

With growing demand for ESG-related information, we are committed to managing Sunlight REIT as a transparent and accountable enterprise, communicating our ESG policies, initiatives and performance to various stakeholders on a regular basis.

Message from CEO

I am pleased to present the first Environmental, Social and Governance (“**ESG**”) Report of Sunlight REIT. As the Manager, we consider this new disclosure requirement as an opportunity to record our energy use, measure our carbon footprint and examine other key aspects of ESG performance. We believe that this information shall help us to make informed decisions and formulate effective strategies to balance the economic, environmental and social benefits of our business activities ahead.

As a responsible corporate citizen, Sunlight REIT is committed to mitigating the carbon footprint arising from its operations. We focus on energy conservation, waste treatment and increasing the amount of greenery in our urban landscape. Such considerations are incorporated in the daily management of our property portfolio.



Pivotal to the success and growth of Sunlight REIT are our staff. They have been active participants in our ESG initiatives and in the preparation of this ESG report. Through active engagement with them, we endeavour to foster a harmonious work environment conducive to their development and hence the long-term success of Sunlight REIT. Looking ahead, I assure unitholders and other stakeholders that the team as a whole shall devote incessant efforts to refining our ESG policies and initiatives.

Recognising that the long-term viability of Sunlight REIT's business model is inextricably linked with the well-being of society, the Manager also seeks to connect with the communities in which we operate and make positive contributions to them. Our efforts are demonstrated by our initiation and participation in a variety of community activities for a diverse range of beneficiaries.

With growing demand for ESG-related information, we are committed to managing Sunlight REIT as a transparent and accountable enterprise, communicating our ESG policies, initiatives and performance to various stakeholders on a regular basis. In addition to providing unitholders with stable financial returns, we also strive to fulfil different stakeholders' expectations and requirements relating to sustainability. Going forward, we shall continue to embrace the principle of sustainability in our business strategies to ensure that the growth of Sunlight REIT is achieved without compromising environmental protection, staff development and community welfare.

WU Shiu Kee, Keith
Chief Executive Officer
5 September 2016

About the ESG Report

Reporting standard

This debut ESG Report of Sunlight REIT is prepared by the Manager in accordance with the requirements of the ESG Reporting Guide (2015) issued by the Stock Exchange. It offers an overview of the management approach of Sunlight REIT and its performance relating to ESG issues, and provides a platform enabling the Manager to communicate its ESG-related policies and initiatives to various stakeholders in a clear and transparent manner.

Information pertaining to sustainability-related performance criteria such as 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 45 for easy reference.

Stakeholder engagement

To assist in the preparation of this report, the Manager has commissioned an independent consultant to conduct an internal stakeholder engagement survey. Employees were invited to rank the importance of ESG issues to Sunlight REIT through an online survey, and to express their views on the current sustainability performance and future direction of Sunlight REIT.

Materiality assessment

The principle of “materiality” is cited by the Stock Exchange as essential in determining the content of an ESG Report. A sound materiality assessment provides enterprises with a threshold, at which ESG issues become sufficiently important to investors and other stakeholders that they should be reported. To identify material ESG/sustainability issues, the Manager undertook a structured materiality assessment as outlined below :

Stage 1 : Identification

- ▶ Peer benchmarking : the ESG disclosures of five local peer companies were studied to identify the material issues facing by these companies and the industry in general. The greater the disclosure by peer companies, the higher the level of materiality.
- ▶ Internal stakeholder engagement : employees were invited to complete an online survey to rank ESG issues faced by Sunlight REIT in terms of importance. As employees possess in-depth operational knowledge, highly ranked ESG issues are likely to be considered material.

Stage 2 : Prioritisation

- ▶ The results of the peer benchmarking exercise were analysed in conjunction with the outcomes of the stakeholder engagement. A list of ESG-related issues of high and medium-level materiality were compiled for validation.

Stage 3 : Validation

- ▶ The findings from stages 1 and 2 were consolidated and discussed with the senior management team of the Manager, who considered the relevance of the Stock Exchange’s aspects and Key Performance Indicators (KPIs)^{Note} in relation to Sunlight REIT’s business operations. A set of aspects and KPIs was then confirmed for disclosure.

