-style-type: none"> • Open communication • Frequent site visits and face-to-face discussions • Social and networking events • Tenant satisfaction survey • Support for key tenants' corporate milestone events • Responsiveness towards tenants' feedback

STAKEHOLDER ENGAGEMENT

WHAT IS IMPORTANT TO STAKEHOLDERS

HOW WE ARE ENGAGING WITH STAKEHOLDERS



Government Agencies and Industry Organisations

- Compliance with applicable laws and regulations
- ESR-REIT's economic, environmental, social and governance impact on the communities the REIT operates in

- Periodic participation in industry forums and dialogues
- Membership in industry associations such as the REIT Association of Singapore ("REITAS"), etc.



Local Communities

- Responsible operations
- Support in community development and activities
- Creation of employment opportunities
- Compassion and care for the underprivileged in society

- Partnerships and sponsorships for events and programmes
- Giving back to the community through donations and participation in meaningful community outreach activities

ECONOMIC PERFORMANCE

As part of its strategy for long-term growth, the Manager has focused its efforts on ensuring the REIT's sustainable economic growth. The Manager's focus is to provide Unitholders with a secure and recurring income stream and achieve long-term growth in Distribution per Unit and Net Asset Value. Strong financial and operational performance and optimal capital management are key to the execution of this strategy. Details of ESR-REIT's financial performance in FY2017 can be found in the Financial Highlights (pages 6 to 7) and Financial Statements (pages 93 to 164) sections of the FY2017 Annual Report.



An online copy of the **FY2017 Annual Report** is available at www.esr-reit.com.sg

INVESTMENT MANAGEMENT – QUALITY OF ASSETS AND SERVICES



TARGETS

- Invest in properties that will enhance the sub-asset class diversity of ESR-REIT's portfolio
- Achieve a portfolio occupancy rate that exceeds Jurong Town Corporation's ("JTC") Industrial occupancy average

RESPONSIBLE INVESTING AND QUALITY OF ASSETS AND SERVICES

Responsible investing principles are a key pillar of ESR-REIT's real estate strategy and investing in good quality, yield-accretive assets is key to building a portfolio that will generate higher returns. These efforts will also reduce risks and create a more stable flow of income for the REIT and consequently produce steady and recurring distributions for Unitholders. The Manager seeks opportunities to acquire and invest in assets that will diversify and rebalance the REIT's portfolio, while simultaneously improving the properties through active asset management and AEs.

Eco-friendly certifications are considered an important indicator of building quality and correlate strongly to positive returns on investments and high levels of tenant satisfaction. The Manager is committed to achieving green property certifications — such as the BCA Green Mark and Leadership in Energy and Environmental Design ("LEED") certifications — for both new developments and existing properties.

Various AEs are carried out to improve the overall quality of properties including the enhancement of building façades, lift modernisation works and landscape improving projects carried out within the common spaces of the REIT's properties.

Several policies have been implemented to maintain the quality of ESR-REIT's assets and services. These include policies on investments and divestments of property, credit control tests, credit evaluations and quality assessments for major vendors and suppliers.

Details on ESR-REIT's investment portfolio can be found in the Property Details (pages 36 to 45) and the Investment Properties Portfolio Statement (pages 104 to 115) sections of the FY2017 Annual Report.

ENVIRONMENT

	2016	2017 ⁽¹⁾
Grid Electricity Consumption ⁽²⁾	8,421,322 kWh	9,666,436 kWh
Electricity Consumption Intensity	131 kWh/m ²	145 kWh/m ²
CO ₂ e Emissions Released	3,639,695 kg CO ₂ e	4,102,435 kg CO ₂ e ⁽³⁾
CO ₂ e Emissions Intensity	56.7 kg CO ₂ e/m ²	61.7 kg CO ₂ e/m ²

(1) Data collected includes three properties that were divested in FY2017- 55 Ubi Avenue 3, 87 Defu Lane 10 and 23 Woodlands Terrace

(2) Data reported was limited to the common areas of properties within the operational control of ESR-REIT Property Management (S) Limited

(3) CO₂e emissions released were calculated using a conversion factor of 0.4244 kg CO₂/kWh – Singapore’s Average Operating Margin (OM) Grid Emission Factor (GEF) in 2016

ENERGY AND CARBON EMISSIONS



TARGETS

- Achieve 5% saving in energy consumption of multi-tenanted buildings (“MTB”) over a five-year period from 2016 to 2020 or reduce the energy consumption by 10% as compared to FY2017
- Reduce energy intensity by 2% per year
- Use 100% renewable power at all locations where it is available by 2020
- Achieve a basic level of environmental certification for all buildings e.g. BCA Green Mark
- Maintain no incidents of non-compliance with environmental regulations and laws

The Manager recognises that reducing the REIT’s environmental footprint can improve business and operational efficiency and reduce costs while providing a conducive work environment for both tenants and staff. The usage of environmentally-friendly business practices is likely to also position the REIT in a positive light amongst its tenants and investors.

