

SpringREIT

Spring Real Estate Investment Trust
春泉產業信託

Stock Code : 01426

Managed by
Spring Asset Management Limited



2019 Environmental,
Social and Governance
Report



Environmental, Social and Governance Report

In accordance with the requirements of the Environmental, Social and Governance (“**ESG**”) Reporting Guide, Appendix 27 (“**ESG Guide**”) to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**HKEx**”), the Manager presents this annual ESG Report (the “**ESG Report**”) for the period from 1 January 2019 to 31 December 2019 (the “**Reporting Year**”).

The scope of this ESG Report covers Spring REIT’s sustainability initiatives, policies and performance in managing the CCP Property¹. The CCP property is managed by the Manager which has engaged Beijing Hua-re Real Estate Consultancy Co., Ltd (the “**Property Manager**”) as the property manager. The Property Manager has engaged Beijing CCP & Savills Property Services Management Co., Ltd (the “**Building Manager**”) to provide general building services.

Stakeholder Engagement and Materiality Assessment

As part of the reporting process, a three-step materiality assessment was conducted to allow the Manager, Property Manager, and Building Manager to identify ESG issues which are material, or most significant, to Spring REIT as well as its stakeholders².

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|---------------------------------------|--|
| Step 1: Identification | <ul style="list-style-type: none">• The preliminary step was to review the ESG disclosures of Spring REIT’s local and regional peers to identify the most relevant ESG issues to the industry.• Internal and external stakeholders were also invited to complete an online survey to rank the importance of different ESG issues. |
| Step 2: Prioritization | <ul style="list-style-type: none">• Results from the peer benchmarking exercise and online survey were consolidated to develop a prioritized list of material ESG issues for confirmation. |
| Step 3: Validation of Material Issues | <ul style="list-style-type: none">• The Manager confirmed a finalized list of material Key Performance Indicators (“KPIs”) for disclosure. |

¹ The UK Portfolio is occupied and managed by a single tenant, therefore the UK Portfolio is not considered material and is not included in the scope of this year’s ESG Report.

² Internal and external stakeholders were engaged this year.

Environmental, Social and Governance Report (Continued)

Those ESG issues considered material are listed below, and the respective disclosures have been made in this ESG report.

Aspect	HKEx KPI	Description	Section/Remarks
A. Environmental			
A1 Emissions	A1	General Disclosure	P.3
	A1.2	Greenhouse gas emissions in total and intensity	P.4
	A1.4	Total non-hazardous waste produced and intensity	P.3
	A1.5	Description of measures to mitigate emissions and results achieved	P.4
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	P.3-4
A2 Use of Resources	A2	General Disclosure	P.4
	A2.1	Direct and/or indirect energy consumption by type in total and intensity	P.5
	A2.2	Water consumption in total and intensity	P.5
	A2.3	Energy use efficiency initiatives and results achieved	P.5
	A2.4	Issue in sourcing water, water efficiency initiatives	P.6
A3 The Environment and Natural Resources	A3	General Disclosure	P.4
	A3.1	Description of the significant impacts of activities on the environment and natural resources	P.3-6
B. Social			
B1 Employment	B1	General Disclosure	P.7
B2 Health and Safety	B2	General Disclosure	P.7
	B2.3	Occupational health and safety measures	P.7
B3 Development and Training	B3	General Disclosure	P.8
B4 Labour Standards	B4	General Disclosure	P.8
	B4.1	Description of measures to review employment practices to avoid child and forced labour	P.8
B5 Supply Chain Management	B5	General Disclosure	P.8

Environmental, Social and Governance Report (Continued)

Aspect	HKEx KPI	Description	Section/Remarks
B6 Product Responsibility	B6	General Disclosure	P.8-9
	B6.4	Description of quality assurance process and recall procedures	P.8
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	P.9
B7 Anti-corruption	B7	General Disclosure	P.9
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	P.9
B8 Community Investment	B8	General Disclosure	P.9
	B8.1	Focus areas of contribution	P.9
	B8.2	Resources contributed (e.g. money or time) to the focus area	P.9

A. Environmental

A1 Emissions

Waste Management

CCP Property implements a Reduce, Reuse and Recycle scheme to echo the Manager's commitment to responsible resource management. The Manager also ensures that CCP Property is compliant with all relevant national environmental laws and regulations and is aligned with the latest regulatory changes.

