

FORTUNE

置富產業信託 REIT

Stock Code : Hong Kong 778 • Singapore F25U



*Sustainable Growth
with Our Community*

Environmental, Social and Governance Report 2016

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ABOUT THE REPORT



Fortune REIT is pleased to present its first environmental, social and governance report (the “ Report”). This Report aims to present Fortune REIT’s vision for its economic, social and environmental responsibility and to provide a better understanding of its current practices and performance to its stakeholders.

Scope of the Report

This Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (“ ESG Guide”) published by The Stock Exchange of Hong Kong Limited (“ SEHK”). The Report covers our sustainability commitment and performance in environmental and social aspects during the financial year ended 31 December 2016 (“ FY 2016”). More details on our governance performance are set out in the Corporate Governance section in Fortune REIT’s 2016 Annual Report which is available at Fortune REIT’s website (<http://www.fortunereit.com>).

STAKEHOLDER ENGAGEMENT

Fortune REIT believes that active response to the expectation and requirements of stakeholders is integral to its corporate operations and development. Its stakeholders include internal and external members or organizations that have a major direct or indirect impact on Fortune REIT’s businesses:

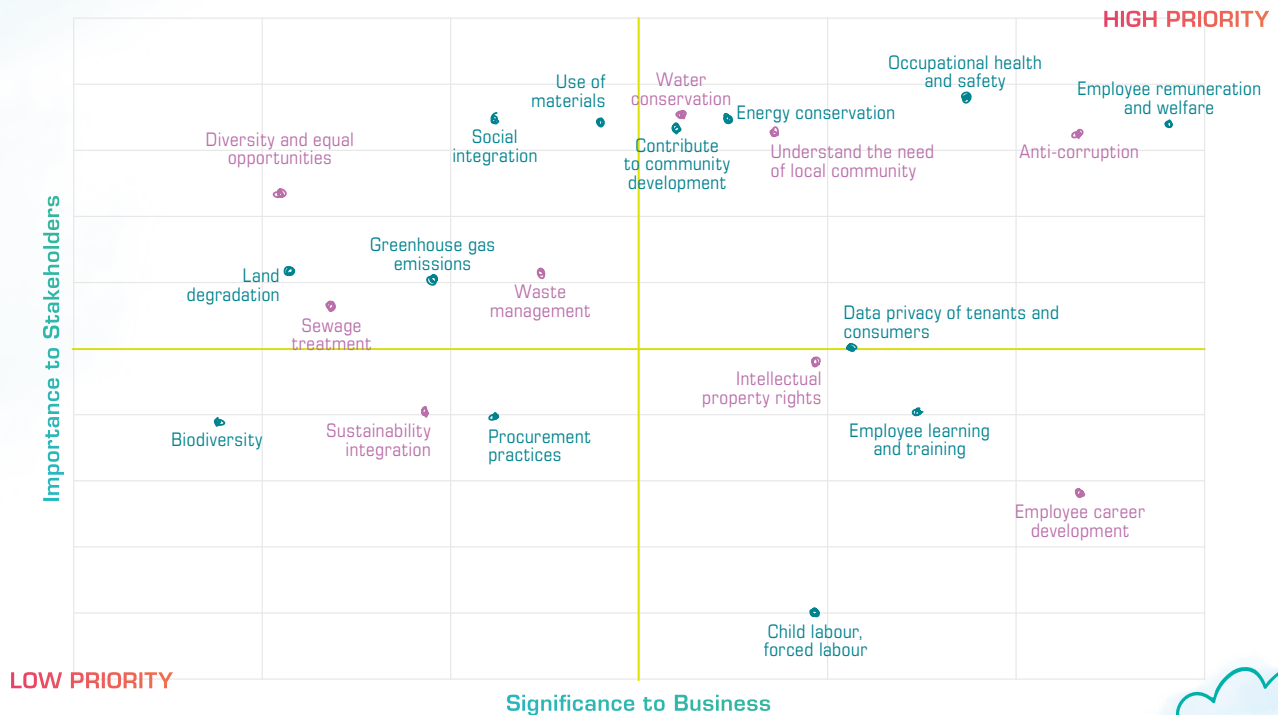


We value the opinion of our stakeholders and endeavor to conduct regular communication with them through various channels such as meetings, surveys, courtesy visits, property tours, community work, events and our websites.