An increase in energy consumption will lead to higher carbon emissions, which in turn contributes towards global warming. Singapore is taking steps to reduce its carbon emissions and strives to reduce its emissions intensity by 36% from year 2005’s levels by year 2030.

The Manager strives to reduce its carbon emissions output by improving the energy performance and efficiency of the REIT’s properties. Utilities consumption patterns are tracked and monitored on a monthly basis to ensure ESR-REIT’s operations are as energy efficient as possible. Various environmentally-

friendly practices and initiatives have been implemented over the years to reduce the energy consumption of ESR-REIT properties. These measures include:

- Replacing staircase lighting with LED lighting at 30 Toh Guan Road
- Replacing basement carpark lighting with T5 lighting with motion sensors at 2 Jalan Kilang Barat
- Undertaking lift modernisation works at 3C Toh Guan Road East and 128 Joo Seng Road
- Upgrading the water chiller system at 21/23 Ubi Road 1
- Equipping seven of ESR-REIT’s properties with solar energy harvesting facilities

In FY2017, the Manager has also increased its efforts to improve the efficiency of the REIT’s properties. However, the ongoing conversions of single-tenanted properties to multi-tenanted buildings have made it challenging to compare electricity and carbon emissions generated on a like-for-like basis.

The BCA Green Mark certification for 30 Toh Guan Road was renewed, bringing the total number of BCA-certified buildings in ESR-REIT’s portfolio to five. The Manager also aims to attain BCA Green Mark certification for all its buildings that undergo AEIs.

BCA CERTIFICATION

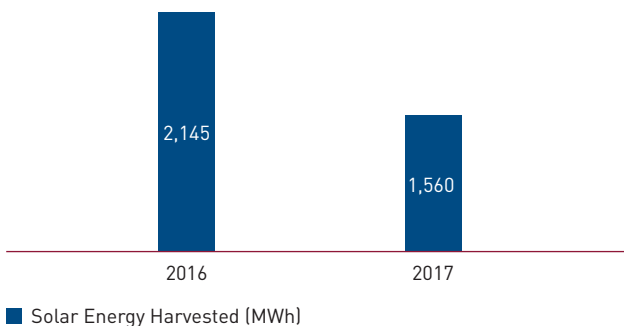
CERTIFICATIONS	PROPERTY	YEAR OF AWARD
BCA Green Mark 'Certified' Certification	30 Toh Guan Road	2017 ⁽¹⁾
BCA Green Mark 'Certified' Certification	86 International Road	2016
BCA Green Mark 'Certified' Certification	21B Senoko Loop	2015
BCA Green Mark 'Certified' Certification	88 International Road	2014
BCA Green Mark 'Gold' Certification	3 Pioneer Sector 3	2015

(1) BCA Green Mark Certification first awarded in December 2012. The property had its certification renewed in March 2017.

In line with Singapore's efforts towards water conservation, the Manager has embarked on water efficiency initiatives to achieve WEB certification for all the upgraded toilets in ESR-REIT's properties. In FY2017, WEB certification was awarded for four of the REIT's buildings – 120 Pioneer Road, 54 Serangoon North Avenue 4 and 86 & 88 International Road. This brings the total number of buildings within our portfolio with WEB certification to 12.

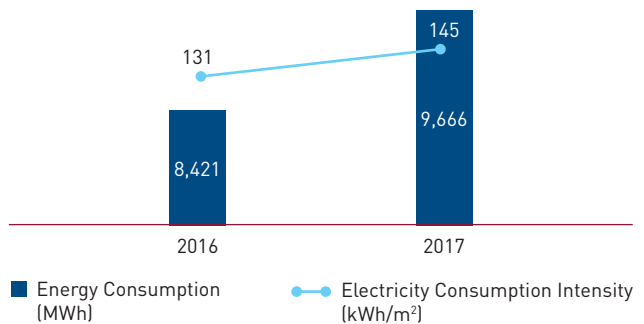
In FY2017, the Manager continued its solar panel programme and maintained solar panel installations at seven of its properties. As part of this programme, 1,560,748 kWh of solar energy was harvested.

