

# Building for the New Economy

ESR'S ESG  
ROADMAP 2025





At ESR, we recognise that the new economy must be built back by purpose-led and responsible businesses. We aspire to play an integral role in creating the backbone for 21<sup>st</sup> century commerce across the Asia Pacific region.





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# Message from Co-CEOs

OUR COMMITMENT TO LONG-TERM SUSTAINABLE GROWTH



ESR commits to be a leading logistics real estate platform and set the standard for sustainable development in Asia. 2019 was a transformational year for ESR. In addition to completing our IPO, we have cemented our market leading position by strengthening our presence in our core markets. We have also adopted our Group Environmental, Social and Governance (ESG) Policy which has laid a strong foundation for our ESG strategy. At ESR, we see sustainability as a critical driver of business and we are working towards greater transparency and accountability on environmental and social matters.

Our purpose is to **provide our customers with sustainable and innovative space and solutions for the future**. We treasure our role as facilitators and will continue to provide best-in-class facilities for our customers. We wish to thank our capital partners, customers, investors and employees for your trust in us as we accelerate towards our ESG vision. **The next five years will be instrumental and we look ahead with confidence.**

**Jinchu SHEN and Stuart GIBSON**  
Co-founders & Co-CEOs



## CLIMATE CHANGE RESILIENCE

We are embarking on a climate impact study to shape the Group's approach to climate adaptation throughout asset development. Leaving our lightest footprint and finding opportunities to replenish the resources that we use, will be imperative to future growth.



# ESR's Track Record

## GREEN BUILDINGS CERTIFICATION 2018-2020

More commitments are being made to attain increased certifications for our assets as ESR remains committed to sustainability.



### LEED Gold Certification, The U.S. Green Building Council

- Goyang Logistics Park, South Korea (2019)
- Suzhou Baojinyan Logistics Centre Phase I, China (2019)
- Bucheon Logistics Park, South Korea (2018)
- Linping Logistics Centre Phase I, China (2018)
- Yatomi Distribution Centre, Japan (2018)
- Zhejiang Yuhang Park Phase I, China (2018)



### CASBEE (Comprehensive Assessment System for Built Environment Efficiency) A

- Ichikawa Distribution Centre, Japan (2019)
- Nagoyaoda Distribution Centre, Japan (2019)
- Noda Distribution Centre, Japan (2019)
- Kuki Distribution Centre, Japan (2018)
- Nanko Distribution Centre II, Japan (2018)
- Yatomi Distribution Centre, Japan (2018)



### ABINC (Association for Business Innovation in harmony with Nature and Community) Certification (2018)

- Nanko Distribution Centre II, Japan Green Building Certificate, Korea Appraisal Board (2018)
- Bucheon Logistics Park, South Korea Energy Efficiency of Building, Korea Environmental Industry and Technology Institute (2018)
- Bucheon Logistics Park, South Korea



