



**DELIVERING
SUSTAINABLE
GROWTH**





LAYING FOUNDATIONS FOR THE NEXT PHASE OF GROWTH

BHG Retail REIT endeavours to deliver sustainable growth via both organic and acquisition growth. We remain focused on pursuing potential DPU yield-accretive acquisition opportunities, through both Right of First Refusal ("ROFR"), as well as third-party properties.

SUSTAINABILITY REPORT INTRODUCTION

ABOUT BHG RETAIL REIT

BHG Retail REIT, which was listed on Singapore Stock Exchange in 2015, is Singapore's first pure-play China retail REIT sponsored by a China-based group. The REIT is managed by BHG Retail Trust Management Pte. Ltd. (the "REIT Manager") which is based in Singapore. Accordingly, our significant operations span between Singapore and China at the moment, with the company headquartered in Singapore.

The REIT Manager is an indirect wholly-owned subsidiary of Beijing Hualian Department Store Co., Ltd. (北京华联商厦股份有限公司) (the "Sponsor"). The Sponsor and Beijing Hualian Hypermarket Co., Ltd are part of Beijing Hualian Group Investment Holding Co., Ltd. (北京华联集团投资控股有限公司), one of China's largest retail enterprises with more than 20 years of retail operating experience.

All of our malls are located in high population density areas frequented by growing middle class professionals and families. Designed as lifestyle destinations, each multi-tenanted mall features a compelling mix of shopping, dining, education and entertainment establishments.

There are five Singapore Holding Companies, one holding a 60.0% interest in a PRC Holding Company and the remaining four each holding 100.0% equity interest in the relevant PRC Holding Companies. There are five PRC Holding Companies, each holding one Property. We believe in providing services that excel in quality and comfort, together with operating a business that is both environmentally sustainable and socially responsible. [\[G4-3, G4-4, G4-5, G4-6, G4-7, G4-8\]](#)

VISION

A successful and sustainable real estate investment trust with a portfolio of quality, income-producing retail properties that are well-managed.

MISSION

To deliver regular and stable distributions to our unitholders; creating value by enhancing our properties through asset management strategies and expanding our portfolio through yield-accretive acquisitions, while working to contribute to the communities we operate in.

ABOUT THIS REPORT

This is our inaugural sustainability report which has been prepared in accordance with the Global Reporting Initiative ("GRI") G4 Guidelines: Core option, the international standard for sustainability reporting.

This report aims to disclose our environmental, social and governance ("ESG") performance against the issues that are considered most material to the stakeholders – which include investors, suppliers, regulators, management and employees. We prepare this report annually to inform our stakeholders of the initiatives and strategies related to sustainability.

We have not sought external assurance for this report. However, we intend to seek external assurance for future sustainability reports.

[\[G4-30, G4-32, G4-33\]](#)

REPORTING SCOPE AND BOUNDARIES

This report covers the sustainability performance of our operations in Singapore and the People's Republic of China ("PRC") for the financial year 2017. All data and activities reported were from 1 January 2017 to 31 December 2017, unless stated otherwise.

As we operate as a REIT, we refer to the activities and performance of the REIT Manager when discussing employee-related performance.

Environmental data disclosed the sustainability report covers the multi-tenanted properties of the REIT.

The content of this report was defined by the four reporting principles established by GRI G4 Guidelines: Stakeholder Inclusiveness, Sustainability Context, Materiality and Completeness.

Stakeholder Inclusiveness principle was implemented in determining the report context through the stakeholder engagement and materiality assessment workshop conducted in June 2017. The workshop was conducted to understand the reasonable expectations as well as interests of our stakeholders.

Sustainability Context principle was implemented in determining the report context which covered the ESG aspects.

Materiality principle was implemented in determining the report context through the stakeholder engagement and materiality assessment workshop. Internal and external factors that were considered when assessing whether a topic is material.

Completeness principle was implemented by examining specific and material topics to check the data availability and determination of the topics' boundaries.

[G4-18, G4-28]

SUSTAINABILITY ACROSS OUR SUPPLY CHAIN

BHG Retail REIT and the Manager are committed to ensuring appropriate risk management procedures for outsourcing across our supply chain.

[G4-12]

SUSTAINABILITY AT BHG RETAIL REIT

BHG Retail REIT manages its sustainability through relevant policies, programmes and operating procedures. There is an established Enterprise Risk Management ("ERM") Framework that informs the decision-making of all employees at BHG Retail REIT. It is a risk-based management approach that is integral to our business and culture.