Total Solar Energy Harvested (MWh)

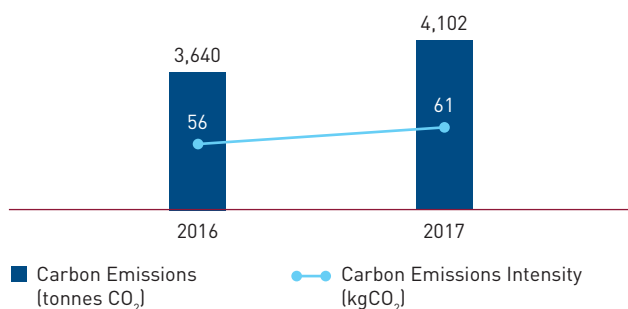


The total grid electricity consumption of ESR-REIT's properties in FY2017 was 9,666,436 kWh, a 14% increase from FY2016's levels. Energy intensity increased from 131 kWh/m² in FY2016 to 145 kWh/m² in FY2017. This was due to the conversion of Single-Tenanted Buildings ("STB") to MTBs in FY2017 which had increased the energy usage. However, as the conversions were completed progressively across the FY2017 period, the energy consumption data recorded for these buildings did not accurately reflect the total energy consumption of these buildings on a full-year basis.

Electricity Consumption and Intensity within the Organisation



Indirect Carbon Emissions (Scope 2) and Intensity within the Organisation



Efforts are being made to reduce the REIT's impact on climate change by increasing the use of alternative energy sources and driving energy efficiency across all properties.

ENVIRONMENTAL COMPLIANCE

Where possible, the Manager strives to comply with all applicable environmental laws and regulations and meet the requirements of approved standards and codes of practice. In FY2017, there were no reported cases of non-compliance with any environmental laws and regulations.

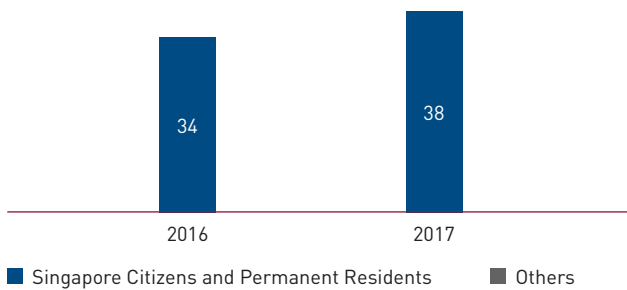
SOCIAL

OUR PEOPLE

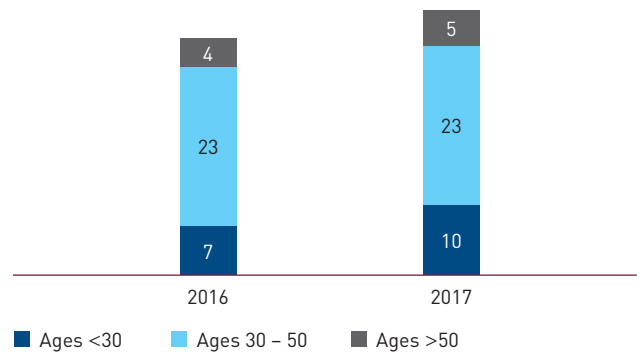
Employees are the Manager’s biggest asset and it is committed to developing and nurturing talent. As of 31 December 2017, there were 38 staff employed by the Manager and all of them were based in Singapore. Most of the Manager’s employees were within the 30-to-50-year age group. Male and female employees accounted for 34% and 66% respectively of the Manager’s workforce.

Workforce data is regularly tracked and monitored and this includes staff turnover, absentee rate, overtime and training hours to ensure the effective management of the Manager’s resources.