The estimated amount of waste collected from the tenants of the CCP Property during the Reporting Year is as follows:

Types of Waste ¹	2019	2018
Non-recyclable Waste (tons) <i>(includes domestic and household waste)</i>	367	216
Recyclable Waste (tons) <i>(includes plastic, paper, glass, and other recyclables)</i>	3,600	3,240
General Construction Waste (tons) <i>(includes the waste generated from interior renovation and building enhancement work)</i>	12,960	14,400

¹ Considering the nature of the principal business, no significant air emissions nor hazardous wastes have been generated from operations during the Reporting Year.

Environmental, Social and Governance Report (Continued)

Several initiatives have been implemented at CCP Property to minimize waste disposal; the following measures were conducted within the Reporting Year:

- Recycling bins are placed in common areas to facilitate collection and categorization of recyclable materials
- Qualified and licensed personnel are engaged to transport collected waste to processing facilities
- Utilized sewage filtering facilities
- Procured Sewage Discharge Permit from appropriate government authorities

During the Reporting Year, the Manager was not aware of any incidents of non-compliance with any relevant applicable environmental laws and regulations.

GHG Emissions

The major source of GHG emissions from the CCP Property arises from the consumption of energy. GHG emissions during the Reporting Year are as follows:

GHG Emissions ¹	Unit	2019	2018	2017
Total	Tonnes of CO ₂ e	7,216	7,276	8,320
Intensity	Tonnes of CO ₂ e/m ²	0.049	0.050	0.057

The reduction of CCP Property's carbon footprint is a testament to the effectiveness of various energy-saving measures that the Manager has established. Please refer to section "A2 Use of Resources" below for more details.

A2 Use of Resources

The Manager continually seeks opportunities to enhance operational efficiency and optimize the use of resources in CCP Property operations. The Manager works together with the Building Manager to reduce electricity and water consumption through various measures including awareness campaigns and investment in resource efficient equipment. During the Reporting Year, the Manager introduced a smart recycling system to promote best recycling practices among the tenants. The Building Manager also continually monitors water and energy consumption levels on a regular basis, if any abnormal patterns are identified, an investigation and remedial action are undertaken in a timely manner.

¹ Carbon emission was calculated with reference to the emission factors documented in the Greenhouse Gas Protocol, published by World Resources Institute (WRI) and World Business Council on Sustainable Development (WBCSD); 中國區域電網基準線排放因子 published by Department of Climate Change, National Development and Reform Commission of the People's Republic of China (中國國家發展和改革委員會應對氣候變化司); and the Environmental, Social and Governance Reporting Guide, published by Hong Kong Exchanges and Clearing Limited. Scope 1 and scope 2 carbon emissions were reported.

Environmental, Social and Governance Report (Continued)

Use of Energy

Energy consumption at the CCP Property mainly arises from lighting, air-conditioning, and lift and escalator operation in common areas. The energy consumption at the CCP Property during the Reporting Year is set out as follows:

Energy Consumption – Purchased Electricity ¹	Unit	2019	2018	2017
Total	000 kWh	9,498	9,576	10,950
Intensity	000 kWh/m ²	65.33	65.87	75.32

The following measures are in place to optimize energy efficiency:

- Introduced Techcon-EEC Energy-saving Expert Control System to offer advanced solutions in energy management, energy efficiency control, and consumption diagnostics for the operation of the central air conditioning and heating system. The system can also analyze consumption patterns to provide optimized solutions for energy efficiency. The system has achieved a total energy saving rate of 19.4% from Nov 2018 to Nov 2019.
- Replaced 350 traditional lighting fixtures with LED lights along the fire escape routes at CCP Office Tower 1, resulting in the reduction of electricity consumption by approximately 37%.
- Conducted cleaning and maintenance works for the three cooling towers, fan coil units and PM2.5 electrostatic precipitators in the buildings to further improve energy efficiency.
- Upgraded the chiller systems of 16 passenger elevators at CCP Property Office Tower 1 to enhance passenger comfort and reduce electricity consumption.