Precautionary approach is adopted in our business to manage any unforeseen circumstances that may interrupt the business – such as natural disasters, fire hazards and equipment failures. Each portfolio property has implemented recovery plans, which are tested at intervals throughout the year. The REIT Manager has also set proactive initiatives to ensure maintenance of the premises and equipment within each portfolio property.

The REIT Manager is required to observe multiple laws and regulations to keep track of any compliance breaches. In ensuring that all laws and regulations are followed, the REIT Manager has implemented corporate policies and procedures to provide clear instructions for all staff to abide by. Furthermore, the REIT Manager ensures that all employees are aware of the latest developments in the law through training, seminars and briefings conducted by professionals.

Following the listing of the REIT in December 2015, we have determined that the ERM Framework will be reviewed every two years. The ERM Framework will also

be reviewed and updated in the event of changes in regulations, country of operations, nature of business or any other event which would affect the REIT and the Manager.

The Chief Executive Officer ("CEO") and Compliance Manager, under the oversight of the Board, work together to manage sustainability matters within the REIT.

[G4-14, G4-34]

Introducing sustainability into the supply chain is considered a vital part of the business. Where possible, the Manager and service providers are taking actions to incorporate environmentally-friendly equipment and other green features to enhance the value of the asset.

Our vendors, suppliers and service providers are being assessed regularly with a risk-based approach. As such, due diligence checks are performed in line with Monetary Authority of Singapore ("MAS") guidelines before or during the course of engagement.

[G4-12]

CONTACT US

For questions or to deliver feedback about this report, please contact:

Compliance Manager
Melvyn Alexander Lee
 BHG Retail Trust Management Pte. Ltd.
 100 Beach Road, Shaw Tower #25-11
 Singapore 189702

Tel.: (65) 6805 8276
 Fax: (65) 6805 8277
 E-mail: melvyn.lee@bhgreit.com

[G4-31]

SUSTAINABILITY REPORT INTRODUCTION

EXTERNAL CHARTERS AND PRINCIPLES

As an entity regulated by the Securities and Futures Act (Cap 289) ("SFA"), the Code on Collective Investment Schemes ("CIS Code"), the Listing Manual of Singapore Exchange Securities Trading Limited (the "SGX-ST") (the "Listing Manual"), and other regulations, the Manager is committed to upholding good standards of corporate governance at BHG Retail REIT.

The Board of Directors (the "Board") of the Manager has ensured that corporate governance practices are in line with the Code of Corporate Governance 2012 (the "2012 Code"). The Manager has further ensured that it remains in compliance with the other regulations, notices, circulars and guidelines that may be released by MAS from time to time.

Ms Chan Iz-Lynn, the CEO of the REIT, is a member of the China Leadership Board of the International Council of Shopping Centres. BHG Retail REIT also holds membership in the Singapore Business Federation and the REIT's management holds membership of the Investor Relations Professionals Association (Singapore). [G4-15, G4-16]

AWARDS

We are proud to report that our business has been recognised for its high standard and performance in the Asia Pacific region. The Asia Pacific Best of the Breed REITs Awards recognises companies and managers with the highest standards and performance in the Asia Pacific REITs sector. BHG Retail REIT has won the Bronze Award in Retail REITs Category in 2017.

The winners of the awards are evaluated based on:

- Financial performance
- Market performance
- Corporate governance
- Quality of underlying assets
- Quality of REIT Manager
- Adequacy of risk management policies and methodology
- Sustainability of performance over the long term

Despite being newly listed, the REIT has also achieved a respectable ranking in the Governance Index for Trusts ("GIFT"), an inaugural corporate governance ranking for Singapore-listed REITs and business trusts. The index was published in June 2017, by Associate Professor Mak Yuen Teen and Chew Yi Hong, and is supported by CPA Australia. The index was noted and reported by the Business Times in Singapore. The REIT was ranked 17th out of 43 REITs and business trusts, which indicates confidence in our corporate governance practices.



Figure 1: Associations where BHG Retail REIT and Management hold Membership

SUSTAINABILITY REPORT

BOARD STATEMENT



Mr Francis Siu Wai Keung, Chairman

BHG Retail REIT strongly believes that sustainability is integral to our business in achieving long-lasting commercial success. We have embarked on the journey by looking at our responsibility for the ESG issues to create a sustainable future for the organisation, the stakeholders and the society. To manage our stakeholder engagement, we cultivate relationships through regular and systematically planned meetings.

We recognise the importance of attracting, developing and retaining a high quality workforce to ensure the long-term success of its business. We have invested in employee trainings to provide updates on regulatory compliance matters. In 2017, all employees attended trainings as part of their overall learning and development, with management and executives clocking an average of at least 30 training hours in that year.