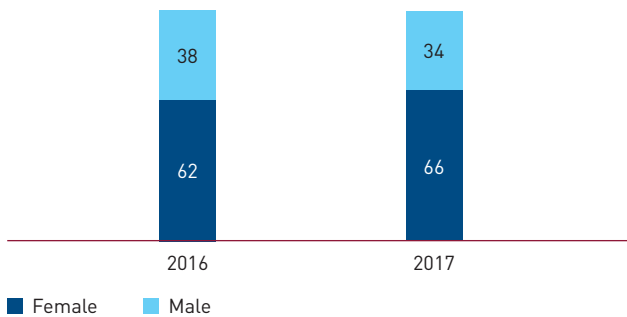
Employees’ Diversity Profile



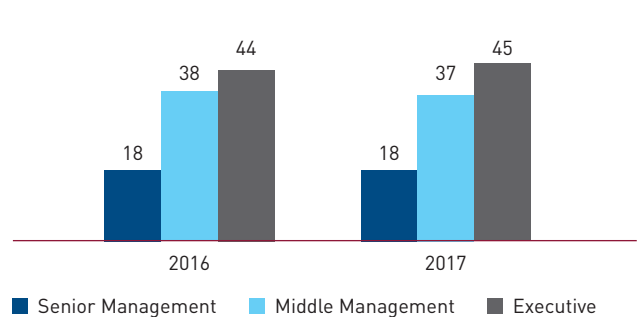
Employees’ Age Profile



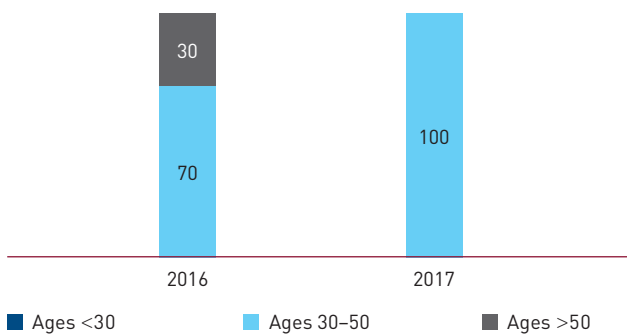
Number of Employees by Gender (%)



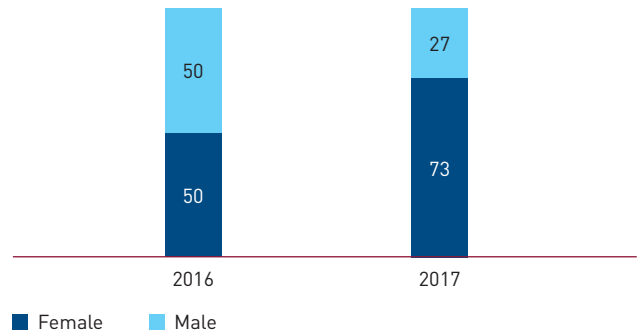
Number of Employees by Employment Category (%)



Employees’ Turnover by Age (%)



Employees’ Turnover by Gender (%)



DIVERSITY AND EQUAL OPPORTUNITY

The Manager is committed to building an inclusive workforce that embraces and promotes diversity and equal opportunity. Its commitment to workplace diversity is demonstrated through its Human Resource Management (“HRM”) policy and practices, which are aligned with the key principles defined

by the Tripartite Guidelines on Fair Employment Practices (“TGFE”) and the Ministry of Manpower’s Fair Consideration Framework. All of the Manager’s employees have an equal opportunity to succeed and all decisions relating to recruitment and promotion are based on merit.

TALENT ATTRACTION AND RETENTION



TARGETS

- Maintain current levels of employee turnover and absenteeism
- Increase employee satisfaction at all levels

The recruitment and retention of the right talent is crucial to the Manager’s overall efforts to pro-actively identify and develop future leaders of the organisation.

A structured recruitment process has been implemented to ensure that right talent fit is achieved in order to drive the REIT’s business forward. All new employees are required to participate in a comprehensive orientation programme that covers topics such as ESR-REIT’s culture, health, safety and business practices.

A competitive compensation and employee benefits scheme is essential to attracting and retaining the best talent. This in turn supports the organisation in achieving its goals and creates sustained shareholder value. A remuneration framework has been established to ensure that remuneration for performance is competitive and in line with industry practice. All employees receive an annual performance review in which their supervisors discuss with them their strengths, skills and development needs.

Exit interviews are conducted to understand employees’ reasons for leaving the organisation. Through the interviews, feedback and comments are gathered from employees, allowing the Manager to identify areas for improvement.

TRAINING AND EDUCATION

All employees hired by the Manager are encouraged to seek out opportunities for professional and personal growth. Each employee is required to complete at least 20 hours of training every year and all employees are encouraged to participate in relevant workshops, seminars and courses to improve their skills and capabilities. Some of the training programmes/courses include Software Systems training, employee engagement seminars such as “Engaging Self and Others” and bi-monthly internal training courses to provide staff members with an overview of the company’s policies and regulations. For FY2017, each employee received an average of 33.6 hours of training.