Note : The Appendix 27 “Environmental, Social and Governance Reporting Guide” of the Listing Rules issued by the Stock Exchange is organised 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 FY2015/16

Awards/Certificates	Participating entities/Properties	Awarding bodies
Better World Company Logo – Certificate of Achievement	1. The Manager 2. The Property Manager : (i) Sheung Shui Centre Shopping Arcade (ii) Metro City Phase I Property (iii) Sunlight Tower	Junior Chamber International Hong Kong
Caring Company	1. The Manager 2. The Property Manager	The Hong Kong Council of Social Service
Certificate of Merit – Community Engagement Award	Sunlight REIT – The Manager	HSBC Commercial Banking
Dementia Concern Company – Dementia Concern Campaign	The Property Manager	Jockey Club Centre for Positive Ageing
Good MPF Employer	1. The Manager 2. The Property Manager	Mandatory Provident Fund Schemes Authority
Happy Company	1. The Manager 2. The Property Manager	Promoting Happiness Index Foundation
Hong Kong Green Organisation	The Property Manager : Sunlight Tower	Environmental Campaign Committee
Indoor Air Quality Certification Scheme (Excellent Class)	Sunlight Tower	Indoor Air Quality Information Centre, Environmental Protection Department, HKSAR Government
Indoor Air Quality Certification Scheme (Good Class)	1. Sheung Shui Centre Shopping Arcade 2. Metro City Phase I Property	Indoor Air Quality Information Centre, Environmental Protection Department, HKSAR Government
Quality Water Recognition Scheme For Buildings	1. Bonham Trade Centre 2. Righteous Centre 3. 235 Wing Lok Street Trade Centre 4. Java Road 108 Commercial Centre	Water Supplies Department, HKSAR Government
Flushing Water Plumbing Quality Maintenance Recognition Scheme	1. Sunlight Tower 2. Bonham Trade Centre 3. Righteous Centre 4. 235 Wing Lok Street Trade Centre 5. Java Road 108 Commercial Centre	Water Supplies Department, HKSAR Government
Quality Water Supply Scheme for Buildings – Fresh Water (Plus) (Basic Plan)	Sunlight Tower	Water Supplies Department, HKSAR Government

Sustainability governance

In recognition of the growing importance of addressing ESG-related issues, the Manager established the Corporate Social Responsibility Committee (“CSRC”) in 2012 to coordinate the efforts in rolling out ESG initiatives. The CSRC is headed by the CEO and convenes meetings on a regular basis. Its primary responsibility is to plan, execute and track the progress of the ESG programmes in alignment with the principles of sustainability and social responsibility.

Our People

Working conditions

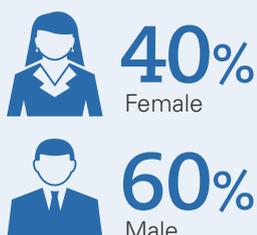
As the Manager of Sunlight REIT, we recognise the importance of cultivating a collaborative and rewarding environment in which our employees are able to realise their full potential. We have outlined expected professional conduct in our staff handbook to ensure a workplace free from discrimination and harassment. Our ideals on equal opportunity are also upheld in recruitment, with interviewers being provided with clear guidelines that the assessment of job applicants is to be based solely on their merits, regardless of age, disability, gender and ethnicity.

Our employees have helped to drive us to new heights as an organisation. We therefore take great care to ensure that they are compensated competitively by industry standards and their remunerations are commensurate with experience and job requirements. An annual performance appraisal is conducted to collect feedback from employees, and to discuss their work performance and opportunities for career progression.

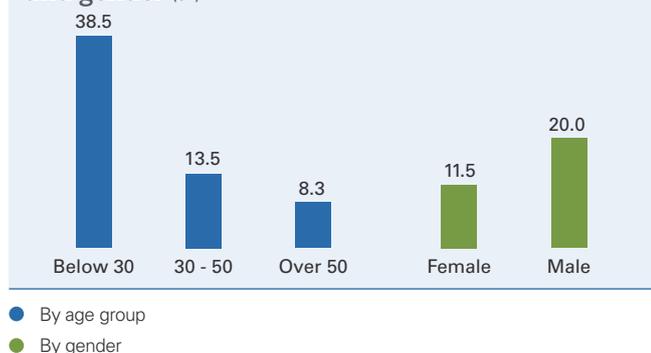
As a caring employer, we cater to the needs and schedules of our employees, offering flexible work-hour arrangements for head office staff. Complementing these are social activities such as annual dinners, Christmas parties, staff trips and a wide array of sustainability-related activities which can help foster a sense of belonging and loyalty.

During the Year, there were no cases of non-compliance with laws and regulations regarding employment and labour practice.