Corporate governance is at the centre of our business in achieving sustainability goals. We uphold the belief that good corporate governance is essential in building a sound organisation and operating in an ethical environment, thereby protecting the interests of all stakeholders.

We strive to put in place a robust governance framework to maintain integrity, transparency, accountability and discipline in all of our business activities.

For our efforts, we have gained recognition in the region. We have recently won the Bronze Award in Retail REITs Category for the Asia Pacific Best of the Breed REITs Awards 2017 that recognises companies and managers of their highest standards and performance.

We will make efforts to improve the overall sustainability performance across our property portfolio, as well as extend our communication approach to all stakeholders. Looking ahead, we will progressively include more metrics and quantitative targets to measure our sustainability performance – with the ultimate goal to build a sustainable business for the future.

[\[G4-1, G4-13\]](#)

Mr Francis Siu Wai Keung
Chairman

SUSTAINABILITY REPORT

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

STAKEHOLDER ENGAGEMENT

BHG Retail REIT recognises that stakeholders play an important strategic role in maintaining the company's long-term growth as well as responsible business development in ESG aspects.

Our business activities involve a diverse range of stakeholders, but we have identified stakeholders who are instrumental to the success of our business and have the ability to influence our sustainability performance.

The stakeholders include investors, suppliers, regulators, management and employees.

We communicate regularly with our stakeholders by providing an open and transparent channels for their concerns, reviewing and considering those concerns, as well as responding in a timely manner.

The table below shows our relationship and interaction with stakeholders during the financial year 2017. [\[G4-24, G4-25, G4-26, G4-27\]](#)

Table 1: Stakeholder Engagement

STAKEHOLDERS	MODE OF ENGAGEMENT	TOP SUSTAINABILITY CONCERNS/ISSUES
Investors	<ul style="list-style-type: none"> Annual General Meeting (AGM) Analyst Meetings 	<ul style="list-style-type: none"> Economic Performance Anti-Corruption Customer Health and Safety
Suppliers	<ul style="list-style-type: none"> Supplier performance feedback 	<ul style="list-style-type: none"> Economic Performance Procurement practice Customer Privacy
Regulators	<ul style="list-style-type: none"> Electronic communications 	<ul style="list-style-type: none"> Market Presence Training and Education Anti-Corruption Compliance Customer Privacy
Management	<ul style="list-style-type: none"> Board meetings Management meetings 	<ul style="list-style-type: none"> Economic Performance Employment Training and Education Compliance
Employees	<ul style="list-style-type: none"> Performance appraisals Staff meetings One-to-one engagement 	<ul style="list-style-type: none"> Occupational Health and Safety Training and Education Equal Remuneration for Women and Men

MATERIALITY ASSESSMENT

The materiality assessment process was conducted based on a three-step approach to identify the material Environment, Social and Governance ("ESG") factors:

1. Identification of ESG factors;
2. Prioritisation of ESG factors;
3. Validation of ESG factors:

Identification of ESG factors was performed by distributing the survey forms to the respective stakeholders to gather their concerns and inputs with regards to these factors.

Prioritisation of ESG factors was performed during the Stakeholder Engagement and Materiality Assessment Workshop ("Workshop") conducted in June 2017. During the Workshop, we reviewed the ESG factors raised by respective stakeholders by evaluating the importance of information for reflecting significant economic, environmental, and/or social impacts, as well as for stakeholders' decision making.

Validation of ESG factors was performed by the management of BHG Retail REIT to review and endorse the results consolidated from the workshop.

The materiality assessment process was concluded with six ESG factors being identified as material. Four of these ESG factors were considered as top priorities in this sustainability report. The other two ESG factors which

are classified as emerging priorities, will be covered in greater detail in our future reports. [\[G4-18\]](#)

MATERIAL ASPECTS AND INDICATORS IDENTIFIED

Table 2: List of Identified ESG Factors

TOP PRIORITIES	
G4-EC1	Direct economic value generated and distributed
G4-EC6	Senior management hired from the local community
G4-LA9	Average hours of training per year per employee by gender, and by employee category.
G4-LA11	Percentage of employees receiving regular performance and career development review, by gender and by employee category.
EMERGING PRIORITIES	
G4-EN3	Energy consumption within the organisation
G4-EN8	Total water withdrawal by source

This sustainability report will be focusing on ESG factors classified as top priorities. ESG factors classified as emerging priorities will be covered in our future reports.