EMPLOYEE ENGAGEMENT AND WELLNESS

Employee engagement is key to a motivated and successful workforce and employee engagement and satisfaction levels are closely monitored through an annual satisfaction survey, which covers the following topics:

1. **Commitment of Team Members**
2. **Strength of the Line Managers**
3. **Team Spirit and Collaboration**
4. **Strategy and Leadership**

In FY2017, an overall employee satisfaction score of 80% was achieved.

SOCIAL

Various benefits are provided to employees to support their mental and physical well-being. Flexible work arrangements are offered to employees to ensure that they are able to meet their personal or family commitments and be productive and happy in the workplace.

The following benefits are also offered to employees:

- Insurance Cover: Term Life, Personal Accident and Permanent Disability, Hospital and Surgical, Outpatient/Specialist and Travel
- Flexi-benefits scheme
- Comprehensive leave entitlements, including birthday leave
- Annual team-building activities

Initiatives such as the “Helping Employees Achieve Lifetime Health” (“HEALTH”) Charter and the Physical and Mental Health Programme support the enhancement of employees’ social, mental and physical wellness. Employees are encouraged to participate in the HEALTH Programme, which includes activities such as exercises, health talks and an annual health screening event.



As part of its staff engagement efforts, the Manager regularly organises team-building events including sporting activities.

TENANT ENGAGEMENT AND SATISFACTION



TARGETS

- Improve tenant satisfaction levels across all benchmarks/levels (to achieve tenant satisfaction between 70 – 80 percent each year)

Developing good tenant relationships enable the Manager to anticipate, understand and respond appropriately to the needs of the REIT’s tenants. This is achieved through regular communication, timely resolution of issues and progressive upgrading of facilities.

The Manager regularly engages with the REIT’s tenants through periodic site visits, email correspondence, various events and the annual tenant satisfaction survey. In the Tenant Satisfaction Survey 2017, the overall tenant satisfaction achieved was 72%. Feedback gathered centred around the following aspects:

1. Service quality provided by various teams
2. Service provided by external vendors
3. Tenants’ environmental policies

	2016	2017
Tenant Satisfaction Rating	73%	72%

Creating an environment that encourages tenant loyalty will encourage tenants to sign on for longer leases and in turn create a more robust tenant network. Tenant occupancy and retention rates are tracked on an annual basis and these rates are benchmarked against industry peers in order to identify areas for improvement.



Events such as ESR-REIT’s Tenants and Partners Durian Party (left) and the Tenant Safety Seminar (right) offer opportunities for the Manager to deepen ties with tenants.

COMMUNITY INVESTMENT AND DEVELOPMENT

The Manager is committed to building long-term relationships with the communities in which it operates in by supporting efforts to improve living standards within the community.

Working responsibly also includes contributing back to the communities in which the Manager operates in, helping them to build the skills and support networks needed to

create sustainable success. The Manager has also made contributions back to the local education system and provided financial support to outstanding students, while at the same time developing a pipeline of future talent in the real estate industry through the introduction of a Sponsorship Programme for Real Estate students of Ngee Ann Polytechnic. Cash and in-kind donations were also contributed by the Manager to benefit the wider community.

ESR-REIT's Scholarship Programme

The scholarship programme aims to give outstanding students the opportunity to participate in internships and develop employability skills. The programme covers students' annual tuition fees and book allowance. Recipients of the scholarship undertake a compulsory internship with ESR-REIT's Manager. In this way, the contribution creates a direct impact on the community by helping deserving students afford higher education, fostering a new generation of industry talent and supporting the REIT's business with a potential pipeline of talent. In FY2017, S\$5,800 was allocated to this two-year programme and a student candidate from Ngee Ann Polytechnic was selected to be ESR-REIT's inaugural scholar.



ESR-REIT's scholarship programme supports the development of new talent for the real estate sector. (From left to right): Ms Pang-Eng Peck Hong, Director (School of Design and Environment), Ngee Ann Polytechnic, Ms Freya Bastian, former Head of Human Resources at ESR Funds Management (S) Limited, Mr Sachin Kannan, ESR-REIT Scholar-Intern, Ms Cheryl Lim, Marketing Communications Manager, ESR Funds Management (S) Limited, Ms Irene Phua, Senior Human Resources Manager, ESR Funds Management (S) Limited.