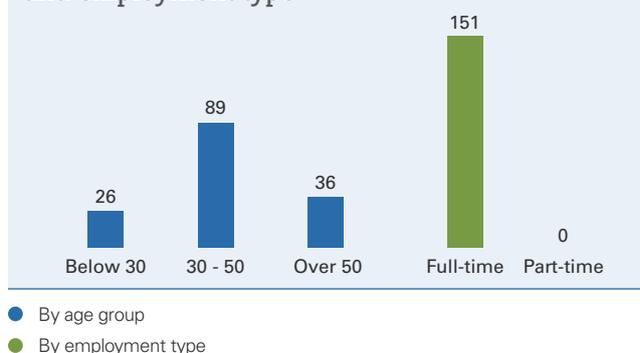
Total workforce by gender



Employee turnover rate by age group and gender (%)



Total workforce by age group and employment type



ESG case 1 : Staff trip

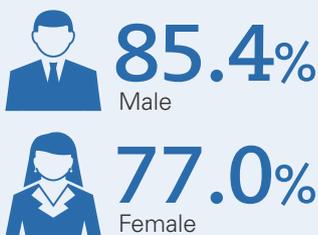


In celebration of Sunlight REIT's 10th anniversary, and in appreciation of the staff who have loyally served Sunlight REIT over the past decade, a trip to Okinawa in Japan was organised for them in June 2016. This activity has not only provided a platform for employees to mingle with one another, but also helped foster their sense of belonging and team spirit.

Training percentage by employee category



Training percentage by gender



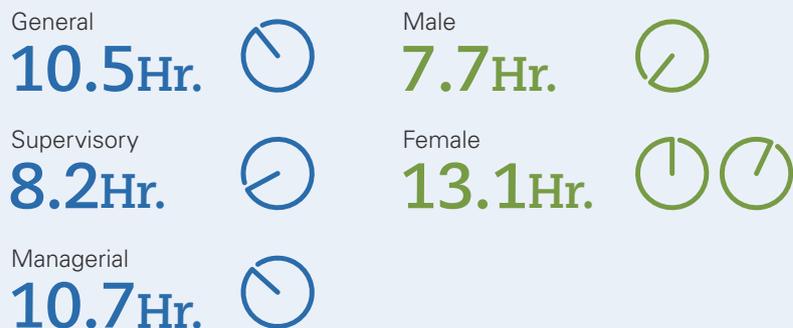
Staff development

We are strongly supportive of the continued education and professional development of our staff. We believe that investing in our people will allow both our employees and Sunlight REIT to continue to grow, and to successfully address challenges and seize opportunities that we encounter in the performance of our duties.

A comprehensive staff training policy ensures that we have in place an educational allowance and a staff development fund to provide financial support to employees who wish to undertake further studies or training that may enhance their job-related knowledge and skills. Moreover, a professional body allowance is available for eligible employees to apply for the membership of relevant professional bodies or charters.

Given the diversity of skills that our operations require, we also organise custom made training sessions covering topics such as customer service and management skills. Furthermore, to encourage in-depth and immersive training experiences, we regularly arrange off-site staff retreats as well as courses and training programmes that can meet the vocational needs of our employees.

Average training hours per employee by employee category and gender



- By employee category
- By gender

Health and safety

The Manager has established a set of internal guidelines and systems to safeguard our employees from occupational hazards. They are required to report any work-related injuries. We also encourage members of staff to attend safety-training courses conducted by the Occupational Safety and Health (OSH) Training Centre. Staff are encouraged and sponsored to undertake annual medical examinations.

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

Number of work-related fatalities	0
Work-related fatality rate	0%
Lost days due to work injury	57

Anti-corruption and anti-money laundering

The Manager maintains a high standard of business ethics and adheres to stringent anti-corruption policies and control measures. A code of conduct and related policies have been established to elucidate our ethical requirements, with particular emphasis on the prevention of bribery, fraud and conflicts of interests. After taking into account the risk exposure of Sunlight REIT's operations relating to anti-money laundering, and with reference to the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (Chapter 615 of the Laws of Hong Kong) and Guideline on Anti-Money Laundering and Counter-Terrorist Financing issued by the SFC, an anti-money laundering policy has been formulated for strict implementation by staff.

As stated in the "Corporate Governance Report" on page 65 of this annual report, we have also put in place channels to encourage all staff to report any misconduct, malpractices and irregularities, while such reports are treated with confidentiality. During the Year, there were no reported cases regarding corrupt practices brought against Sunlight REIT.

Our Environment

Environmental protection and resources conservation are of particular concern to the Manager. Our environmental initiatives are spearheaded by the CSRC, which strives to embody environmental considerations in our business decisions.