Use of Water

The amount of water consumed by tenants and by the Manager for administrative purposes during the Reporting Year is as follows:

Water Consumption ¹	Unit	2019	2018	2017
Total	m ³	173,838	195,319	192,552
Intensity	m ³ /m ²	1.20	1.34	1.32

¹ Excludes tenant consumption in leased units which were not directly controlled by the Property Manager and Building Manager



Environmental, Social and Governance Report (Continued)

Various water-saving measures have been established at the CCP Property including:

- Use of sensor taps in public washrooms
- Use of reclaimed water for landscape irrigation
- Routine assessment of water leakage
- Signage in public areas encouraging water conservation

A3 The Environment and Natural Resources

In addition to the aforementioned environmental concerns, other material issues identified and addressed during the Reporting Year are as follows:

Renovation

The Renovation Management Office (“**RMO**”), set up by the Building Manager, is responsible for controlling the noise, odor and waste generated from renovation activities in both tenant premises and common areas at the CCP Property. Written guidelines have been published and are enforced.

The guidelines include the following requirements:

- Materials used should meet our environmental standards (i.e., non-hazardous, odorless and harmless)
- Renovations should only be performed during non-office hours and public holidays
- Flammable materials should not be stored in office areas
- Renovation waste should be properly packed and disposed of in designated areas
- Inspections should be carried out by the RMO to assess the potential impact on public safety

Environmental, Social and Governance Report (Continued)

B. Social

B1 Employment

As an investment trust, Spring REIT does not have any employees. Nevertheless, in relation to employment practices, the Manager has established a comprehensive set of policies for its own staff which covers the following areas:

- Provision of competitive remuneration and welfare packages to attract and retain talent
- Adherence to standardized procedures of recruitment, dismissal and promotion to ensure fairness
- Regular performance review mechanisms to provide feedback to employees and offer career advancement opportunities
- Provision of adequate rest hours for employees

The Manager is committed to providing a fair and safe work environment with equal opportunities for all staff regardless of nationality, race, religion, gender, age or family status.

During the Reporting Year, the Manager was not aware of any incidents of non-compliance with laws and regulations in relation to employment practices.

B2 Health and Safety

The Manager understands Beijing's air quality has long been a cause of concern for tenants and visitors at the CCP Property. To provide a comfortable and healthy environment, air purification systems, which feature electrostatic filters and activated charcoal layers, have been installed. This has resulted in a significant reduction of PM2.5 levels, enabling the air quality at the CCP Property to achieve the Grade 1 national standard of 75µg/m³.

Moreover, to minimize pollutant emissions from vehicles, we have installed an advanced parking system which provides drivers with useful information such as the shortest route to the closest available parking space.

To maintain a healthy and safe workplace, the Property Manager and Building Manager are required to identify and prevent any safety hazards at the CCP Property. In performing building maintenance work, only qualified personnel with relevant certificates and licenses are assigned to handle heavy machinery and equipment. Furthermore, appropriate personal protective equipment is provided to all maintenance staff. Automated external defibrillators ("**AEDs**") were also introduced in the buildings as a precautionary measure for emergency situations. The Building Manager arranged for all operational staff to attend relevant training to ensure they have the necessary skills and knowledge to effectively handle the AEDs.