MATERIALITY ANALYSIS

For Fortune REIT, stakeholders refer to parties that have a significant impact on, or have been impacted by, its business. In preparation of this Report, we have specifically commissioned professional consultants to engage our stakeholders to assess various ESG aspects of Fortune REIT’s sustainable development. Through stakeholder engagement, we have derived a materiality matrix (set out below), which identifies the most important issues to our stakeholders and our business operations.



SUSTAINABILITY APPROACH AND GOVERNANCE

Our sustainability commitment is driven by our top management. The Board of Directors oversees the overall direction of our sustainability strategies and practices. Our management leads the development of our sustainability initiatives, such as driving for sustainability to be an important consideration of our business operations and monitoring our sustainability performance.

We have outlined three core areas of sustainability which are of critical importance to us, namely environmental protection, people and community involvement. We have devised suitable policies and implemented a number of initiatives to properly address these material sustainability issues.

Environmental Protection

- Enhance effective use of resources.
- Minimize the environmental impact.

People

- Promote fair, equitable, harmonious and happy working environment.
- Encourage a work-life balance.
- Attract and retain talent.

Community Involvement

- Motivate employee volunteerism.
- Foster social integration through community programs.
- Make a positive impact on the community.



MESSAGE FROM CEO



Chiu Yu, Justina
Chief Executive Officer

I am very honored to present the first environmental, social and governance report of Fortune REIT.

With more than 13 years of real estate fund management services in Hong Kong, Fortune REIT has spared no effort to improve the environment and quality of life in the communities where we operate in by actively promoting an environmentally friendly and healthy lifestyle. In this Report, we share our progress on how we are achieving our sustainability vision in the environmental and social aspects of our business.

Corporate sustainability is at the heart of our business. We believe that promoting sustainability can strengthen our ability to outperform in the market and deliver long-term value, beyond financial returns, to our Unitholders and stakeholders. We also believe that enhancing communication with our stakeholders inspires continuous learning and greater improvement. In this respect, we have commissioned a stakeholder engagement exercise to better understand our stakeholders' expectations. Their views are crucial to the evolution of our approach to sustainability and we are taking concrete steps to review and respond to their areas of concern.

Over the years, Fortune REIT has been infusing sustainability concepts into its management and operations, including caring for our environment, our people and our community. Looking ahead, we resolve to maintain effective communication with our stakeholders and listen to different opinions as we aim to build a better place to live for everyone in our communities and, at the same time, continuously innovate and promote sustainable development in all aspects of our business. We welcome and appreciate your feedback and suggestions, which will help us make further progress on our sustainability journey and grow from strength to strength.

Chiu Yu, Justina
Chief Executive Officer

ARA Asset Management (Fortune) Limited
As Manager of Fortune REIT



A BOUT FORTUNE REIT

Fortune Real Estate Investment Trust (“Fortune REIT”) is a real estate investment trust constituted by a trust deed (the “Trust Deed”) entered into on July 4, 2003 (as amended from time to time) made between ARA Asset Management (Fortune) Limited, as the manager of Fortune REIT (the “Manager”), and HSBC Institutional Trust Services (Singapore) Limited, as the trustee of Fortune REIT (the “Trustee”). Fortune REIT is primary listed on the SEHK and secondary listed on the Singapore Exchange Securities Trading Limited. Thus, Fortune REIT is Asia’s first cross-border REIT and also the first REIT to hold assets in Hong Kong. Fortune REIT currently holds a portfolio of 17 private housing estate retail properties in Hong Kong comprising of 3.18 million square feet (“Sq.ft.”) of retail space and 2,713 carparking spaces.

ABOUT THE MANAGER

Fortune REIT is managed by ARA Asset Management (Fortune) Limited, a wholly-owned subsidiary of ARA Asset Management Limited (“ARA”), Asia’s premier integrated real estate fund manager. ARA currently manages real estate investment trusts and private real estate funds that are invested in the office, retail, logistics/industrial, hospitality and residential sectors in the Asia Pacific region, complemented by its in-house real estate management services and advisory services. Established in 2002, to date it has approximately 1,300 professionals in 18 cities managing total assets of approximately S\$36 billion.

