

Environmental, Social and Governance Performance

Aligned with our corporate core value of sustainability, ESR Group is committed to integrating ESG into our business to create long-term sustainable value for our stakeholders.

ESG priorities and performance highlights for 2022 are shown in the following pages to illustrate our commitment to sustainable business practices. Further details on our ESG approach and initiatives can be found in our enlarged Group’s ESG Report 2022, which also includes ARA and LOGOS after our acquisition in January 2022. The disclosures are based on the requirements under the HKEX Mainboard Listing Rules and in accordance with the Global Reporting Initiative (GRI)’s Universal Standards. The ESG Report 2022 is published on the websites of the HKEX and the Company (refer to QR code).




**ESG
Vision**

We aspire to be a leading provider of Space and Investment Solutions for a Sustainable Future.

**ESG
Mission**

To drive long-term sustainable growth of the business by creating positive impact on the environment, our stakeholders, and the communities around us.

ESG FRAMEWORK




HUMAN CENTRIC

Basic human needs are universal. As we strive to create a safe, supportive, and inclusive environment for all employees, customers, suppliers and communities, meeting those needs today while ensuring they can be met in the future is the cornerstone of sustainable development.

Focus Areas:

- Stakeholder Engagement
- Safety, Health & Well-being
- Managing & Developing Talent
- Diversity, Equity & Inclusion
- Community Investment




PROPERTY PORTFOLIO

Sustainability is central to our mission because we aspire to improve the environmental prospects of our planet. We are committed to environmental stewardship by developing and maintaining sustainable and efficient buildings.

Focus Areas:

- Sustainable & Efficient Operations
- Sustainable Building Certifications
- Climate Change Resilience
- Flexible & Adaptable Properties
- Strategic Locations



CORPORATE PERFORMANCE


Strong corporate performance is the foundation upon which we will achieve sustained and balanced growth giving rise to stable and dependable returns over the long-term. We embrace the highest standards of governance and ethics in all aspects of business conduct.


Focus Areas:

- Corporate Governance
- Risk Management
- Responsible Investment
- Disclosure & Reporting
- Supply Chain Management


SUPPORTING THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

Our vision for sustainable development and ESG Framework is aligned to six of the Sustainable Development Goals (SDGs) from the United Nations 2030 Agenda, as well as the United Nations-supported Principles for Responsible Investment (UN PRI), which guide our business strategies towards sustainability and help us achieve our overall mission.







3 GOOD HEALTH AND WELL-BEING




7 AFFORDABLE AND CLEAN ENERGY




9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



5 GENDER EQUALITY






8 DECENT WORK AND ECONOMIC GROWTH



13 CLIMATE ACTION

2022 ESG ACHIEVEMENTS

Significant progress has been made based on our ESG 2025 Roadmap, which was launched in November 2020. Our focus areas include reducing our impact on the environment, addressing climate change, promoting diversity, equity and inclusion, supporting local communities, and upholding our commitment to corporate governance, amongst others. Some key achievements for 2022 are outlined below:

 <p>HUMAN CENTRIC</p>	 <p>PROPERTY PORTFOLIO</p>	 <p>CORPORATE PERFORMANCE</p>
<p>~45% Female representation at ESR¹</p> <p>60% Independent Non-executive Directors are women (i.e., 3 female directors) at Board level</p>	<p>~100 MW Rooftop solar power capacity across the enlarged Group³</p> <p>More than 314,000 GJ Rooftop solar power generated⁴ during the year</p>	<p>37 Private funds and REITs participated in the 2022 GRESB Assessment with outstanding results</p> <p>ESG Ratings MSCI "A" Sustainalytics "Low Risk"</p>
<p>24 Assets achieved WELL Health-Safety Rating in South Korea representing approximately 1.8 million sqm in GFA</p> <p>Inclusion Revamped corporate core values as an enlarged Group to strengthen diversity, equity & inclusion in the workplace</p> <p>Zero ESR workforce fatalities², with ongoing ISO 45001 Occupational Health & Safety (OHS) certification for ESR Data Centres, in addition to ISO 45001 OHS certification obtained under ARA Property Management</p>	<p>39%⁵ Of the Group's portfolio of completed directly managed assets awarded sustainable building certifications and ratings, representing approximately 11 million sqm in GFA</p> <p>631 EV charging stations installed across our global portfolio of assets</p> <p>Hydrogen JV with SK Plug Hyverse and Coupang Fulfilment Services to develop Mokcheon LP into South Korea's first hydrogen powered facility</p> <p>Net Zero Carbon On track to develop Net Zero strategy and decarbonisation roadmap as part of the Group's Net Zero Carbon commitment</p>	<p>~US\$3 billion Sustainability-Linked Loans (SLLs) raised across the enlarged Group to date</p> <p>UN PRI Became a signatory to the United Nations-supported Principles for Responsible Investment (UN PRI) in June 2022</p> <p>Training Launched a series of comprehensive compliance online modules for all staff on topics relating to compliance, risk management and ESG</p>

Notes:

1. Refers to employees with direct employment relationship with the enlarged Group as at December 2022.
2. Refers to ESR Group's employees.
3. Across the enlarged Group as at December 2022, comprising completed solar power capacity of 85 MW and planned projects of 15 MW.
4. Solar power generation from approximately 85 MW of installed capacity that are completed and fully operational as at 31 December 2022.
5. Based on the GFA of certified completed directly managed assets (approximately 10.6 million sqm), divided by total GFA of completed directly managed assets (approximately 27.3 million sqm)

Environmental, Social and Governance Performance



PILLAR 1: HUMAN CENTRIC

The first pillar of our ESG Framework focuses on the social aspect of our operations covering areas relating to both our internal and external stakeholders.

Stakeholder Engagement

To align our ESG efforts with stakeholder expectations, we conducted a comprehensive double materiality assessment to determine our priority ESG focus areas. “Supply Chain Management” was added as a new material issue. For more details, including the materiality matrix results, please see the “Materiality” section in our ESG report. For our tenants, engagement surveys were conducted across our portfolio to improve building management and performance as well as tenant satisfaction. We also regularly engage our tenants, community and employees through social activities and events, such as cohesion initiatives, public events, and on-site mental health support.



Safety, Health & Well-being

As part of our emphasis on health and safety, we established a new ESR Group function for Health and Safety, allowing us to scale-up our existing and well-developed expertise and integrate the management of health and safety risk consistently across our Group in areas relating to development and asset management. In addition, we also organised various initiatives to promote health and well-being across the Group, such as well-being talks, sports tournaments, and enhanced employee benefits.

Managing & Developing Talent

We continued employee engagement efforts to address priority areas of “Inclusion & Respect/Teamwork” and “Communications” identified from our Group-wide Employee Engagement Survey. These include employee bonding activities, such as the first “Durian Fiesta” in Singapore, Breakfast Sessions with HR, an inaugural townhall for the enlarged Group and engagement sessions with our Group Co-founders and Co-CEOs and ARA senior members and colleagues. ESR also set up a dedicated Talent Management and Learning team within the Group HR function as an independent Centre of Excellence, designed to drive group-wide talent management and learning strategies.



Diversity, Equity & Inclusion

Together with senior representatives and an external consultant, ARA Venn and ARA Europe (both ESR Group Companies) formed a dedicated Diversity & Inclusion Committee during the year. This committee meets bi-monthly to discuss and implement various policies and initiatives to ensure inclusion and diversity principles are embedded across the organisation. ESR also embraced International Women’s Day (IWD) #BreakTheBias with a series of events held across our local offices in different markets to celebrate women who work at ESR.



Community Investment

ESR is implementing 2 days of volunteer leave for all employees of the Group to encourage volunteerism. We continued to invest in our communities through education-focused initiatives, such as helping to construct “Future Classrooms” for children in rural China and donating computer equipment to school children at Freedom School in Nigeria. Our other initiatives include Farm@Fortune (an urban farm initiative), a guarantee scheme for affordable homes amongst others.