Cash Contribution to Wishing Well

In FY2017, a donation of S\$10,000 was made to Wishing Well, an organisation that supports low-income families in Singapore. The donation was used to support Wishing Well's Groceries for Families and Children Enrichment Programmes that reach out to more than 120 beneficiaries. Groceries for Families is a programme that distributes grocery packs with household staples to beneficiary families across Singapore. Children Enrichment is a holistic programme that helps children build academic, team building and personal development skills.

Donation to Mercy Relief

A donation of 225 woven bags and approximately 100 zippered travel bags was made to Mercy Relief, Singapore's leading independent disaster relief agency in FY2017. The donated items were used to support Mercy Relief's local and overseas relief missions.

GOVERNANCE AND ENTERPRISE RISK MANAGEMENT



TARGETS

- No reported lapses in corporate governance, corruption/employee misconduct and non-compliance with applicable laws and regulations

GOVERNANCE

The Manager believes that having a robust corporate governance framework in place can enhance stakeholders' trust.

Importance is placed on protecting the REIT's assets, its reputation and the value of Unitholders' investment by adopting good corporate governance practices, which include abiding by all applicable legislation and regulations. The Manager adheres to the Code of Corporate Governance 2012, the Code on Collective Investment Schemes, the Trust Deed, listing rules and regulations set out by SGX, as well as other applicable laws and regulations.

Relevant regulatory related policies and procedures have been established to ensure compliance with applicable legislation and regulations. The Manager monitors compliance policies and procedures to ensure they are aligned with regulatory requirements through regular attestations, routine compliance monitoring programmes, reporting of regulatory breaches and internal/external/regulatory inspection findings.

A formal process is also in place to annually assess the effectiveness of the Board and the Audit, Risk Management and Compliance Committee ("ARCC"). This is conducted through feedback collected from individual directors on areas relating to the Board's and ARCC's competencies and effectiveness.

An assessment review on each independent director is conducted by the Nominating and Remuneration Committee ("NRC") to ensure that the director remains independent. Results of the assessment will be submitted to the Board for review and approval. The performance and effectiveness of ESR-REIT's internal and external auditors are monitored and assessed by the ARCC each year.

A whistle-blowing policy is in place to provide an avenue for employees and external parties to raise any concerns about possible improprieties relating to matters of financial reporting or other issues to the Chairman of ARCC. An independent investigation and appropriate follow-up action will be taken in response to any concerns raised.

All suppliers and vendors are required to comply with applicable laws and regulations. A due diligence process is conducted on the suppliers and vendors at the point of engagement by the Manager on behalf of the REIT. Routine assessments of these suppliers and vendors are conducted to ensure compliance with the internally prescribed standards and applicable laws and regulations.

Anti-corruption

The Manager maintains a zero-tolerance approach towards corrupt business practices and is committed to conducting business in an ethical manner. In FY2017, there were no reported cases of non-compliance with anti-corruption laws and regulations.

Anti-competitive Behaviour

The Manager is committed to complying with all applicable anti-trust and competition laws and regulations. There were no legal actions with regard to anti-competitive behaviour and violations of anti-trust and competition laws and regulations during the reporting period.

Enterprise Risk Management

The Manager has put in place a comprehensive risk management system that helps it identify, measure, prioritise and respond to potential risks that could have a significant impact on the REIT's business. The Manager adopts a four-step risk management process to manage different risks and it includes the following steps:

1. Risk identification and assessment;
2. Risk management application;
3. Risk monitoring; and
4. Reporting

Information on ESR-REIT's corporate governance, compliance and risk management policies and practices can be found in the Risk Management (pages 67 to 70) and the Corporate Governance Report (pages 71 to 91) sections of the FY2017 Annual Report.