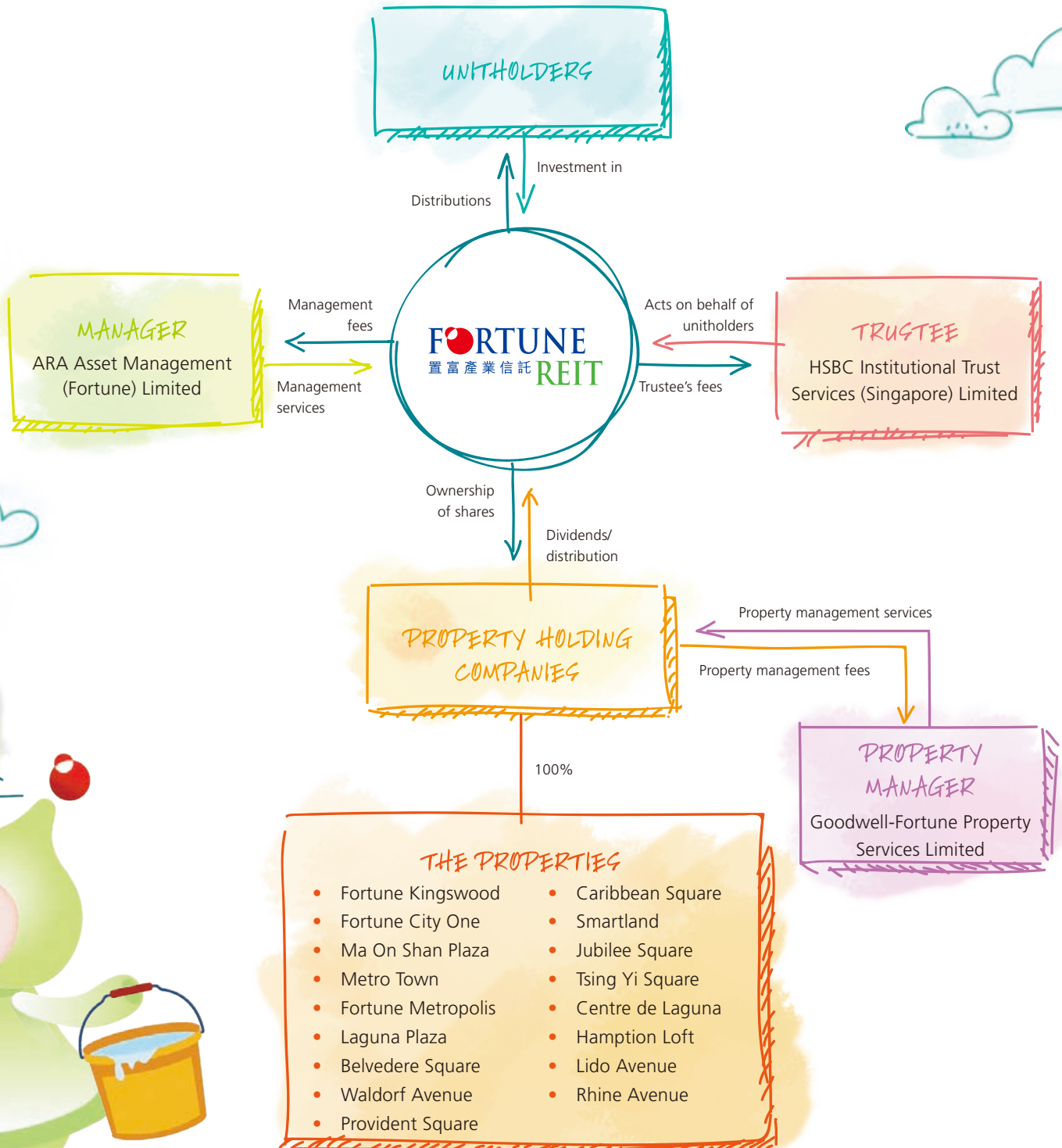
ABOUT THE PROPERTY MANAGER

The property manager of Fortune REIT is Goodwell-Fortune Property Services Limited (the “Property Manager”), which is an indirect wholly-owned subsidiary of Cheung Kong Property Holdings Limited. Under the Property Management Agreement, the Manager and the Trustee have appointed the Property Manager to manage, supervise, maintain and market all properties directly or indirectly owned by Fortune REIT.



OVERVIEW OF FORTUNE REIT'S STRUCTURE

The following diagram depicts the management structure of Fortune REIT, and the relationship among Fortune REIT, the Unitholders, the Manager, the Trustee and the Property Manager:



OUR ENVIRONMENT

We place great importance on our responsibility to the environment. Fortune REIT has developed a set of environmental protection policies which demonstrates our commitment in protecting the environment, reducing greenhouse gas emissions, efficiently utilizing our resources and promoting environmental conservation amongst the communities where we operate. In addition, an ISO-14001-certified environmental management system was established to track and monitor our performance in various aspects of environmental protection. We have also been raising the awareness of and alertness to environmental issues to staff, tenants and shoppers through various channels including training, seminars and exhibitions booths.