[\[G4-19, G4-20\]](#)

Table 3: List of Material Aspects

CATEGORY	MATERIAL ASPECTS	LIST OF INDICATORS	ASPECT BOUNDARY
Economic	Economic Performance	G4-EC1: Direct economic value generated and distributed	Within organisation
Economic	Market Presence	G4-EC6: Senior management hired from the local community	Within organisation
Social: Labour Practices and Decent Work	Training & Education	G4-LA9: Average hours of training per year per employee by gender, and by employee category	Within organisation
Social: Labour Practices and Decent Work	Training & Education	G4-LA11: Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Within organisation

[\[G4-18, G4-19, G4-20\]](#)

SUSTAINABILITY REPORT

PEOPLE

OUR APPROACH

BHG Retail REIT has a total of nine employees (three males and six females), all of whom are permanent staff based in Singapore.

[G4-9, G4-10, G4-EC6]

At BHG Retail REIT, we strongly value the importance of our employees. Through our internal talent management process, we ensure that there is succession planning for important positions within the organisation.

Strong emphasis is placed on continual training and education to drive staff performance and enhance professional skillsets. We continue to invest in our employees through courses and on-the-job training. Throughout 2017, subject matter experts from well-known organisations have been invited to our office to conduct training for.

We provide refreshers and updates on regulatory compliance matters over the year to mitigate risk of compliance breaches. All these activities were carried out to ensure that employees remain updated with relevant developments and adhere to the laws, regulations, and all applicable internal company policies.

[G4-DMA]

CAREER DEVELOPMENT AND PERFORMANCE REVIEWS

We believe that personal development of individual employees will help enhance and develop human capital within the organisation. Hence, employee performance reviews and career development are considered of utmost importance within the firm.

BHG Retail REIT's internal talent management process assesses the development of our employees and reviews our training programmes and courses. This is to ensure that the areas of strength and development of key personnels are identified and concurrent plans for employee skill enhancement are drawn up.

[G4-LA11]

Our performance:

In 2017, all of our employees have received regular performance and career development review.

In future, we aim to consistently achieve 100 percent of regular performance and career development review for our employees.



TRAINING AND EDUCATION

All staff attended relevant training as part of their overall learning and development.

In 2017, BHG Retail REIT achieved a total of 328 hours of training for all employees. We ensure easy access to training for both genders, across all job profiles, highlighting the effort to also improve diversity in the workplace. In 2017, our three male employees received 102 hours of training and our six female employees received 226 hours of training respectively.

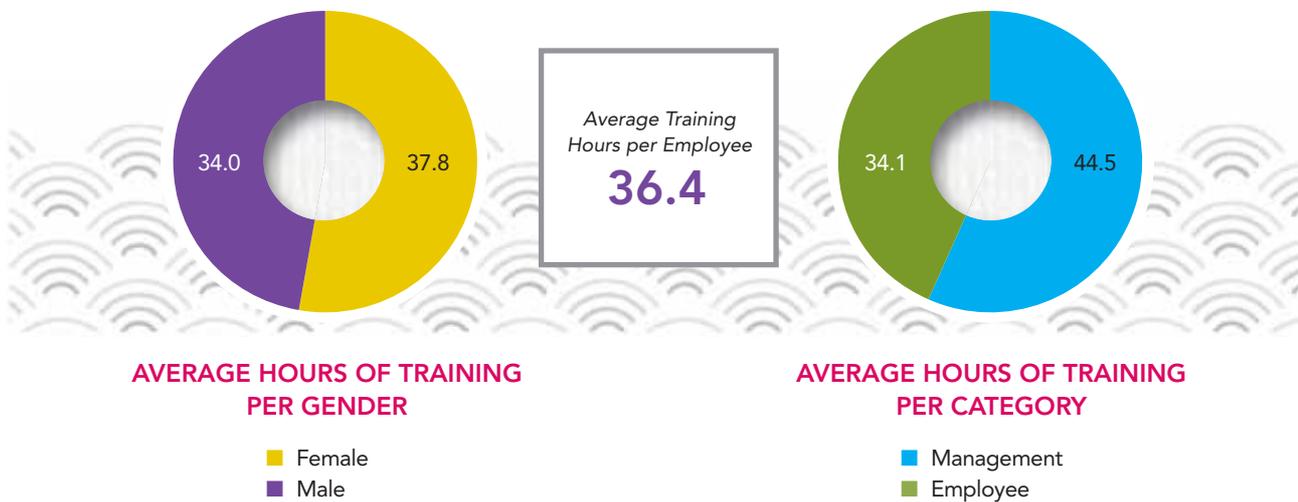
The Manager also recognises that people contribute largely to the success of the business. In 2017, the total hours of training received by management was 89 hours and total hours of training received by employees was 239 hours.