### GRESB (Global Real Estate Sustainability Benchmark) Developer Assessment (2020)

**South Korea**  
Ranked first in the following category: Developer, East Asia

**Japan**  
Ranked second in the following category: Developer, East Asia

**Japan**  
Ranked first in the following category: Development score within Industrial/Asia



### WELL Gold Certification, International WELL Building Institute (2019)

- Bucheon Logistics Park, South Korea



### 19th Rooftop/Wall Greening Technology Contest Organisation for Landscape and Urban Green Infrastructure (2020)

- ESR Ichikawa Distribution Centre (Chairman's Award), Japan



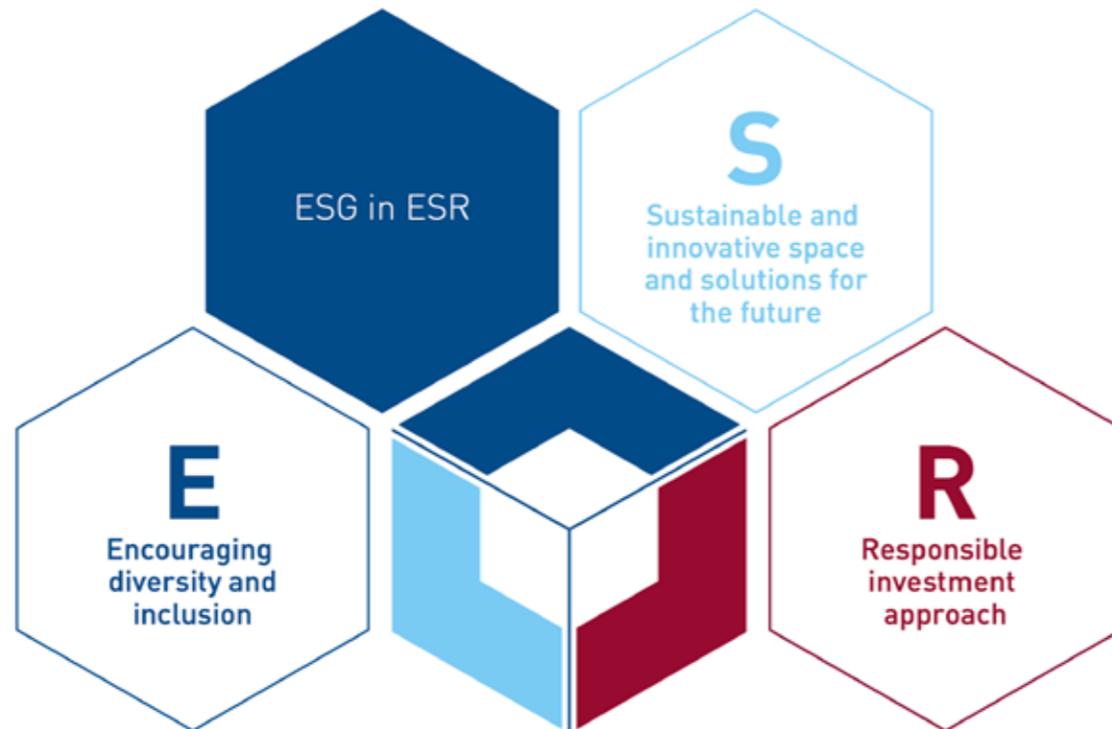
### 2018 British Business Awards, British Chamber of Commerce in Japan

- Social and Environmental Contribution Award (Japan)

# ESG Vision

OUR COMMITMENT TO ESG IS AT THE HEART OF OUR BUSINESS PRACTICES

Through our responsible investment approach and maintaining a strong focus on ESG, our objective is to enhance shareholder value while achieving positive impacts on society and the environment. At ESR, we believe a culture of strong corporate governance provides the foundation for sustained and balanced growth over the long term.



## Our Commitment



Provide best in class logistics facilities for the new economy.



Meet recognised sustainable design and construction standards to embrace smarter ways to reduce our environmental impact.



Provide an inclusive, safe and healthy working environment and promote the well-being of our people across our entire supply chain.



Enhance gender balance and empowerment of women in our workforce.



Engage proactively with our stakeholders, in particular our employees, tenants and suppliers in the areas of health and safety, sustainable procurement and resilience.



Facilitate opportunities to contribute positively to our local communities.



In the coming years, we plan to conduct an SDG mapping exercise to further align with the specific indicators and targets of each goal.

# ESR's ESG Framework

## A STRONG PROCESS OF MATERIALITY ASSESSMENT

Our focus areas depict the most important and material ESG issues that our stakeholders expect us to address and manage. We do so by balancing the needs of various markets across our key markets.



Under each pillar are the key areas we plan to focus on and further address over the next five years. While we recognise there are a number of them, we believe they are all impactful to our business and we have made headway with mapping and identifying baseline data for the most imminent and critical areas.



### Human Centric

As we strive to create a positive and supportive environment for our employees, customers, suppliers and communities, the idea of “human centricity” is integral to our business. Basic human needs are universal, and meeting those needs today while ensuring they can be met in the future is the cornerstone of sustainable development.

**Focus Areas Include:**

- Safety, Health & Wellbeing
- Diversity & Inclusion
- Community Investment
- Talent Attraction, Retention & Training
- Stakeholder Engagement



### Property Portfolio

We aim to develop and manage modern, state-of-the-art logistics facilities for the new economy. We see ourselves playing a clear role in modern-day commerce, driving the region beyond doing less harm and seizing opportunities to create a positive impact – doing good for the planet, people and business.

**Focus areas include:**

- Climate Change Resilience
- Sustainable & Efficient Operations
- Biodiversity & Habitat Protection
- Human-Centric Design, Flexible & Adaptable Properties, Strategic Locations
- Sustainable Building Certifications



### Corporate Performance

We embrace “long-termism” and believe a culture and practice of strong year-on-year corporate performance cements the foundation for sustained and balanced growth, resulting in stable and dependable returns.

**Focus areas include:**

- Financial Results
- Responsible Investing/Financing
- Corporate Governance
- Risk Management
- Disclosure & Reporting
- Investor Relations



### PILLAR 1

# Human Centric

We are committed to enhancing the workplace environment as we chart our way forward for continuous engagement with our stakeholders.