Staff and tenants participate in plantation activities in Fortune Metropolis.



Environmental signage for staff and tenants.





GREENHOUSE GAS EMISSIONS

Our environmental footprint in greenhouse gas emissions is mainly derived from energy consumption in our daily operations. Lighting, air-conditioning and escalators are the major sources of energy consumption in our day-to-day mall operations. We endeavor to curb emissions produced in shopping malls by implementing energy-saving initiatives and the installations of energy-efficient devices based on the individual attributes of each mall.

To publicly demonstrate our commitment and support to a more sustainable future by reducing energy usage, Fortune REIT has participated in various charters organized by the Hong Kong Environment Bureau:

- Charter on External Lighting to reduce light nuisance and energy wastage.
- Energy Saving Charter to maintain average indoor temperatures within 24 to 26°C.
- Energy Saving Charter on “No Incandescent Light Bulbs”.



Fortune Malls signed the Charter on External Lighting.



Fortune Malls has also participated in the world’s largest collective campaign for the planet, WWF-HK’s “Earth Hour,” by switching off all non-essential lights for one hour on a predetermined day.



Our professional technicians maintain the average indoor temperatures within 24 to 26°C in the air-conditioning control panel.

Installation of window curtains to help to lower the air-conditioning cost of our Malls.



Our Environment

WATER USAGE

In order to efficiently manage our water usage, we have maintained a regular monitoring system with records of the water consumption rate at each site. Through this, we can obtain an overview of water usage across Fortune REIT assets. Material deviation will be identified and thoroughly investigated to assess whether any remedial measure is necessary. We have also deployed technologies such as auto-sensors for washroom basins and toilets to reduce wastage water.

To raise awareness among our stakeholders on water scarcity, we have piloted a Rainwater Harvesting System in selected malls that can collect a maximum of 300 liters of rainwater in rainy seasons. The rainwater is collected on the roofs and podiums, mainly for irrigation purposes. In rainy seasons, excess water is recycled for housekeeping purposes, which helps to reduce fresh water consumption.



Rainwater Harvesting System at Fortune Malls, to recycle rainwater for watering plants.

WASTE MANAGEMENT

Good waste management practices, in particular source separation, are important in the preservation of the limited resources of our planet. We work diligently on waste reduction in exploring different ways to minimize non-recyclable waste and we work hand-in-hand with our tenants in implementing appropriate practices.

To encourage and facilitate tenants and staff in waste sorting and recycling, we have set up recycling facilities at various convenient locations at Fortune Malls. The reusable materials that we collect include paper, plastic, aluminum cans, fluorescent tubes and rechargeable batteries. Some of our malls are also equipped with clothing donation boxes.

Recyclable waste collection facilities in Fortune Malls



Providing recycling bins for metal, plastic, paper and fluorescent lamps at our malls to encourage recycling.



Recycle train for CD, toners and old textiles.



Recycling rechargeable batteries.



FOCUS ON PEOPLE

Fortune REIT, as a real estate investment trust, is externally managed by the Manager who has extensive experience and well-qualified management personnel to manage the operational matters of the Manager and Fortune REIT. Fortune REIT itself does not employ any staff. In this section, employees refer to the employees of the Manager.

Employees are our most important assets. Our success is built upon shared trust and relationship with our employees. We are committed to creating a fair, equitable, harmonious and happy working environment for our employees. On balancing work and life, we encourage our employees to engage in an active and healthy lifestyle (e.g. through subsidized memberships at fitness centers). We have also taken steps to improve our talent management to attract and retain talented professionals to enable sustainable growth.

We strive to create a harmonious and happy working environment for our employees.

HUMAN CAPITAL

We strive to be an employer of choice to attract the best talents with the right skill sets. Our core values of Respect, Excellence, Integrity and Teamwork drive our human resources policies, which promote fairness, equal opportunities, continuing personal development, mutual trust and teamwork.

As an equal opportunities employer, we are dedicated to providing a just and fair working environment for our employees, including hiring, compensation, training and continuous career development regardless of age, race, gender, religion, national origin, sexual orientation, family status, disability, medical condition or other characteristics protected by applicable laws and regulations.

We do not tolerate unethical labor practices such as child labor and forced labor. We comply with the Employment Ordinance in Hong Kong, Employment Act in Singapore and other applicable laws, rules and regulations governing labor rights and welfare of employees.