During the Reporting Year, the Manager was not aware of any incidents of non-compliance with laws and regulations in relation to occupational health and safety



Environmental, Social and Governance Report (Continued)

B3 Development and Training

The Manager is dedicated to providing employees with continual development opportunities for their professional and personal endeavors. The Property Manager and the Building Manager are encouraged to organize safety and technical training sessions to operational staff working at the CCP Property to better prepare them for all situations as it relates to their job duties. Contractors are also required to offer sufficient training to their workers as deemed appropriate.

B4 Labor Standards

Child labor and forced labor are strictly prohibited in our operations and supply chain. Employment should be offered solely based on the principles of fairness, openness and willingness. The Property Manager and the Building Manager are requested to implement appropriate investigative and preventive measures to minimize related risks. These measures include signing employment contracts that stipulate the terms and conditions of employment to protect the interests of both parties.

During the Reporting Year, the Manager was not aware of any incidents of non-compliance with laws and regulations in relation to labor standards.

B5 Supply Chain Management

Spring REIT encourages our suppliers to follow our practices on environmental and social responsibility by integrating ESG best practices into their operations and maintaining fair labor standards. The Building Manager has maintained an ISO 14001 certified environmental management system to enhance our ability to manage potential environmental impacts in a systematic manner.

B6 Product Responsibility

Customer Services and Quality Assurance

The Property Manager has engaged an experienced property management agent as the Building Manager which has attained certifications including ISO 9001 Quality Management System and the First Grade Qualification of Realty Management Enterprise (一級資質物業管理企業) awarded by Ministry of Housing and Urban-Rural Development of the People's Republic of China (中華人民共和國住房和城鄉建設部). A Tenant's Handbook (用戶手冊) has been distributed to provide tenants with a comprehensive guideline of the services offered by the Building Manager and a Customer Service Department has been set up inside the CCP Property, to provide dedicated support to tenants in a timely manner.

To better assess the performance of the Building Manager, tenant satisfaction surveys are conducted on a semi-annual basis to gather the feedback of tenants regarding the quality of our customer service. In the latest survey conducted in August 2019, the average tenant satisfaction rate exceeded 96%, with a response rate of 90%.

Environmental, Social and Governance Report (Continued)

Responsible Investment

In order to create long-term sustainable value, ESG considerations are incorporated into every investment decision at Spring REIT. Subsequent processes and controls have also been implemented to assess the ESG impact of each investment decision.

Information Security

The Property Manager has a robust data security system to safeguard any sensitive information we store or handle. We comply with all relevant local regulations and have established procedures to ensure that the confidentiality of information, such as specific data of its tenants, are well protected. All sensitive information is restricted to designated employees on a “need-to-know” basis through the use of physical and system safeguards. The retention of confidential information is clearly set out in accordance with the relevant laws or contracts.

During the Reporting Year, the Manager was not aware of any incidents of non-compliance with laws and regulations in relation to product responsibility.

B7 Anti-corruption

The Manager does not tolerate any forms of bribery and corruption. All members of the Manager are strictly prohibited from soliciting, accepting or offering any bribe when conducting business affairs. They must decline advantages and/or benefits that affect their objectivity, or likely lead to any perception or allegation of impropriety. The Chief Compliance Officer is in position to provide guidance and support on anti-corruption related matters. Potential conflicts of interest encountered by the Management must also be immediately reported to the Chief Compliance Officer.

During the Reporting Year, the Manager was not aware of any incidents of non-compliance with laws and regulations in relation to anti-corruption.

B8 Community Investment

Tenants of the CCP Property are encouraged to participate in various community events arranged by the Building Manager and other organizations, including but not limited to the below, during the Reporting Year:

- Strengthened Safety and Fire Prevention Management – Deployed additional patrol vehicles and electric fire trucks in the vicinity around the CCP Property to ensure an immediate response in case of any potential emergencies.
- Anti-smoking Campaign – Established an Anti-smoking Subcommittee to conduct daily inspections within the public areas around the CCP Property to prevent cigarette butt littering and illegal smoking on the premises.

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