## FOCUS AREAS



### Safety, Health & Wellbeing

We commit to providing safe workplaces and promoting the holistic wellbeing of our people with due consideration for the importance of healthy work-life balance.

We work closely with our supply chain to ensure that employees of our contractors enjoy the same standards of protection as we expect for our own people. Our Supplier Code of Conduct is available [here](#).

We value what our employees have to say and will always ensure that their safety, health and wellbeing are central to our business decisions.



Safe working environment targeting **Zero Workforce Fatalities**



### Diversity & Inclusion

We are in the process of consolidating and strengthening our network as the Group continues its growth trajectory. We are committed to fostering workplaces that embrace diversity and are free from any and all discrimination.

**626**

employees across six markets and corporate headquarters

**62%** under the age of 40

**35%** female participation rate (share of women in the total workforce)



**35%**  
women



**65%**  
men

23% of Senior Executives being women



Gender ratio of **40/60 women/men by 2025** (from base year 2019)



### Community Investment

An important element of our corporate culture is giving back to the communities in which we operate.

In India, our initiatives focus include building sanitation facilities in nearby villages and schools and the establishment of small medical dispensaries.

ESR co-founded the Qin Charity Fund along with the Red Cross Foundation and other enterprises and individuals in 2016, and efforts include construction of classrooms with digital resources.



Development of a **Group-wide Community Engagement/ Foundation Programme**



### Talent Attraction, Retention & Training

Across the Group, we aspire to be an Employer of Choice:

- Fostering a culture of active learning
- Training programmes around ESG topics
- A clear path and process for career progression
- Total rewards and life insurance or contributions to retirement and social security schemes
- Employee engagement and feedback processes

Investing in tomorrow's leaders: ESR-REIT has in place a Bursary programme which offers financial support to cover tuition fees and book allowances for secondary and college-age students



Development and implementation of an **employee engagement programme** with action and monitoring plans (*In progress*)



### Stakeholder Engagement

We have established kids clubs in distribution centres exceeding 100,000 sqm, known as Barnklübbbs. The facilities are run by licensed day-care providers, offering convenient and high-quality services that are free-of-charge for employees of our tenants, helping our customers attract and retain talent while also increasing workforce productivity.



**6**

Day care centres

**650 children**

Daily Capacity



Development and implementation of a **tenant engagement programme** with action and monitoring plans (*In progress*)

## TARGETS



## PILLAR 2

# Property Portfolio

ESR demonstrates environmental stewardship by developing and maintaining sustainable and efficient buildings.



### FOCUS AREAS



## Sustainable & Efficient Operations

Across our operations, we focus on continuous improvement by always striving to do more with less.

50MW clean energy installed capacity in Japan through rooftop solar power initiatives

12 properties in Australia have installed energy-efficient lighting (23% of our portfolio by GFA)

With new developments, we plan to invest in LED lighting, comprehensive waste water and waste management systems, expansive green areas and rooftop solar panels when possible.



## Sustainable Building Certifications

We aim to take compliance one step further by obtaining globally recognised certifications for our buildings.

Bucheon Logistics Park is the first logistics facility in Asia Pacific to receive a WELL Gold certification.

ESR's Certified Green Buildings in 2019:

- 1 LEED Platinum
- 8 LEED Gold
- 2 LEED Silver
- 3 LEED Certified
- 9 NABERS
- 18 CASBEE "A"
- 2 Green Building (South Korea)
- 5 BCA Green Mark



## Climate Change Resilience

ESR supports the Paris Agreement and we are embarking on a climate impact study and taking the steps toward aligning with the four principles of the TCFD<sup>1</sup> framework.

We commit to communicating our progress of our physical risk assessment across our portfolio over the next five years.

ESR Australia has developed a climate risk assessment framework, which will be incorporated into our existing Environmental Management System to guide day-to-day asset and property management decisions.



## Flexible and Adaptable Properties

Our sites are designed with occupants in mind.

- Optimal space utilisation with large floor plates, high ceilings and wide column spacing
- Highly efficient loading and parking areas
- Secure storage with 24/7 surveillance
- Customisable features
- Active design features that provide accessibility and aesthetics
- Active transit provisions such as bike storage and shower facilities



## Strategic Locations

To optimise import and export logistics and domestic market distribution for our customers, our assets are strategically located in close proximity to established transportation networks. This has the important advantage of helping our customers reduce their environmental footprint from transporting workers and products.