LEARNING AND DEVELOPMENT

We value high standards of excellence and place strong emphasis on talent development, career advancement and staff training. This is achieved through continuously developing all-rounded competencies in our employees and providing clear progression paths for their career development.

We provide comprehensive training to our employees. The training programs include orientation, training on business skills and knowledge, compliance with internal codes and practices and health and safety awareness. We also encourage employees to participate in conferences and seminars as a way to update and enhance their skill sets and knowledge. Furthermore, we have an open performance management system which enables us to annually assess performance of employees against company expectations and to identify areas of the individual's development needs.



ARA Company-wide Training – Wild Goats Challenge

Our Group Chief Executive Officer and Group Chief Financial Controller joined us from Singapore on the company-wide team building event which involved all levels of staff from different business units during July 2016 in Hong Kong.



HEALTH AND SAFETY

Providing a healthy and safe environment for our employees is our top priority. Besides adhering to the Occupational Safety and Health Ordinance in Hong Kong, Fortune Malls have also adopted an OHSAS 18001-certified Occupational Health and Safety Management System in health and safety management. We ensure that our operations are in compliance with relevant legislative and regulatory requirements.

ANTI-CORRUPTION

Fortune REIT is keen to develop, promote and maintain high ethical standards. All employees are required to adhere to a code of conduct ("Code of Conduct"). We strictly prohibit employees from receiving any bribes, benefits, commissions, rebates, gratuities, monetary or otherwise, from any persons, companies, or firms having business transactions with the Manager. The Code of Conduct also outlines expectations on staff with regards to conflict of interests. All employees receive relevant anti-corruption and bribery training during the induction process, along with regular training sessions to ensure they are fully aware of and familiar with our Code of Conduct. All employees are required to complete an annual declaration of their compliance with the Code of Conduct and related policies.

Trading in Units of Fortune REIT is strictly prohibited during blackout periods and other times when staff are in possession of financially and commercially sensitive information.

SUPPLY CHAIN MANAGEMENT

As a responsible entity that seeks to extend our corporate social responsibility commitment to all our stakeholders, not only do we set high sustainability and ethical standards on ourselves, we also work with our vendors, service providers and suppliers to achieve and maintain their accountability to meet sustainability performance standards. For example, our Property Manager, Goodwell-Fortune Property Services Limited, is required to comply with our environmental, health and safety policies and adopt similar or complementary policies and management systems to ensure the enforcement of these policies.

DATA PRIVACY

We respect the data privacy of our tenants and customers. Our Code of Conduct has clear guidelines on the handling of confidential businesses related information, including sensitive personal data. We also have preventive measures and well-defined procedures in place to ensure that all of our employees comply with relevant regulations while discharging their duties.

COMMUNITY INVOLVEMENT

Fortune REIT is dedicated to giving back to the communities in which we operate and advocate responsibility and care in its business development. As a responsible corporate citizen, we actively mobilize our resources and motivate employees and business partners to engage the local community through our year-round charitable and community activities, sponsorships and voluntary services, aiming to foster social integration and make a positive impact on the lives of everyone in the community.



The Fortune REIT Volunteer Team brought families together in celebrating a warm and unforgettable Chinese New Year, enjoying an entertaining onstage variety show featuring Chinese acrobatics and Shaolin Kung Fu at Ma On Shan Plaza.

We arranged a DIY Easter Eggs session during Easter and the children had a wonderful time decorating their unique eggs with their parents.



In coordination with Food Angel, the Fortune REIT Volunteer Team spent a meaningful and memorable afternoon in the kitchen of its Sham Shui Po centre, actively participating in the entire workflow of meal preparation.



REACHING OUT TO OUR COMMUNITY

Throughout the year, the Fortune REIT Volunteer Team participated in various community programs, spreading love and care to the communities. We have identified certain social needs and focused our efforts and resources on the following three key aspects:

- To promote a healthy and harmonious family, community and society
- To bring love and care to the elderly
- To promote the development of children and the youth

A series of meaningful and interesting games have been organized during a visit to the Caritas Jockey Youth Centre in Wong Tai Sin, aiming at providing an opportunity to explore the potential of children and enhance problem-solving and co-operation skills of children.



The educational tour at Cathay Pacific City gave children an opportunity to get a unique insight into the aviation industry and understand more about the world around them, which was a valuable experience.



The Fortune REIT Volunteer Team became 'food angels' to spread their care and love to senior residents in the community.