PILLAR 2: PROPERTY PORTFOLIO

This pillar focuses on environmental impacts within ESR’s control or significant influence on areas relating to the design, construction, maintenance and operations of our assets.

Sustainable & Efficient Operations

During the past year, several assets were selected to undergo asset enhancement initiatives to improve energy efficiency. As part of our commitment to decarbonise our portfolio, we also worked with various stakeholders to implement decarbonisation initiatives. For example, ESR Japan formed a strategic partnership with Enerbank to participate in the Green Energy Certificate system, providing a renewable energy source of self-generated solar power from the rooftops of our logistics facilities to be certified as Green Energy Certificates. ESR South Korea formed a joint venture with SK Plug Hyverse and Coupang Fulfilment Services to develop Mokcheon LP into South Korea’s first hydrogen powered fulfilment centre.

In addition, ESR is developing a decarbonisation plan across the enlarged Group to drive further carbon reduction in the long-term. ARA became a signatory to the World Green Building Council (WorldGBC)’s Net Zero Carbon Building Commitment in May 2021 and is on track to develop a decarbonisation strategy to achieve net zero operational carbon by 2030.



Sustainable Building Certifications

As an enlarged Group, we have obtained a total of 218 sustainable building certifications and ratings across 164 completed directly managed assets which represents approximately 11 million sqm in GFA. Certain assets have received multiple certifications or ratings such as LEED, WELL Health-Safety and NABERS. Separately, there are additional 6 sustainable building certifications received for our development projects under BELS, CASBEE and Green Mark.

Climate Change Resilience

The Group adopted the recommendations under the Task Force on Climate-related Financial Disclosure (TCFD) Framework in our ESG report. As part of these recommendations, we commenced climate scenario analysis as well as climate-related risks assessments for certain portfolios to identify, assess and mitigate climate-related risks and opportunities across our business. ESR is committed to continually monitor and report the impacts of these climate-related risks and opportunities to future-proof our assets.



ESR Nanko Distribution Centre, Japan

Environmental, Social and Governance Performance

Flexible & Adaptable Properties

Accessibility and adaptability are key aspects in ESR's property development process. We design, construct, and maintain our properties utilising cutting-edge technology and premium materials to ensure they are customised to our clients' needs and built-to-last. In collaboration with AMPD Energy, ESR's Future Solutions Group is working on our built-to-suit (BTS) redevelopment project for POKKA in Singapore. This development integrates innovative solutions with the redevelopment cycle to support POKKA's business needs and optimise energy efficiency through battery storage system and rooftop solar installation.

Strategic Locations

Biodiversity is essential for maintaining sustainable ecosystems. Having this balance allows the built

environment to co-exist with nature, reducing adverse impacts on the environment. Moorebank Logistics Park in Australia is an example of our assets that has established biodiversity management where biobank sites are set up to manage the long-term ecological values of the site and offset biodiversity impacts.

Securing assets in key strategic locations enables us to widen our distribution network for our logistics assets and minimise environmental footprint attributed to transportation. In Japan, the ESR Yokohama Sachiura Distribution Centre 2 boasts a panoramic ocean view of Mount Fuji and is strategically located near Tokyo International Airport which is within close proximity to a wide range of third-party logistics, importers, exporters, and manufacturers.



ESR Yokohama Sachiura Distribution Centre 2, Japan



PILLAR 3: CORPORATE PERFORMANCE

This pillar focuses on the corporate performance of our business, in the areas of corporate governance, risk management, responsible investment, and disclosure and reporting.