The topics of training include, but are not limited to, compliance, financing, risk governance, enterprise risk management (ERM) and property management.

In future, we aim to consistently meet our internal target for Continuing Professional Development (CPD) training. *[G4-LA9]*

Our performance:

In 2017, management and executives have each achieved at least 30 hours of CPD training. We have thus met our internal target for the number of CPD training hours.



SUSTAINABILITY REPORT

ENVIRONMENT

OUR APPROACH

We are conscious of how our business impacts the environment. The built environment accounts for a large proportion of energy and water usage. These are material issues that were identified as part of our growing business which require our immediate attention. Therefore, we are committed to identify, manage and reduce the environmental impacts of our operations.

To track our environmental performance, we have put in place a system to track and monitor our energy and water consumption across our three malls in Beijing, Chengdu and Hefei for reporting.

ENERGY

For energy usage, we seek continuous improvement in energy efficiency by investing in innovative and practical solutions to mitigate our environmental impacts. Where possible, we take the opportunity to review and improve the practices throughout the life-cycle of our buildings. Our initiatives in good energy management include reducing excessive lighting and air-conditioning to minimise usage of cooling towers during low loading periods for air-conditioning.

WATER

For water usage, we take several initiatives to track our water usage to conserve the resource and prevent wastage. Initiatives such as utilising water-efficient flushing cisterns, installing motion sensor water faucets and reducing the tap flow rate are in place to manage our water consumption.

Highlight of 2018 targets include:



Energy

- Installing energy-efficient lighting and equipment in pathway, car park, and store units within premise and for landscaping
- Selecting compressor units based on the weather conditions to improve usage rate
- Utilising the auto-illumination system and light-emitting diode (LED) lightings



Water

- Reducing water consumption in toilets to a reasonably low level by adjusting the water discharge
- Monitoring the water usage in our properties on a monthly basis to identify sudden spikes in consumption as well as water leakage in the piping system

SUSTAINABILITY REPORT CORPORATE SOCIAL RESPONSIBILITY

BHG Retail REIT strives to give back to society by actively engaging the community that it operates in.

BEIJING WANLIU MALL

April 2017 – Green Ride

Beijing Wanliu Mall organised ‘Green Ride’ on 15th April 2017, to advocate for a low-carbon lifestyle.



May 2017 – Flea Market

Beijing Wanliu Mall hosted a flea market to raise funds for its beneficiaries. At the same time, the event was an opportunity to foster kindness in young children.



June 2017 – Public Service Newspaper Selling Charity

Beijing Wanliu Mall hosted a public service newspaper selling charity event to raise funds for its beneficiaries. At the same time, the event was an opportunity to foster kindness in young children.



CHENGDU KONGGANG MALL

April 2017 – Care for Autistic Kids

In collaboration with public service community, Chengdu Konggang Mall hosted a “Care for Autistic Kids” charity to increase awareness on Autism Spectrum Disorder (“ASD”).



SUSTAINABILITY REPORT

CORPORATE SOCIAL RESPONSIBILITY

May 2017 – Floristry Experience Event

Chengdu Konggang Mall hosted a floristry experience event to increase awareness on environmental friendliness as well as to promote floristry to the public.



September 2017 – Free Lunch

Chengdu Konggang Mall hosted a free lunch for children from low income families.



August 2017 – Support Victims of Jiuzhaigou's Earthquake

Chengdu Konggang Mall provided support by donating daily necessities to victims who suffered from Jiuzhaigou's earthquake disaster.



HEFEI MENGCHENGLU MALL

January 2017 – Cultural Festival

In conjunction with the Chinese Lunar New Year, Hefei Mengchenglu Mall organized a Cultural Festival – presenting a variety of traditional Chinese culture and art activities to the younger generation.



April 2017 – Kindness Flea Market

Hefei Mengchenglu Mall hosted a kindness flea market charity to foster kindness in young children.



July 2017 – Little Dentist Event

Hefei Mengchenglu Mall hosted a “Little Dentist” event to promote and increase awareness on oral hygiene among the young generation.



June 2017 – Summer Community Event

As part of our efforts to engage the community, Hefei Mengchenglu Mall provided a venue in its mall for the prize giving ceremony of a college in Hefei.



January 2018 – Willing Hearts Soup Kitchen

REIT Manager prepared and distributed food at Willing Hearts Soup Kitchen.



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