The Manager takes pride in maintaining an eco-friendly property portfolio. The crowning achievement is Sunlight Tower, which was awarded the Building Environmental Assessment Method (BEAM) Eco Building Platinum rating in 2011. We also continuously invest in building retrofits and system upgrades, such as adopting LED lighting and/or replacing aged chiller systems in various locations at Sunlight Tower, SSC, Bonham Trade Centre and Righteous Centre.

Greenhouse gas emissions

In total

8,965

tonnes of CO₂e

By intensity

59

tonnes of CO₂e/FTE²



In addition, we have put up signs and notices to remind users to conserve energy by switching off the lights after use. Unnecessary lighting along the corridors in our office buildings is also switched off during non-business hours of our tenants, and occupancy sensors have been installed in Sunlight Tower to further save energy. Through these efforts, we have not only reduced energy consumption and carbon emissions, but also instilled a sense of environmental awareness among our stakeholders.

As Hong Kong faces a shortage of landfill space, the business sector is obliged to lead an initiative for efficient resources consumption and waste reduction. As the Manager, we aim to both reduce the waste produced and ensure its proper disposal. As a case in point, we encourage our staff and tenants in Sunlight Tower to recycle a wide variety of waste, including waste paper, plastic bottles, aluminium cans, glass, fluorescent lamps and obsolete computers. To further our initiative in respect of waste sorting and recycling, Sunlight Tower, SSC and MCPI have participated in the Commendation Scheme on Source Separation of Commercial and Industrial Waste. Organic waste collected from our tenants is treated and upcycled into fertiliser for use in the “Sunlight Nursery” at the podium garden of Sunlight Tower, where our staff and tenants can enjoy organic planting activities. In the case of SSC and MCPI, given the large volume of waste paper generated by retail shops, we have been using a door-to-door approach in waste papers collection from each of our tenants to ensure complete coverage. We are also taking full advantage of the scale of the shopping arcade by leveraging it as a platform to promote waste reduction including public events such as exhibitions and recycling of used books and clothes.

Energy consumption

In total

11,492,950

kWh

By intensity

76,112

kWh/FTE²



Total energy consumption¹ (kWh, in '000s)



Notes :

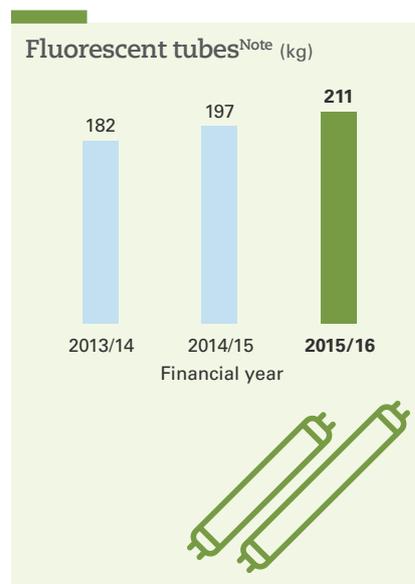
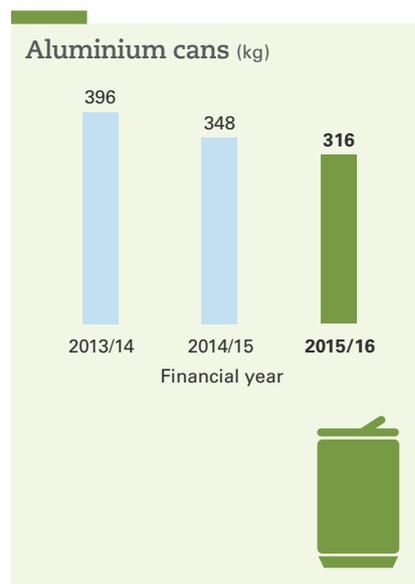
1. Cumulative measurements taken at Sunlight REIT’s wholly-owned properties.
2. FTE : Full-Time Equivalent employees.

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

(a) FY2015/16

	Sunlight Tower	Sheung Shui Centre Shopping Arcade	Metro City Phase I Property
Waste paper (ton)	0.3	22.3	63.4
Plastic bottles (kg)	197	50	8
Aluminium cans (kg)	152	79	85
Fluorescent tubes (kg)	211	N/A	N/A

(b) Three-year comparison



Note : At Sunlight Tower only.

ESG case 2 : Sunlight Tower achieving BEAM certification



Located at 248 Queen's Road East, Sunlight Tower achieved the BEAM Eco Building Platinum rating in 2011. Since then, the Manager has continued to undertake various measures to gauge its energy efficiency, such as conducting carbon audits, installing a building management system, and monitoring the operation of the central air-conditioning system.