Corporate Governance

As part of a unified approach to corporate governance, we have established a comprehensive, robust and effective set of corporate ESG policies to drive our long-term sustainable growth. The table below summarises our enhanced Group policies that are applicable to both internal and external stakeholders:

Group ESG Policies

HUMAN CENTRIC	PROPERTY PORTFOLIO	CORPORATE PERFORMANCE
<ul style="list-style-type: none"> Diversity, Equity and Inclusion Human Rights Quality of Assets and Services Community Development Group Human Resources Employee Handbook Health and Safety 	<ul style="list-style-type: none"> Climate Change Adaptation, Mitigation and Resilience Net Zero Carbon Energy and Emissions Management Environmental Resource Management Environmental Protection Environmental Management System Indoor Environmental Quality Sustainable Procurement 	<ul style="list-style-type: none"> Board Diversity Delegation of Authority Corporate Governance Code Anti-Bribery & Corruption and the Handling of Gifts, Travel and Entertainment Anti-Money Laundering & Counter-Terrorist Financing & Sanctions Code of Conduct & Business Ethics Conflicts of Interest Employee Trading and the Handling of Inside Information Whistleblowing Shareholder Communications Enterprise Risk Management Framework Conflicts of Interest in Relation to Fund Management & Capital Supplier Code of Conduct Responsible Investment ESG Data Collection and Review Information Security Group Crisis Management Social Media

Risk Management

Guided by the Group’s Enterprise Risk Management (ERM) Framework, we identified climate change and cybersecurity as emerging risks due to their impacts on our business and stakeholders in the long term. The Group has developed internal control processes and mechanisms as well as implemented action plans to proactively manage these risks to ensure business resilience.

With Supply Chain Management identified as a new material topic of the Group, we incorporated ESG considerations as part of supply chain management in areas relating to sustainable procurement, operational resilience, and sustainability performance of suppliers. To manage counterparty risk, suppliers are screened and assessed based on stringent criteria, facilitated by ComplianceDesktop® as part of our enhanced Counterparty Due Diligence Workflow.

Responsible Investment

In 2022, ESR successfully became a signatory to the United Nations-supported Principles for Responsible Investment (UN PRI), reinforcing our commitment to integrating ESG issues into our investment and asset management processes across the Group. To date, the Group has secured approximately US\$3 billion in sustainability-linked loans, demonstrating our leadership in green finance and business practices across the Group.

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Disclosure and Reporting

We are committed to continually improve our ESG performance, proactively engage with our stakeholders, and enhance our accountability through transparent ESG disclosures and reporting. ESR participates regularly in globally recognised ESG benchmarks and ratings such as:

MSCI 2022 ESG Rating

A



Sustainalytics 2022 Score

19.7 (Low Risk)



UN PRI

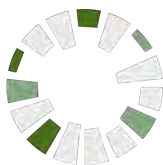
Signatory

of the United Nations-supported Principles for Responsible Investment



GRESB

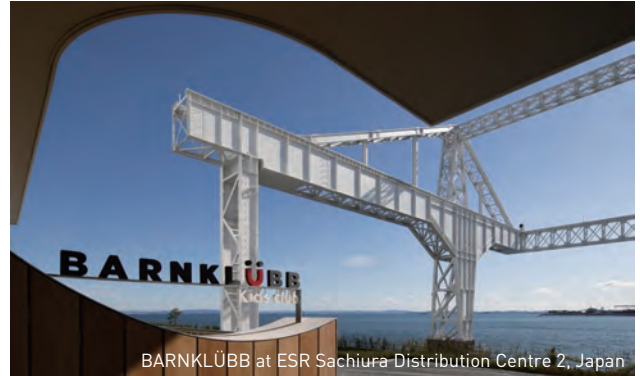
1 Global Sector Leader
4 Regional Sector Leaders
11 x 5 Green-Stars Ratings (average 3.2)



GRESB
REAL ESTATE
sector leader 2022



GRESB
★★★★★ 2022



BARNKLÜBB at ESR Sachiura-Distribution Centre 2, Japan



BARNKLÜBB Summer school at ESR Kuki Distribution Centre, Japan



ESR volunteers help to construct modern "Future Classrooms" for children in Shandong province in China