GRI INDEX

GRI STANDARDS (2016)		NOTES/PAGE NUMBER(S)
GENERAL DISCLOSURES		
Organisational Profile		
102-1	Name of the organisation	ESR-REIT; Corporate Information (Annual Report 2017), Page 1
102-2	Activities, brands, products, and services	About This Report, Page 2; Corporate Information (Annual Report 2017), Page 1
102-3	Location of headquarters	Corporate Directory (Annual Report 2017), Inside Back Cover
102-4	Location of operations	Corporate Directory (Annual Report 2017), Inside Back Cover
102-5	Ownership and legal form	Group Structure (Annual Report 2017), Page 10
102-6	Markets served	Corporate Information (Annual Report 2017), Page 1
102-7	Scale of the organisation	Social – Our People, Page 10 Corporate Information (Annual Report 2017), Page 1; Financial Highlights and Five Year Financial Summary (Annual Report 2017), Pages 6-7 Our Business (Annual Report 2017), Page 11
102-8	Information on employees and other workers	Social – Our People, Page 10
102-9	Supply chain	Governance and Enterprise Risk Management, Page 14
102-10	Significant changes to organisation and its supply chain	Notes to the Financial Statements (Annual Report 2017), Pages 118-159
102-11	Precautionary principle or approach	Risk Management (Annual Report 2017), Pages 67-70
102-12	External initiatives	Social – Diversity and Equal Opportunity, Page 11
102-13	Memberships in associations (such as industry associations)	Stakeholder Engagement, Pages 5-6
Strategy		
102-14	Statement from senior decision-maker	Board Statement, Page 1
Ethics and Integrity		
102-16	Values, principles, standards, and norms of behaviour	Corporate Governance (Annual Report 2017), Pages 71-91
Governance		
102-18	Governance structure	Sustainability Governance, Page 3 Organisation Structure (Annual Report 2017), Page 16 Corporate Governance (Annual Report 2017), Pages 71-91
Stakeholder Engagement		
102-40	List of stakeholder groups	Stakeholder Engagement, Pages 5-6
102-41	Collective bargaining agreements	All employees within the scope of this report are not covered by collective bargaining agreements, as they are considered to be professionals.
102-42	Identifying and selecting stakeholders	Stakeholder Engagement, Pages 5-6
102-43	Approach to stakeholder engagement	Stakeholder Engagement, Pages 5-6
102-44	Key topics and concerns raised	Stakeholder Engagement, Pages 5-6

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GRI STANDARDS (2016)		NOTES/PAGE NUMBER(S)
GENERAL DISCLOSURES		
Reporting Practice		
102-45	Entities included in the consolidated financial statements	Investment Properties Portfolio Statement (Annual Report 2017), Pages 104-115
102-46	Definition of report content and topic boundaries	About This Report, Page 2
102-47	List of material topics	Materiality Assessment, Page 4
102-48	Restatements of information	None
102-49	Changes in reporting	Materiality Assessment, Page 4
102-50	Reporting period	About This Report, Page 2
102-51	Date of most recent previous report	Sustainability Report 2016 was published on 25 April 2017
102-52	Reporting cycle	About This Report, Page 2
102-53	Contact point for questions regarding the report	About This Report, Page 2
102-54	Claims of reporting in accordance with GRI Standards	About This Report, Page 2
102-55	GRI content index	GRI Index, Pages 15-19
102-56	External assurance	About This Report, Page 2
MATERIAL TOPICS		
Economic Performance		
201-1	Direct economic value generated and distributed	Financial Report (Annual Report 2017), Pages 93-164
103-1	Explanation of the material topic and its boundary	Materiality Assessment, Page 4;
103-2	The management approach and its components	Sustainability Governance, Page 3; Materiality Assessment, Page 4
103-3	Evaluation of the management approach	Sustainability Governance, Page 3; Materiality Assessment, Page 4
Anti corruption		
205-3	Confirmed incidents of corruption and actions taken	Governance and Enterprise Risk Management – Anti-corruption, Page 14
103-1	Explanation of the material topic and its boundary	Materiality Assessment, Page 4; Governance and Enterprise Risk Management – Anti-corruption, Page 14
103-2	The management approach and its components	Sustainability Governance, Page 3; Materiality Assessment, Page 4; Governance and Enterprise Risk Management – Anti-corruption, Page 14
103-3	Evaluation of the management approach	Sustainability Governance, Page 3; Materiality Assessment, Page 4; Governance and Enterprise Risk Management – Anti-corruption, Page 14