Community Involvement



PROMOTING ART AND CULTURAL DEVELOPMENT

Fortune REIT is committed to the promotion of art and culture, aiming to enrich people's lives and support the development of young talent. Taking advantage of Fortune Malls and its facilities, Fortune REIT supported and sponsored five Busking Live Shows at Fortune Kingswood, Fortune Metropolis and Ma On Shan Plaza with more than 50 artists in 2016. The events provided the artists an opportunity to showcase their talent and promoted local arts and were well received by our tenants and customers as a brand-new music and lifestyle experience.



YWCA Elderly Continuing Education Centre held an event in Fortune Metropolis to showcase its achievement in fostering life-long learning by elderly and their communion with society.



PROVIDING FREE VENUES TO NON-GOVERNMENTAL ORGANIZATION (“NGOs”)

With a long-standing commitment to serve the local communities, Fortune REIT has continuously supported non-profit organizations by providing free venues at our Fortune Malls for various meaningful activities. Fortune Malls are rooted in the residential areas and are “the place to be”

for NGOs to host their events and exhibitions. Our dedicated support for many causes has assisted a number of NGOs in promoting their ideas and efforts and has also created an opportunity to raise the public’s awareness on a range of issues.



Ma On Shan Youth Association’s 8th Kids’ Talent Show was held at Ma On Shan Plaza, helping children to develop their talent and build their confidence.

The Environment and Conservation Fund and the Environmental Campaign Committee promoted a program entitled “Business Environment Council Biodiversity Ambassador Training Program: Marine Biodiversity Conservation” at Fortune Kingswood, aiming to empower our young generations with the knowledge of marine biodiversity and the importance of environmental conservation.

To support environmental protection, Fortune REIT sponsored a venue for Greenpeace for their green exhibitions and displays at Fortune City One.



AWARDS AND RECOGNITION



Fortune REIT is proud to earn recognition from government agencies, as well as the business and non-profit community for our sustainability practices and performance. The following are some of the key awards we have garnered in FY2016.





Award/Recognition/Charter	Organizer
Social Responsibility	
1 5 Years Plus Caring Company logo	Hong Kong Council of Social Service
Environment	
2 BOCHK Corporate Environmental Leadership Awards	Federation of Hong Kong Industries
3 Charter on External Lighting	The Environment Bureau
4 Earth Hour 2016	World Wide Fund For Nature Hong Kong
5 Energy Saving Charter on Indoor Air Temperature 2015	The Environment Bureau
6 Food Wise Charter	Environmental Protection Department
7 Hong Kong Awards for Environmental Excellence	Business Environment Council
8 Hong Kong Green Mark Certificate	Hong Kong Q-Mark Council
9 Hong Kong Green Organisation Certification 2016 <ul style="list-style-type: none"> • Energywi\$e Certificate • Wastewi\$e Certificate 	The Environmental Campaign Committee
10 "Power Smart" <ul style="list-style-type: none"> • Certification of Appreciation & Progress Award 	Friends of the Earth
11 U Green Awards 2015/16 – Excellence of Environmental Contributions	U Magazine
12 Wood Recycling and Tree Conservation Scheme Certificate	Hong Kong Environmental Protection Association
Quality and Customer Service	
13 Best Security Service Awards <ul style="list-style-type: none"> • 2015 New Territories North Region • 2015 Kowloon West Region 	Hong Kong Police Force
14 Indoor Air Quality Certificate	Environmental Protection Department and the Indoor Air Quality Information Centre
15 Property Management Week 2016 – Outstanding Practitioners Award	Greater China Institute of Property Management and the Hong Kong Institute of Real Estate Administrators
16 Quality Water Supply Scheme for Buildings – Fresh Water	Water Supply Department



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Aspect A2: Use of Resources	<i>General Disclosure</i> Policies on the efficient use of resources, including energy, water and other raw materials.	Our Environment	7-10
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Aspect A3: The Environment and Natural Resources	<i>General Disclosure</i> Policies on minimising the issuer's significant impact on the environment and natural resources.	Our Environment	7-10
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B. Social

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Aspect B5: Supply Chain Management	<i>General Disclosure</i> Policies on managing environmental and social risks of the supply chain.	Supply Chain Management	12
Aspect B6: Product Responsibility	<i>General Disclosure</i> Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Our business operation does not manufacture any products	/
Aspect B7: Anti-corruption	<i>General Disclosure</i> Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption	12
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Manager



ARA Asset Management (Fortune) Limited