In view of the chiller system upgrade in 2014 which proved to be rewarding in terms of energy savings and cost efficiency, the second air-cooled chiller in Sunlight Tower was also converted to a water-cooled system in April 2016. This conversion program is expected to contribute to an annual energy savings of 635,728 kWh, or 19% of total energy consumption at Sunlight Tower for the Year. Our commitment to energy efficiency is further demonstrated by our adoption of LED lighting in the car park, washrooms and the canopy on the ground floor.

Our Customers

To safeguard the data privacy of our tenants and customers, we have in place a Privacy Policy Statement, which can be viewed on the corporate website^{Note} of Sunlight REIT. The Privacy Policy Statement is developed in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) to ensure that all personal data is handled in strict confidence by designated personnel as required by law, including collection, disclosure, retention, access and correction.

Note : <http://www.sunlightreit.com/en-us/privacy-policy-statement>

Our Community

The Manager's outreach and philanthropic initiatives are planned and implemented by the CSRC with the goal of adding value to the communities in close proximity of Sunlight REIT's properties. During the Year, we held and took part in many community engagement activities, with 104 engagement hours across all our events.

In addition, we bring local communities together by providing venues for community and charity events. During the Year, we organised/participated in nine community events.

Caring for the community

To fulfil our role as a responsible corporate citizen, we encourage our staff to actively participate in activities that empower and support those in need. During the 2015 Mid-autumn Festival, our volunteers visited a retirement home, bringing fun and laughter to its elderly residents. In December 2015, we took part in the 12th Charity Walkathon organised by Fu Hong Society to raise funds for persons with intellectual disabilities, psychiatric disabilities and autism.

Caring for the youth

In collaboration with the Chinese YMCA of Hong Kong, we continued our sponsorship of the "Sunlight Little Ironman Triathlon" initiative and provided sports training for low-income families and their children. Through this event, we aimed to instill an awareness of healthy living among the participants and forge closer ties between parents and children.

We also extended our partnership with Hong Kong Children & Youth Services in organising the "Sunlight Musical Ambassador" programme for children from underprivileged families. Our Musical Ambassadors received training in playing different musical instruments and were offered the opportunity to perform at various community events. This initiative was well-received by the community and involved over 20 teenagers.

Caring for the environment

We also collaborated with the Tseung Kwan O Integrated Social Service Centre of Hong Kong Young Women's Christian Association to launch the "Go Green! Sunlight @ Love" Community Service Plan. This collaboration involved, among other activities, holding talks to promote green living and spreading green messages in our shopping malls.

Community event highlights

2015

July



Sunlight Little Ironman Triathlon

September



Visiting elderly people at Mid-autumn Festival

December

The 12th Fu Hong Society Charity Walkathon

2016

January

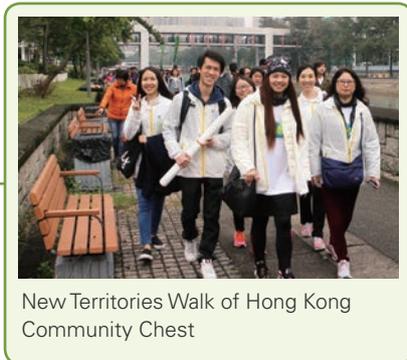
Organic peanut brittle making workshop



Go Green! Sunlight @ Love

February

March



New Territories Walk of Hong Kong Community Chest

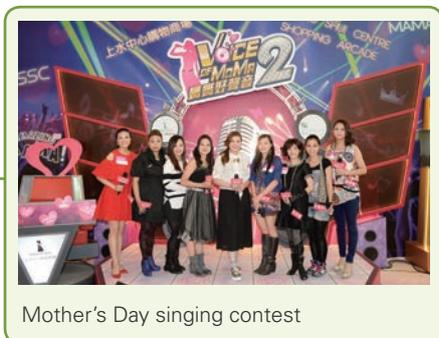
April



Sunlight Musical Ambassador

Read-Cycling

May



Mother's Day singing contest

ESG case 3 : Read-Cycling



For the fifth consecutive year, we sponsored “Read-Cycling”, a meaningful project aimed at collecting and sharing used books among our communities. This initiative introduced new literature to participants and underscored the re-use and waste reduction concepts. Points of collection for the used books were set up in selected properties and we sought not only to mobilise our staff to take part in this worthwhile cause, but also to involve the broader public in order to create a bigger impact. During the Year, approximately 8,000 books were collected, testifying to the success of this event.

ESG case 4 : Connecting our tenants with the community



A workshop on making organic peanut brittle was held to engage our staff and the tenants of Sunlight Tower to support local organic farming. The raw materials used in the workshop were supplied by a social enterprise specialising in organic farming.

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