### TARGETS



**50% increase in solar power generation by 2025** (from base year 2019)

**20% reduction in energy consumption across the group by 2025** (from base year 2019)



50% of ESR's portfolio to obtain **Sustainable Building Certifications by 2025**



Fully **compliant with TCFD by 2025** (In progress)



To have our buildings designed, constructed and maintained to **limit material degradation** (In progress)



**Focus on securing assets** in key strategic locations (In progress)



### PILLAR 3

# Corporate Performance

We live in a world where the rules governing business conduct are complex and becoming more demanding over time. To safeguard for the future, we put in place stringent measures to protect the reputation of the Group and everyone who works with us.



## FOCUS AREAS



### Responsible Investment

We are committed to act in the best long-term interests of our stakeholders and we incorporate ESG factors into all investment decision-making.

- 1. ESG Incorporation**  
Incorporate ESG risk management issues into investment analysis and decision making
- 2. ESG Stewardship**  
Seek disclosure on ESG issues by entities in which we invest



### Corporate Governance

ESR is built on a solid foundation of Core Values, which include Integrity & Respect.

**100%** of our employees receive training on Group and regional office policies and all are required to review and sign an agreement to our Code of Conduct and Business Ethics policies on an annual basis.

ESR's Group policies and guidelines set the tone and direction for a unified approach to Governance.



### Disclosure & Reporting

ESR has participated in GRESB since 2014. We have submitted our participation for GRESB 2020, covering eight unlisted portfolios in Australia, China, India, Japan and South Korea.

Our annual ESG report complies with relevant provisions from the Hong Kong Exchange Main Board Listing Rule 13.91 and ESG Reporting Guide. In line with international best practices, we also make references in line with the GRI Standards.



### Risk Management

We implemented a new online compliance management platform across our offices to allow automation and monitor performance.

In 2019, the Group and the funds that it manage undertook a third party risk assessment with a focus on Anti-Competitive Behaviour, Fraud, Money Laundering & Financial Irregularities, Corruption and Irregularities, Sanctions and Exclusions and Product Regulations.

## TARGETS



**US\$15 mil** in social investment to our local community foundation by 2030



Maintain a culture of **Strong Corporate Governance**



Obtain a **3 Star GRESB** rating average



Annual training to be provided to **100% of ESR's employees** (In progress)

# ESR's Five-year Roadmap

We continue to refine our strategy by evaluating our progress against our commitments. We are determined to progress and achieve our nine targets across our three pillars, thus we have outlined five strategies over the next five years to get us there.

## Develop and Embed Systems and Processes for the Long-Term

Integrate ESG considerations into all stages of the business cycle which include establishing data management systems, streamlining ESG data collection processes and developing policies while setting annual performance targets and reviews.

## Increase Engagement with the People that Matter Most

Implement engagement programmes to promote health & well-being to provide all our stakeholders with a positive and supportive environment. We will measure our impact with the hopes of creating a culture of community service and promote harmony with the community.

## Plan and Adapt for Change

Conduct regular ESG risk assessments in building safety, energy efficiency, indoor environmental quality and waste and water management.

In Australia, we use a climate risk model to inform our buy or sell decisions and for the rest of the region, we are embarking on a wwclimate impact study to shape the Group's approach to climate adaptation.

## Foster A Culture of Active Learning

Encourage employees to progress on continuous learning with annual ESG training for all employees. This will pave the way for streamlined systems and efficient processes, creating a more resilient workforce for the future.

## Consistent Reporting with Transparency

Plan to progress in our reporting each year, with honesty and transparency. We will look to produce a GRI adopted ESG report by 2022, improve our GRESB score and participate at a corporate level and become a signatory of the Principles of Responsible Investment (PRI) by 2024.

# 2025 ESG Targets



## Human Centric



Safe working environment targeting  
**Zero Workforce Fatalities**



Gender ratio of  
**40/60 women/men**  
(from base year 2019)



Development of community  
engagement/foundation programme



## Property Portfolio



**50% increase**  
in solar power generation  
(from base year 2019)



Sustainable building certifications  
for **50% of ESR's portfolio**



**20% reduction**  
in energy consumption **across the**  
**Group** (from base year 2019)



## Corporate Performance



Achieve a **3 Star GRESB**  
rating average



Maintain a culture of strong  
corporate performance



**US\$15 mil in Social**  
**Investment Programme**  
to our local community foundation  
**by 2030**



# Thank You

FOR MORE INFORMATION ON ESR'S ESG JOURNEY,  
PLEASE REFER TO OUR ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2019.

FOR ESG RELATED ENQUIRIES, PLEASE CONTACT [ESG@ESR.COM](mailto:ESG@ESR.COM)

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