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MATERIAL TOPICS		
Energy		
302-1	Energy consumption within the organisation	Environment, Page 8; Energy and Carbon Emissions, Pages 8-9
302-3	Energy intensity	Environment, Page 8; Energy and Carbon Emissions, Pages 8-9
103-1	Explanation of the material topic and its boundary	Materiality Assessment, Page 4; Environment, Page 9; Energy and Carbon Emissions, Pages 8-9
103-2	The management approach and its components	Sustainability Governance, Page 3; Materiality Assessment, Page 4; Environment, Page 8; Energy and Carbon Emissions, Pages 8-9
103-3	Evaluation of the management approach	Sustainability Governance, Page 3; Materiality Assessment, Page 4; Environment, Page 8; Energy and Carbon Emissions, Pages 8-9
Emissions		
305-2	Energy indirect (Scope 2) GHG emissions	Environment, Page 8; Energy and Carbon Emissions, Pages 8-9
305-4	GHG emissions intensity	Environment, Page 8; Energy and Carbon Emissions, Pages 8-9
103-1	Explanation of the material topic and its boundary	Materiality Assessment, Page 4; Environment, Page 8; Energy and Carbon Emissions, Pages 8-9
103-2	The management approach and its components	Sustainability Governance, Page 3; Materiality Assessment, Page 4; Environment, Page 8; Energy and Carbon Emissions, Pages 8-9
103-3	Evaluation of the management approach	Sustainability Governance, Page 3; Materiality Assessment, Page 4; Environment, Page 8; Energy and Carbon Emissions, Pages 8-9
Employment		
401-1	New employee hires and employee turnover	Social – Our People, Page 10
103-1	Explanation of the material topic and its boundary	Materiality Assessment, Page 4; Social – Our People, Page 10; Social – Diversity and Equal Opportunity, Page 11; Social – Employee Engagement and Wellness, Page 11-12
103-2	The management approach and its components	Sustainability Governance, Page 3; Materiality Assessment, Page 4; Social – Our People, Page 10; Social – Diversity and Equal Opportunity, Page 11; Social – Employee Engagement and Wellness, Page 11-12

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MATERIAL TOPICS		
Employment		
103-3	Evaluation of the management approach	Sustainability Governance, Page 3; Materiality Assessment, Page 4; Social – Our People, Page 10; Social – Diversity and Equal Opportunity, Page 11; Social – Employee Engagement and Wellness, Page 11-12
Training and Education		
404-2	Programmes for upgrading employee skills and transition assistance programmes	Social – Training and Education, Page 11
103-1	Explanation of the material topic and its boundary	Materiality Assessment, Page 4; Social – Training and Education, Page 11
103-2	The management approach and its components	Sustainability Governance, Page 3; Materiality Assessment, Page 4; Social – Training and Education, Page 11
103-3	Evaluation of the management approach	Sustainability Governance, Page 3; Materiality Assessment, Page 4; Social – Training and Education, Page 11
Socioeconomic Compliance		
419-1	Non-compliance with laws and regulations in the social and economic area	Stakeholder Engagement, Pages 5-6; Governance and Enterprise Risk Management, Page 14
103-1	Explanation of the material topic and its boundary	Materiality Assessment, Page 4; Stakeholder Engagement, Pages 5-6; Governance and Enterprise Risk Management, Page 14
103-2	The management approach and its components	Sustainability Governance, Page 3; Materiality Assessment, Page 4; Stakeholder Engagement, Pages 5-6; Governance and Enterprise Risk Management, Page 14
103-3	Evaluation of the management approach	Sustainability Governance, Page 3; Materiality Assessment, Page 4; Stakeholder Engagement, Pages 5-6; Governance and Enterprise Risk Management, Page 14
Investment Management – Quality of Assets and Services		
N/A	Responsible investing and quality of assets and services	Investment Management – Quality of Assets and Services, Page 7
103-1	Explanation of the material topic and its boundary	Materiality Assessment, Page 4; Investment Management – Quality of Assets and Services, Page 7
103-2	The management approach and its components	Sustainability Governance, Page 3; Materiality Assessment, Page 4; Investment Management – Quality of Assets and Services, Page 7
103-3	Evaluation of the management approach	Sustainability Governance, Page 3; Materiality Assessment, Page 4; Investment Management – Quality of Assets and Services, Page 7

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MATERIAL TOPICS		
Tenant Engagement and Satisfaction		
N/A	Tenant engagement and satisfaction	Social – Tenant Engagement and Satisfaction, Page 12
103-1	Explanation of the material topic and its boundary	Materiality Assessment, Page 4; Tenant Engagement and Satisfaction, Page 12
103-2	The management approach and its components	Sustainability Governance, Page 3; Materiality Assessment, Page 4; Tenant Engagement and Satisfaction, Page 12
103-3	Evaluation of the management approach	Sustainability Governance, Page 3; Materiality Assessment, Page 4; Tenant Engagement and Satisfaction, Page 12
ADDITIONAL DISCLOSURES		
Environmental Compliance		
307-1	Non-compliance with environmental laws and regulations	Environment – Environmental Compliance, Page 9
Local Communities		
413-1	Operations with local community engagement, impact assessments, and development programs	Social – Community Investment and Development, Page 13

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